

BOOK - POST

To,



Aarey

DRUGS & PHARMACEUTICALS LTD.

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Aarey DRUGS & PHARMACEUTICALS LTD.

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

21st Annual Report
2010 - 2011

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 - 401 506.

HEAD OFFICE

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

WORKS

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

BANKERS

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

AUDITORS

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

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE MEMBERS OF AAREY DRUGS & PHARMACEUTICALS LIMITED WILL BE HELD ON, 30TH SEPTEMBER, 2011 AT E-34, MIDC, TARAPUR, BOISAR, DIST. THANE 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 2011 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. Lalit Radhakrishna Tulsani, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint M/s DMKH and Company, as auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

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

Mihir R. Ghatalia
Managing Director

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

Date : 25th August'2011
Place : Mumbai

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE ON A POLL ONLY INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.

A proxy form duly completed and stamped, must reach the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

2. The relevant Explanatory Statement pursuant to the Section 173 (2) of the Companies Act, 1956 is annexed hereto.
3. The register of members and the share transfer books of the company will remain closed from 24th September'2011 to 30th September'2011 (both days inclusive) in connection with the Annual General Meeting.
4. Members are requested to send all transfer deeds, share certificates and other correspondence relating to registration of transfers, transmission endorsement of payment of allotment moneys, change in their address etc to the Registrar & Share Transfer Agents i.e

LINK INTIME INDIA PRIVATE LIMITED

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

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

1	Name Of Director	Mr. Lalit Radhakrishna Tulsani
2	Age	53 Years
3	Date of Appointment	02 nd December'2004
4	Expertise in specific	Production
5	Qualification	Mechanical Engineer
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

Date : 25th August'2011
Place : Mumbai

DIRECTORS REPORT

To,
The Shareholders,
Your Directors have pleasure in presenting the Twenty First Annual Report together with Audited Accounts for the year-ended 31st March, 2011.

FINANCIAL RESULTS:

(In Rs.)

Particular	31 st March' 2011	31 st March' 2010
Income	678404953.00	466466632.00
Expenditure	668449763.00	456955200.00
(Loss) / Profit Before Exceptional Item & Tax	9955190.00	9511432.00
Profit Before Tax	9955190.00	9511432.00
(Less)/ Add: Balance Brought Forward From Previous Year	40075767.00	31970732.00
Balance Carried To Balance Sheet	47981323.00	40075767.00

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 OUTLOOK

- PROFIT FROM WASTE** : Company plans to manufacture Ammonium Sulphate from effluent, which at present is drained away, additional investment of Rs. 95.22 lacs is required, the company has already invested Rs. 90 lacs from internal accruals & Share application money, company has already placed order for required machinery & expects to start productions by 31st March'2012. This will add to profitability of company.
- CREATING NEW CAPACITIES** : Company plans to increase capacity by app. 80% of existing capacity of Metronidazole (MTZ) and Metronidazole Benzoate (MBO) i.e. from 35 M.T. (MTZ) to 65 M.T.(MTZ) and from 10.50 M.T. (MBO) to 20 M.T. (MBO) respectively, Additional investment of Rs.177.76 lacs is required the Company has already invested Rs. 160 lacs through internal accruals & Share application money. Company has already placed order for required machinery & expects to starts production by 31st March'2012.
- EXPANDING PRODUCT BASKET**: Company plans to add new products i.e. Tinidazole, Glyoxal and Sildenafil Citrate. The total requirement for addition of this 3 products is Rs.875.76 lacs out of which the company has already invested Rs.672.91 lacs towards expansion. This investment is done through Internal accruals & Share application money. Company has already placed order for required machinery & expects to starts production by September' 2012.

DIVIDEND

Your Directors do not recommend any dividend for the year ended 31st March, 2011.

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 Radhakrishna Tulsiani 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 RESPONSIBILITY STATEMENT

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

- that in preparation of the Annual Accounts for the year ended 31st March, 2011, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- 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, 2011 and the profit / (Loss) of the Company for the year under review;
- 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;
- that the annual accounts for the year ended 31st March, 2011 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: 25th August'2011

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 :
- The company has been strictly observing and monitoring the power consumption.
 - The grinding operation with keeping the automatic regular of feeds has been maintained to minimize power consumption.
 - 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	2010-2011	2009-2010
(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	581250	757580
Units per ltr. Of fuel oil / gas	6.14	7.01
Cost / Unit	4.50	4.00
(iii) Coal		
Quantity (tones)	---	---
Total Cost		
Average rate		
(iv) Furnance Oil / Diesel		
Quantity (k.ltrs.)	94352	108000
Total Amount (Rs.)	2615626	3030320
Average rate (Rs.)	27.72	28.05
(v) Others/internal generation		
Quantity	----	----
Total cost		
Rate / unit		

	Quantity (in MTS)	Quantity (in MTS)
C. ACTUAL PRODUCTION :		
Production of industrial solvents & Thinner	26.50	22.50
RESEARCH & DEVELOPMENT (R & D):		
i) Specific areas in which R & D is conducted By the company :		
ii) Benefits derived as a result of above R & D :		
iii) Further Plan of Action :		
iv) Management Review :		
v) Expenditure on R&D :	2010-2011 (Rs.)	2009-2010 (Rs.)
a) Capital	---	---
b) Recurring	---	---
Total		
c) Total R&D Expenditure as a Percentage of total turnover		
D. TECHNOLOGY, ABSORPTION, ADAPTION AND INNOVATION :	2010-11 (Rs.)	2009-2010 (Rs.)
a) Efforts, in brief, made towards technology Absorption, adaption and innovation		
b) Benefits derived as a result of the above	---	----
	2010-2011 (Rs.)	2009-2010 (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 :	2010-2011 (Rs.)	2009-2010 (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 : 25th August'2011

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 90% capacity utilities i.e.Sales of Rs.6768.08 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.4569.55 lacs to Rs.6684.50 lacs.

The paid-up equity share capital stood at Rs.500 lacs. The Earnings Per Share were Rs.1.58 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 275.05 And unsecured loans is Rs.54.37 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. Mihir R. Ghatalia	Managing Director	Nil	Nil	Nil
Mr. Jagdish K. Shah	Chairman	Nil	Nil	Nil
Mr. Lalit R. Tulsiani	Whole time Director	Nil	Nil	Nil
Mr. Chetan K.Mehta	Director	Nil	Nil	Nil
Mr. Satish M.Sheth	Director	Nil	Nil	Nil

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. Seven Board Meetings were held during the year on 08/05/2010, 10/05/2010, 10/08/2010, 27/08/2010, 07/09/2010, 25/10/2010, 09/02/2011.

Name of Directors	No. of Board Meeting Held	No. of Board Meeting attended	Attendance at last AGM
Mr. Lalit R. Tulsiani	7	7	Yes
Mr. Mihir R. Ghatalia	7	7	Yes
Mr. Jagdish K. Shah	7	7	Yes
Mr. Chetan K.Mehta	7	7	Yes

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 Meetings Attended
Mr. Mihir Rajesh Ghatalia	Managing Director	Director	4
Mr. Chetan K. Mehta	Non Executive Independent	Director	4
Mr. Jagdish Shah	Non-Executive Independent	Chairman	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 29/04/2010, 30/07/2010, 29/08/2010 & 30/10/2010.

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. Chetan K. Mehta	Non-Executive - Independent	Chairman
Mr. Mihir R. Ghatalia	Managing Director	Member
Mr. Satish M.Sheth	Non-Executive - Independent	Member
Mr. Lalit R. Tulsiani	Non-Executive - Independent	Member

Remuneration to Managing Director and Non Executive Director:

Name of Directors	Designation	Salary	Perquisite	Total (Rs.)	Service Contract
Mr. Mihir R. Ghatalia	Managing Director	300000.00	8,05,817.02	11,05,817.02	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	Managing Director	Member
Mr. Lalit R. Tulsiani	Whole time Director	Member
Mr. Chetan K. Mehta	Non-Executive - Independent	Member
Mr. Jagdish K. Shah	Non-Executive - Independent	Chairman

b. Name & Designation of Compliance Officer:

Mr. Lalit R. Tulsiani.

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: **79**

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/EGM	Date	Time	Venue	Special Resolution
2009-10	AGM	30/09/10	09.30 A.M	E-34, MIDC, Tarapur, Boisar, Thana - 401506	NO
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

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

III DISCLOSURE

- 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.
- 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, 2011 at 9.30 a.m
- Venue : E-34, MIDC, Tarapur, Boisar Thana - 401506

2. Book Closure Date : 24 September, 2011 to 30 September, 2011 (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 2010	32.50	28.00
May -2010	29.80	22.30
June 2010	33.90	22.00
July-2010	31.00	25.10
August-2010	28.20	24.55
September-2010	28.10	24.55
October-2010	25.00	22.55
November-2010	36.10	21.55
December-2010	33.25	21.85
January-2011	26.25	20.65
February-2011	22.20	17.25
March-2011	28.10	17.35

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 31.03.2011

No. of Equity Shares Held Nos.	Shareholders		Share Amount (Rs)	
	Nos.	%	Nos.	%
1-500	6117	88.2940	992933	19.8570
501-1000	466	6.7260	392667	7.8530
1001-2000	178	2.5690	280850	5.6170
2001-3000	58	0.8370	150108	3.0020
3001-4000	39	0.5630	144327	2.8660
4001-5000	15	0.2170	71209	1.4240
5001-10000	23	0.3320	158084	3.1610
10001 & above	32	0.4620	2810222	56.2000
Total	6928	100.00	5000400	100.00

8. CATEGORY OF SHAREHOLDINGS AS ON 31.3.2011

Sr. No.	CATEGORY	DEMAT		PHYSICAL		TOTAL
		Shares	Holders	Shares	Holders	
1	Other Corporate Bodied	397790	106	26200	19	423990
2	Clearing Member	110559	42	0	0	110559
3	Non Resident Indian	5641	13	0	0	5641
4.	Non Resident (Non Repatriable)	500	1	0	0	500
5.	Public	2112253	4489	616640	2254	2728893
6.	Promoters	1717317	3	13500	1	1730817
	Total	4344060	4654	656340	2274	5000400

9. FINANCIAL RELEASE DATES FOR THE YEAR 2010-11

QUARTER RELEASE DATE	TENTATIVE AND SUBJECT TO CHANGE)
1 st Quarter ending 30 th June	End of July,2011
2 nd Quarter ending 30 th September	End of October,2011
3 rd Quarter ending 31 st December	End of January,2012
4 th Quarter ending 31 st March	End on April, 2012

10. DEMAT POSITION AS ON 31.03.11

Total No. of Fully paid up shares	Shares in demat form	Percentage (%)	Shares in physical form	Percentage (%)
5000400	4344060	86.87%	656340	13.12%

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

Auditors' Certificate on Compliance of the conditions of Clause 49 of the Listing Agreement (Corporate Governance) for the year ended 31st March, 2011

To

 The Member's of **M/S AAREY DRUGS & PHARMACEUTICALS LIMITED**

We have examined the compliance of conditions of Corporate Governance by Aarey Drugs & Pharmaceuticals Limited for the year ended 31.03.2011, 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 DMKH & Co.
Chartered Accountants,
FRN. No. 116886W

CA. Omprakash Somani
Partner
M.No. 123830

Place: Mumbai
Date: 25th August, 2011

AUDITORS' REPORT

To,
The Members of **AAREY DRUGS & PHARMACEUTICALS LIMITED**

We have audited the attached balance sheet of the **AAREY DRUGS & PHARMACEUTICALS LIMITED** as at 31st March 2011, the Profit & Loss Account of the Company and the Cash Flow 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.

We have conducted our audit in accordance with auditing 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 misstatements. An audit includes, examining on a 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.

In Accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report)(Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of books and records of the Company as we considered appropriate and according to the information and explanations given to us during the course of audit, we further state on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to 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 account as required by law have been kept by the Company, so far as appears from our examination of these books.
 - (iii) The Balance Sheet, Profit & Loss Account & Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with mandatory Accounting Standards referred to in sub section 3C of section 211 of the Companies Act, 1956, except Para 11 of Schedule 18
 - (v) On the basis of the information and explanations given to us, and on the basis of the written representations received from the Directors and taken on record by the Board of Directors, we report that none of the directors of the company is disqualified as on 31st March, 2011 from being appointed as a Director in terms of clause (g) of sub section (1) of 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. (iv) above, the aforesaid financial statement read together with the Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - i) In the case of the Balance sheet, of the state of affairs of the Company as at 31st March 2011.
 - ii) In the case of the Profit and Loss Accounts, of the Profit for the Period ended on that date.
 - iii) In the case of Cash Flow Statement, for the period ending on that date.

For DMKH & Co.
Chartered Accountants
Firm Regn. No. : 116886W

CA. Om Prakash Somani
Partner
Membership No. : 123830

Place: Mumbai.
Date: 25th August, 2011

Annexure refer to in Paragraph 1 of our report dated , to the members of
AAREY DRUGS & PHARMACEUTICALS LIMITED

- i. (a) The Company has maintained proper records showing full Particulars, including quantitative details and situation of fixed Assets on the basis of information available.
 - (b) As explained to us, all the fixed assets have been physically verified by the management during the year. There is an appropriate procedure of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 - (c) In our opinion and according to information and explanation given to us no fixed asset has been disposed off by the company during the year and the going concern status of the company is not affected.
 - 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 the 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) The company has during the year, granted unsecured loans to three parties covered in the register maintained under section 301 of the Companies Act, 1956. The aggregate maximum amount outstanding during the year was Rs 1,63,05,752/- and the year end balance of such loan was Rs. 11,54,514 /- and hence the terms of the repayment of the loan are not available we are unable to comment on the same.
 - (b) The Company has taken interest free unsecured loan from four parties covered in the register maintained under section 301 of the Companies Act, 1956, totaling to Rs.54,37,180/- 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. In respect of the contracts and arrangements referred to in Section 301 of the Companies Act 1956:
 - (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of the contracts and arrangements that need to be entered in the register maintained under Section 301 of the Companies Act 1956, have been so entered.
 - (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 not accepted any deposits during the year and consequently the provision of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable.
 - vii. In our opinion, the Company does not have a formal system of Internal Audit, but there are adequate checks & controls at all level established by the management.
 - viii. We have broadly reviewed the books of account maintained by the company pursuant to the rules prescribed by the Central Government under section 209(1)(d) of the Act for the maintenance of the cost records and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
 - ix. (a) In our opinion and according to the information and explanation given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it except Income Tax. The company has not paid the income tax liability amounting to Rs.66,15,776/- as on March 31, 2011.
 - (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 except the following :-
- | Name of the statute | Nature of the dues | Amount (Rs.) | Period to which the amount related | Forum where dispute pending |
|----------------------|--------------------|-----------------|------------------------------------|-----------------------------|
| Income Tax Act, 1961 | Income Tax | Rs. 79,83,821/- | A.Y. 2000-2001 | ITAT Mumbai |
| Income Tax Act, 1961 | Income Tax | Rs. 592,527/- | A.Y. 2001-2002 | ITAT Mumbai |
| Income Tax Act, 1961 | Income Tax | Rs. 3,40,729/- | A.Y. 2002-2003 | ITAT Mumbai |
| Income Tax Act, 1961 | Income Tax | Rs. 58,94,180/- | A.Y. 2003-2004 | ITAT Mumbai |
| Income Tax Act, 1961 | Income Tax | Rs. 44,09,110/- | A.Y. 2004-2005 | ITAT Mumbai |
- x. The Company does not have any accumulated loss as at 31st March, 2011 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 given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities accordingly the provision of the Clause 4(xii) of the Order is not applicable to the company.
 - xiii. The Company is not a chit fund/ or a nidhi/ mutual benefit fund/ society, accordingly the provision of the Clause 4(xiii) of the Order is not applicable to the company.
 - xiv. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments, accordingly the provision of the Clause 4(xiv) of the Order is not applicable to the company.
 - 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 obtained term loan during the year and has applied the same for the purpose for which the loan has been obtained.
 - 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. According to the information and explanations given to us the Company has not issued any debentures during the year, accordingly the provision of the Clause 4(xix) of the Order is not applicable to the company.
 - xx. According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year, accordingly the provision of the Clause 4(xx) of the Order is not applicable to the company.
 - 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.

Place: Mumbai.
Date: 25th August, 2011

For DMKH & Co.
Chartered Accountants
Firm Regn. No. : 116886W
CA. Om Prakash Somani - Partner
Membership No. : 123830

BALANCE SHEET AS AT 31ST MARCH, 2011

PARTICULARS	SCHEDULE	AS AT 31.03.11 AMOUNT(RS.)	AS AT 31.03.10 AMOUNT(RS.)
SOURCES OF FUNDS			
1. Shareholder's Funds			
a. Share Capital	1	50,004,000	50,004,000
b. Reserve & Surplus	2	49,981,323	42,075,767
Share Application Money		119,065,100	-
2. Loan Funds			
a. Secured Loan	3	27,505,177	-
b. Unsecured Loans	4	5,437,180	43,740,918
TOTAL		251,992,780	135,820,685
APPLICATION OF FUNDS			
1. Fixed Assets			
a. Gross Block	5	123,582,202	109,303,051
b. Less Depreciation & Amortisation		78,331,096	73,287,927
c. Net Block		45,251,106	36,015,124
d. Capital Work in progress		8,781,275	16,781,275
		54,032,381	52,796,398
2. Investments	6	15,940	15,940
3. Current Assets, Loans & Advances			
a. Inventories	7	34,829,217	47,369,150
b. Sundry Debtors	8	193,608,101	131,390,674
c. Cash & Bank Balance	9	3,792,119	1,622,137
e. Loans & Advances	10	140,147,153	28,009,748
TOTAL		372,376,589	208,391,710
Less : Current Liabilities & Provisions	11	174,643,876	125,383,363
NET CURRENT ASSETS		197,732,713	83,008,346
4. Miscellaneous Expenditure		211,746	-
TOTAL		251,992,780	135,820,685
Significant Accounting Policies and Notes on Accounts	18		
Schedules referred to above and notes attached there to form an integral part of the Balance Sheet			
This is Balance Sheet referred to in our report of even date			

FOR DMKH & CO.,
Chartered Accountants
Firm Registration No. : 116886W

For **AAREY DRUGS & PHARMACEUTICALS LTD**

CA. O.P.SOMANI
PARTNER
M NO. 123830

JAGDISH K SHAH
CHAIRMAN

Place : MUMBAI
Date: 25th August, 2011

MIHIR R.GHATALIA
MANAGING DIRECTOR

CHETAN K. MEHTA
DIRECTOR

PROFIT & LOSS AS AT 31ST MARCH, 2011

PARTICULARS	SCHEDULE	AS AT 31.03.11 AMOUNT(RS.)	AS AT 31.03.10 AMOUNT(RS.)
INCOME			
Sales		646,657,670	447,227,712
Add :- VAT and CST		30,149,916	17,801,789
Other Income	12	1,597,367	1,437,131
		678,404,953	466,466,632
EXPENDITURE			
Cost of Goods Sold	13	647,682,492	439,467,597
Direct Charges	14	6,531,948	5,626,751
Administration Expenses	15	6,205,168	5,517,402
Selling and Distribution Expenses	16	1,664,930	1,654,780
Interest and Finance Charges	17	1,322,056	16,412
Depreciation		5,043,169	4,672,258
		668,449,763	456,955,200
Profit Before Tax		9,955,190	9,511,432
Less: Provision for Taxation			
Current Tax		1,468,544	1,195,594
Deferred Tax			-
MAT Credit Entitlement		581,091	210,803
Profit After Tax		7,905,555	8,105,035
Add/Less: Balance Brought forward from previous year		40,075,767	31,970,732
Balance carried to Balance Sheet		47,981,323	40,075,767
Earning Per Share (Basic)		1.58	1.62
Earning Per Share (Diluted)		1.58	1.62
Significant Accounting Policies and Notes on Accounts	18		
Schedules referred to above and notes attached there to form an integral part of the Profit and Loss Account			
This is Profit and Loss Account referred to in our report of even date.			

FOR DMKH & CO.,
Chartered Accountants
Firm Registration No. : 116886W

For **AAREY DRUGS & PHARMACEUTICALS LTD**

CA. O.P.SOMANI
PARTNER
M NO. 123830

JAGDISH K SHAH
CHAIRMAN

Place : MUMBAI
Date: 25th August, 2011

MIHIR R.GHATALIA
MANAGING DIRECTOR

CHETAN K. MEHTA
DIRECTOR

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	AS AT 31.03.11 AMOUNT(RS.)	AS AT 31.03.10 AMOUNT(RS.)
SCHEDULE "1" : SHARE CAPITAL		
AUTHORISED SHARE CAPITAL : 1,60,00,000 (Previous year 1,60,00,000) Equity	160,000,000	160,000,000
Shares of Rs. 10 each		
Total	160,000,000	160,000,000
ISSUED, SUBSCRIBED & FULLY PAID UP		
50,00,400 Equity Shares of Rs. 10/- each (Previous year 50,00,400 equity shares of Rs. 10/- each	50,004,000	50,004,000
Total	50,004,000	50,004,000
SCHEDULE "2" : RESERVES & SURPLUS		
Capital Reserve	2,000,000	2,000,000
Profit and Loss Account	47,981,323	40,075,767
Total	49,981,323	42,075,767
SCHEDULE "3" : SECURED LOANS		
Vehicle Loan (secured against vehicle financed)	626,712	-
Cash Credit facility from Schedule Bank (secured by way of hypothecation of stock, book debts, and further secured by mortgage of factory land and bldg)	26,878,465	-
Total	27,505,177	-
SCHEDULE "4" : UNSECURED LOANS		
From Bank	-	-
From Others		
From Directors	1,460,000	14,499,046
From Others	3,977,180	29,241,872
Total	5,437,180	43,740,918

**Schedules Forming Part of Balance Sheet as at 31st March, 2011
SCHEDULE 5 : FIXED ASSETS**

Sr. No.	PARTICULARS	Rate of Dep.	GROSS BLOCK			DEPRECIATION			NET BLOCK		
			Opening 1.4.2010	Addition during the year	Deletion during the year	Total 31.3.2011	Provided Upto 31.03.2010	For the Year 31.3.2011	Deduction	Total Upto 31.03.2011	As on 31.03.11
1	Land	0.00%	2,243,546			2,243,546	226,620	-	226,620	2,016,926	2,016,926
2	Factory Building	10.00%	22,751,068			22,751,068	15,782,675	696,839	16,479,514	6,271,554	6,968,393
3	Plant & Machinery	13.91%	82,555,178	13,415,000		95,970,178	55,948,123	4,181,234	60,129,357	35,840,821	26,607,055
4	Factory Equipment	13.91%	523,758			523,758	436,105	12,193	448,298	75,460	87,653
5	Electronic Equipments	18.10%	80,262	130,833		211,095	51,419	24,706	76,125	134,970	28,843
6	Furniture	18.10%	44,519			44,519	39,899	836	40,735	3,784	4,620
7	Electronic Fitting	18.10%	59,935			59,935	53,419	1,179	54,598	5,337	6,516
8	D.G. Set	18.10%	178,525			178,525	124,648	9,752	134,400	44,125	53,877
9	Computer	40.00%	313,938			313,938	272,523	18,651	291,174	48,477	41,415
10	Motor Car	25.89%	413,266	707,605		1,120,871	277,386	88,884	366,271	754,600	135,880
11	Laboratory Equipment	13.91%	139,056			139,056	75,109	8,895	84,004	55,051	63,946
12	Capital WIP Building		5,754,376		8,000,000	5,754,376	-	-		5,754,376	5,754,376
13	Capital WIP Machinery		11,026,899			11,026,899	-	-		3,026,899	11,026,899
	Total		126,084,325	14,279,151	8,000,000	132,363,476	73,287,927	5,043,169	-	78,331,096	54,032,381
	Previous year		106,847,128	19,237,197	-	126,084,325	68,615,668	4,672,258	-	73,287,927	52,796,398
											38,231,460

1. While preparing the fixed assets schedule for earlier years the company has wrongly shown the written down value 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 THE BALANCE SHEET

PARTICULARS	AS AT 31.03.11 AMOUNT(RS.)	AS AT 31.03.10 AMOUNT(RS.)
SCHEDULE "6" : INVESTMENT-(AT COST)		
Unquoted Investments In Government Securities 6 years N.S.C.	15,940	15,940
Total	15,940	15,940
SCHEDULE "7" : INVENTORIES (As taken value and certified by the Management)		
Stores & Spares	198,000	198,000
Traded Goods	33,681,017	46,220,950
Finished Goods	950,200	950,200
Total	34,829,217	47,369,150
SCHEDULE "8" : SUNDRY DEBTORS (Unsecured, considered good)		
Outstanding for a period exceeding six months	15,002,619	131,390,674
Other	178,605,482	-
Total	193,608,101	131,390,674
SCHEDULE "9" : CASH & BANK BALANCE		
Cash in hand	3,269,875	1,525,506
Balance with Schedule Banks in current account	522,244	96,632
Total	3,792,119	1,622,137
SCHEDULE "10" : LOANS & ADVANCES		
a. Advances recoverable in Cash or Kind for the value to be received and/ or to be adjusted		
Advances to Suppliers	5,934,354	24,739,473
Advances towards Expenses	130,445,023	1,516,000
b. Deposits	638,220	488,220
c. Duties and Taxes(TDS)	400,031	313,405
d. Sales Tax Refundable	1,568,511	952,650
e. Loan to others	1,161,014	-
Total	140,147,153	28,009,748
SCHEDULE "11" : CURRENT LIABILITIES AND PROVISIONS		
SUNDRY CREDITORS		
For Goods	149,013,940	85,259,467
For Expenses	4,525,160	11,802,488
Temporary Overdraft from Bank	-	2,601,86
Other liabilities	92,473	5,515
Advance from Buyers	10,300,390	19,059,480
Provisions	10,711,913	6,654,546
Total	174,643,876	125,383,363

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

PARTICULARS	AS AT 31.03.11 AMOUNT(RS.)	AS AT 31.03.10 AMOUNT(RS.)
SCHEDULE "12" : OTHER INCOME		
Misc. Income	84,806	87,032
Interest Received	46,010	5,090
Sales Tax Receivable (M-Vat)	615,861	474,309
Commission Received	850,690	870,700
Total	1,597,367	1,437,131
SCHEDULE "13" : COST OF GOODS SOLD		
A. Opening Stock	47,369,150	30,104,120
Total [A]	47,369,150	30,104,120
B. Total Purchase		
Purchase	605,332,138	439,261,256
Add: VAT and CST	29,810,421	17,602,172
	635,142,559	456,863,428
Discount on Purchases	-	(130,802)
Total [B]	635,142,559	6,732,627
C. Closing Stock	34,829,217	47,369,150
Total [C]	34,829,217	47,369,150
COST OF GOODS SOLD [A+B-C]	647,682,492	439,467,597
SCHEDULE "14" : DIRECT CHARGES		
Factory Expenses	21,076	206,037
Basic Salary (including Labour Welfare Fund, HRA, Bonus, Gratuity, Leave Salary, Overtime etc.)	903,693	544,131
Staff Welfare Expenses	30,850	236,537
Carriage Inwards	1,286,364	844,490
Security Services Charges	410,316	362,036
Power & Fuel	2,615,626	3,030,320
Labour Charges	423,250	403,200
Custom Duty	840,773	-
Total	6,531,948	5,626,751

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

PARTICULARS	AS AT 31.03.11 AMOUNT(RS.)	AS AT 31.03.10 AMOUNT(RS.)
SCHEDULE "15" : ADMINISTRATIVE EXPENSES		
Conveyance	46,117	177,115
Electricity Charges - BSES	51,669	34,466
Custodial Fees	48,999	33,090
Miscellaneous Expenses	93,935	326,530
Brokerage and commission Expenses	891,599	299,769
Legal & Professional Charges	802,566	163,287
Motor Car Expenses	374,266	144,511
Printing & Stationary Exps.	69,712	40,622
Audit Fees	56,253	55,150
Directors Remuneration	300,000	210,000
Directors Perquisites	805,817	460,410
Storage Expenses	148,293	-
Communication Expenses	126,086	159,694
Packing Material Charges	-	156,923
Repairs & Maintenance	20,118	20,560
Travelling Exps.	82,716	161,354
Research and Development expenses	-	180,000
Insurance Exps.	103,422	33,731
Share Transfer & Demat Expenses	856	1,240
Donation Expenses	11,000	-
Rights Issue Expenses	-	352,020
Income Tax (Appeal fees)	21,871	21,871
RTA Expenses	87,684	88,792
Water Charges	809,198	305,800
Filing Fees	-	752,550
Listing Fees	16,545	87,086
House Rent Expenses	60,000	120,000
Office Rent	216,000	216,000
Sales Tax Expenses	14,513	-
Clearing & Forwarding	167,656	14,962
Commitment Expenses	-	50,000
VAT on Fixed Assets Purchases	778,278	814,213
Diwali Gifts	-	35,657
Total	6,205,168	5,517,402

SCHEDULE "16" : SELLING AND DISTRIBUTION EXPENSES

Sales Promotion Expenses	53,713	727,950
Advertisement Expenses	35,206	8,000
Carriage Outward Expenses	1,547,053	909,240
Entertainment Expenses	28,958	9,590
Total	1,664,930	1,654,780

SCHEDULE "17" : INTEREST AND FINANCE CHARGES

Bank Interest	966,681	14,486
Other Interest	15,712	1,926
Bank Charges	339,663	-
Total	1,322,056	16,412

SCHEDULE '18'
SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF THE ACCOUNTS
NATURE OF BUSINESS:

AAREY DRUGS & PHARMACEUTICALS LIMITED (ADPL) is engaged in the business of manufacturing and trading in Chemical Products, Solvent, Durgs Intermediates etc.

I- SIGNIFICANT ACCOUNTING POLICIES
BASIS OF PREPARATION OF FINANCIAL STATEMENTS :

The Financial Statements of the company are prepared under the historical cost convention on accrual basis of accounting, in accordance with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Companies Act, 1956, and generally accepted accounting principles in India. The accounting policies have been consistently applied by the company during the year. The significant accounting policies are as follows:

(a) Basis of Accounting:

These accounts are prepared on the historical cost convention and on the mercantile basis.

(b) Revenue Recognition:

All incomes and expenditure are recognized as per 'Accounting Standard-9' accounted on accrual basis except where stated otherwise.

(c) Inventories:

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.

(d) Fixed Assets :

Fixed Assets are stated at cost less depreciation, cost includes all identifiable expenditure incurred to bring the assets to its present condition and location.

Depreciation is provided on Written Down Value Method, at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on fixed assets added during the year, is provided on pro-rata basis.

However, the Company has not provided depreciation in the financial year 2001 to 2004 and has provided excess depreciation later on resulting in the Reserved & Surplus being overstated by Rs.56,96,280

(e) Investment

Long term investments are carried out at cost. Current investments are stated at the lower of cost and market value. However, provision for diminution in the value is made to recognize a decline other than temporary in the value of the investments.

(f) Earning Per Shares :

Basic earning per shares are calculated by dividing the net profit for the year attributable to equity shareholders by the total number of weighted Average number of equity shares outstanding during the period.

Diluted earning per shares are calculated by dividing the net profit for the year attributable to equity shareholders by the total number of weighted Average number of equity shares outstanding during the period and also included dilutive potential equity shares outstanding during the period.

(g) Taxation:

Current tax is determined as the tax payable in respect of taxable income for the year if any. Deferred tax for the year is recognised on timing difference; being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only if there is a reasonable / virtual certainty of realization.

II NOTES TO THE ACCOUNTS -

- The balances of Sundry Debtors, Loans and advances and Sundry Creditors are stated as per books of accounts and as such are subject to confirmation from parties.
- In opinion of the management, Current Assets, Loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the financial statement.
- The Company has not provided for Gratuity and Leave Encashment to Employees on accrual basis, which is not in conformity with AS 15 issued by ICAI. However, in the opinion of management, the same is accounted for as and when liabilities arise.
- Segment Information (AS-17):**
Company has only one segment of activity, therefore segment reporting as defined in AS-17 does not apply to the company.
- As required by accounting standard (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the company has carried out the assessment of impairment of assets. There has been no impairment loss during the year.
- Additional information pursuant to the provisions of Paragraphs 4 of Part II of Schedule VI of the Companies Act, 1956:

Director's Remuneration and perquisites- (Amount in Rs.)

Sr. No.	Particulars	F.Y. 2010-2011	F.Y. 2009-2010
1.	Mihir R. Ghatalia	1105817/-	240840.82
2	Rajesh P. Ghatalia	NIL	433569.18
	Total	1105817/-	674410/-

- Additional information pursuant to the provisions of Clause 4A of Part II of Schedule VI of the Companies Act, 1956:
Commission (u/s 349) "Nil".
- Additional information pursuant to the provisions of Clause 4B of Part II of Schedule VI of the Companies Act, 1956:

Auditors' Remuneration

Particulars	31.03.2011	31.03.2010
Audit fees	51000/-	45,000/-
Other Matters	----	5,000/-
Service Tax	5253/-	5,150/-
Total	56,253/-	55,150/-

9 Additional information pursuant to the provisions of Clause 4C of Part II of Schedule VI of the Companies Act, 1956

Detailed Quantitative Information

Particulars	Licenced Capacity(MTS)		Installed Capacity(MTS)		Actual Production(MTS)	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010	31.03.2011	31.03.2010
1) Metronidazola	300	300	400	400	0	0
2) Metronidazola Benzoate	150	150	180	180	0	0
3) Tinidazol	120	120	120	120	0	0
4) Dimetronidazola	120	120	120	120	0	0
5) Thinner	300	300	300	300	26.50	22.50

- Additional information pursuant to the provisions of Paragraphs 4D of Part II of Schedule VI of the Companies Act, 1956:
 - Expenditure in Foreign currency "Nil"
 - Earning in Foreign currency "Nil"

11 Deferred Tax Assets/(Liability) :

The Company has not provided Deferred Tax Liabilities for the year, amounting to Rs. 68,79,195 /- , resulting in overstatement of Reserve and Surplus by the said amount, which is not in conformity with Accounting Standard 22 on "Accounting on Taxes on Income" issued by the Institute of Chartered Accountant of India.

12 Related Party Disclosures:

Related Parties and Nature of Relationship:

Related Party	Nature of Relationship
Mihir R. Ghatalia	Managing Director
Jagdish K. Shah	Chairman
Chetan K. Mehta	Director
Lalit R. Mehta	Director
Satish M. Mehta	Director
Damyanti P Ghatalia	Relative of Managing Director
Bina R Ghatalia	Relative of Managing Director
Nimit Impex Pvt Ltd	Concern in which relatives of MD are substantially interested.
Suraj Tradelinks Pvt Ltd	Concern in which relatives of MD are substantially interested

Note : Related Parties as disclosed by the management and relied upon by auditors.

Related Party Transactions-

Particulars	Companies in which Directors are substantially interested	Key Management Personnel	Relative of Key Management Personnel
Remuneration and Parquisites		11,05,817/-	
Rent Paid			2,76,000/-
Loan Transactions			
Gross Loans Taken	--	1,19,16,211/-	
Gross Loans Repaid	--	5,19,59,463/-	--
Credit Balance o/s as on 31.03.2011	--	54,37,180/-	--

13 Earning per share (AS-20):

Particulars	2010-2011	2009-2010
Net Profit after Tax (Rs.)	79,05,555	81,05,035
Weighted Average No. of Equity Shares for EPS	5000400	5000400
Nominal Value of Share (Rs.)	10	10
Basic and diluted Earnings per share (Rs.)	1.58	1.62

14 Quantitative detail in respect of trading goods

Details of Purchase & Sales		Quantity	
		Current Year	Previous Year
Purchase	Chemical (Kgs)	16441425	10280993
Sales	Chemical (Kgs)	16591764	9980824

Details of Stock on Hand		Quantity	
		Current Year	Previous Year
Opening Stock	Chemical (Kgs)	735286	439291
Closing Stock	Chemical (Kgs)	584947	735286

There was shortage if 4173.5kgs in previous year.

- 15** The Company has not received the required information from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. Hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been made.
- 16** Based on the information available with the Company, there is no amount due to Small Scale Industrial Undertaking, outstanding for more than 30 days as at 31st March 2011.
- 17** Previous figures have been regrouped and rearranged wherever necessary to make the comparable with those of the current year.
- 18** Balance Sheet abstract and company's general business profile as per the annexure A.

For DMKH & COMPANY
CHARTERED ACCOUNTANTS
FRN No. 116886W

For AAREY DRUGS & PHARMACETICALS LTD

MIHIR R. GHATALIA
MANAGING DIRECTOR

CA. O.P.SOMANI
PARTNER
M NO. 123830
Place : MUMBAI

CHETAN K. MEHTA
DIRECTOR

JAGDISH K SHAH
CHAIRMAN

Date: 25th August, 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I REGISTRATION DETAILS

Registration No	56538
State Code	11
Balance Sheet Date	31.03.2011

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	251,992,780
Total Assets	251,992,780

Sources of Funds

Paid up Capital	50,004,000
Advance against Share Capital	NIL
Reserves & Surplus	49,981,323
Secured Loan	NIL
Unsecured Loan	5,437,180

Application of Funds

Net Fixed Assets	45,251,106
Capital Work In Progress	8,781,275
Investment	15,940
Net Current Assets	197,732,713
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

IV PERFORMANCE OF COMPANY

Turnover	646,657,670
Total Expenditure	668,449,763
Profit/Loss before Tax	9,955,190
Profit/Loss after Tax	7,905,555
Earnings Per Share in Rs.	1.58
Dividend	NIL
Diluted Earning Per Share in Rs.	1.58

V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/

SERVICES OF THE COMPANY (AS PER MONETARY TERMS)	Product Description
a) Item Code (ITC Code)	MBO
	MTZ
	2MNI

For DMKH & COMPANY
CHARTERED ACCOUNTANTS
FRN No. 116886W

For AAREY DRUGS & PHARMACETICALS LTD

MIHIR R. GHATALIA
MANAGING DIRECTOR

CA. O.P.SOMANI
PARTNER
M NO. 123830
Place : MUMBAI

CHETAN K. MEHTA
DIRECTOR

JAGDISH K SHAH
CHAIRMAN

Date: 25th August, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

Particulars	For the Year ended 31.3.2011 AMOUNT (Rs.)	For the Year ended 31.3.2010 AMOUNT (Rs.)
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	9,955,190	9,511,432
Adjustment for :		
- Depreciation and	5,043,169	4,672,258
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	14,998,359	14,183,690
Adjustment for :		
- (Increase)/decrease in Trade and Other Receivable	-62,217,426	-51,084,003
- (Increase)/decrease in Inventories	12,539,933	-17,265,030
- (Increase)/decrease in Loan & Advances	-112,137,405	-26,591,864
- Increase in Current Liabilities / Creditors	45,203,147	68,996,002
- Increase in Provisions	2,007,732	1,356,397
Taxation 0	-1,406,397	
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	-99,605,660	-11,811,205
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-6,279,151	-19,237,197
NET CASH FROM INVESTING ACTIVITIES (B)	-6,279,151	-19,237,197
C) CASH FROM FINANCING ACTIVITIES		
Share Application Money received	119,065,100	
- Increase in Secured Loan	27,505,177	
- Decrease in Unsecured Loans	-38,303,738	28,709,721
- Miscellaneous expenditure paid	-211,746	
NET CASH FROM FINANCING ACTIVITIES (C)	108,054,793	28,709,721
D) NET INCREASE IN CASH & CASH EQUIVALENTS (A+B+C)	2,169,981	-2,338,681
E) CASH & CASH EQUIVALENTS AS BEGINNING OF THE YEAR	1,622,137	3,960,818
F) CASH & CASH EQUIVALENTS AS AT END OF THE YEAR (D+E)	3,792,119	1,622,137
For AAREY DRUGS & PHARMACEUTICALS LTD		
For and on behalf of the Board of Directors		
JAGDISH K SHAH CHAIRMAN		
MIHIR R.GHATALIA MANAGING DIRECTOR	CHETAN K. MEHTA DIRECTOR	

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 Twenty First Annual General Meeting of the Company at E-34, MIDC, Tarapur, Boisar, Dist. Thana. On September 30, 2011 At 09.30 A.M.

DP ID No.*

Client ID No.*

Folio 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 -----

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 Twenty First Annual General Meeting of the Company to be held on September 30, 2011
at 09.30 A.M. at E-34 , MIDC , Tarapur , Boisar , Dist. Thana on and at any adjournment thereof.

Signed this _____ day of _____ 2011.

Reference Folio No. _____

No. of Shares held _____

Affix
Re 1/-
Revenue
Stamp

*Applicable for Investors holding shares in Electronic Forms.

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