

## REPORT ON CORPORATE GOVERNANCE

### Corporate Governance Philosophy

The Company is fully committed to the principles of good Corporate Governance. It ensures efficient conduct of affairs of the Company to achieve its goal of maximizing value for its stakeholders. In compliance with the disclosure requirements of Clause 49 of the Listing Agreement executed with the Stock Exchanges, the details are set out below:-

#### 1. BOARD OF DIRECTORS

##### (A) Board Composition

The Board of Directors of the Company ('the Board') consists of 6 Directors, headed by an Executive Chairman and out of which Four(4) are Non Executive Directors of which Three(3) are Independent Directors. The Independent Directors are eminent professionals, with experience in Nutrition, Management and Strategy, Banking, Corporate Laws etc. Composition of the Board and category of Directors are as follows:

Category	Name of the Directors
Promoter- Executive Directors	Dr. Jimmy Mirchandani Chairman & Managing Director
	Dr. Rahul Mirchandani Executive Director
Promoter- Non-Executive Directors	Mr. Akshay Mirchandani
Independent- Non-Executive Directors	Prof. R.S.S. Mani
	Mr. Chakradhar Bharat Chhaya
	Dr. D. S. Jadhav*
	Mr. Bhumitra Vinodchandra Dholakia**

\* Resigned from the Directorship w.e.f. 13.11.2012

\*\* Appointed as Additional Director w.e.f. 13.11.2012

##### (B) Attendance and Other Directorships

Attendance of Directors at Board Meetings, last Annual General Meeting and number of Directorships and Chairmanships/Memberships of Committees of each Director in various Companies as on 31<sup>st</sup> March, 2013 is as follows:-

Name of the Director & Designation and category	Attendance of Meetings during 2012-13		Directorship in other Public Companies incorporated in India	No. of Membership(s)/ Chairmanship(s) of Board Committees in other Companies	Inter Se Relation-ship
	Board Meetings	Last AGM held on 28 <sup>th</sup> September, 2012			
Dr. Jimmy Mirchandani Chairman & Managing Director (Promoter)(CMD)	3 (4)	Yes	2	NIL	Brother of ED and father of NED
Dr. Rahul Mirchandani Executive Director (Promoter)(ED)	4 (4)	Yes	3	NIL	Brother of CMD
Dr. D. S. Jadhav* Director Non Executive (Independent)	3(3)*	No	NIL	NIL	N.A.
Prof. R. S. S. Mani Director Non Executive (Independent)	4(4)	Yes	NIL	NIL	N.A.
Mr. Akshay Mirchandani Director Non-Executive (Promoter)(NED)	3(4)	Yes	NIL	NIL	Son of CMD
Mr. Chakradhar Bharat Chhaya Director Non Executive (Independent)	4(4)	No	3	6 (including 3 as Chairman)	N.A.
Mr. Bhumitra Vinodchandra Dholakia** Director Non Executive (Independent)	1(1)**	NA	3	2 (including 2 as Chairman)	N.A.

\* Resigned from the Directorship w.e.f. 13.11.2012

\*\* Appointed as Additional Director w.e.f. 13.11.2012

None of the Directors on the Board holds the office of Director in more than 15 Companies or Membership of Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees across all Companies.

**(C) Board Meetings**

The Agenda and Background notes with supporting are circulated to the Directors well in advance of the Board Meetings and additional items, if any, are tabled in the course of the Board Meetings. During the year information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement has been placed before the Board for its consideration. The minutes of all the Committees of the Directors are placed before the Board and noted by them.

Four Board Meetings were held during the year, on 14.05.2012, 14.08.2012, 12.11.2012 and 14.02.2013.

The gap between two board meetings did not exceed four months.

**(D) Code of Conduct**

The Company has adopted a Code of Conduct for the members of the Board and the Senior Executives in compliance with the provision of Clause 49 of the Listing Agreement. All the members of the Board and the Senior Management Personnel have affirmed compliance to the Code of Conduct as on 31-03-2013, and a declaration to that effect signed by the Chairman & Managing Director is attached and forms a part of this Report.

**BOARD COMMITTEES**

**2. AUDIT COMMITTEE**

**i) Brief description of terms of reference**

- a. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of Audit Fee.
- c. Approval of payment of Statutory Auditors for any other services rendered by the Statutory Auditors.
- d. Reviewing with the Management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
  - i) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of section 217 of the Companies Act, 1956;
  - ii) Any Changes in Accounting Policies and Practices; reasons for the same;
  - iii) Major accounting entries involving estimates based on the exercise of judgment by Management;
  - iv) Significant adjustments made in the Financial Statements arising out of Audit findings;
  - v) Compliance with Accounting Standards;
  - vi) Compliance with Stock Exchanges and legal requirements concerning Financial Statements;
  - vii) Any Related Party transactions i.e transactions of the Company of material nature, with Promoters or the Management, their Subsidiaries or Relatives etc. that may have potential conflict with the interests of the Company at large.
  - viii) Qualifications in the draft Audit Report.
- e. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- f. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- g. Reviewing with the Management, Statutory and Internal Auditors the adequacy of the Internal Control Systems.
- h. Reviewing the adequacy of Internal Audit function, including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of Internal Audit.
- i. Discussion with Internal Auditors any significant findings and follow up thereon.
- j. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of Internal Control Systems of a material nature and reporting the matter to the Board.
- k. Discussion with Statutory Auditors before the Audit Commences, about the nature and scope of Audit as well as post-audit discussion to ascertain any area of concern.

- l. Reviewing the Company's Financial and Risk Management Policies;
- m. To look into the reasons for substantial defaults in the payment to the Depositors, Debenture Holders, Shareholders (in case of non payment of declared dividends) and creditors.
- n. To approve appointment of Chief Financial Officer before finalization of the same by the Management

The terms of reference of the Audit Committee are in accordance with Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The Committee acts as a link between the Management, Auditors and Board of Directors of the Company and has full access to financial information.

Recommendations of the Audit Committee, if any, are considered and implemented by the Board from time to time.

**(ii) Composition, Name of Members and Chairperson**

The Audit Committee comprises of the following Directors:

- Prof. R. S. S. Mani : Chairman (Independent Director)
- Dr. D. S. Jadhav\* : Member (Independent Director)
- Dr. Rahul Mirchandani : Member (Non-Independent Director)
- Mr. Bhumitra V. Dholakia\*\* : Member (Independent Director)

\* Resigned from the Directorship w.e.f. 13.11.2012

\*\* Appointed as a Member w.e.f. 13.11.2012

The Chairman of the Audit Committee remains present at the Annual General Meeting. The previous Annual General Meeting of the Company was held on 28<sup>th</sup> September, 2012 and was attended by Prof. R. S. S. Mani, Chairman of the Audit Committee.

**(iii) Meetings and Attendance during the year**

The Audit Committee met 4 times during the year on 14.05.2012, 14.08.2012, 12.11.2012 and 14.02.2013. Not more than four months had elapsed between any two meetings.

The attendance of each member of the Committee is given below:

Name of the Director	No. of meetings attended
Prof R. S. S. Mani	4
Dr. D. S. Jadhav*	3*
Dr. Rahul Mirchandani	4
Mr. Bhumitra V. Dholakia**	1**

\* Resigned from the Directorship w.e.f. 13.11.2012

\*\* Appointed as a Member w.e.f. 13.11.2012

The Statutory Auditors, Internal Auditors, Cost Auditors and Chief Financial Officer are permanent invitees to the meetings of the Committee. The Company Secretary is the Secretary of the Committee.

**3. REMUNERATION COMMITTEE**

**(i) Brief description of Terms of Reference**

To determine the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.

**(ii)& (iii) Composition, Name of members, Chairperson & Attendance during the year**

Remuneration Committee consists of Dr. D. S. Jadhav (Resigned w.e.f. 13.11.2012), Prof. R. S. S. Mani, Mr. Chakradhar Bharat Chhaya and Mr. Bhumitra V. Dholakia (w.e.f. 13.11.2012) all Independent Directors, as members. Dr. D. S. Jadhav was the Chairman until he resigned w.e.f. 13.11.2012. Prof R. S. S. Mani was appointed as the Chairman of the Committee w.e.f. 13.11.2012. The Committee met once on 14.08.2012.

**(iv) Remuneration Policy**

The remuneration policy for Working Directors is in line with the other peer Companies and reviewed periodically. The payment of remuneration is duly approved by the Board of Directors upon the recommendation of the Remuneration Committee and subsequently confirmed by the Shareholders.

**(v) Details of Remuneration paid to the Directors for the year ended 31<sup>st</sup> March 2013.**

- i) Managing Director and Executive Director.

The Agreements with the Chairman & Managing Director and Executive Director are for a period of three Years from 01.10.2012 to 30.09.2015.

The total remuneration paid to the Managing Director and Executive Director during the year 2012-13 was as under:

(Rupees)

Name	Salary	Commission	Contribution to Provident Fund/ Gratuity	Total
Dr. Jimmy Mirchandani Chairman & Managing Director.	46,97,275	23,00,000	3,45,600	<b>73,42,875</b>
Dr. Rahul Mirchandani Executive Director	45,42,729	23,00,000	4,17,600	<b>72,60,329</b>

Notes:

- a) The Agreements with the Managing Director, and Executive Director are for a period of three years upto 30<sup>th</sup> September, 2015. Either party to the Agreement is entitled to terminate by giving the other party a notice of 3 months.
  - b) The Managing Director and Executive Director are entitled to compensation for loss of office in accordance with and subject to restrictions laid down under section 318 of the Companies Act 1956.
  - c) Presently, the Company does not have a scheme for grant of Stock Options to its Working Directors
  - d) The Managing Director and Executive Director are entitled to Commission within the overall limit prescribed under sections 198 & 309 of the Companies Act, 1956.
- ii) The Non Executive Directors are not entitled to any Remuneration except payment of Sitting Fees for attending the Meetings of Board of Directors and Committees thereof. During the year 2012-13, the Company has paid total Sitting Fee of Rs. 5,05,000/- to Non Executive Directors as under:

Dr. D. S. Jadhav *	Rs. 1,00,000.00*
Prof. R. S. S. Mani	Rs. 1,35,000.00
Mr. Akshay Mirchandani	Rs. 60,000.00
Mr. C. B. Chhaya	Rs. 1,80,000.00
Mr. B. V. Dholakia**	Rs. 30,000.00**

\* Resigned from the Directorship w.e.f. 13.11.2012

\*\* Appointed as Additional Director w.e.f. 13.11.2012

#### 4. SHAREHOLDERS / INVESTORS GRIEVANCES COMMITTEE

##### (i) Composition of the Committee

The Shareholders/ Investors Grievance Committee has been constituted to specifically look into redressing the Shareholders and Investors' Complaints. The Committee met once during the year.

The Committee consists of the following members:

Prof. R. S. S. Mani	:	Chairman
Dr. Jimmy Mirchandani	:	Member
Dr. Rahul Mirchandani	:	Member

##### (ii) Name & Designation of Compliance Officer:

Mr. Qaiser Parvez Ansari, Company Secretary or in his absence Mr. S. Ramamurthy, Chief Financial Officer is designated as Compliance Officer of the Company.

##### (iii) to (v) A statement of various Complaints received and cleared by the Company during the year ended on 31<sup>st</sup> March, 2013 is given below:

	Nature of Complaint	Opening	No. of Complaints Received	Redressed	Pending
1.	Non- receipt of Dividend Warrants	0	2	2	0
2.	Complaint from SEBI	0	1	1	0
	<b>TOTAL</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>0</b>

The "SCORES" website of SEBI for redressing of Grievances of the investors is being visited at regular intervals by the Company Secretary and there are no pending complaints registered with SCORES for the Financial Year ended on 31<sup>st</sup> March, 2013.

As per revised Clause 47(F) of the Listing Agreement the E-mail ID of the Investor Grievance Department of the Company is [investorrelations@ariesagro.com](mailto:investorrelations@ariesagro.com).

The Web Site address of the Company is [www.ariesagro.com](http://www.ariesagro.com).

## 5. TREASURY COMMITTEE (VOLUNTARY)

### Composition of the Committee

The Treasury Committee was constituted by the Board of Directors of the Company in their meeting held on 28<sup>th</sup> January, 2010 to consider and approve financial needs (borrowings of the Company from time to time and negotiate the Terms and Conditions with the Banks/Financial Institutions, avail the Credit Facilities and finalize and sign Agreements, Deeds, Documents etc with the Banks/Financial Institutions.

The Committee consists of the following members:

Dr. Jimmy Mirchandani	:	Chairman
Dr. Rahul Mirchandani	:	Member
Mr. C. B. Chhaya	:	Member

## 6. General Body Meetings

(i) and (ii) The date, time and venue of the last 3 General Body Meetings of the Company is given below:

Financial Year ended	Date	Time	Venue	Details of Special Resolutions
31 <sup>st</sup> March, 2010	17-09-2010	10.00 a.m.	The Acres Club, Hemu Kalani Marg, Chembur, Mumbai-400 071	Amendment of the Objects Clause of the Memorandum of Association of the Company by insertion of a new Clause for Borrowing.
31 <sup>st</sup> March, 2011	29-09-2011	10.00 a.m.	The Chembur Gymkhana, 16 <sup>th</sup> Road, Chembur, Mumbai-400 071	1. Approval of Appointment and Payment of Remuneration to Mr. Akshay Mirchandani by Step Down Subsidiary M/S Amarak Chemicals FZC, Fujairah, UAE. w.e.f. 30.12.2010 2. Approval of Appointment and Payment of Remuneration to Mr. Akshay Mirchandani by the Subsidiary M/S Golden Harvest Middle East FZC, Sharjah, UAE. w.e.f. 01.04.2011. 3. Approval of Appointment and Remuneration of Mr. Amol Mirchandani by the Company w.e.f. 07.04.2011.
31 <sup>st</sup> March, 2012	28-09-2012	10.00 a.m.	The Chembur Gymkhana, 16 <sup>th</sup> Road, Chembur, Mumbai-400 071	Re-appointment and fixation of remuneration of Dr. Jimmy Mirchandani, Chairman & Managing Director and Dr. Rahul Mirchandani, Executive Director for a period of 3 years w.e.f. 01.10.2012.

(iii) to (iv) No Postal ballot was conducted during the year under review. No Extra Ordinary General Meeting was held.

## 7. DISCLOSURES

(i) During the year under review, besides the transactions reported in Notes to the Accounts of the Annual Report, there were no other Related Party Transactions with the Promoters, Directors and Management that had a potential conflict with the interest of the Company at large.

All the transactions with Related Parties are periodically placed before the Audit Committee. The Register of Contracts detailing transactions in which Directors are interested is placed before the Board at every Meeting for its approval. Transactions with Related Parties, as per requirements of Accounting Standard 18 are disclosed in Note No. 27-B to the Accounts in the Annual Report and they are not in conflict with the interest of the Company at large.

(ii) There have been no instances of Non-Compliance on any matter with the Rules and Regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India or any other Statutory Authority relating to the Capital Markets during the last three years.

(iii) The Company has not adopted any Whistle Blower Policy. However, no personnel has been denied access to the Senior Management.

(iv) The Company has complied with the mandatory requirements regarding the Board of Directors, Audit Committees and other Board committees and other disclosures as required under the provisions of the revised Clause 49 of the Listing Agreement. The status of compliance in respect of non-mandatory requirements of Clause 49 of Listing Agreement is as follows:

- Maintenance of the Chairman's Office:** The Company has an Executive Chairman and the office provided to him for performing his executive functions is also utilized by him for discharging his duties as Chairman. No separate office is maintained for the Non-Executive Chairman of the Audit Committee but Secretarial and other assistance is provided to him, whenever needed, in performance of his duties.
- Tenure of Independent Directors:** No specific tenure has been specified for the Independent Directors.
- Remuneration Committee:** The Company has set up a Remuneration Committee consisting of three Non Executive Independent Directors. Please see the paragraph on Remuneration Committee.
- Shareholders' rights:** Un-Audited Quarterly Financial Results are posted on the website of the Company.

- (e) **Audit Qualification:** The Auditors remarks if any are explained in the Directors Report and necessary actions are also taken by the Company when required. The Company shall endeavor to have unqualified Financial Statements.
- (f) **Training of Board of Directors:** The Directors of the Company are persons from Business and Profession with experience in Corporate Sector. They are being kept posted with various Statutory and Regulatory changes which are applicable to the Company.
- (g) **Mechanism for evaluating Non-Executive Board Members:** Non Executive Members of the Board are highly qualified and there is no need for evaluation.
- (h) **Whistle Blower Policy:** The Company has so far not framed a formal whistle blower policy. However, the employees of the Company have free access to the Board of Directors, Audit Committee and Senior Management personnel to report their concerns about unethical behaviour, fraud or violation of statutory requirements, with assurance from the Management to protect the employees from victimization in case they report any such unethical or fraudulent behaviour.
- (i) **Board disclosures-Risk Management:** The Board is kept informed about the Risk Management being followed by the Company from time to time. All the risks such as fire, marine, burglary, earthquake etc. have been adequately insured.
- (j) **CMD/CFO Certification**  
Chairman & Managing Director/Chief Executive Officer and Chief Financial Officer have issued necessary certificate pursuant to the provisions of clause 49 of the Listing Agreement and the same is annexed and forms part of the Annual Report.
- (k) **Declaration regarding Code of Conduct**  
Declaration by the Chairman and Managing Director confirming compliance with the Code of Conduct as adopted by the Company is annexed and forms part of the Annual Report.

## 8. SHAREHOLDING OF THE NON-EXECUTIVE DIRECTORS

The Company's Articles of Association do not require its Directors to hold any Qualification Shares. The details of the shareholding of its Non Executive Directors are given below:

Name of the Non Executive Directors	Number of Equity Share (Pre-Issue)
Dr. D. S. Jadhav*	1,050
Prof. R. S. S. Mani	NIL
Mr. Akshay Mirchandani	3,61,875
Mr. C. B. Chhaya	NIL
Mr. Bhumitra V. Dholakia**	NIL

\* Resigned from the Directorship w.e.f. 13.11.2012

\*\* Appointed as Additional Director w.e.f. 13.11.2012

## 9. MEANS OF COMMUNICATION

**Website:** The Company's website [www.ariesagro.com](http://www.ariesagro.com) where relevant information is available. Full Annual Report is also available on the website in a user-friendly and downloadable form.

**Annual Report:** Annual Report containing inter alia Directors' Report, Auditor's Report, Audited Annual Accounts and other important information is circulated to Members and others entitled thereto. The Management's Discussion and Analysis (MD&A) Report forms part of the Annual Report.

## 10. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In line with the requirements of Clause 49 of the Listing Agreement, the Management Discussion and Analysis Report is also provided elsewhere in this Annual Report.

### 11. A. Disclosure on materially significant Related Party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their relatives, or Subsidiaries, etc. that may have potential conflict with the interests of the Company at large

Attention of Members is drawn to the disclosures of transactions with the Related Parties set out in Note No. 27-B in the Notes to Accounts forming part of the Annual Report.

All Related Party transactions are negotiated on arms length basis and are only intended to further the interests of the Company.

None of the transactions with any of the Related Parties were in conflict with the interest of the Company.

### B. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any other Statutory Authority, on any matter related to Capital Markets.

There has been no instance of Non-Compliance by the Company on any matter related to Capital Markets since it got listed on 11<sup>th</sup> January, 2008 and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other Statutory Authority.

## 12. General Shareholders Information

### (i) Annual General Meeting

The 43<sup>rd</sup> Annual General Meeting of the Shareholders will be held on Monday, 30<sup>th</sup> September, 2013 at 10.00 a.m.

Venue: The Chembur Gymkhana, 16<sup>th</sup> Road, Chembur, Mumbai – 400 071.

### (ii) Financial Calendar:-

For the year ending 31<sup>st</sup> March, 2014 the Financial Results will be announced on:

First Quarter	:	On or before 14th August, 2013
Half year	:	On or before 14th November, 2013
Third Quarter	:	On or before 14th February, 2014
Yearly	:	On or before 30 <sup>th</sup> May, 2014

(iii) **Date of Book Closure:** - Saturday, 21<sup>st</sup> September, 2013 to Monday, 30<sup>th</sup> September, 2013 (both days inclusive)

(iv) **Dividend**, if any, declared by the Members in the ensuing Annual General Meeting will be paid on 25<sup>th</sup> October, 2013.

(v) **Listing:** The Equity Shares of the Company are listed on Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd.

(vi) ISIN NO. : INE298I01015

**Scrip Code : BSE - 532935**

**NSE - ARIES**

(vii) **Listing Fee:** The Listing Fee for the financial year 2013-2014 has been paid to the above Stock Exchanges.

(viii) **Market Price Data: high, low during each month in the last Financial Year.**

Monthly Share Price Data of the Company's shares on BSE for the year ended 31<sup>st</sup> March, 2013

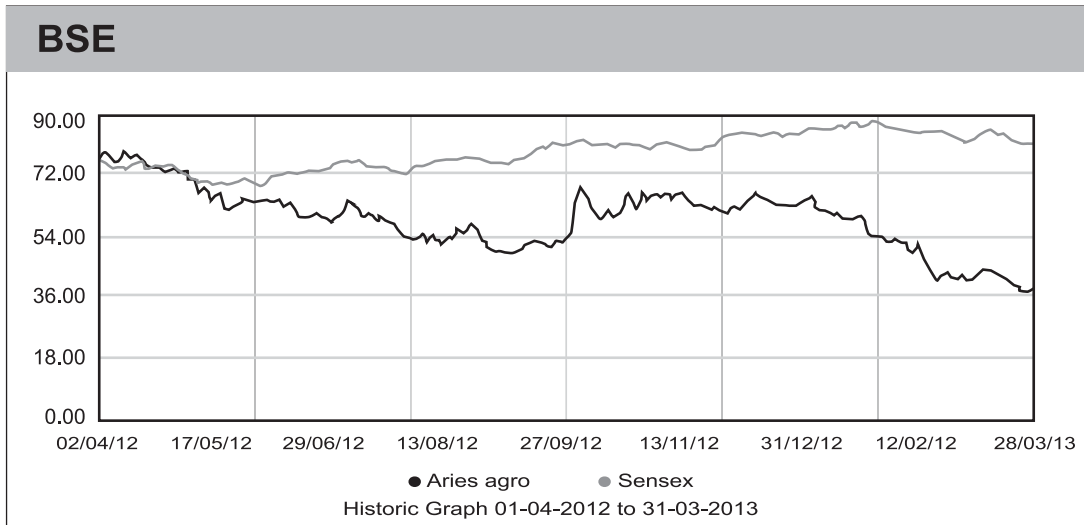
Month	Highest		Lowest	
	Rate (Rs.)	Date	Rate (Rs.)	Date
April, 2012	81.90	30.04.2012	74.00	25.04.2012 27.04.2012
May, 2012	77.80	02.05.2012	60.00	23.05.2012
June, 2012	70.25	11.06.2012	58.75	29.06.2012
July, 2012	67.90	06.07.2012	54.00	31.07.2012
August, 2012	62.95	24.08.2012	49.60	31.08.2012
September, 2012	57.80	28.09.2012	48.50	07.09.2012
October, 2012	74.20	04.10.2012	54.25	01.10.2012
November, 2012	72.05	12.11.2012	61.75	30.11.2012
December, 2012	70.50	12.12.2012	60.50	11.12.2012
January, 2013	68.25	04.01.2013	53.00	31.01.2013
February, 2013	56.00	01.02.2013	41.60	20.02.2013
March, 2013	46.45	11.03.2013 13.03.2013	37.00	28.03.2013

Monthly Share Price Data of the Company's shares on NSE for the year ended 31<sup>st</sup> March, 2013

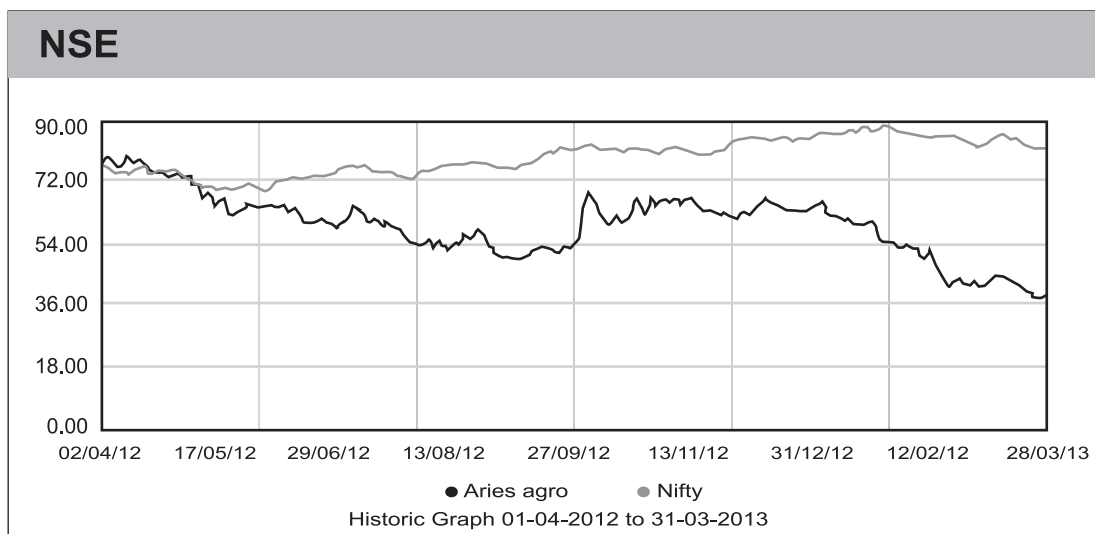
Month	Highest		Lowest	
	Rate (Rs.)	Date	Rate (Rs.)	Date
April, 2012	86.50	13.04.2012	73.50	27.04.2012
May, 2012	78.90	08.05.2012	58.85	23.05.2012
June, 2012	68.40	06.06.2012	57.65	18.06.2012
July, 2012	67.70	06.07.2012	53.50	30.07.2012
August, 2012	60.80	24.08.2012	49.50	31.08.2012
September, 2012	57.70	28.09.2012	48.15	10.09.2012
October, 2012	74.35	04.10.2012	53.50	01.10.2012
November, 2012	72.45	12.11.2012	61.40	20.11.2012
December, 2012	72.80	12.12.2012	62.30	03.12.2012
January, 2013	68.40	04.01.2013	53.10	31.01.2013
February, 2013	56.50	04.02.2013	41.30	20.02.2013 26.02.2013
March, 2013	46.55	11.03.2013	36.90	26.03.2013

(ix) Performance in comparison to BSE & NSE Sensex

Historic Graphs



Historic Graphs



(x) Name and Address of the Registrar and Share Transfer Agents

**AARTHI CONSULTANTS PVT LTD**

**Regd. Office**

1-2-285 Domalguda, Hyderabad – 500029

Tel: 040 27638111 / 27634445 / 27642217 / 66611921

Fax: 040 27632184

Email: [info@arthiconsultants.com](mailto:info@arthiconsultants.com)

(xi) Share Transfer System

Aarthi Consultants Private Limited processes transfer of shares held in Physical form and sends to the Company.

The powers for approval of share transfers are delegated as under:

Upto 1000 Shares : Mr. S. Ramamurthy, Chief Financial Officer and Mr. Qaiser P. Ansari, Company Secretary,



1000 to 5000 Shares : Dr. Jimmy Mirchandani, Chairman & Managing Director or Dr. Rahul Mirchandani, Executive Director  
 above 5000 Shares : Share Holders/Investors Grievance Committee

If the relevant documents are in order and complete in all respects, the transfer of shares is effected and certificates are dispatched to the transferees within 30 days from the date of receipt.

The requests for dematerialisation of shares are processed by the Registrar and Share Transfer Agents and if all the documents are found to be in order, the same are approved by them within a period of 15 days.

(xii) (1) **Distribution of Share Holding as on 31<sup>st</sup> March 2013**

Shareholding of Nominal Value		Shareholders			Share Amount	
From	To	Number	No of Shares	% of Total	Rupees	% of Total
1	5000	7513	866924	84.87	8669240	6.67
5001	10000	714	521696	8.07	5216960	4.01
10001	20000	314	467756	3.55	4677560	3.60
20001	30000	105	262252	1.19	2622520	2.02
30001	40000	48	167178	0.54	1671780	1.29
40001	50000	47	220495	0.53	2204950	1.70
50001	100000	56	420869	0.63	4208690	3.24
100001	And above	55	10077169	0.62	100771690	77.49
<b>TOTAL</b>		<b>8852</b>	<b>13004339</b>	<b>100.00</b>	<b>130043390</b>	<b>100.00</b>

(2) **Distribution of shareholding according to categories of shareholders as on 31<sup>st</sup> March, 2013**

Categories	No. of Shares	Amt. in Rs.	% to Total
Promoters	6857926	68579260	52.74
Directors (Independent)	1050	10500	0.01
Financial Institutions/ Banks	--	--	--
Mutual Funds / UTI	1100000	110000000	8.46
NRIs / OCBs/FIIs	496162	4961620	3.81
Other Bodies Corporate	1299172	12991720	9.99
Public	3250029	32500290	24.99
<b>Total</b>	<b>13004339</b>	<b>130043390</b>	<b>100.00</b>

For the purpose of SEBI (Substantial Acquisition of Shares & Takeover) Regulations, 2011, the following Companies are to be considered as Group Companies belonging to Promoters Group.

Sr. No.	Name of the Companies	Shareholding as on 31.03.2013
1.	Sreeni Agro Chemicals Ltd.	NIL
2.	Aries Marketing Ltd.	NIL
3.	Blossoms International Ltd.	NIL
4.	Aries East-West Nutrients Pvt. Ltd.	NIL

**Subsidiary Companies**

A list of Subsidiary Companies is given in Note No. 27-A of the Notes to Accounts forming part of the Annual Report.

All the Subsidiary Companies are Board managed. As the majority share holder, the Company has nominated its representative on the Board of Subsidiary Companies to monitor performance of such Companies. These are not material Subsidiaries as defined under Clause 49 of the Listing Agreement.

(xiii) **Details of Demat Shares as on 31<sup>st</sup> March, 2013**

Name of Depository	No. of Shareholders	No. of Shares	% of Capital
NSDL	5840	11284728	86.78
CDSL	2842	1384520	10.65
<b>Sub-Total</b>	<b>8682</b>	<b>12669248</b>	<b>97.43</b>
Physical Mode	170	335091	2.57
<b>Grand Total</b>	<b>8852</b>	<b>13004339</b>	<b>100.00</b>

(xiv) The Company has not issued any GDR's/ ADR's, Warrants or any other convertible instruments.

(xv) **Plant Location: -**

Location	Address
Mumbai, Maharashtra	• ARIES House, Plot No. 24, Deonar, Govandi(E), Mumbai-400 043, Maharashtra
Kolkata, West Bengal	• Gopalpur, Chandigarh, Distt-North 24 Parganas. P. S. Barasat-700 132, West Bengal
Hyderabad, Andhra Pradesh	• 244-246, 250-252, IDA Phase-II, Pashamylaram, Patancheru Mandal, Medak Dist., Andhra Pradesh
Bangalore Karnataka	• 8-B, Attibele Industrial Area, Hosur Main Road, Attibele, Bangalore - 562 107, Karnataka
Chhatral, Gujarat	• 1202/1 & 1202/2, Village: Rajpur, Taluka: Kadi, Distt: Mehsana, 382 740, Gujarat
Lucknow, Uttar Pradesh	• Plot No. 836, Banthara, Lucknow-Kanpur Highway, Sikandarpur, Tehsil & Distt. Lucknow, U. P., 227 101
Sharjah, UAE	• Golden Harvest Middle East FZC(a Subsidiary of Aries Agro Limited) Plot P3-04, Post Box No. 9267, Sharjah Airport International Free Zone(SAIF), Sharjah, UAE
Fujairah, UAE	• Amarak Chemicals FZC( a Subsidiary of Golden Harvest Middle East FZC thereby a Step Down Subsidiary of Aries Agro Limited), Al Hayl Industrial Area, P. O. Box 5283, Fujairah Free Zone(FFZ) Fujairah, UAE

(xvi) Address for Correspondence:

- i) Any query relating to the shares of the Company for Shares held in Physical Form and Shares held in Demat Form should be addressed to:

M/s. Aarthi Consultants Pvt. Ltd.  
1-2-285 Domalguda, Hyderabad – 500029  
Tel: 040 27638111 / 27634445 / 27642217 / 66611921  
Fax: 040 27632184  
Email: [info@aarthicconsultants.com](mailto:info@aarthicconsultants.com)

- ii) For grievance redress and any query

Mr. Qaiser P. Ansari, Company Secretary & Compliance Officer OR Mr. S. Ramamurthy, Chief Financial Officer, at the following address

Aries Agro Limited  
Aries House, Plot No. 24, Deonar, Govandi (E), Mumbai – 400043  
Tel: 022 25564052 / 53 Fax: 022 25564054  
Email: [investorrelations@ariesagro.com](mailto:investorrelations@ariesagro.com)  
Web Site: [www.ariesagro.com](http://www.ariesagro.com)

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## CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

### AUDITORS' CERTIFICATE

To the Members of Aries Agro Limited

We have examined the compliance of the conditions of Corporate Governance by Aries Agro Limited for the year ended 31<sup>st</sup> March, 2013, as stipulated in clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of the conditions of Corporate Governance is the responsibility of the Company's Management. Our examination was carried out in accordance with Guidance Note of Certificate of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of an 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 Agreements.

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

For **Kirti D. Shah & Associates**  
Chartered Accountants

**Kirti D. Shah**  
Proprietor  
Membership No. 32371

Mumbai  
Date: 14<sup>th</sup> August, 2013

## **DECLARATION BY THE CHAIRMAN & MANAGING DIRECTOR TO THE COMPLIANCE OF CODE OF CONDUCT IN PURSUANCE OF CLAUSE 49 (D) (II) OF THE LISTING AGREEMENT**

It is hereby declared that all the Board Members and Senior Management Personnel of the Company have affirmed to the Board of Directors, their compliance with the Code of Conduct of the Company pursuant to Clause 49 (D) (ii) of the Listing Agreement.

**Dr. Jimmy Mirchandani**  
**Chairman & Managing Director**

Date: 14<sup>th</sup> August, 2013

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## **MANAGING DIRECTOR(MD) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

We, the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of Aries Agro Limited ("The Company") to the best of our knowledge and belief certify that :

- (a) We have reviewed the financial statements and the cash flow statement for the year ended on 31<sup>st</sup> March, 2013 and based on our knowledge and belief we state that :-
  - i. These statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading.
  - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) We further state that to the best of our knowledge and belief there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct. We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.
- (c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
  - i. There have been no significant changes in the internal controls over financial reporting during the year.
  - ii. There have been no significant changes in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and
  - iii. There have been no instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

**Dr. Jimmy Mirchandani**  
**Chairman & Managing Director**

**S. Ramamurthy**  
**Chief Financial Officer**

Mumbai  
14<sup>th</sup> August, 2013

## MANAGEMENT DISCUSSION AND ANALYSIS

### FORWARD LOOKING STATEMENTS

This report contains forward looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates', or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures and financial results, are forward looking statements. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the Directors and Management of the Company, about the business, industry and markets in which the Company operates. These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond Company's control and difficult to predict, that could alter actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of the Company. In particular, such statements should not be regarded as a projection of future performance of the Company. It should be noted that the actual performance or achievements of the Company may vary significantly from such statements.

### MANUFACTURING BASE

Aries has scaled up the utilization of its manufacturing facilities during the year 2012-13 and the total capacity utilization currently stands at 45 percent of the total installed capacity of 84,600 MT p.a. in India. Our international manufacturing facilities at UAE have also shown improved capacity utilization which currently stands at 38% of the total installed capacity overseas.

The Company's new manufacturing facility at Chhatral, near Ahmedabad was inaugurated on 17<sup>th</sup> October, 2012 and has since been fully commissioned.

The factory currently produces multi micronutrient fertilisers including a new fast selling specialty nutrition product, Fertisol.

The Company has also improved the cost structure of products being manufactured at Chhatral by changing the fuel source from diesel to natural gas.

We have thereafter closed down the Sanand manufacturing facility as the same was on Leased Premises.

For the second consecutive year, we were awarded "**Certificate of Excellence**" in recognition of our Exemplary Growth – in this year's Inc India 500 ranking of India's 500 fastest-growing mid-size enterprises. Inc. India 500 is an offshoot of the annual Inc. 500 Awards: "Est. in 1982 in America. Inclusion on this list is a mark of entrepreneurial success and elevates our company above its competitors and is a proof of the talent, drive and hard work our team have brought to our business

### GLOBAL SOURCING

Aries has sourced 47% of its total raw materials from overseas suppliers located in China, Israel, Turkey, U.A.E., U.S.A, U.K., Belgium, Netherlands, Japan and South Africa. Imports constitute 58% of our total purchases and our Company has identified a pool of reliable overseas suppliers. However, the depreciation in the Indian rupee and large volatility in exchange rates during the financial year 2012-13 have resulted in a foreign exchange loss of over Rs. 2.60 Crores in total during the year under review.

### INDUSTRY TRENDS

2012-13 monsoons were highly erratic until August 2012. The shortfall in rain was as high as 20% below long period average and the monsoons were being discussed as the worst in 65 years. However, the drought affected areas received some respite towards the end of the season and the four month long rainfall season drew to a close with a rain deficit of 8% as per Indian Meteorological department. This unpredictable monsoon season across space and time led to a very haphazard progress of the Kharif season.

The second half of the year water woes were further amplified with labour and power shortages. Acute power unavailability in almost all southern states and in many other parts of the country led to a situation where despite reservoirs and water table being adequate, farmers were unable to draw water using electric pump sets due to shortage of electricity for several hours in a day. This emergence of a new variable of power as an uncertainty in the agricultural sector has led to further realignment of our marketing strategy to focus more on areas where not only water but also electricity are more predictably available.

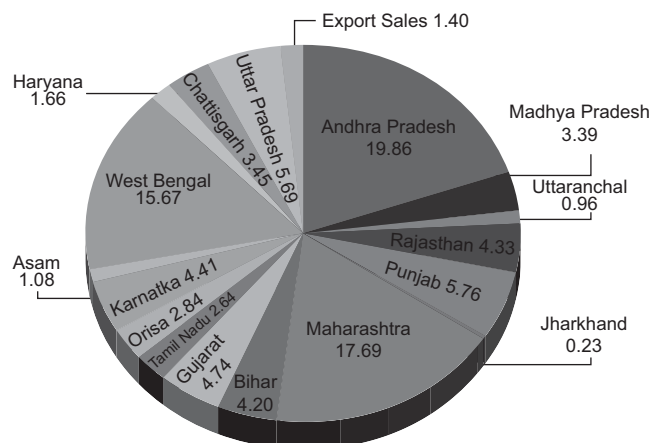
Overall the sector is going through a major shift in trends and the Company is taking steps to re- assess and re-focus our products and marketing efforts.

The summary of the statewide revenue growth is as under:

States with sales growth above 50%	States with sales growth between 30% – 50%	States with sales growth between 15% - 30%	States with less than 15% sales growth
Bihar	West Bengal	Punjab	Maharashtra, Jharkhand, Uttaranchal, Tamil Nadu, Gujarat, Assam, Karnataka, Chattisgarh, Uttar Pradesh, Haryana, Orissa, Andhra Pradesh, Madhya Pradesh & Rajasthan

It is also noteworthy that international business increased by 17% and now constitutes 32% of the total revenue of the Aries Group.

### STATEWISE SHARE OF REVENUES



### INTEREST COSTS

Aries' business is working capital intensive and necessitates providing seasonal credit to dealers and distributors and maintaining inventories at 26 depots and 5 factories across the country. With a portfolio of 84 brands and multiple Stock Keeping Units (SKUs) for large number of products, the inventory load on working capital is also significantly high. As a result, the Company's working capital funding costs have been on the higher side. However, in absolute terms in the year under review showed a decrease in interest cost by Rs.1.17 Crores .

### COST MANAGEMENT

The rising costs of raw materials, fuel, processing, labour and interest rates continue to remain a cause of concern and have impacted the Company during the entire financial year. Though the Company has raised its billing rates in all the 4 quarters of the financial year for its entire range of products, a major portion of the cost increase is yet to be passed on to the market. With depressed demand situation especially in the second half of the year, it was considered prudent not to increase prices beyond a point with an intention to retain interest of farmers in using specialty plant nutrients. Cost control on production and administrative costs have only partially been able to counter this inflationary pressure.

### MAN POWER

As part of cost control and revised market penetration strategy it was considered prudent to place stringent controls on man power deployed in various areas. The manpower was reduced from 765 to 748 in the year under review. Considering how the season progresses in 2013-14, the Company shall make decisions on recruitment of staff.

### GLOBAL DISTRIBUTION

International sales have commenced in Sri Lanka, Bangladesh, Pakistan, Equador, Brazil, USA, Taiwan, Kenya, Vietnam, Australia

and New Zealand with supplies from Indian and UAE factories. Distributors have been appointed in Brazil, Equador, Sri Lanka and New Zealand and we expect export and global sales to continue to grow and form 35% of the group revenues of the Company by Financial Year 2013-14.

### OUTLOOK

The 2013 monsoons have commenced on schedule and all indications based on the Meteorological Dept. forecasts shows that the summer season will see the country receive 96 - 104% of its long period average rainfall. This 'near normal' forecast sounds positive and we hope the spread and timing of the rain is also appropriate.

The Company will be introducing additional 3 products during the year 2013-14 including Hortimin, Moto Control and Agri Plex.

However, we shall also be progressively phasing out 5 of the products which are very similar to existing products in the range to avoid some amount of duplication and to reduce the number of stock keeping units in our inventory.

### SEGMENTWISE / PRODUCTWISE PERFORMANCE

The Company has only one Reportable Segment in terms of Accounting Standard (AS-17) " Segment Reporting " specified in the Company's ( Accounting Standard ) Rules, 2006 .

### INTERNAL CONTROL SYSTEM

The Company has an extensive system of internal controls to ensure optimal utilization of resources and accurate reporting of financial transactions and strict compliance with applicable laws and regulations. The Company has put in place sufficient systems to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

### FINANCIAL PERFORMANCE

The Company's Sales Turnover for the financial year ended March 31, 2013 decreased marginally to Rs. 18,675.88 Lakhs from Rs. 19,162.38 Lakhs in the previous year, registering a decline of 2.54%.

Total expenses for the year were Rs. 17,595.61 Lakhs as against Rs. 18,043.86 Lakhs in the previous year.

Profit Before Tax decreased to Rs. 1,403.44 Lakhs during the year as against Rs. 1,650.24 Lakhs in the previous year. The decrease in Profit Before Tax translates to 15 % due to increase in the input costs and inability to pass on the entire burden of increase in the cost.

Tax provision for the year was Rs. 432.66 Lakhs as against Rs. 552.01 Lakhs in the previous year which translates to 2.32 % on FY 12-13 Sales.

Profit After Tax for the year was Rs. 970.79 Lakhs as against Rs. 1,098.23 Lakhs in the previous year which is 5.20 % of FY 12-13 Sales.

### RESOURCES AND LIQUIDITY

As on March 31, 2013, the net worth of the Company stood at Rs. 12,481.05 Lakhs as against Rs. 11,775.14 Lakhs.

As on March 31, 2013, the Company had a Debt / Equity ratio of 1.19. The Company has not raised any Fixed Deposits from the public.

### HUMAN RESOURCES

As at the end of the financial year there were 748 employees under the permanent rolls and a few under contract. We have an ongoing arrangement with few labour supplier organisations for our various locations.

We have 149 workers in our permanent employment and sizeable numbers on contract working in our factories. The detailed breakup of the same is as under:

Sr. No.	Particular	Employees
1.	Skilled	48
2.	Semi-Skilled	8
3.	Unskilled	93
	<b>Sub- Total</b>	<b>149</b>
4.	Contract Labour	112
	<b>TOTAL</b>	<b>261</b>

The Department wise breakup of our manpower is as under:

Sr. No	Name of the Department	No. of Staff
1.	Directors	2
2.	Accounts, Personnel & Administration, Legal & Secretarial	155
3.	Production (Staff and Workers), R&D and Spray Dry Operators	198
4.	Sales	393
	<b>TOTAL</b>	<b>748</b>

### HEALTH/ SAFETY/ENVIRONMENT SENSITIVITY

#### HEALTH THROUGH NUTRITION

- The Company promotes "Balanced Nutrition as a National Imperative", building resistance of crops to pests and diseases and hence lowering the usage of harmful and expensive pesticides

#### ENVIRONMENT SENSITIVITY

- All Aries products are based on the philosophy of "Use less chemicals and use safe chemicals" – low doses of chemically inert and cost effective nutrient complexes
- The entire range of Aries Chelates are environmentally safe

#### NON POLLUTING

- All Aries factories have zero effluents and produce no harmful emissions

## REPORT ON CORPORATE SOCIAL RESPONSIBILITY

Aries continues to demonstrate a strong commitment towards providing products which do not hamper the soil and crop eco systems.

### Spreading Knowledge:

Aries continues to strongly support activities of the Confederation of the Indian Industry's Young Indian Farmer Network. **Over 2742 knowledge dissemination activities were undertaken during the year under review impacting 73599 farmers**

Aries organized various state level farmer's conference at Andhra Pradesh, Maharashtra, Bihar, Gujarat, Haryana, Punjab, Rajasthan, Uttar Pradesh and Odisha, The unique feature of these events have been that they had participation on a common intellectual platform from top government officials, opinion leaders, thought leaders from industry and academia, research scholars, scientists, agribusiness students and farmers from across the states.

A mass awareness campaign using Krishi Vigyan Vahans (KVV) was conducted to reach out to remote area farmers in the State of Chhattisgarh as part of the Gram Swaraj Abhiyan organized by Government of Chhattisgarh during the year.

The conference focused on highlighting why farm productivity suffers due to poorly coordinated crop management practices, specifically imbalanced crop nutrition, overuse of crop protection chemicals, use of unsafe chemicals harming farm ecosystems, poor choice of seeds, amongst others.

### Extension Activities / Farmer Training / Farmer Study Tours

This year Aries continued to identify environmentally sustainable practices that will minimize the impact of using modern agri technologies and also understand the changes required to deal with climate change imperatives. This year we worked towards influencing the ecosystem of rural knowledge creation, advocacy for good agricultural practices and improving Indian harvests. These practices are key to improving the wealth creation in rural communities. The activities were aimed at increasing the exposure of young progressive farmers in innovation of world-class crop management techniques, which has proven cost benefit advantages. This was achieved by experiential sharing with researchers, agricultural universities, government extension officers and agricultural students and peer groups of farmers in neighbouring areas.

The following activities were carried out during the year, which show the scale of work and the depth of method in key focus areas:-

- 1. Integrated Nutrient Management:** The farmers were trained on the balanced use of major, secondary and micro-nutrients along with organic and biological nutrition sources.
- 2. Crop Management Technologies:** This is a holistic programme that covers all aspects from soil preparation, seed selection, choice of agricultural inputs, farm labour management, harvesting techniques and agri output marketing methods. Farmers involved in this session meet experts in these various fields for extremely interesting interactive session.
- 3. Post-Harvest Management:** Wastage of agricultural output post-harvest in transit and storage is a matter of serious concern. The usage of more effective techniques to ensure loss of output in storage and transit is an essential part of awareness building.

### Soil Testing Services

The Company has organized during the year soil testing camps in Andhra Pradesh using Mobile Soil Testing Kits which analyse 7 parameters including pH, EC, NPK levels in soil, micro nutrient levels including Zinc, Ferrous, Boron, Organic Carbon, etc. Approximately 1763 Soil Health Cards were issued to farmers providing an additional service in order that they understand the specific nutrient needs of their farms.

### Display Contest

Aries organized a Display Merchandising Contest in Nasik and West Bengal and about 848 Dealers & Retailers participated by displaying the Aries range of products at their shop counters. The Best Display was judged and awarded prizes. This improved Point of Purchase recall and counters the creative skills of the dealers.

### Influencer Relations

During the year the Company was represented at various industry bodies including Confederation of Indian Industry's Agricultural Council, Confederation of Indian Industry's Innovation Council, Indian Micro-Fertilizers Manufacturers Association (IMMA) and Fertilizer Association of India (FAI). At these forums, the Company advocated that balanced plant nutrition being recognized as a national imperative. It has also conducted various sessions with key influencers to promote the systematic spread of world class farmers' education and skilling programmes. The Company believes that the spread of knowledge is an essential part of its responsibility towards society development and nation building.

Through our knowledge sharing activities and continuous connect with Research Institutions, our commitment to use knowledge as a catalyst for building agricultural productivity remains steadfast. In addition, our products remain environmentally sensitive and we ensure minimum adverse reactions to the soil and related eco systems.

Through its products and passion, Aries continually demonstrates that it is a responsible corporate citizen, working hard to retain the delicate balance of nature and the development of communities where it works and grows.