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DRUGS & PHARMACEUTICALS LIMITED

**20th Annual Report
2009 - 2010**

BOARD OF DIRECTORS

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

Managing Director
Chairman
Director
Director
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

Atul Dave & Co.
A-212, Parmar Trade Centre,
Sadhu Vaswani Circle,
Pune-411 001.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE MEMBERS OF AAREY DRUGS & PHARMACEUTICALS LIMITED WILL BE HELD ON 30th September, 2010 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 2010 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. Jagdish K. Shah, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. Chetan K Mehta, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint M/s Atul Dave and Company, 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 appoint Mr. Mihir Ghatalia as Managing Director of the Company

“**RESOLVED THAT** pursuant to Section 198, 269, read with Schedule XIII, 309, 310 and 314 or any other applicable provision of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being force) subject to the approval of the Central Government consent of the shareholders be hereby accorded for the appointment Mr. Mihir R Ghatalia as Managing Director of the Company with effect from 29th December, 2009 to 30th December, 2012 for a period of 3 years and that he be paid remuneration by way of Salary of Rs. 25,000 per month on such terms and conditions as approved by the Board and mentioned in the draft of the agreement placed before the meeting duly initialed by Mr. Lalit R. Tulsiani Whole Time- Director of the Company, for the purpose of Identification and on the such terms, conditions and remuneration mention in the draft agreement.

FURTHER RESOLVED THAT any Director of the Company be and is hereby authorised to sign and submit the necessary Forms with the Registrar of Companies, Maharashtra.”

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

Mihir R. Ghatalia,
Managing Director

REGISTERED OFFICE :

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

Place : Mumbai

Date : 27th August, 2010

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 25th September 2010 to 30th September 2010 (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 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. Jagdish K. Shah
2	Age	56 Years
3	Date of Appointment	31/01/2005
4	Expertise in specific	Marketing
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

Item No 3

1	NAME OF DIRECTOR	Mr. Chetan Mehta
2	Age	42 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

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, TARAUR,
BOISAR, DIST.THANA

Place : Mumbai

Date : 27th August, 2010

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

Item No. 5

At the Board Meeting held on 29th December 2009, Board of Directors had approved the appointment Mr. Mihir R Ghatalia as Managing Director of the Company with effect from 29th December, 2009 to 30th December, 2012 for a period of 3 years at a remuneration by way of Salary of Rs. 25,000 per month on the terms and condition stated under the relative resolution placed at the said Board Meeting.

Mr. Mihir Ghatalia is Chemical Engineer from USA and has wide experience in the Chemical Industry. By seeing his services, experience and the contributions made by him towards the Company it has been decided to appoint him as a Managing Director of the Company for a further period of 3years. The Directors recommend the Resolution for the approval of the members.

None of the Directors except Mr. Mihir R Ghatalia are interested or concerned in the said Resolution.

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

Mihir R. Ghatalia
Managing Director

REGISTERED OFFICE :

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

Place : Mumbai

Date : 27th August, 2010

DIRECTORS REPORT

To,

The Shareholders,

Your Directors have pleasure in presenting the Twentieth Annual Report together with Audited Accounts for the year-ended 31st March, 2010.

FINANCIAL RESULTS:

Particular	31 st March 2010	31 st March, 2009
Income	466466632.00	275682698.21
Expenditure	456955200.39	266570478.06
(Loss)/ Profit Before Exceptional Item & Tax	9511431.61	9112220.15
Profit Before Tax	9511431.61	9118609.88
(Less)/ Add: Balance Brought Forward From Previous Year	31970732.23	24235226.35
Balance Carried To Balance Sheet	40075766.84	31970732.23

The Board of Directors has already under proceeds issuing 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 or such other price as may be decided by the board.

REVIEW OF OPERATIONS & FUTURE OULOOK

- 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 March2011 This will add to profitability of company.
- 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'2011. Appx. Rs. 160 lakhs required will be invested through internal accruals & from bank/financial institution.
- EXPANDING PRODUCT BASKET** : Company plans to add new products i.e. Tinidazole and Glyoxal. Which ill commence production by June'2011. 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, 2010.

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. Jagdish K. Shah & Mr. Chetan K. Mehta 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,2010, 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,2010 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,2010 have been prepared on a "going concern basis"

AUDITORS

M/s. Atul Dave & Company, Chartered Accountants,Pune 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 : 27th August, 2010

ANNEXURE TO DIRECTOR'S REPORT

ANNEXURE-"I"

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION 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 grindability has been maintained.

B. POWER AND FUEL CONSUMPTION :

Particulars	2009-2010	2008-2009
(i) Electricity Purchased:		
Units (KWH)	—	14339
Total Amount (Rs.)		91064.00
Rate / Unit (Rs.)		6.35
(ii) Own generation		
a) Through diesel generator Unit	—	—
Units per ltr. Of diesel oil		
Cost / Unit		
b) Through steam turbine/generator		
Unit	757580	789180
Units per ltr. Of fuel oil / gas	7.01	7.40
Cost / Unit	4.00	4.00
(iii) Coal		
Quantity (tones)	—	—
Total Cost		
Average rate		
(iv) Furnance Oil / Diesel		
Quantity (k.ltrs.)	108000	107080
Total Amount (Rs.)	3030320	3156720
Average rate (Rs.)	28.05	29.50
(v) Others/internal generation		
Quantity	—	—
Total cost		
Rate / unit		

	Quantity (in MTS)	Quantity (in MTS)
C. ACTUAL PRODUCTION :		
Production of industrial solvents & Thinner	22.50	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 :	2009-2010 (Rs.)	2008-2009 (Rs.)
a) Capital	—	—
b) Recurring	—	—
Total		
c) Total R&D Expenditure as a Percentage of total turnover		
E. TECHNOLOGY, ABSORPTION, ADAPTION AND INNOVATION :		
	2009-2010 (Rs.)	2008-2009 (Rs.)
a) Efforts, in brief, made towards technology Absorption, adaption and innovation		
b) Benefits derived as a result of the above	—	—
	2009-2010 (Rs.)	2008-2009 (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		
F. FOREIGN EXCHANGE EARNINGS AND OUTGO :	2009-2010 (Rs.)	2008-2009 (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 : 27th August, 2010

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.4650 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.2665.70 lacs to Rs.4569.55 lacs.

The paid-up equity share capital stood at Rs.500 lacs. The Earnings Per Share were Rs.1.62. 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.437.41 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 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.

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 builds 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 emphasis that the Chairman and the Board of Directors are your fiduciaries and trustee's engaged in pushing the business forward and maximizing the value for you, the shareholders.

CORPORATE GOVERNANCE

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

The report on Corporate Governance is divided in to five parts

1. Board of Directors
2. Committees of the Board
3. Disclosure
4. Means of Communication
5. Shareholder Information

I BOARD OF DIRECTORS

A. The details of the Board of Directors of the Company. Meeting held and attendance of the Directors are given below:

Name of Directors	Designation	Directorship in 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	Chairman & Managing Director	Nil	Nil	Nil
Mr. Satish M. Sheth	Non-Executive-Independent	Nil	Nil	Nil
Mr. Jagdish K. Shah	Non-Executive-Independent	Nil	Nil	Nil
Mr. Chetan K.Mehta	Non-Executive-Independent	Nil	Nil	Nil

*Resigned from Directorship w.e.f 29.12.2009

**Appointed as Managing Director w.e.f. 29.12.2009

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/Investor Grievance Committees) in excess of 5

B. REVIEW OF THE BOARD

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

- Strategy and Business Plans
- Annual Operating and Capital Expenditure Budgets
- Investments and Exposures 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
- Transactions 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 agenda for the meeting with detailed review of all aspects of the Company business, including Performance of the Company, Employee relations, details of Investments, 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. Nine Board Meetings were held during the year on 29/04/2009, 30/07/2009, 29/08/2009, 30/10/2009, 17/12/2009, 29/12/2009, 20/01/2010, 29/01/2010 and 17/03/2010.

Name of the Directors	No. of Board Meetings Held	No. of Board Meeting	Attended Attendance at last A.G.M.
*Mr. Rajesh P. Ghatalia	9	6	Yes
Mr. Lalit R. Tulsiani	9	9	Yes
**Mr. Mihir R. Ghatalia	9	3	Yes
Mr. Satish M. Sheth	9	7	Yes
Mr. Jagdish K. Shah	9	9	Yes
Mr. Chetan K.Mehta	9	9	Yes

*Resigned from Directorship w.e.f 29.12.2009

**Appointed as Managing Director w.e.f. 29.12.2009

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 Members	Category	Designation	No. of meeting attended
Mr. Rajesh Ghatalia	Managing Director	Chairman	4
Mr. Satish M. Sheth	Non-Executive- Independent	Director	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 system, the scope of audit including 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.

- To review the Company's Financial and Risk Management Policies and discuss with the Internal Auditors.
- To follow-up significant finding thereon.
- To review the quarterly and annual financial statements before submission to the Board of Directors.

During the financial year the Audit Committee met **Four {4}** times on 29/04/2009, 30/07/2009, 30/10/2009 & 29/08/2009.

B REMUNERATION COMMITTEE

Remuneration Committee reviews and approves the annual salaries, performance commission, service agreements and other employment conditions for Executive Directors. The Composition of the Remuneration Committee is as under.

Name of Members	Category	Designation
Mr. Rajesh P. Ghatalia	Managing Director	Chairman
Mr. Mihir R. Ghatalia	Managing Director	Chairman
Mr. Satish M. Sheth	Non-Executive- Independent	Member
Mr. Jagdish K. Shah	Non-Executive- Independent	Member

Remuneration to Managing Director and Non Executive Director:

Name of Directors	Designation	Salary	Perquisite	Total (Rs.)	Service Contract
Mr. Rajesh P. Ghatalia	Chairman & Managing Director	1,35,000	2,98,569.18	4,33,569.18	5 Years w.e.f. 01/04/2005 to 31/03/2010
Mr. Mihir R. Ghatalia	Chairman & Managing Director	75,000	1,65,840.82	2,40,840.82	3 Years w.e.f. 29/12/2009 to 30/12/2012

C. SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

- a. The Committee comprises of the following members

Name of the Director	Category	Designation
Mr. Mihir R. Ghatalia	Chairman & Managing Director	Chairman
Mr. Lalit R. Tulsiani	Whole time Director	Member
Mr. Satish M. Sheth	Non-Executive- Independent	Member
Mr. Jagdish K. Shah	Non-Executive- Independent	Member

- b. Name & Designation of Compliance Officer:

Mr. Pawan Kumar Jain
A801, Bhagwati Complex,
Plot No. 12, Sector 9,
Ghansoli, Navi Mumbai
Mumbai - 400701.
Tel/ Fax No: 022-23455543

- c. Number of Shareholder Complaints received so far:

Nil

- d. Number of Complaints not solved to satisfaction:

Nil

- e. Number of pending complaints:

NIL

GENERAL BODY MEETINGS

Location and time of General Meetings held in last three years.

Year	AGM/ EOGM	Date	Time	Venue	Special Resolutions
2008-09	AGM	30/09/09	09.30 A.M	E-34, MIDC, Tarapur, Boisar, Thana - 401506	NO
2007-08	AGM	30/09/08	09.30 A.M	E-34, MIDC, Tarapur, Boisar, Thana - 401506	NO
2006-07	AGM	29/09/07	10.00 A.M	E-34, MIDC, Tarapur, Boisar, Thana - 401506	NO

of the above meetings. At the ensuing AGM there are no resolution proposed to be passed through postal ballot.

III DISCLOSURE

- a. There were no materially significant related party transactions with the promoters, Directors etc that may have potential conflicts with the interest of the company at large.
- b. There were no pecuniary relationships or transactions of Non Executive Directors vis- a- vis the Company.

IV MEANS OF COMMUNICATION

The Annual and Quarterly results are submitted to the Stock Exchanges in accordance with the Listing Agreement.

V SHAREHOLDERS INFORMATION
1. ANNUAL GENERAL MEETING

- Date & Time : 30th September, 2010 at 9.30 a.m
 - Venue : E-34, MIDC, Tarapur, Boisar
Thana - 401506
2. **Book Closure Date** : 25 September,2010 to
30 September,2010 (both days inclusive)
 3. **Registered Office** : E-34, MIDC, Tarapur, Boisar
Thana - 401506
 4. **Equity Shares Listed** : The Bombay Stock Exchange Limited
The Stock Exchange, Ahmedabad
The Stock Exchange, Delhi

5. Stock Price Data & ISIN No :

The monthly high and low shares prices during the year at BSE are as under

MONTH	HIGH	LOW
April -2009	39.80	29.50
May -2009	43.80	34.65
June -2009	40.70	32.50
July-2009	51.50	33.80
August-2009	52.30	40.00
September-2009	48.00	40.75
October-2009	52.00	40.25
November-2009	51.10	40.50
December-2009	49.80	41.90
January-2010	61.00	41.55
February-2010	47.40	25.40
March-2010	40.65	28.60

ISIN NO : **INE198401019**

6. **Registrar & Transfer Agents** : **LINK INTIME INDIA PVT LTD.**
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West),
Mumbai 400078

7. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010

No. of Equity Shares held	SHAREHOLDERS		SHARES AMOUNT (Rs.)	
	NOS	%	NOS	%
1 - 500	6937	88.5500	1108072	22.1600
501 - 1000	525	6.7020	437727	8.7540
1001 - 2000	209	2.6680	329298	6.5850
2001 - 3000	69	0.8810	177596	3.5520
3001 - 4000	23	0.2940	84540	1.6910
4001 - 5000	16	0.2040	75665	1.5130
5001 - 10000	26	0.3320	187313	3.7460
10001 & above	29	0.3700	2600189	52.0000
Total	7834	100.00	5000400	100.00

8. CATEGORY OF SHAREHOLDINGS AS ON 31.3.2010

Sr.No	CATEGORY	DEMATED		PHYSICAL		TOTAL
		SHARES	HOLDERS	SHARES	HOLDERS	
1	Other Corporate Bodied	371616	167	37100	20	408716
2	Clearing Member	106635	65	-	-	106635
3	Banks/FIs/ Insurance Co. (Central/ State Govt./ Non Govt. Institutions)	-	-	-	-	-
4.	Promoters & their relatives	210757	1	659640	2334	1730817
5.	NRI/OCBS	3032	8	-	-	3032
6.	Indian Public	2091560	5235	659640	2334	2751200
7.	Others	-	-	-	-	-
	Total	2783600	5476	2216800	2358	5000400

9. FINANCIAL RELEASE DATES FOR THE YEAR 2009-10

QUARTER RELEASE DATE	(TENTATIVE AND SUBJECT TO CHANGE)
1 st Quarter ending 30 th June	End of July,2010
2 nd Quarter ending 30 th September	End of October,2010
3 rd Quarter ending 31 st December	End of January,2011
4 th Quarter ending 31 st March	End on April, 2011

10. DEMAT POSITION AS ON 31.03.10

Total No. of Fully paid up Shares	Shares in Demat Form	Percentage %	Shares in Physical Form	Percentage %
5000400	2783600	55.67%	2216800	44.33%

11. The Company has no outstanding GDR/ Warrant and Convertible Bonds.

12. In the EGM held On 27th January,2010 the Company has passed Following resolution:

- Increased its Authorized Capital from Rs. 5,25,00,000 to Rs. 16,00,00,000 by a Special resolution in EGM,
- To issue, offer and allot 1,00,00,800 Equity Shares on Right Basis in the ratio of 2: 1 at a price of Rs.25 per share (including premium of Rs.15 per share or such other price as may be decided by the Board .

13. In the EGM held on 19th February, 2010 the Company has passed the Following Resolution:

To Appoint M/S Atul Dave & Company as Auditors of the Company to fill the Casual vacancy caused by resignation of M/s Navin Chaudhary & Associates.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Aarey Drugs & Pharmaceuticals Limited

We have examined the compliance of conditions of Corporate Governance by Aarey Drugs & Pharmaceuticals Limited for the year ended 31.03.2010 , as stipulated in clause 49 of the listing agreement of the said company with stock exchanges.

The Compliance conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof , adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us , we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance are pending for a period exceeding one month against the company as per the records maintained by the Shareholders / Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **ATUL DAVE & CO.,**
Chartered Accountants
Registration No.117880W

(CA VIPUL R DAVE)
(Partner)
(M No.117242)

Place : Mumbai
Date : 27th August, 2010

AUDITORS' REPORT

TO THE MEMBERS

M/S AAREY DRUGS & PHARMACEUTICALS LIMITED

1. We have audited the attached Balance Sheet of **AAREY DRUGS & PHARMACEUTICALS LIMITED ("the company") E-34, MIDC TRAPORE BOISAR,, THANE, MAHARASTRA**, as at 31st March, 2010, the Profit and Loss Account of the Company and the Cash flow statement (Financial Statement) for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing and assurance standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by the Companies (Auditor's report) (Amendment) Order, 2004] issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in Paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit ;
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books ;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts ;
 - (iv) In our opinion, the aforesaid financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

It has been observed that as per the provisions of Accounting Standard and the Guidance Notes issued by the Institute of Chartered Accountants of India the Company has to follow the exclusive method of Accounting for taxes, duties, cess and fees. However, the Company follows the inclusive method. However, there is no impact on the profitability of the Company due to this.
 - (v) On the basis of written representations received from the directors as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of the section 274 of the Companies Act, 1956 ;
 - (vi) In our opinion, and to the best of our information and according to the explanations given to us, and subject to clause no 4 above, the aforesaid financial statements read with the statement on significant accounting policies and notes to the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010 ; and
 - (ii) in the case of the Profit and Loss Account, of the Profit for the Period from 1st April, 2009 till 31st March, 2010.
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Atul Dave & Co.,
Chartered Accountants
Registration No.: 117880W**

Place : Mumbai
Date : 27th August, 2010

**CA VIPUL R DAVE
Partner
M.No. 117242**

Annexure referred to in paragraph 3 of our Report of even date to the Members of AAREY DRUGS & PHARMACEUTICALS LIMITED

- i. (a) In our opinion and according to the information and explanation given to us, The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) In our opinion and according to the information and explanation given to us, the fixed assets were physically verified by the management during the year which in our opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification as per management opinion.
- (c) In our opinion and according to the information and explanation given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
- ii. (a) In our opinion and according to the information and explanation given to us, The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanation given to us, The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion and according to the information and explanation given to us, The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
- iii. (a) According to the information and explanations given to us, the company has during the year, not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) In view of clause (iii)(a) above, the clause (iii) (b), (iii)(c) and (iii)(d) of the order, are not applicable.
- (c) The Company has taken interest free unsecured loan from six parties covered in the register maintained under section 301 of the Companies Act, 1956, totaling to Rs. 4,37,40,918/- and since the terms of repayment are not available we are unable to comment on the same.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business with regards to purchase of inventory, fixed assets and with regard to the sale of goods and services. Further on the basis of our examination of the books and records of the Company, we have neither come across nor have been informed of any continuing failure to correct the major weaknesses in the aforesaid internal control system.
- v. (a) To the best of our knowledge there are no contracts or arrangements referred to in section 301 of the Act which need to be entered in the register maintained under the said section.
- (b) In our opinion, and according to the information and explanations given to us, these contracts or arrangements referred to in (a) above have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. **The Company has accepted Deposits from public as defined in the Acceptance of Deposits Rules, however, to the best of our knowledge the Company has not followed the directives issued by the Reserve Bank of India and the provisions of Sec 58 A, 58 AA of the Companies Act, 1956 has not been complied with.**
- vii. In our opinion, the Company has no internal audit system commensurate with its size and nature of its business.
- viii. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 in respect of business activity being carried out by the Company.
- ix. (a) In our opinion and according to the information and explanation given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income-Tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it however, i as at March 31, 2010 the company has not paid the income tax liability amounting to Rs.66,54,546.37.
- (b) According to the information and explanations given to us, there are no dues of sales tax, service tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- x. The Company does not have any accumulated loss as at 31st March, 2010 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding previous financial year.
- xi. Based on our audit procedure and on the information and explanations given by the management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank.
- xii. As per information and explanation produced before me, The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund/ or a nidhi/ mutual benefit fund/ society.
- xiv. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. Based on the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. Based on the information and explanations given to us, The Company has not obtained any term loan during the year.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment.
- xviii. According to the information and explanations given to us, The Company has not made a preferential allotment of shares covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- xix. The Company has not issued any debentures which have remained outstanding at the year end.
- xx. According to the information and explanations given to us, The Company has not raised any money by public issue during the year.
- xxi. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

**For Atul Dave & Co.,
Chartered Accountants
Registration No.: 117880W**

**Place : Mumbai
Date : 27th August, 2010**

**CA VIPUL R DAVE
Partner
M. No. 117242**

BALANCE SHEET AS ON 31ST, MARCH, 2010

	SCHEDULE	As On 31st March, 2010 (Rs.)	As On 31st March, 2009 (Rs.)
I. Sources of Funds :			
1. Shareholder's Funds			
a. Share Capital	1	50,004,000.00	50,004,000.00
b. Reserves & Surplus	2	42,075,766.84	33,970,732.23
TOTAL I		92,079,766.84	83,974,732.23
2. Loan Funds			
a. Unsecured Loans	3	43,740,918.00	15,031,197.00
TOTAL II		43,740,918.00	15,031,197.00
Deferred Tax Liability			
TOTAL (I + II)		135,820,684.84	99,005,929.23
II. Application of Funds :			
1. Fixed Assets			
a. Gross Block	4	109,303,050.56	37,468,055.83
b. Less Depreciation & Amortisation		73,287,926.62	4,598,472.38
c. Net Block		36,015,123.94	32,869,583.45
d. Capital Work in progress		16,781,274.52	5,361,876.40
TOTAL		52,796,398.46	38,231,459.85
2. Investments			
TOTAL	5	15,940.00	15,940.00
3. Current Assets, Loans & Advances			
a. Inventories	6	47,369,150.00	30,104,120.00
b. Sundry Debtors	7	131,390,674.30	80,306,671.68
c. Cash & Bank Balance	8	1,622,137.23	3,960,818.17
d. Loans & Advances	9	28,009,747.97	1,417,884.00
TOTAL		208,391,709.50	115,789,493.85
Less : Current Liabilities & Provisions			
a. Liabilities	10	118,728,816.75	49,732,815.10
b. Provisions		6,654,546.37	5,298,149.37
		125,383,363.12	55,030,964.47
NET CURRENT ASSETS		83,008,346.38	60,758,529.38
TOTAL		135,820,684.84	99,005,929.23
Significant Accounting Policies	A		
Notes on Accounts	B		

For ATUL DAVE & CO.,
Chartered Accountants
REGISTRATION NO : 117880W

CA VIPUL R DAVE
Partner
M NO. 117242

Place : Mumbai
Date : 27th August, 2010

For AAREY DRUGS & PHARMACETICALS LTD

MIHIR R.GHATALIA
Managing Director

JAGDISH K SHAH
Chairman

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST, MARCH, 2010

PARTICULARS	SCHEDULE	As On 31st March, 2010 (Rs.)	As On 31st March, 2009 (Rs.)
Income :			
Sales	11	465,029,501.00	275,312,449.21
Other Income	12	1,437,131.00	370,249.00
		466,466,632.00	275,682,698.21
Expenditure :			
Manufacturing & Other Expenses	13	452,266,529.97	261,666,142.68
Interest & Finance Charges	14	16,412.29	305,863.00
Depreciation	4	4,672,258.13	4,598,472.38
		456,955,200.39	266,570,478.06
(Loss)/ Profit Before Exceptional Item & Tax		9,511,431.61	9,112,220.15
Add : Exceptional Item		0.00	6,389.73
a. Dr./Cr. Bal written off			
Profit Before Tax		9,511,431.61	9,118,609.88
Less : Provision for Taxation		0.00	1,383,104.00
Current Tax		1,406,397.00	
Deferred Tax			
MAT		210,803.00	
MAT Credit Entitlement		-210,803.00	
Profit After Tax		8,105,034.61	7,735,505.88
Add/Less:Balance Brought forward from previous year		31,970,732.23	24,235,226.35
Balance carried to Balance Sheet		40,075,766.84	31,970,732.23
Significant Accounting Policies	A		
Notes on Accounts	B		

For **ATUL DAVE & CO.,**
Chartered Accountants
REGISTRATION NO : 117880W

CA VIPUL R DAVE
Partner
M NO. 117242

Place : Mumbai
Date : 27th August, 2010

For **AAREY DRUGS & PHARMACETICALS LTD**

MIHIR R.GHATALIA
Managing Director

JAGDISH K SHAH
Chairman

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	As On 31st March, 2010 (Rs.)	As On 31st March, 2009 (Rs.)
SCHEDULE "1" : SHARE CAPITAL		
AUTHORISED SHARE CAPITAL :		
1,60,00,000 (Previous year 52,50,000) Equity		
Shares of Rs. 10 each	16,00,00,000.00	52,500,000.00
<i>ISSUED, SUBSCRIBED & FULLY PAID UP</i>		
50,00,400 Equity Shares of Rs.10/- each (Previous year 50,00,400 equity shares of Rs.10/- each	50,004,000.00	50,004,000.00
TOTAL	50,004,000.00	50,004,000.00
SCHEDULE "2":RESERVES & SURPLUS		
Capital Reserve	2,000,000.00	2,000,000.00
Balance of Profit	40,075,766.84	31,970,732.23
TOTAL	42,075,766.84	33,970,732.23
SCHEDULE "3": UNSECURED LOANS		
Loan From Mihir R.Ghatalia	14499046.00	1573639.00
Loan From Rajesh P. Ghatalia	1793820.00	848820.00
Loan From ICICI Bank (Car Loan)	0.00	54486.00
Loan From Damyanti P.Ghatalia	4376500.00	3236500.00
Loan From Nimit R.Ghatalia	235000.00	390000.00
Loan From Bina R.Ghatalia	11157452.00	8737452.00
Loan Chetan Mehta	0.00	190300.00
Loan Priti C.Mehta	11679100.00	0.00
TOTAL	43,740,918.00	15,031,197.00

SCHEDULE 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2009	Additions during the year	Deductions during the year	Total Amount (RS.)	Rate of Dep.	Up to 31.03.2009	For the year	Total (RS.)	As on 31.03.2010	As on 31.03.2009
LAND	2,243,546.00			2243546.00	0	203,958.00	22662.00	226620.00	2016926.00	2039589.00
FACTORY BUILDING	22,751,068.00			22751068.00	10%	15008408.93	774265.92	15782674.85	6968393.15	7742659.21
PLANT & MACHINERY	74,806,678.00	7748500.00		82555178.00	13.91%	52176455.98	3771667.16	55948123.14	26607054.86	22630222.02
FACTORY EQUIPMENT	523,758.00			523758.00	13.91%	421,942.70	14162.47	436105.17	87652.83	101815.05
ELECTRONIC EQUIPMENTS	54462.00	25800.00		80262.00	18.10%	48350.26	3069.06	51419.32	28842.68	6111.24
FURNITURE	44,519.00			44519.00	18.10%	38877.66	1021.08	39898.74	4620.26	5641.34
ELECTRONIC FITTING	59,935.00			59935.00	18.10%	51,978.60	1440.11	53418.71	6516.29	7956.40
D.G. SET	178,525.00			178525.00	18.10%	112741.05	11906.89	124647.94	53877.06	65783.95
COMPUTER	270,440.00	43498.00		313938.00	40%	258260.36	14262.74	272523.10	41414.90	12179.64
MOTOR CAR	413,266.00	0		413266.00	25.89%	229917.89	47468.56	277386.45	135879.55	183347.10
LABORATORY EQUIPMENT	139,055.56			139055.56	13.91%	64777.06	10332.14	75109.20	63946.36	74278.50
CAPITAL WIP BUILDING	4,667,902.00	1086474.00		5754376.00		-			5754376.00	4667902.72
CAPITAL WIP MACHINERY	693,973.78	10332924.74		11026898.52		-			11026898.52	693973.68
Total	106847128.34	19237196.74		126084325.08		68615668.49	4672258.13	73287926.62	52796398.46	38231459.85

1. While preparing the fixed assets schedule for earlier years the company has wrongly shown the written down valued of the asset of the previous year as the opening balance of the cost of the asset, however there would not be any impact on the profitability of the company .

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	As On 31st March, 2010 (Rs.)	As On 31st March, 2009 (Rs.)
SCHEDULE "5": INVESTMENT-(AT COST)		
Unlisted Investments		
In Government Securities 6 years N.S.C.	15,940.00	15,940.00
	15,940.00	15,940.00
SCHEDULE "6": INVENTORIES		
(As taken value and certified by the Management)		
Stores & Spares	198,000.00	194,000.00
Raw Material	46,220,950.00	28,959,920.00
Finished Goods	950,200.00	950,200.00
Work In Progress	0.00	0.00
	47,369,150.00	30,104,120.00
SCHEDULE "7": SUNDRY DEBTORS		
Other Debts (Less Than 6 Months)	131,390,674.30	80,306,671.68
	131,390,674.30	80,306,671.68
SCHEDULE "8": CASH & BANK BALANCE		
Cash in hand	1,525,505.64	2,369,106.53
Bank Balances :		
In Current Account	96,631.59	1,591,711.64
	1,622,137.23	3,960,818.17

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	As On 31st March, 2010 (Rs.)	As On 31st March, 2009 (Rs.)
SCHEDULE "9": LOANS & ADVANCES		
a. Advances recoverable in Cash or Kind for the value to be received and/ or to be adjusted		
Advances to Suppliers	24,739,473.47	39,557.50
Advances towards Expenses	1,516,000.00	176,431.00
	26,255,473.47	215,988.50
b. Deposits		
CETP-MIDC-Tarapur	45,000.00	45,000.00
M.S.E.B. -Tarapur	282,600.00	282,600.00
M.T.N.L.	20,000.00	20,000.00
Nitrogen Cyl R-Pharma	15,000.00	15,000.00
Tarapur J/I Effluent	100,000.00	100,000.00
TMRCT Hospital - Boisar	5,000.00	5,000.00
Water Connection	20,620.00	20,620.00
	488,220.00	488,220.00
c. Prepaid Expenses	0.00	0.00
d. T.D.S.	313,404.50	226,334.50
e. Excise Refund Account	0.00	0.00
f. Sales Tax Refundable	952,650.00	478,341.00
g. LOAN TO OTHERS		
Staff Members	0.00	9,000.00
	28,009,747.97	1,417,884.00
SCHEDULE "10": CURRENT LIABILITIES		
A. SUNDRY CREDITORS		
For Goods	85,259,466.82	39,143,287.40
For Expenses	11,802,487.56	10,589,527.70
Temporary Overdraft from Bank	2,601,867.29	
Other liabilities	5,515.00	
Advance from Buyers	19,059,480.08	0.00
	118,728,816.75	49,732,815.10
B. PROVISION FOR INCOME TAX	6,654,546.37	5,298,149.37
	6,654,546.37	5,298,149.37

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT		
PARTICULARS	As On 31st March, 2010 (Rs.)	As On 31st March, 2009 (Rs.)
SCHEDULE "11"		
SALES	465,029,501.00	275,312,449.21
	465,029,501.00	275,312,449.21
SCHEDULE "12"		
OTHER INCOME		
Misc. Income	87032.00	0.00
Interest Received	5,090.00	0.00
Sales Tax Receivable (M-Vat)	474,309.00	370,249.00
Commission Received	870700.00	0
	1,437,131.00	370,249.00
SCHEDULE "13"		
Manufacturing & Other Expenses :		
Factory Exps.	206,037.00	34,225.00
13.1. Consumption of Raw Material :		
(Including Packing Materials)		
Stock Written off	0.00	0.00
Opening Stock	0	0
Add: Purchases	0	0
Less: Closing Stock	0	0
(Including Taxed, Duties etc.)	0	0
	206,037.00	34,225.00
13.2. A. Increase / (Decrease) in Stock		
Opening Stock		
Raw Materials	28,959,920.00	30,205,605.00
Stores, Spares & Consumables	194,000.00	194,000.00
Finished Goods	950,200.00	950,200.00
Packing Material	0.00	0.00
Work In Progress	0.00	0.00
	30,104,120.00	31,349,805.00
13.2. B. Purchase	456,863,428.00	256,021,143.30
Discount on Purchases	-130801.50	-2707401.00
	456,732,626.50	253,313,742.30
Closing Stock		
Finished Goods	950,200.00	950,200.00
Stores, Spares, Consumables	198,000.00	194,000.00
Raw Materials	46,220,950.00	28,959,920.00
Work In Progress	0.00	0.00
	47,369,150.00	30,104,120.00
Stock Written Off	0.00	0.00
Opening Stock plus Purchase less		
Closing Stock	439,467,596.50	254,559,427.30

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	As On 31st	As On 31st
	March, 2010 (Rs.)	March, 2009 (Rs.)
13.3. Salaries, Wages & Benefits to Employees :		
Basic Salary (including Labour Welfare Fund, HRA, Bonus, Graduty, Leave Salary, Overtime etc.)	544,131.00	648,345.00
Factory Wages	0.00	0.00
Staff Welfare Expenses	236,537.00	12,404.00
	780,668.00	660,749.00
13.4. Operation & Maintainance :		
Carriage Inwards	844,490.00	440,720.00
Security Services Charges	362,036.00	296,186.00
	1,206,526.00	736,906.00
13.5. Administration Expenses :		
Air Condition Expenses	8,750.00	12,970.00
Computer Expenses	11,810.00	10,741.60
Conveyance	177,115.00	33,306.50
Electricity Charges - BSES	34,466.00	27,373.00
Power & Fuel	3,030,320.00	3,156,720.00
Custodial Fees	33,090.00	22,472.00
Sundry Expenses	40,550.29	10,744.00
Brokerage Expenses	298,417.41	26,022.00
Legal & Professional Charges	163,287.00	70,674.00
Motor Car Expenses	144,511.39	112,804.84
Printing & Stationary Exps.	40,621.99	80,167.32
Postage & Telegram	57,143.10	13,581.54
Packing Material Charges	156,923.00	0.00
Repairs & Maintenance	0.00	4,200.00
Travelling Exps.	161,354.00	166,786.00
Office Expenses	282,980.00	85,949.00
Product Develop.Charges	180,000.00	0.00
Insurance Exps.	33,731.00	0.00
Share Transfer & Demat Expenses	1,239.77	10,298.46
Donation Expenses	0.00	21,300.00
Rights Issue Expenses	352,020.06	0.00
Income Tax (Appeal fees)	21,871.00	0.00
RTA Expenses	88,791.50	94,181.70
Water Charges	305,800.00	0.00
Licence Fees	3,000.00	0.00
Filing Fees	752,550.00	700.00
Labour Charges	403,200.00	311,060.00
Listing Fees	87,086.00	16,625.00
House Rent Expenses	120,000.00	120,000.00
Office Rent	216,000.00	216,000.00
Clearing & Forwarding	14962.00	0.00
Commission Expenses	1,351.50	0.00
Commitment Expenses	50,000.00	0.00
VAT on Fixed Assets Purchases	814,212.70	0.00
Diwali Gifts	35657.00	0.00
Telephone Exps.	102,550.76	53,863.92
	8,225,362.47	4,678,540.88

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

PARTICULARS	As On 31st March, 2010 (Rs.)	As On 31st March, 2009 (Rs.)
13.6. Selling & Distribution Expenses :		
Sales Promotion Expenses	727950.00	0.00
Advertisement Expenses	8,000.00	5,000.00
Carriage Outward Expenses	909,240.00	488,750.00
Entertainment Expenses	9,590.00	17,192.00
	1,654,780.00	510,942.00
13.7.A. Payment to Auditors :		
Audit Fees including Tax Audit Fees	55,150.00	30,000.00
	55,150.00	30,000.00
13.7.B. Details of Director's Remuneration :		
Directors Remuneration	210,000.00	180,000.00
Directors Perquisites	460,410.00	275,352.50
	670,410.00	455,352.50
SCHEDULE "14"		
INTEREST AND FINANCE CHARGES		
Bank Charges & Interest	14,486.29	8,869.00
Stamp Duty & Franking Charges	0.00	0.00
Interest	1,926.00	13,155.00
Interest on FBT	0.00	0.00
Interest on Income Tax	0.00	283839.00
	16,412.29	305,863.00

Schedules to the Balance Sheet and Profit & Loss Account.

SCHEDULE “ A “

NOTES ON ACCOUNTS and accounting policies

❖ **BASIS OF PREPARATION OF FINANCIAL STATEMENTS :**

The financial statements are prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) and not materially comply with accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on the accrual basis.

❖ **INVENTORIES**

In our opinion and according to the information and explanations given to us, Inventories are stated at lower of cost and net realizable value except WIP are valued at net realizable value. Cost of inventories includes all cost bringing the inventories to their present location and condition and is determined on the FIFO basis which is totally based as per management verification and valuation.

❖ **DEPRECIATION**

Depreciation has been provided on Written Down Value method as per the rate prescribed in the schedule XIV of the Companies Act, 1956. **However, the Company has Not provided depreciation in the financial year 2001 to 2004 and has provided excess Depreciation resulting in the Reserved & Surplus being overstated by Rs.1,24,97,189.32.**

❖ **REVENUE RECOGNITION**

All the items of income & expenditure having material bearing on the financial statements are recognized on accrual basis.

❖ **FIXED ASSETS**

Fixed Assets are stated at cost, after reducing accumulated depreciation until the date of the balance sheet. Direct costs are capitalized until the assets are ready for use and include borrowing costs related to acquisition or construction or qualifying assets for the period up to the completion of construction or installation of such assets respectively and pre-operative expenses incurred during the construction period.

❖ **TRANSACTIONS IN FOREIGN CURRENCY**

On the basis of information and explanations given to us there is no foreign currency transaction during the year.

❖ **INVESTMENT**

Long term investments are carried out at cost. Decline other than temporary in the value of investments is charged to the Profit and Loss account. Current investments are stated at the lower of cost and market value.

❖ **RETIREMENT BENEFITS**

The Company has not provided for or made any arrangement of retirement benefits during the year. The impact on the profit for the year was not ascertainable.

❖ **EARNING PER SHARE**

The Company reports basic earnings per share in accordance with Accounting Standard 20 on Earnings per Share. Basic earnings per share are computed by dividing the net profit or loss for the year by number of equity shares outstanding during the year.

Particulars	31.3.2010	31.3.2009
Profit after Tax as per Profit & Loss A/c (in Rs.)	8105034.61	7735505.88
Weighted Average no of Equity Shares	5000400	5000400
Basic Earnings Per Share (in Rs.)	1.62	1.54

❖ **INCOME TAX AND DEFERRED TAX**

The current tax for income taxes is calculated in accordance with the relevant tax regulation applicable to the Company. No Provision has been made for deferred tax liabilities.

❖ **LEASES**

Lease arrangements, where the risk and reward incident to ownership of an asset substantially vest with the lessor, are classified as operating lease rentals and are charged to Profit and Loss Account on accrual basis.

❖ **DIRECTORS REMUNERATION**

Particulars	31.03.2010	31.03.2009
Remuneration	Rs.2,10,000/-	Rs. 1,80,000/-
Perquisites	Rs.4,64,410/-	Rs. 2,75,353/-

❖ **AUDITORS REMUNERATION**

Particulars	31.03.2010	31.03.2009
Audit fees including Tax Audit Fess	Rs. 45,000/-	Rs. 30,000/-
Other Matters	Rs. 5,000/-	-
Service Tax	Rs. 5,150/-	-

❖ **Related Parties Disclosures.**

Name of the related parties where control exists irrespective of whether transactions have occurred or not:

Note: Related Party relationship is as identified by the Company and relied upon by the auditors.

A - Key Management Personnel

- Rajesh P Ghatalia – Chairman – Chairman up to 29/12/2009
- Chetan Mehta - Director
- Rajesh P Ghatalia - Director Remuneration
- Mihir P Ghatalia - Director Remuneration

B - Relatives of Key Management Personnel

- Damyanti P Ghatalia - Mother of Shri Rajesh P Ghatalia
- Bina R Ghatalia - Wife of Shri Rajesh P Ghatalia
- Mihir R Ghatalia - Son of Shri Rajesh P Ghatalia
- Nimit R Ghatalia - Son of Shri Rajesh P Ghatalia
- Bina R Ghatalia - Office Rent
- Damyanti P Ghatalia - House Rent
- Damyanti P Ghatalia - Office Rent
- Priti Chetan Mehta - Wife of Shri Chetan Mehta.

o In the opinion of Board of Directors, the " Current assets, loans and advances " have a value on realization in the ordinary course of business at least equal to the amount at which these are stated in the Balance Sheet.

- ❖ In pursuance of circular regarding interest on delayed payment of small scale and ancillary industrial undertakings Act, the liability could not be determined as the necessary details are not available with the Company.
- ❖ Over due amount payable to Micro, Small and Medium Enterprises could not be ascertained as the necessary details are not available with the Company.
- ❖ The balances of Suppliers, Sundry Debtors, Loans and Advances, Unsecured Loans, are as per books of accounts and subject to reconciliation and confirmation with the respective parties.
- ❖ The investments and inventory are subject to physical verification and confirmation. Previous figures have been regrouped and rearranged wherever necessary to make the comparable with those of the current year. Signatures to statement of significant Accounting policies, Schedules and notes to accounts.

MIHIR R GHATALIA
Managing Director

JAGDISH K SHAH
Chairman

PLACE : Mumbai
DATE : 27th August, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS	
Registration No. :	56538
State Code. :	11
Balance Sheet Date :	31.03.2010
II CAPITAL RAISED DURING THE YEAR	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
III POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS	
Total Liabilities	135820684
Total Assets	135820684
Sources of Funds	
Paid up Capital	50004000
Advance against Share Capital	NIL
Reserves & Surplus	42075766
Secured Loan	NIL
Unsecured Loan	43740918
Application of Funds	
Net Fixed Assets	36015123
Capital Work In Progress	16781274
Investment	15940
Net Current Assets	83008346
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL
IV PERFORMANCE OF COMPANY	
Turnover	465029501
Total Expenditure	456955200
Profit/Loss before Tax	9511431
Profit/Loss after Tax	8105034
Earnings Per Share in Rs.	1.62
Dividend	NIL
Diluted Earning Per Share in Rs.	NA
V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)	
a) Item Code (ITC Code)	Product Description
	MBO
	MTZ
	2MNI

For ATUL DAVE & CO.,
Chartered Accountants
REGISTRATION NO : 117880W

CA VIPUL R DAVE
Partner
M NO. 117242

Place : Mumbai
Date : 27th August, 2010

For AAREY DRUGS & PHARMACETICALS LTD

MIHIR R.GHATALIA
Managing Director

JAGDISH K SHAH
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010.

Particulars	For the Year ended 31.3.2010 AMOUNT (Rs.)	For the Year ended 31.3.2009 AMOUNT (Rs.)
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	9,511,431.61	9118609.88
Adjustment for :		
- Depreciation	4,672,258.13	4598472.38
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	14,183,689.74	13717082.26
Adjustment for :		
- (Increase)/decrease in Trade and Other Receivable	(51084002.62)	11531306.80
- (Increase)/decrease in Inventories	(17,265,030.00)	1245685.00
- (Increase)/decrease in Loan & Advances	(26,591,863.97)	2435751.01
- Increase in Current Liabilities / Creditors	68,996,001.65	(28508532.78)
- Increase in Provisions	1,356,397.00	(119228.61)
Taxation	(1,406,397.00)	0.00
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(11,811,205.20)	302,063.68
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(19,237,196.74)	(5734687.00)
NET CASH FROM INVESTING ACTIVITIES (B)	(19,237,196.74)	(5,734,687.00)
C) CASH FROM FINANCING ACTIVITIES		
- Unsecured Loans	28709721.00	8245131.00
NET CASH FROM FINANCING ACTIVITIES (C)	28709721.00	8245131.00
D) NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	(2,338,680.94)	2812507.68
E) CASH & CASH EQUIVALENTS AS BEGINNING OF THE YEAR	3,960,818.17	1148310.00
F) CASH & CASH EQUIVALENTS AS AT END OF THE YEAR (D+E)	1,622,137.23	3,960,817.68

For and on behalf of the Board of Directors

MIHIR R. GHATALIA
Managing Director

JAGDISH K SHAH
Chairman

Place : Mumbai
Date : 27th August, 2010

AUDITOR'S CERTIFICATE ON CASHFLOW

We have examined the above cash flow statement of Aarey Drugs & Pharmaceuticals Limited for the period of 31st March 2010. The Statement has been prepared by the company with the requirement of Listing Agreements with stock exchanges and is based on and derived from the accounts of company for the period ended 31st March 2010 audited with us under the Companies Act 1956

**For Atul Dave & Co.
Chartered Accountants
REGISTRATION NO: 117880W**

**(CA VIPUL R. DAVE)
Partner
M NO. 117242**

Place : Mumbai
Date : 27th August, 2010

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 **Aarey Drugs & Pharmaceuticals Limited**

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

ATTENDANCE SLIP

(To be handed at the Entrance of the Meeting Hall)

I hereby record my presence at the Twentieth Annual General Meeting of the Company at E-34, MIDC, Tarapur, Boisar, Dist. Thana On September 30, 2010 At 09.30 A.M.

Folio No _____

DP ID No.*

Client ID No.*

Full Name of the Shareholder _____ Signature _____
(in block letters)

Full Name of the Proxy _____ Signature _____

*Applicable for Investors holding shares in Electronic Forms.

-----Tear Here-----

 **Aarey DRUGS & PHARMACEUTICALS LIMITED**

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

PROXY FORM

DP ID No.*

Client ID No.*

I _____

of _____ in the district of _____

Member(s) of the above named Company hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____ as my / our Proxy to attend and vote for me/us and my/our behalf at the Twentieth Annual General Meeting of the Company to be held on September 30, 2010 at 09.30 A.M. at E-34 , MIDC , Tarapur , Boisar , Dist. Thana on and at any adjournment thereof.

Signed this _____ day of _____ 2010.

Reference Folio No. _____

No. of Shares held _____

*Applicable for Investors holding shares in Electronic Forms.

Affix Re 1/- Revenue Stamp

Note : The Proxy duly executed should reach the Registered Office of the Company at least 48 hrs. before the time of Meeting.

BOOK - POST

To,

If undelivered please, return to :

Aarféy DRUGS & PHARMACEUTICALS LIMITED

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

CRYSTAL (022) 6614 0900/918