

**BOARD OF DIRECTORS :**

<b>Mr. Shilpan P. Patel</b>	<b>Chairman &amp; Managing Director</b>
<b>Mr. Vijay Dhar</b>	<b>Director</b>
<b>Mr. Haresh Mehta</b>	<b>Director</b>
<b>Mr. Faredun Taraporwala</b>	<b>Director</b>
<b>Mr. Anil Saxena</b>	<b>Director</b>
<b>Mr. Neil Patel</b>	<b>Director (w.e.f. 1<sup>st</sup> June, 2012)</b>
<b>Mr. Harish Mishra</b>	<b>Director (w.e.f. 1<sup>st</sup> June 2012)</b>

**BANKERS :**

**IndusInd Bank**

**AUDITORS :**

**M/s. J. A. Rajani & Co.  
Chartered Accountants  
Mumbai**

**REGISTERED OFFICE :**

**5-D, Laxmi Industrial Estate, New Link Road,  
Andheri (West), Mumbai – 400 053**

**REGISTRAR AND SHARE TRANSFER AGENTS :**

**System Support Services  
209, Shivai Industrial Estate,  
Near Park Davis,  
89-Andheri Kurla Road,  
Sakinaka, Mumbai - 400 072**

**WORKS :**

**5310, GIDC,  
ANKLESHWAR - 393 002**

## Chairman's Message

Friends and Partners,

I take great pleasure in welcoming you to the 20<sup>th</sup> **Annual General Meeting** of Arrow group of companies.

As your Company enters into its 21<sup>st</sup> year of business I feel proud that we are still driven by the values and ethics and have steadfastly remained consistent on these principles.

Your Company still holds close to its heart the mantra of a GREEN WORLD to help create a safe & secure haven for our future generations.

Overall the fiscal year 2011-12 for Arrow has been a mixed bag of growth in the core segment and phenomenal achievements in its IP segment.

The investment in cast water soluble film machines last year has started yielding returns after breaking even. This has helped us to strengthen our foothold in the WSF business.

The decision taken to focus on manufacturing and marketing of our own products has done good to the Company and the Company's strategy to produce and start marketing a product only after it has been secured by a National or International patent, will pay rich dividends for many years to come. I have tried to give more information in the later part of my speech, here below, with regards to our success in this SBU.

Efforts to promulgate the use of Bio Compostible products have resulted in a joint effort by like minded companies coming together to form an association to take on the might of the rich and mighty oil giants. This Association will work to get the attention of Govt.. of India. This has been evident from the struggles that our partners have had to go through in Europe, while fighting against the oil companies in their respective areas. We expect good results in future in this green field venture, and humble beginnings have already started.

Year 2011-12 has been very challenging for your Company as both the Indian and world economy continues to be in a state of turmoil. As we begin to strengthen internally, the external factors pulled us down. However, looking at the positive side, our business strategies helped us remain buoyant and I can assure you that future is bright for our Company.

Achievements & vision of the SBU's ( Strategic Business Units):

**Water Soluble Film Division:** This SBU broke all previous records and has laid the foundation stone for the future growth. I am happy to inform you that Mr. Neil Patel, who has taken over the responsibility of managing this core business unit, along with Mr. Sanat Mota, Mr. Mukul Sinha and Mr. Sebastian Vallado have done wonders in making radical changes at factory levels. Assisted by Ms. Mamta Mishra, VP, North, Ms. Priyanka Mundakel, and Mr. Amit Kumar have managed this division, core division of your Company, a very professional manner.

**Intellectual Property Division:** We have now received grants for a total of 25 patents ,which are likely to generate revenues in the coming years on recurring basis. The life of a patent ranges between 15 to 20 year It is more important to note that besides revenues, the grant of a patent necessarily means the increase in the intrinsic value of the Company. Recently, our Japanese competitor bought out the American competitor and paid a very interesting value, which was much more than the value of the bricks and mortar of the Company. The Valuation had taken the IP into consideration besides the market values. Our patents are most based on Water Soluble films, and so the opportunity lies in converting the competition into a strategic alliance partner, thus creating revenues for each other's Company, based on each other's strengths.

**Export & FE earnings Division:** We have successfully entered the European market. Mr. Neil Patel and his team received a sizable order from a European Company for an end use which is quite unique to our product. This will pave the way for tapping other companies based in USA, Korea and Europe. Arrow Coated Products (UK) Ltd. will be in charge of this growth in the coming year.

Lastly, the Rights Issue of our Company has been successfully completed. We did not receive an overwhelming response due to the market conditions, however it was closed on a positive note.

As I conclude, I re-affirm your Company's focus on delivering robust Financial Results.

I would like to thank all our employees for their outstanding performance and all my partners for their continued support and relentless faith in the Company.

**Shilpan P. Patel**  
Chairman & Managing Director

## NOTICE

Notice is hereby given that the 20<sup>th</sup> Annual General Meeting of Arrow Coated Products Limited will be held on Thursday, the 27<sup>th</sup> September, 2012 at 10.30 a.m. at Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400 095 to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet as on 31<sup>st</sup> March, 2012 and Statement of Profit and Loss for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To appoint a director in place of Mr. Vijay Dhar, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Faredun H. Taraporwala, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. J.A.Rajani & Co., Chartered Accountant, Mumbai, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

### SPACIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** Mr. Neil Patel (DIN 00607101), who was appointed as an Additional Director by the Board of Directors w.e.f. 1<sup>st</sup> June, 2012 in accordance with the provisions of Article no. 133 of the Articles of Association of the Company and as per the provisions of Section 260 of the Companies Act, 1956 holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice along with requisite deposit under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** Mr. Harish Mishra (DIN 05301127), who was appointed as an Additional Director by the Board of Directors w.e.f. 1<sup>st</sup> June, 2012 in accordance with the provisions of Article no. 133 of the Articles of Association of the Company and as per the provisions of Section 260 of the Companies Act, 1956 holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice along with requisite deposit under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation."

7. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269 and 309 and Schedule XIII and all other applicable provisions (if any) of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), the re-appointment of Mr. Shilpan P. Patel as Managing Director of the Company for a further period of 3 years w.e.f. 1<sup>st</sup> December, 2010 be and is hereby approved on the following terms and conditions:

(a) **Date of reappointment:** 1<sup>st</sup> December, 2010

(b) **Tenure :** 3 years

(c) **Remuneration:** He shall not draw any salary or remuneration.

(d) **Others:**

1. Company's car with driver for business use of the Company.
2. Conveyance: Actual
3. Mr. Shilpan P. Patel will be entitled to leave as per the rules of the Company as are applicable to other staff members of his category.

**RESOLVED FURTHER THAT** aforesaid re-appointment of Mr. Shilpan P. Patel shall be subject to provisions of Articles of Association of the Company and he shall have such powers and duties as provided in the Articles of Association of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take all such actions and to do all such deeds, matters and things, as it may be required from time to time to give effect to this resolution."

By order of the Board of Directors  
For **Arrow Coated Products Limited**

Place: Mumbai  
Date : 30<sup>th</sup> May, 2012

**Shilpan P. Patel**  
Chairman & Managing Director

**NOTES :**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXY TO ATTEND AND IN CASE OF POLL ONLY, VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
3. Member / Proxy should bring the attendance slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 24<sup>th</sup> September, 2012 to Thursday, 27<sup>th</sup> September, 2012 (both days inclusive).
5. Members desirous of seeking information relating to the accounts and operations of the Company are requested to address their queries to the Company at least 7 days in advance of the meeting, to enable the Company to keep the information ready.
6. Shareholders are requested to bring their copies of Annual Report to the meeting.
7. The unclaimed dividend up to the financial year 2004 - 2005 is due for transfer to the Investor Education and Protection Fund (IEPF) as required under section 205-A and 205-C of the Companies Act, 1956 administered by the Central Government during the month of October 2012. The Shareholders whose dividend is remained unclaimed for the aforesaid financial year and following financial years are requested to claim it immediately from the Company. Further, Shareholders are requested to note that no claim shall lie against the said fund or the Company in respect of any amounts which remained unclaimed for a period of seven years from the date that these became first due for payment and no payment shall be made in respect of any such claim.
8. Members whose shareholding is in the electronic mode are requested to intimate any change in their address to their respective Depository Participants.
9. Members are requested to address all correspondences to the Registrar and Share Transfer Agents.

Brief resume of directors being appointed / reappointed (pursuant to Clause 49 of the Listing Agreement):

**Mr. Vijay Dhar**, aged 71 years, is I.S.C. He has vast experience in business administration. He is director in Hughes Communications India Ltd., Hughes Network Systems India Ltd., S.S.R. Ventures Pvt. Ltd., U. R. Productions Pvt. Ltd., Octad Pharma Private Limited, Taksal Pharma Pvt. Ltd., Taksal Hotels Pvt. Ltd., Zaar Pharma Pvt. Ltd., Natasha Properties Pvt. Ltd., and Kanika Properties Pvt. Ltd. He is a member of Audit Committee of Hughes Communications India Ltd. and the Company and also a member of Remuneration committee of the Company.

As on 31<sup>st</sup> March 2012, Mr. Dhar holds 40000 Equity Shares of the Company.

**Mr. Faredun Homi Taraporwala**, aged 59 years, is arts graduate and B.D.M. He has vast experience in administration, marketing and sales. He is a director in Sparrow Bio Polymer Products Pvt. Ltd., (earlier SP Arrow Bio Plast Pvt. Ltd.) He is also a member of Audit Committee, Remuneration Committee and Shareholders' / Investors' Grievance Committee of the Company.

As on 31<sup>st</sup> March, 2012, Mr. Taraporwala does not hold any shares in the Company.

**Mr. Neil Patel**, aged 26, is M. Sc. (Bio Medical Science) from Kingston College, London. He possesses good entrepreneurship skills. He is associated with the Company since last 4 years and is working on Mouth Melting Strip (MMS) project. He is also Director in Avery Bio-Tech Private Limited, Sphere Bio Polymer Private Limited, NagralD Arrow Secure Card Pvt. Ltd., Arrow Agri-Tech Private Limited and Almighty Nature Developers Private Limited.

As on 31<sup>st</sup> March, 2012, Mr. Neil Patel does not hold any shares of the Company.

**Mr. Harish Mishra**, aged 63, is M. Com. He has vast experience in Advertising and Production. He was associated with ZEE TV. He is not holding directorship in any other Company.

As on 31<sup>st</sup> March, 2012, Mr. Harish Mishra does not hold any shares of the Company.

**Mr. Shilpan P Patel**, aged 56, holds a Master's degree in Business Administration from Sam Houston State University, Huntsville, Texas, USA. He majored in Economics and Marketing. He did his Bachelor's degree in Commerce from H.L. College of Commerce, Ahmedabad, India. He is also director in Arrow Convertor Pvt Ltd, NagralD Arrow Secure Cards Pvt Ltd, Grace Paper Industries Pvt Ltd, Sparrow Bio-Polymer Private Limited. (earlier SP Arrow Bio Plast Pvt. Ltd.) Arrow Agri-Tech Pvt Ltd, Arrow Coated Products (UK) Ltd. and AdvancelP Technologies Limited.

As on 31<sup>st</sup> March, 2012, Mr. Patel holds 39,98,777 Equity Shares of the Company.

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

### **Item No. 5**

Mr. Neil Patel was appointed as an Additional Director of the Company w.e.f. 1<sup>st</sup> June, 2012. Mr. Neil Patel, aged 26, is M. Sc. (Bio Medical Science) from Kingston College, London. He possesses good entrepreneurship skills. He is associated with the Company since last 4 years and working on Mouth Melting Strip (MMS) project.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Neil Patel holds office as such upto the date of this Annual General Meeting. The Company has received a notice along with requisite deposit under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

The Board recommends passing of the Ordinary Resolution as set out at item no. 5 of the Notice.

Except Mr. Shilpan P. Patel and Mr. Neil Patel, none of the directors of the Company are concerned or interested in the said resolution.

### **Item No. 6**

Mr. Harish Mishra was appointed as an Additional Director of the Company w.e.f. 1<sup>st</sup> June, 2012. He has vast experience in Advertising and Production.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Harish Mishra holds office as such upto the date of this Annual General Meeting. The Company has received a notice along with requisite deposit under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

The Board recommends passing of the Ordinary Resolution as set out at item no. 5 of the Notice.

Except Mr. Harish Mishra, none of the directors of the Company are concerned or interested in the said resolution.

### **Item No. 7**

Mr. Shilpan P. Patel aged 56 years, holds a Master's degree in Business Administration from Sam Houston State University, Huntsville, Texas, USA. He majored in Economics and Marketing. He did his Bachelor's degree in Commerce from H.L. College of Commerce, Ahmedabad, India.

Considering his vast experience the Board re-appointed him as a Managing Director of the Company for a further period of 3 years w.e.f. 1<sup>st</sup> December, 2010 on the terms and conditions mentioned in the resolution.

The Board recommends passing of the Ordinary Resolution as set out at item no. 7 of the Notice.

Except Mr. Shilpan P. Patel and Mr. Neil Patel, none of the directors of the Company are concerned or interested in the said resolution.

By order of the Board of Directors  
For **Arrow Coated Products Limited**

Place: Mumbai  
Date : 30<sup>th</sup> May, 2012

**Shilpan P. Patel**  
Chairman & Managing Director

## DIRECTORS' REPORT

To,

The Members,

The Directors of Arrow Coated Products Limited present the 20<sup>th</sup> Annual Report on the operations of the Company, together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2012.

### Financial Results

(₹ in 000)

Particulars	2011-2012	2010-2011
Total income	44286	35284
Profit (Loss) before finance cost, Depreciation and Amortization expenses, exceptional items & Tax	(3580)	4619
Less : Finance Cost	3777	3437
Less : Depreciation and Amortization expenses	2233	2452
Less: Exceptional items	(423)	260
<b>Profit before Tax</b>	<b>(9167)</b>	<b>(1303)</b>
Less : Provision for Taxation	—	—
- Current Tax	—	—
- Deferred Tax	140	85
<b>Profit After Tax</b>	<b>(9307)</b>	<b>(1388)</b>
Add : Balance brought forward	14202	15407
Less : Tax Adjustment for earlier year	(252)	(183)
<b>Balance carried to Balance Sheet</b>	<b>4643</b>	<b>14202</b>

### Operations:

The total income from operations including other income for the financial year under review amounted to ₹ 442.86 Lacs as compared to ₹ 352.84 Lacs in the previous year. The Company has incurred net loss of ₹ 93.07 Lacs under review after providing for depreciation of ₹ 22.33 Lacs and taxation of ₹ 1.40 Lacs. After adjustment of brought forward balance of ₹ 142.02 Lacs from previous year and after providing for the tax adjustment, ₹ 46.43 Lacs has been carried to the Balance Sheet.

### Business outlook and future prospects

Business outlook and future prospects of the Company is discussed in detail in Management Discussion and Analysis Report attached herewith.

### Dividend

In view of the loss during the year, your Directors do not recommend any dividend for the year ended 31<sup>st</sup> March, 2012.

### Rights Issue

During the year under review, the Company has allotted 53,50,198 fully paid-up Equity Shares of face value of ₹ 10/- each together with 10,70,040 detachable warrants, convertible into Equity shares of the Company within a period of 12 months from the date of issue i.e. 16<sup>th</sup> March, 2012 at such price as may be determined in accordance with the provisions of SEBI (ICDR) Regulations, 2009 on the Rights basis. The subscription for the Rights Issue was opened on 21<sup>st</sup> February, 2012 and closed on 6<sup>th</sup> March, 2012. The above shares were listed on BSE Ltd. on 28<sup>th</sup> March, 2012.

Consequent to the above, the paid-up Equity Share capital of the Company is increased to ₹ 10,70,03,960/- divided into 1,07,00,396 Equity Shares of ₹ 10/- each and 10,70,040 detachable warrants convertible into Equity Share.

### Public Deposits

During the year under review, the Company has accepted unsecured loans from director's relatives. However, the Company has not accepted / renewed any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956.

**Directors**

Mr. Neil Patel and Mr. Harish Mishra are appointed as Additional Directors of the Company by the Board w.e.f. 1<sup>st</sup> June, 2012. Pursuant to the provisions of section 260 of the Companies Act, 1956 they hold office up to the date of ensuing Annual General Meeting of the Company. The Company has received notices under section 257 of the Companies Act, 1956 in writing alongwith necessary deposits, proposing their candidature for the office of Director of the Company.

In accordance with the provision of section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Vijay Dhar and Mr. Faredun Taraporwala, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors recommend the appointment of Mr. Neil Patel and Mr. Harish Mishra and re-appointment of Mr. Vijay Dhar and Mr. Faredun Taraporwala as Directors of the Company at the ensuing Annual General Meeting of the Company.

**Directors' Responsibility Statement**

In accordance with the provisions of Section 217(2AA) of Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable Accounting Standards (except AS-24 regarding discontinuance of operations and AS-15 regarding employee benefit) had been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company as on 31<sup>st</sup> March, 2012 and of the loss of the Company for the year ended on that date;
- iii) the directors had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the directors had prepared the accounts on a going concern basis.

**Corporate Governance**

Management Discussion and Analysis Report and Report on Corporate Governance alongwith a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, are attached and form part of this Annual Report.

**Auditors**

M/s. J. A. Rajani & Co., Chartered Accountants, Mumbai, the Statutory Auditors of the Company hold office upto the conclusion of ensuing Annual General Meeting and being eligible offered for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Members are requested to consider the re-appointment of the Statutory Auditors and fix their remuneration.

**Auditors' Report**

In respect to observations made by the Auditors in their report, your Directors would like to state as under:

- 1) The Company has discontinued trading activities in Digital Printing Machine and Digital Signage Cutting Machine and the management of the Company is of opinion that all the assets related Machine Division will be realised at a value at which they appear in the books of account in aggregate.
- 2) Regarding the non provision of liability in respect of gratuity and leave encashment as required under AS -15, the Company accounts these liabilities only as and when they occur .
- 3) Regarding over due debts aggregating ₹ 398.67 Lacs and advances aggregating ₹ 315.01 Lacs, the Company is hopeful of total realisation and hence no provision for the same is made.
- 4) Regarding payment of undisputed statutory due, we state that the Company is in process of payment of the same with appropriate authorities.

**Particulars of Employees as per Section 217(2A) of Companies Act, 1956**

During the year under review, there were no employees in the respect of whom information prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 is required to be given in this report.

**Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:****(a) Conservation of Energy and Technology Absorption**

- (i) The Company has paid special attention to the conservation of energy as a matter of principal and policy. This has been reflected in the selection of equipment at the project stage. The cost of power has kept to the minimum by optimum operation. Regular preventive maintenance has helped to operate unit efficiently. However, considering the nature of business of the Company, your director's has nothing to report with respect to conservation of energy.
- (ii) Additional investment and proposals, if any, are being implemented for reduction of Conservation of Energy.
- (iii) Impact of the measures at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods is not ascertainable.

**(b) Foreign Exchange earning and outgo**

Foreign Exchange earnings	– ₹ 66.97 Lacs (previous year ₹ 82.30 Lacs)
Foreign Exchange outgo	– ₹ 158.26 Lacs (previous year ₹ 48.24 Lacs)

**Employees' Stock Options:**

Details as required under Clause 12 of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, are given in annexure attached to this report.

**Subsidiary Companies and Consolidated Financial Statements :**

The Ministry of Corporate Affairs (MCA) vide General Circular No. 2/2011 No. 51/12/2007-CL-III dated 8<sup>th</sup> February, 2011 read with General Circular No.3/2011 No. 5/12/2007-CL-III dated 21<sup>st</sup> February, 2011 has granted a general exemption from attaching the Balance Sheet of Subsidiary Companies with holding Company's Balance Sheet, if the holding Company presents in its Annual Report the Consolidated Financial Statements duly audited by its Statutory Auditors. The Company is publishing Consolidated Financial Statements in the Annual Report and accordingly, the Company is not attaching the Balance Sheets of the subsidiary Companies.

Further as required under the said circular, a statement of financial information of the subsidiary company viz., Arrow Coated Products (UK) Ltd. and NagralD Arrow Secure Cards Pvt. Ltd. and step down subsidiary company viz. Advance IP Technologies Ltd. (subsidiary of Arrow Coated Products (UK) Ltd.) is attached to this report.

The annual accounts of the above referred subsidiaries and step down subsidiary company shall be made available to the share holders of the company and of the subsidiary companies on request and will also be kept open for inspection at the Registered Office of the Company and of the subsidiary companies during the office hours on all working days and during the Annual General Meeting and also on the Company's website i.e. [www.arrowcoated.com](http://www.arrowcoated.com).

**Acknowledgments :**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institution, Banks, Government Authorities, Vendors and Shareholders and all organizations connected with its business during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of Executives, Staff and Workers of the Company.

For and on behalf of the Board of Directors

Place: Mumbai

Date : 30<sup>th</sup> May, 2012

**Shilpan P. Patel**

Chairman & Managing Director



## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. Industry Structure and Development

#### A. Water Soluble Film (WSF)

Arrow Coated Products Ltd is one of the leading manufacturers of cast water soluble film in the world, having world class manufacturing facilities in Ankhleshwar, Gujarat & has one of largest cast water soluble film (PVAL) manufacturing machine in the world. Industry is now waking up to the need of water-soluble film and its packaging advantages. This Wonder Product has got varied applications ranging from Agrochemicals , Chemicals Industries, Construction chemicals, Embroidery , Healthcare and toiletries ( Toilet Blocks), Water transfer printing ( 3D printing) and provides an instant solution to the various problems faced in handling of hazardous material by industries today. All the modern industries are turning to WSF as their primary packaging product.

Our Company has developed a wide range of water soluble films especially for the agrochemical industry which dissolves completely in water & meets WHO standards (solubility standards) as per CIPAC method without damaging the environment or causing any harm to humans and has no health hazards.

Various NGOs and our own efforts for propagating the use of WSF in packaging of hazardous chemicals like Fungicides, Herbicides and We decides which are exceptionally potent pesticides and the proper disposal of packaging materials, after the chemicals are dispensed with. The failure would result in serious health problems to flora, fauna, animals and human beings is now being acknowledged by this Industry. This has also led to the realization to follow international rules of packaging these chemicals in WSF in future.

#### B. Bio-Compostable Products

Arrow has been propagating Bio-Compostable plastics and other composites as an alternative to petro-plastics. Arrow has succeeded in developing a low cost Bio-Compostable plastic which can be used for daily uses like shopping bags and garbage bags. We have started trial of commercial production of non soluble Bio-Compostable plastics made from Potato starch. This technology is in collaboration with Sphere S.A., France.

#### C. Oxy Fresh

Agriculture is the backbone of Indian Economy and more than 60% of population is directly or indirectly dependent on agriculture for livelihood. India is second largest producers of fruits and vegetables in the world with more than 325 million tones of production every year.

Arrow Coated Products Ltd. introduces a revolutionary packaging technology called OXY- Fresh films - a post harvest packaging solution. A unique technology aimed at reducing wastage in vegetables, fruits and flowers caused by deterioration. This technology not only increases the shelf life of vegetables and fruits but also helps to maintain their moisture level by naturally controlling the respiratory mechanism of vegetables and fruits.

#### D. Mouth Melting Strip

This technology is a relatively new development, which allows small quantities of active ingredients to be delivered in a user-friendly format. Adapting existing products such as oral sprays, liquids or tablets, or exploiting entirely new opportunities, Arrow MMS works closely with clients to create the most effective thin film product and process solutions.

#### E. Digital Technology Enabled Products

Arrow moved forward to sign a Term Sheet to form a Joint Venture Company owned jointly by NagralD Switzerland and Arrow. NagralD is the world leader in Smart Cards and has several patents in this field. Nagra Smart Display card is a rage in the credit card market as one of the most secure credit cards in the world. This technology was introduced at the French show Cartes IT. Our joint venture is aimed towards National ID card project, which is yet to take off, while Driver's License and E-Governance projects have moved ahead in several states in India. This will create demand for Smart Cards, NagralD, is part of Kudelski Group, which is a Blue Chip Company on Swiss Stock Exchange (SWX).

## **F. Security Products**

Arrow has been in the business of security documents and its components. This year Arrow intends to enter into a more volume business phase of brand protection. Taking cue from our experience in designing security products for high end security, this SBU has been divided into two separate divisions. Brand protection division shall handle medium end security products and Govt. Business division shall handle high end security products. As IPR becomes important, brand protection will gain importance and Arrow will have to be in the forefront to offer sharp solutions. Arrow has several patents in this security cluster and intends to create revenues in the coming years.

## **G. Patents and IPR SBU**

IPR is an important revenue stream for any Company. Arrow has spent reasonably heavy amounts of money in R & D and filing of patents in the last couple of years. We have been granted three more patents in India this year. We have also filed 22 patents Nationally and Internationally. Some of these patents shall change the way many Detergents, Pharma and Agro chemical products are being packaged and delivered. We are pleased to announce the commercial launch of Self Destructive Irreversible Security Packaging Water Soluble Film. We are in discussion with companies on various patent revenue models.

Intellectual property is one of the things that sets the Company apart, with protected core technology in the form of patents one has nuggets of wealth at the centre of the business. The patents are value creators for the companies as they can be licensed, sold, mortgaged, assigned or cross licensed so having a strong patent portfolio enables a Company to be royalty earner than royalty payer.

The patent rights are territorial in nature, so one has to file and seek patent grant in all the countries separately where one wants to protect his invention. The filling of patent applications all over the world is an expensive task but once the patent is granted and various revenue generation streams come in to effect, it's a WIN-WIN situation for the Company.

## **H. Arrow UK Activities**

Arrow UK purchased stake in Advance IP Technologies Limited, a UK based Company. This Company is jointly owned by Arrow and Israel based promoters. Advance IP specializes in generating revenues from various IPR (Patent) created by both the partners. Arrow is a Joint Patent holder of a block buster Patent in health and hygiene and the same has been assigned to Advance IP. This Patent has been granted in UK and is being examined in Europe, USA, Australia, China and India.

## **I. Export Division SBU**

Exports of our products have increased but there is an unlimited and untapped potential world wide. There are only 3 major players in cast water soluble films and Arrow is one of them. All of us have unique methods of production of these films and have earned patent protection. Arrow UK has generated excellent inquiries and all this need special care. This year we segregated a new division specially to address to Arrow UK and other export markets. This should give a positive impetus to our export sales this year.

## **J. Arrow Pharma Foray**

Taking advantage of the patented technology, our Company is in the process of securing partner(s) in the field of Pharmaceuticals and Nutraceuticals for entering into this highly lucrative and IPR sensitive field of saving human and animal lives. In future, Arrow would like to enter crop protection using a different version of this patented process and patented product. As India starts its foray into providing food grains for the world population, the need for low pesticides residue will be very important. These are long term revenue generating fields that your Company is targeting using our Patents and knowledge acquired over the years. Both these ventures will mean additional Capital expenditures and your Company is planning this ahead of time. Arrow's Pharma foray will be limited to the use of its Patented drug (Active) delivery system, using edible Water Soluble Film.

## **2. Opportunities and Threats**

The report of Intergovernmental Panel on Climate change, released recently in Spain, is a grim warning of the state of our planet. IPCC has articulated the threat to environment due to greenhouse gas emissions in much less uncertain terms than it ever did previously. It said that the earth may turn unliveable far sooner than we presumed, unless the carbon emissions are controlled and

rationalized. About India, the report said that the country would become the third largest carbon emitter in the world by 2015. That would be a major slippage from its present slot of the sixth largest. One thing is clear, despite the fact that the developed world has conventionally been much more serious offender in polluting the planet, countries like China and India cannot wish away the unpleasant reality coming out of such reports.

A recent Accenture survey found out that 90% consumers worldwide would switch to energy products and services with lower greenhouse gas emissions. In fact 97% of respondents in emerging countries, including in India, favour such buying practices compared to 73% of respondents in Europe.

Consumers are even prepared to reward the providers of green products and services by paying a higher price to benefit from products and services that help reduce the level of carbon emissions. 64% of the respondents said they would be willing to pay a higher price – a premium of 11%, on an average-for products and services that produce lower greenhouse gas emissions.

Need for non-soluble Bio Compostable Plastics is gaining attention now. The threat of flooding has resulted in the realization that Bio-Compostable Films as preferred material to save the cities from flooding. The need for Bio-Compostable film and Bio-Degradable film to save the environment is now present universally and environmentally conscious people of planet earth are looking at various ways to improve the quality of life.

With new restrictions of maximum ceiling on exports of garments on China being imposed by EU and USA, along with anti dumping duties this business is bound to come to India and neighboring countries. India meanwhile has built huge capacities in composite garment manufacturing units, and the demand for our Embroidery film will show an uptrend in the future. Distribution channels for exports have been further widened by appointment of agents in Sri Lanka, Bangladesh, Thailand, Malaysia, Indonesia, Cambodia, Vietnam and Myanmar. These are the emerging garment business hubs along with traditional markets like Africa, Pakistan, and Turkey. Arrow's embroidery specific Water Soluble Films save time, money and environment.

Introduction of Schiffli embroidery film will replace the chemical lace fabrics (which are environmentally harmful) and will result in more demand for our WSF.

Threats include non-specified materials (like blown films) from China, compelling us to keep our prices low and resulting in inability to make higher margins.

#### **A. Bio Compostable Products :**

Increase in oil prices, has naturally resulted in acceptance of our Bio compostable materials are made from renewable resources like potatoes. 100% Compostable, 100 % Degradable & 100% Eco Friendly

Arrow has offered the environmentally responsible packaging solution to eradicate the toxic waste of plastics. Arrow products are high performance, completely degradable with unparalleled performance characteristics. Conventional plastic has brought convenience to human life for decades; however, that convenience has come at grave cost to our environment, pollution and toxic emissions, and a depletion of our natural resources. Our products are manufactured from potato starch. If our products are placed in an open or turned landfill they will decompose at the rate similar to the other biodegradable materials in the same manner. The sewages and pipelines which were clogged due to Petro Plastic films will get composted and breakdown due to action of the organisms present in the sewerages.

#### **Overview of the products:**

Certified Compostable material.

Once discarded in the soil or compost, it will decompose 100% in few months.

Arrow films have no adverse effect on human health or plant life.

It has resistance to high and low temperatures and superior strength.

It is certified by the international Standards such as EN 13432, DIN V 54900. ASTM D 6400- 99.

Can be coloured with master batches.

Printable: Graphic imprint to present your design and message.

Arrow Bio Compostable Products for General Applications

Short life bio degradable products for single use disposable fast food packaging.

Thermoformed products are also made like trays, bowls etc.

Agriculture Products

Packaging

Shopping bags

## **B. Oxy Fresh**

Approximately 25 - 35% of the fruit and vegetable production in India goes to waste due to poor post harvest systems.

OXY Fresh Film has been incorporated with Nano-particles that create micro cracks which allow the exchange of gases. These micro cracks respond to the environment within the pack. For instance if the temperature rises slightly the respiration rate of the product goes up and so more gas and vapor are produced. This produces a slight pressure differential causing the film to expand and the cracks to increase in size and hence increasing permeability. The internal pressure will reduce and again form equilibrium.

The basic concept of Oxy Fresh Films extended freshness packaging, uses the ability of fresh produce to adjust its respiration rate via its biofeedback mechanism. In sense the produce does the work so as to ramp its metabolism down from high rate at packing to much lower, steady rate in storage and distribution.

Arrow Oxy Fresh Films provides higher gas permeability so as to allow greater inflow of oxygen and greater outflow of carbon dioxide from the packaging surrounding the produce, thereby allowing the produce enough flexibility to modify its surrounding air so as to survive in a state of reduced metabolic activity i.e. suspended animation.

The standard Arrow Oxy Fresh Films covers most produce over their normal packing, storage and distribution temperature ranges with the one formulation. Problems generally only occur when storage protocols are violated, as would happen with any other life extension packaging, particularly with increased storage which greatly increases the produce's mechanism.

It maintains firmness, acidity and sugar content of the fruit. It also maintains original colour of fruits and vegetables reduces the loss of chlorophyll, decreases the respiration rate of fruit and vegetables, there by reducing weight loss and shriveling of the skin.

## **C. Mouth Melting Strip**

Arrow's fast dissolving and absorbable film delivery mechanism not only facilitates the development of innovative new products, but also represents a significant opportunity for our commercial partners to extend their existing brand products using our film technology.

## **D. RFID and Smart Card Products, Services And Technologies**

Nagra Arrow collaboration in production and marketing of Smart Cards for various enduses, including National ID cards, Logistics, Bank Credit Cards will be products for future revenues for our Company.

NagraID Arrow Secure Cards Pvt. Ltd, (NASC) is a joint venture between Arrow Coated Products Ltd, India and Nagra ID, Switzerland. NASC is based in Mumbai and focuses on RFID and smart card products, services and technologies.

NASC is presently involved in marketing sophisticated security smart cards for several applications, including Government sector applications and Banking.

NASC is an active member of the Smart Card Forum of India (SCAFI).

### **Business Strategies:**

The primary business strategy of the Company is focused on enabling its customer organizations to leverage smart cards and RFID technology for significant business and operational advantage and thereby become more profitable. The principal elements of this strategy are –

### **Growing the business organically and through select strategic partnerships:**

The aim of the Company is to be among the top 3 players in the smart card industry in India. In addition to organic growth, the Company will evaluate potential strategic partnerships with leading government agencies or overseas manufacturers and distributors of similar products that offer the opportunity to grow business or expand its capabilities.

### **Market focused Growth Strategy to Drive Revenue and Margin Expansion**

NASC's growth strategy seeks to leverage its solutions, technologies, and high end products to expand its share in the high potential government sectors, and commercial sector markets. Applications of RFID and thus NASC's products cover increasing number of areas such as supply chain management, secure banking applications, food and animal tracking, fashion, pharma, retail and asset management.

The Company plans to work with its customers to take their smart card / RFID projects from conception to completion, so as to improve flexibility, yield and profits.

#### **Expanding into new growth products and markets.**

The Company will continue to expand its product range with new and innovative products in the area of RFID, such as smart loyalty cards, smart tickets, and secure financial cards.

#### **Marketing and Promotional Activities:**

The Company has been actively participating in major RFID trade shows, expos and conferences to acquire new customers thereby expanding its customer base, and consolidating its position in the market.

Revenues from Patents and exploiting of our patented products have also a bright future for our Company.

Expansion programme includes production of edible films, using our patented technology to enter new fields of Pharma sector and other personal hygiene sectors, is being planned. This is a mid term plan of our Company and effects of fruition should be felt during the coming years.

#### **E. Patents**

Acquisition of Shares of Advance IP Technologies Limited (UK) by Arrow Group.

Arrow Coated Products (UK) Limited, a Wholly owned subsidiary of Arrow Coated Products Limited have acquired 51% Equity Share Capital of Advance IP Technologies Limited (UK) as on 31-03-2010 and this acquisition shall facilitate the marketing of various patents granted to the Company. Revenues from these Patents and exploiting of our patented products have also a bright future for our Company.

### **3. Future Outlook**

#### **A. WSF and Biodegradable SBU**

The future is very bright for this product as new grades and products are being patented and formulated. As the world becomes conscious of it's responsibilities and vagaries of monsoons keeps reminding us about the need to be eco friendly, this division will continue to grow at very high rates.

#### **B. Oxy Fresh**

India has the potential to be food basket of the world and Global retail giants like Walmart, Tesco are entering Indian market to take advantage of the same.

Oxy fresh films are designed to increase the profit margins of retailers, distributors and producer's by preventing wastage, retaining freshness, extending self life and enhancing product appearance.

#### **C. Mouth Melting Strip**

It has never been seen on Indian market and gives stiffer competition to competitors using sugar based candies in these segments.

#### **D. Digital Technologies**

- i. Digital technology in infrastructure projects: Though new to the business the concept is well known to Arrow. As airports and private retail sector will open up, the need for paid parking space will increase. Arrow has the right solution to this problem by enabling their skills in digital technology. Example: Remote Controlled V. H. F., RFID active labels etc.
- ii. Logistics: As supply chain management will get more and more sophisticated the RFID solution with software enabled by digital technologies will get importance. Arrow will gain as suppliers of Arrow RFID tags, cards and readers.
- iii. In the Digital field we intend to start production of secure ID cards and access control cards to cater to the

anticipated demand. For this we will need to build a secure and dust free, class 10,000 factories. This will be part of our expansion programme. Exploring new markets like Vietnam, Malaysia, Bangladesh, Pakistan, UAE, Turkey, Thailand, Spain, Switzerland, Germany etc shall mean catering to the needs of embroidery and garment manufacturers.

#### **E. Security SBU**

This SBU will handle the National ID card project. This project has now been proclaimed as a priority project and pilot project is likely to be completed shortly.

#### **F. Expansion Programme**

We intend to expand into the above mentioned skills as majority stake holders in our subsidiary companies viz SP Arrow Bio-Plast Private Limited and NagraID Arrow Secure Cards Private Limited.

#### **G. Research and Development & Patents**

Research and Development is an ongoing process at our Company. This year we are concentrating on manufacturing and marketing products based on our patented process (es). We have filed 19 patents, which includes 2 joint patents filed with our partners in UK and Israel.

We are also looking at increasing our revenues through our UK offices and partners by doing R & D and compatibility tests of materials packaged in WSF, thus increasing revenues and avenues for our marketing department.

Research and Development is also being done on barrier coatings primarily on WSF as well as on other substrates. Incorporating our experience in security field to WSF will add to our product variants and will add to our revenue streams.

Arrow received grants for three of its Patents in the field Barrier Coated Films, Active embedded Water Soluble Film and Digital Printing.

#### **4. Internal control system and their adequacy:**

Our Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from misuse or disposition and that transaction are authorized, recorded and reported correctly.

Audit Committee continuously reviews the adequacy and efficacy of the internal controls. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

#### **5. Material developments in human resources/industrial relations front, including number of people employed:**

It is envisioned that human resources will play a very important part in the growth of the Company as all the products, patents and product application are Niche in themselves. Therefore the quest for building a dedicated team is on which will foster the growth of the Company at an exponential rate. The human resources required are not readily available for the basket of niche products of the Company and hence they need to be moulded overtime so that not only the individuals grow but it is profitable to the business. The Company is now in the process of positioning Business Managers who will grow individual product lines while growing themselves.

#### **6. Cautionary statement**

This analytical report contains forward-looking statements. Arrow may also make forward-looking statements in our periodic reports to the Bombay Stock Exchange as per prevalent rules and in its annual report to shareholders, in its proxy statements, in its offering circulars and prospectuses, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Arrow assumes no obligation to update the forward-looking statements in this release and elsewhere. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

### Annexure to the Directors' Report

Disclosure pursuant to the provisions of Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as on 31<sup>st</sup> March, 2012 are given as follows:

a.	Options granted	3,00,000
b.	The pricing formula	At par i.e. ₹ 10/- per share
c.	Options vested as on 31 <sup>st</sup> March, 2012	1,45,300
d.	Options exercised during the year	Nil
e.	The total number of shares arising as a result of exercise of option	Nil
f.	Options lapsed during the year	Nil
g.	Variation of terms of options	Reduced options from 6,72,750 to 3,00,000, out of that 94,100 options lapsed.
h.	Money realized by exercise of options	Nil
i.	Total number of options in force as at 31 <sup>st</sup> March, 2012	1,45,300
j.	Employee wise details of options granted to:	
	i) senior managerial personnel during the year	Nil
	ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Nil
	iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculate in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	₹ (1.67)
l.	(i) Where the Company has calculated the Employee Compensation Cost using intrinsic value of stock options, the difference between the employee compensation cost so computed and the Employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	The Company calculates the employee compensation cost using the intrinsic value of the stock options. However, no options were exercised during the year.
	ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options	N.A.
	(iii) The impact of this difference on profits and on EPS of the Company	N.A.

m.	Weighted average exercise price and Weighted average fair value of options whose exercise price either equals or exceeds or is less than the market price of the stock	None of options have been exercised till date, hence weighted average exercise price and weighted average fair value of optioned have not been calculated.
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	The Company has used Black Scholes Model for estimating the fair value of the options.
	(i) Risk free interest rate	6%
	(ii) Expected life of options	3 years
	(iii) Expected volatility	Weighted Average of expected volatility : 30%
	(iv) Expected dividends	Nil
	(v) The price of the underlying share in market at the time of option grant	₹ 36.60

Information as required under General Circular No. 2/2011 No. 51/12/2007-CL-III dated 8<sup>th</sup> February, 2011 issued by the Ministry of Corporate Affairs (MCA) relating to Subsidiary Companies for the year ended 31<sup>st</sup> March, 2012 under section 212 of the Companies Act, 1956.

(₹ In '000)

Particulars	NagraID Arrow Secure Cards (P) Ltd.	Arrow Coated Products (UK) Ltd.	Advance IP Technologies Ltd.
Share Capital	4312.75	1602	80
Reserves	(3742.56)	(807)	(2142)
Total Assets	959.30	5451	400
Total Liabilities	389.12	4656	2462
Investments (except in subsidiary Company)	Nil	Nil	Nil
Turnover	Nil	327	Nil
Profit/(Loss) before Taxation	(1398.02)	(103)	(605)
Provision for Taxation	Nil	Nil	Nil
Profit/(Loss) after Taxation	(1398.02)	(103)	(605)
Proposed Dividend	Nil	Nil	Nil



## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance helps to serve corporate purposes by providing a framework within which stakeholders can pursue the objectives of the organization most effectively.

The Company's philosophy on Corporate Governance is aimed at strengthening the confidence of the shareholders in the Company and building a long term relationship of trust with them by maintaining transparency and periodical disclosures. The Company believes in maintaining high standards of quality and ethical conduct in its operations.

### 2. BOARD OF DIRECTORS

#### a) Composition

The Board of Directors provides strategic direction and thrust to the operations of the Company. As on 31<sup>st</sup> March, 2012, the Board comprised of total 5 directors, which includes 1 Executive Director and 3 Independent Directors and 1 Non Independent Non Executive Director. The Chairman of the Company is an Executive Director. The Company complies with the revised norms for Independent Director.

#### b) Board Procedure

The agenda is prepared in consultation with the Chairman of the Board of Directors and the Chairmen of other Committees. The agenda for the meetings of the Board and its committees, together with the appropriate supporting documents are circulated well in advance of the meeting.

Matters discussed at Board meetings generally relate to Company's business operations, quarterly results of the Company, review of the reports of the Audit Committee and compliance with their recommendation, suggestion, non compliance of any regulatory, statutory or listing requirements etc.

#### c) Attendance at Meetings

During the year ended 31<sup>st</sup> March, 2012, the Board met 14 (Fourteen) times on 4<sup>th</sup> May, 2011, 19<sup>th</sup> May, 2011, 21<sup>st</sup> June, 2011, 8<sup>th</sup> August, 2011, 18<sup>th</sup> August, 2011, 27<sup>th</sup> September, 2011, 7<sup>th</sup> November, 2011, 18<sup>th</sup> November, 2011, 12<sup>th</sup> December, 2011, 13<sup>th</sup> January, 2012, 30<sup>th</sup> January, 2012, 6<sup>th</sup> February, 2012, 5<sup>th</sup> March, 2012 and 16<sup>th</sup> March, 2012. As stipulated, the gap between two board meetings did not exceed four calendar months.

The details of composition and category of Directors, their attendance at each Board meeting held during the financial year 2011-12 and at the last Annual General Meeting, their directorships in other Companies and membership / chairmanship in committees are as follows :

Name	Category	No. of Board meetings		Attendance at last AGM held on 29 <sup>th</sup> September, 2011	No. of Directorship held in other public companies'	Committee Position in other companies'	
		Held	Attended			Member	Chairman
Mr. Shilpan Patel	Managing Director	14	14	Present	-	-	-
Mr. Haresh Mehta	Non Executive & Non Independent	14	9	Absent	-	-	-
Mr. Vijay Dhar	Independent	14	1	Absent	2	1	-
Mr. Faredun H. Taraporwala	Independent	14	9	Absent	-	-	-
Dr. Anil Saxena	Independent	14	12	Present	1	-	-

- The directorship held by directors as mentioned above do not include Alternate Directorships and Directorships in Foreign Companies, Section 25 Companies and Private Companies.
- Membership/Chairmanship of only the Audit Committee and Shareholders'/ Investors' Grievance Committee of all the public limited companies have been considered.
- None of the directors hold directorships in more than 15 public limited companies, membership in more than 10 committees and chairmanship in more than 5 committees.

### 3. BOARD COMMITTEES

#### a) Audit Committee :

The Committee comprises of three (3) Independent Directors' and one (1) Non Executive Non Independent Director having financial background and knowledge in the areas of business of the Company. The Committee comprises of Dr. Anil Saxena, Mr. Faredun H. Taraporwala, Mr. Vijay Dhar and Mr. Haresh Mehta. Dr. Anil Saxena acts as the Chairman of the Committee.

Ms. Sandhya Jadhav, Compliance Officer of the Company acts as secretary to the Committee.

During the year under review, Seven (7) meetings of the Audit Committee were held on 19<sup>th</sup> May, 2011, 8<sup>th</sup> August, 2011, 27<sup>th</sup> September, 2011, 7<sup>th</sup> November, 2011, 18<sup>th</sup> November, 2011, 12<sup>th</sup> December, 2011 and 6<sup>th</sup> February 2012.

The number of meetings attended by each member during the year ended 31<sup>st</sup> March, 2012 is as under:

Name of the Members	Designation	No. of Meetings	
		Held	Attended
Dr. Anil Saxena	Chairman	7	7
Mr. Faredun H. Taraporwala	Member	7	7
Mr. Vijay Dhar	Member	7	-
Mr. Haresh Mehta	Member	7	2

The terms of reference of the Committee are wide. The members have access to all the required information from the Company. The brief descriptions of terms of reference are as follows:

Reviewing the performance of the Company as reflected in the financial statements, as also compliance with accounting policies and practices, regulatory requirements concerning the said financial statements.

Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

Recommending the appointment/removal of statutory auditors, fixation of audit fees and also approval of payments for any other services.

Review with management the quarterly/half yearly and annual financial statements with the primary focus on accounting policies and practices, compliances with accounting standards and with the stock exchange and legal requirements concerning the financial statements.

Reviewing with management, Statutory and internal auditors about adequacy of the internal control systems in the Company.

Discussing with internal and statutory auditors of any significant findings and follow-up thereon and reviewing the reports furnished by them.

Reviewing the Company's financial and risk management policies.

#### b) Shareholders' / Investors' Grievance Committee

The composition of the committee and details of meetings held by members are as under:

Name of the Members	Designation	No. of Meetings	
		Held	Attended
Mr. Haresh Mehta	Chairman	4	2
Mr. Faredun H. Taraporwala	Member	4	4
Dr. Anil Saxena	Member	4	4

The Committee meets as and when required to deal with the matters relating to transfer/ transmission of shares and monitors redressal of complaints from shareholders relating to transfer, non receipt of balance sheet, dematerialization of shares, etc.

During the year under review, no complaints were received from the shareholder.

Ms. Sandhya Jadhav - Compliance Officer (Resigned w.e.f. 30<sup>th</sup> January 2012)

Ms. Jasbinder Kaur Neela – Company Secretary and Compliance Officer (Appointed w.e.f. 30<sup>th</sup> Jan. 2012)

**C. Remuneration Committee** The composition of the Committee is as under:

Name of Members	Designation	Category
Mr. Faredun H. Taraporwala	Chairman	Independent
Mr. Vijay Dhar	Member	Independent
Dr. Anil Saxena	Member	Independent

No meeting of Remuneration Committee was held during the year.

The details of remuneration paid to the directors during the year ended 31<sup>st</sup> March, 2012 and their shareholding is as follows :

(Amount in ₹)

Name of the Directors	Salary & Perquisites	Performance Incentive/ Bonus	Commission	Sitting Fees	Total	No. of Shares	Stock option granted
Mr. Shilpan P. Patel	-	-	-	-	-	3998777	-
Mr. Haresh Mehta	-	-	-	5500	-	38666	-
Mr. Vijay Dhar	-	-	-	-	-	40000	-
Mr. Faredun H. Taraporwala	-	-	-	5500	-	-	-
Dr. Anil Saxena	-	-	-	16500	-	1666	-

No remuneration is paid to non-executive directors, except sitting fees.

**4. GENERAL BODY MEETINGS**

Details of location, date and time where last three Annual General Meetings were held are as follows:

Financial Year	Date	Time	Venue
2010-2011	29 <sup>th</sup> Sept. 2011	10.30 a.m.	Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai – 95.
2009-2010	14 <sup>th</sup> Sept. 2010	10.00 a.m.	
2008-2009	29 <sup>th</sup> Sept. 2009	10.00 a.m.	

**Special Resolutions passed in last 3 Extra Ordinary / Annual General Meetings:**

Date of A.G.M. / E.O.G.M.	Particulars of Special Resolution
29 <sup>th</sup> Sept. 2011	For Alteration of Articles of the Company
14 <sup>th</sup> Sept. 2010	For appointment of Mr. Neil Petal, relative of Director of the Company, as Vice President – Marketing.
29 <sup>th</sup> Sept. 2009	1. Issue of Shares and Detachable Warrants on Rights Basis. 2. For alteration of Articles of Association for increase in Authorized Share Capital of the Company from 10 Crores to 12 Crores.

No Special Resolution was passed through postal ballot during the financial year 2011-2012. None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a Special resolution through Postal Ballot.

**5. DISCLOSURES**
**a) Related party transactions:**

During the year under review, besides the transactions reported in Notes to Accounts, forming part of the Annual Report. There were no other related party transactions with its promoters, directors and management that had a potential conflict of interest of the Company at large.

**b) Code of Conduct:**

The Board of Directors has adopted a Code of Conduct for the Board of Directors and Senior Management Personnel of the Company. All Board members and Senior Management Personnel have affirmed their compliance with the Code of Conduct. A declaration by the Managing Director of the Company affirming the compliance of the same in respect of the financial year ended on 31<sup>st</sup> March, 2012 by the members of the Board and Senior Management Personnel, as applicable to them, is also annexed separately in this Annual Report.

**c) Compliance by the Company**

There is no non-compliance by the Company or any penalties, strictures imposed by the Stock Exchange, SEBI or any other statutory authority on any matter related to capital markets, during the last three years/period. However, listing fees for the Delhi Stock Exchange Association Limited is outstanding. The Company has already filed the application for de-listing with the said Stock Exchange.

**d) Disclosure of Accounting Treatment**

In the preparation of the financial statements, the Company has followed the Accounting Standards except AS-24 regarding discontinuance of operations and AS-15 regarding employee benefit, issued by the Institute of Chartered Accountants of India to the extent possible.

**e) Disclosures of Risk Management**

The Board discussed the risk assessment procedure and the same has been laid before the Board from time to time.

**f) CEO / CFO Certification**

A certification in the terms of Clause 49(v) of the Listing Agreement from Mr. Shilpan P. Patel, Chairman & Managing Director of the Company, in respect of financial year ended 31<sup>st</sup> March, 2012 was placed before the Board.

**g) Review of Directors Responsibility Statement**

The Board in its report has confirmed that the annual accounts for the year ended 31<sup>st</sup> March, 2012 have been prepared as per applicable accounting standards (except AS-24 regarding discontinuance of operation and AS-15 regarding employees benefit) and policies and that sufficient care has been taken for maintaining adequate accounting records.

**h) Whistler Blower Policy**

The Company has not adopted any formal Whistler Blower Policy. However, the Company has not denied access to any personnel to approach the Audit Committee.

**i) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.**

Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. The details of these compliances along with the non-mandatory requirements adopted by the Company have been given in the relevant sections of this report.

**6. MEANS OF COMMUNICATION**

- a) At present half yearly report on accounts is not being sent to each household of shareholder
- b) The quarterly, half-yearly and full year results are published in Free Press Journal and Navshakti.
- c) At present, the Company does not make presentation to Institutional Investors and Analysts.
- d) The Company has its own website [www.arrowcoated.com](http://www.arrowcoated.com).
- e) The Management Discussion and Analysis is given separately in this Annual Report.

**7. GENERAL INFORMATION FOR SHAREHOLDERS**

**a) Annual General Meeting**

Time : 10.30 A.M.

Date : 27<sup>th</sup> September, 2012

Venue : Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400 095

**b) Financial Calendar: (2012-2013)**

Result for the quarter ending 30 <sup>th</sup> June 2012	– by 14 <sup>th</sup> August 2012
Result for the quarter ending 30 <sup>th</sup> September 2012	– by 14 <sup>th</sup> November 2012
Result for the quarter ending 31 <sup>st</sup> December 2012	– by 14 <sup>th</sup> February 2013
Audited Result for the year ending 31 <sup>st</sup> March 2013	– by 30 <sup>th</sup> May 2013.

**c) Date of Book Closure** : 24<sup>th</sup> Sept., 2012 to 27<sup>th</sup> Sept., 2012 (both days inclusive)

**d) Dividend Payment Date** : Not Applicable

**e) Listing on Stock Exchanges** : BSE Limited

\*The Delhi Stock Exchange Association Ltd.  
(\*applied for delisting)

The Company has paid the necessary listing fees of the BSE Limited for the year 2012-2013.

- f) **Stock Code :** BSE :516064  
g) **ISIN for NSDL & CDSL** INE570D01018  
h) **Market Price Data & Comparison with BSE Sensex:**

The monthly high and low quotations of shares traded on the BSE Limited and BSE Sensex during each month in last financial year are as follows:

Month	Company's		BSE Sensex *(points) Shares price at BSE Ltd* ( ₹ )	
	High	Low	High	Low
April, 2011	8.49	7.00	19811.14	18976.19
May, 2011	9.45	8.10	19253.87	17786.13
June, 2011	9.58	8.46	18873.39	17314.38
July, 2011	9.29	7.56	19131.70	18131.86
August, 2011	8.55	5.91	18440.07	15765.53
September, 2011	8.45	6.01	17211.80	15801.01
October, 2011	9.30	8.09	17908.13	15745.43
November, 2011	9.00	6.71	17702.26	15478.69
December, 2011	6.75	5.39	17003.71	15135.86
January, 2012	8.51	5.20	17258.97	15358.02
February, 2012	9.90	7.32	18523.78	17061.55
March, 2012	11.49	8.28	18040.69	16920.61

\* Source: www.bseindia.com

i) **Share Transfer System:**

All shares sent for transfer in physical form are registered by the Company's Registrar and Share Transfer Agents within a maximum period of 30 days of the lodgment, if documents, are found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are promptly processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (India)(CSDL) within 21 days.

j) **Shareholding pattern as at 31<sup>st</sup> March, 2012:**

Sr No.	Category of Holdersheld	No. of Shares held	% of Shares held
1.	Promoter and Promoter group	7872430	73.57
2.	Mutual Funds/UTI	20,900	0.20
3.	Banks/Financial Institutions/ Insurance Companies (Central/ State Govt. Institutions/ Non Govt. Institutions)	—	—
4.	Venture Capital Funds	—	—
5.	FII's	—	—
6.	Bodies Corporate	308909	2.89
7.	Individuals		
	< ₹ 1 Lac	1401783	13.10
	> ₹ 1 Lac	1030603	9.63
8.	Clearing Member	—	—
9.	NRI/OCBs	65771	0.61
10.	Trust	—	—
11.	Foreign Corporate Bodies	—	—
	<b>TOTAL</b>	<b>10700396</b>	<b>100.00</b>

**k) The Distribution of Shareholding as at 31<sup>st</sup> March 2012 :**

Slab of Share Holding			Share Holders	%	Amount (₹)	%
1	-	500	1333	68.711	2977790	2.783
501	-	1000	249	12.835	2187400	2.044
1001	-	2000	137	7.062	2197690	2.054
2001	-	3000	60	3.093	1563350	1.461
3001	-	4000	37	1.907	1298770	1.214
4001	-	5000	24	1.237	1119770	1.046
5001	-	10,000	52	2.680	3728650	3.485
10,001	-	Above	48	2.475	91930540	85.913
<b>Total</b>			<b>1940</b>	<b>100</b>	<b>107003960</b>	<b>100</b>

**l) Dematerialization of shares and liquidity:**

As on 31<sup>st</sup> March, 2012 about 72.54 % of the Company's Equity Shares have been dematerialized. The Equity Shares of the Company are actively traded on the BSE Limited, Mumbai.

**m) Outstanding ADRS, GDRS, Warrants or any convertible instruments, conversion date and impact on Equity:**

As on 31<sup>st</sup> March, 2012, 10,70,040 warrants are outstanding for conversion into Equity Shares.

The Company has issued 300000 options under ESOP Scheme. As on 31<sup>st</sup> March 2012, 145300 options are outstanding.

**n) Registrar and Share Transfer Agents:**

System Support Services  
209, Shivai Industrial Estate,  
Near Parke Davis, Andheri Kurla Road,  
Sakinaka, Mumbai – 400 072  
Tel No. :022 - 2850 0835  
Fax No. : 022 – 2850 1438  
E-mail : syss72@yahoo.com

**o) Plant location:**

Plot No. 5310, GIDC,  
Ankleshwar – 393 002 (Gujarat)

**p) Address for Investor Correspondence:**

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or any address, non-receipt of dividend or any other query relating to shares, please write to:

System Support Services  
Unit : "Arrow Coated Products Ltd."  
209, Shivai Industrial Estate,  
Near Parke Davis, Andheri Kurla Road,  
Sakinaka, Mumbai – 400 072  
Tel No. :022 - 2850 0835  
Fax No. : 022 – 2850 1438

For general correspondence:

**Compliance Officer**

Ms. Sandhya Jadhav

**Arrow Coated Products Ltd.**

5D, Laxmi Industrial Estate, New Link Road,  
Andheri (West), Mumbai – 400 053  
Tel No. :022 - 4074 9000, Fax No. : 022 - 4074 9099  
Email : sandhya@arrowcoated.com

**DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT**

To,  
The Member of  
Arrow Coated Products Ltd.

I, Shilpan P. Patel, Chairman & Managing Director of the Company confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct during the year ended on 31<sup>st</sup> March, 2012.

For **Arrow Coated Products Ltd.**

**Shilpan P. Patel**

Chairman & Managing Director

Place : Mumbai

Date: 30<sup>th</sup> May, 2012

**CERTIFICATE OF COMPLIANCE FROM THE AUDITORS OF THE COMPANY**

To  
The members of  
**Arrow Coated Products Ltd.**

We have examined the Compliance of the conditions of Corporate Governance by **Arrow Coated Products Ltd.** for the year ended 31<sup>st</sup> March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with BSE Limited.

The compliance of conditions of Corporate Governance is the responsibility of management. Our examination 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 the opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us and the representations made by management; we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of Investors' Grievances received, generally no investor grievances are pending for a period exceeding one month against the Company as per records maintained by the 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 **M/s. J. A. Rajani & Co.**  
Chartered Accountants

**P. J. Rajani**

Proprietor

Membership No. : 116740

(FRN: 108331W)

Place : Mumbai

Date:30<sup>th</sup> May, 2012

**AUDITORS' REPORT****TO THE MEMBERS OF ARROW COATED PRODUCTS LIMITED**

1. We have audited the attached Balance Sheet of ARROW COATED PRODUCTS LIMITED as at 31<sup>st</sup> March, 2012 and Statement of Profit and Loss and 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.
2. 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 misstatement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in term of Section 227(4A) of the Companies Act, 1956(The Act) and on the basis of such examination of the books and records of the Company as we consider proper and the information and explanation given to us during the course of our audit, we annex a statement on the Matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we state that:
  - a) 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;
  - b) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of the books;
  - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting standard except Accounting Standard 24 Discontinuing Operations and Accounting Standard 15 Employee Benefits (refer note 35) referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representation received from directors of the Company as at 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as director of the Company in terms of clause (g) of sub-section (1) of section 274 of companies Act, 1956;
  - f) The Company has not made provisions for overdue debts aggregating to ₹ 39867.16 ('000) and advances aggregating to ₹ 31500.92('000). Had this observation made by us been considered Loss after Tax would have been ₹ 80674.84('000) (as against the reported figure of Loss of ₹ 9306.77 ('000) ; reserves and surplus would have been deficit of ₹ 29512.17('000) (as against the reported figure of surplus of ₹ 41855.91 ('000); trade receivable would have been ₹ 6018.84 ('000) (as against the reported figure of ₹ 45885.99 ('000); long term loans and advances would have been ₹ 29719.53 ('000) (as against reported figure of ₹ 61220.45 ('000),
  - g) In our opinion, and to the best of our information and according to the explanation given to us the said accounts subject to para (d) and (f) above and read together with the notes thereon and attached thereto give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted principle in India:
    - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2012;
    - ii) In the case of the Statement of Profit and Loss , of the loss for the year ended on that date; and
    - iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

**For J.A.Rajani & Co.**  
Chartered Accountants

P.J.Rajani  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

Place : Mumbai  
Date : 30<sup>th</sup> May, 2012



### ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- i) In respect of it's Fixed Assets.  
The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.  
Some of the fixed Assets were physically verified during the period by the management in accordance with a program of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. The reconciliation work with the available records is in progress and necessary entries will be passed in the accounts to give to material discrepancies if any, observed on such reconciliation.  
In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposal of Fixed Assets during the period.
- ii) In respect of it's Inventories.  
As explained to us, inventories were been physically verified during the period by the management at reasonable intervals  
In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business.  
In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iii) According to the information and explanation given to us:  
The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in register maintained u/s 301 of the Companies Act 1956.  
During the period Company has taken loan from four party aggregating to Rs 6912.26 ('000) and the balance of loan taken from such six parties was 65009.36 ('000).  
In our opinion, the rate of interest and other terms and condition on which loan has been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.  
The Company has taken loans from parties covered under section 301 of the Companies Act, 1956 that are interest free and no due date for repayment are stipulated. Hence, commenting on regularity of repayment of principal / interest does not arise.
- iv) In our opinion and according to the information and explanation given to us, the Company has internal control system commensurate with the size of the Company and the nature of its business with regards to purchase of inventories, fixed assets and with regards to the sale of the goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal controls system.
- v) To the best of our knowledge and belief and according to the information and explanation given to us particulars of contracts or arrangements referred to in section 301 that need to be entered in the register have been so entered.  
In our opinion and according to the information and explanation given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanation given to us, the Company has accepted deposits from the public as such within the meaning of Section 58A of the Act from relatives of director during the year .In respect of which the provisions of sections 58A and 58AA of the Act and rules framed there under have not been complied with. We have been informed that no order has been passed by the Company Law Board or National Company Law Board Tribunal or Reserve Bank of India or any other Tribunal in India.
- vii) In our opinion, there is a scope of strengthening the internal audit system, commensurate with the size and nature of its business.
- viii) We have broadly reviewed the books of accounts maintained by the Company in respect of products where , pursuant to the rules made by the central government of India , the maintenance of Cost records under section 209(1) (d) of the Companies Act 1956 , and are of the opinion that , prima facie , the prescribed accounts and records have been made and maintained . We have not , however , made a detailed examination of the records with a view to determine whether they are accurate or complete.
- ix) According to the record of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other statutory dues applicable to it with appropriate authorities though there has been delay in major cases.

According to the information and explanations given to us, except for the cases stated below, there are no undisputed amount payable in respect of income tax, wealth tax, custom duty, excise duty and cess which were outstanding, at the end for the period of more than six months from the date they became payable:-

<b>Nature of the Dues</b>	<b>Amount (₹ in '000)</b>
Central Sales Tax	157.78
Local Sales Tax	252.01
Income Tax	321.77
Provident Fund	22.80
Service Tax	109.64

According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute except for :-

<b>Nature of the Dues</b>	<b>Amount (₹ in '000)</b>	<b>Period</b>	<b>Authority Before which in Appeal</b>
Local Sales Tax	2838.79	F.Y.2003-04	Assistant Commissioner of Sales Tax, Mumbai
Central Sales Tax	441.87	F.Y.2003-04	Assistant Commissioner of Sales Tax, Mumbai
Local Sales Tax	3677.77	F.Y.2004-05	Assistant Commissioner of Sales Tax, Mumbai
Central Sales Tax	3520.70	F.Y.2004-05	Assistant Commissioner of Sales Tax, Mumbai

- x) Accumulated losses of the Company are less than fifty per cent of the Company's net worth. Company incurred cash loss of ₹ 78434.47 ('000) during the period covered by our audit. In the immediately preceding financial year, the Company had made cash loss of ₹ 52247.60 ('000)
- xi) According to the information and explanations given to us, the Company has defaulted in payment of Interest due to Indusind Bank Ltd. amounting to ₹ 1231.01 ('000).
- xii) According to the information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) Clause (xiii) of the order is not applicable to the Company, as the Company is not a chit fund Company or Nidhi / Mutual benefit fund / Society.
- xiv) In our opinion the Company is not dealing in or trading in shares, securities, debentures and other investment, accordingly clause (xiv) of the order is not applicable.
- xv) According to information and explanation given to us the Company has not given guarantees for loan taken by others from banks or financial institutions.
- xvi) The Company has not taken any term loan during the year.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no funds raised on short-term basis have been used for long-term investment.
- xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
- xix) According to information and explanation given to us Debentures have not been issued by the Company during the year.
- xx) During the year the Company has raised money by public issue and we have verified the disclosure made in note 45 to the financial statement.
- xxi) According to the information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**As per our report of even date.**  
For **J.A.Rajani & Co.**  
Chartered Accountants

P.J.Rajani  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

Place: Mumbai  
Date : 30<sup>th</sup> May ,2012

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2012**

(₹ in '000)

Particulars	Notes	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' Fund</b>			
(a) Share Capital	3	107004	53502
(b) Reserves & Surplus	4	41856	51415
<b>2 Share Application Money pending allotment</b>	5	4269	4269
		<b>153129</b>	109186
<b>3 Non Current Liabilities</b>			
(a) Long-term borrowings	6	68884	62177
(b) Deferred tax liabilities (Net)	7	476	336
(c) Long-term provisions	8	239	185
		<b>69599</b>	62698
<b>4 Current Liabilities</b>			
(a) Short-term borrowings	9	25512	23132
(b) Trade payables (Refer to Note 33)		15350	11647
(c) Other current liabilities	10	4265	3359
(d) Short-term provisions	11	2394	2312
		<b>47521</b>	40450
<b>TOTAL</b>		<b>270250</b>	212334
<b>II. ASSETS</b>			
<b>1 Non Current Assets</b>			
(a) Fixed Assets	12		
(i) Tangible assets		11065	12959
(ii) Intangible assets		4304	4114
(iii) Intangible assets under development		14923	12563
(b) Non-current investments	13	3860	2876
(c) Long-term loans and advances	14	61220	73719
(d) Other non-current assets	15	1750	784
		<b>97123</b>	107015
<b>2 Current assets</b>			
(a) Inventories	16	38878	43215
(b) Trade receivables	17	45886	51281
(c) Cash and cash equivalents	18	59673	5157
(d) Short-term loans and advances	19	28467	5594
(e) Other current assets	20	222	73
		<b>173127</b>	105319
<b>TOTAL</b>		<b>270250</b>	212334
Notes to Accounts & Significant Accounting Policies	1 to 49		

**As per our report of even date.**
**For J. A. Rajani & Co.**  
Chartered Accountants

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No. 108331W

 Place : Mumbai  
Date : 30<sup>th</sup> May 2012

For and on behalf of the Board of Directors

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2012** (₹ in '000)

Particulars	Notes	Year Ended 31 <sup>st</sup> March 2012	Year Ended 31 <sup>st</sup> March 2011
<b>INCOME</b>			
Revenue from Operation	21	41364	35829
Less: Excise Duty		1672	2397
Other Income	22	4594	1851
<b>Total</b>		<b>44286</b>	<b>35284</b>
<b>EXPENDITURE</b>			
Material Cost & Inventory Adjustments	23	25595	9540
Employee Benefit Expenses	24	4532	4872
Manufacturing Expenses	25	7671	8181
Financial Cost	26	3777	3437
Depreciation and amortisation Expenses	12	2233	2452
Other Expenses	27	10068	7846
<b>Total</b>		<b>53875</b>	<b>36327</b>
<b>Profit/(Loss) Before Exceptional items and Tax</b>		<b>(9589)</b>	<b>(1043)</b>
Exceptional Items (Refer to Note no.31)		(800)	260
Prior period expenses		377	-
<b>Profit/(Loss) Before Tax</b>		<b>(9167)</b>	<b>(1303)</b>
Current tax		-	-
Deferred Tax		140	85
<b>Profit / (Loss) After Tax</b>		<b>(9307)</b>	<b>(1388)</b>
Earning Per Share (Basic) ₹		(1.67)	(0.26)
Earning Per Share (Diluted) ₹		(1.67)	(0.26)
Notes to Accounts & Significant Accounting Policies	1 to 49		

**As per our report of even date.**

**For J. A.Rajani & Co.**  
Chartered Accountants

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

Place : Mumbai  
Date : 30<sup>th</sup> May 2012

For and on behalf of the Board of Directors

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2012**

(₹ in '000)

Particulars	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
<b>A Cash Flow from Operating Activities</b>		
Net Profit/(Loss) before Tax & Prior Period Items	(9167)	(1303)
Adjustment for		
Depreciation	2233	2452
Profit / Loss on sale of Fixed Asset	-	(17)
ESOP Amortisation	-	(745)
Other Income	-	(640)
Deferred Right issue expenses write off	8	-
Interest Income	(4562)	(1194)
Dividend Income	(1)	(1)
Interest Expenses	3777	3210
Exceptional Items	(800)	260
Operating Profit before Working Capital Changes	(8513)	2022
Adjustment for:		
(Increase)/Decrease in Trade Receivables	5395	20958
(Increase)/Decrease in Inventories	4336	(4240)
(Increase)/Decrease in Other Current and non Current Assets	(149)	5
(Increase)/Decrease in Long Term and Short Term Loans and Advances	(10427)	(13591)
(Increase)/Decrease in Trade Payables, Other Current and Non Current Liabilities and Provisions	4979	(3219)
Cash Generated from operations	(4379)	1935
Taxes Paid (Including TDS) (net)	(200)	(107)
Net Cash used in Operation	(4578)	1829
<b>B Cash Flow from Investing Activities</b>		
Purchase of Tangible and Intangible Assets	(2889)	(4692)
Sale of Fixed Assets	-	90
Investment	(985)	(200)
Interest & Dividend Income	4563	1195
Net Cash from Investing Activities	690	(3607)
<b>C Cash Flow from Financing Activities</b>		
Proceeds from Long term Borrowing	6708	7728
Proceeds from Short term Borrowing	3180	244
Increase in Share Capital	53502	606
Interest Paid & Finance cost	(3777)	(3210)
Dividend Paid	(234)	0
Rights Issue Expenses	(974)	(276)
Net Cash from Financing Activities	58405	5093
<b>Net Increase in Cash &amp; Cash Equivalents</b>	54516	3314
<b>Opening Balance of Cash &amp; Cash Equivalents</b>	5157	1843
<b>Closing Balance of Cash &amp; Cash Equivalent *</b>	59673	5157

\* This includes ₹ 52835 ('000) balance in earmarked account and ₹ 3132 ('000) held in deposit for more than 12 months (P.Y includes ₹ 350 ('000) balance in earmarked account and ₹ 1732 ('000) held in deposit for more than 12 months)

**As per our report of even date.**

**For J. A.Rajani & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

Place : Mumbai  
Date : 30<sup>th</sup> May 2012

**Notes to the financial statements for the year ended 31<sup>st</sup> March, 2012****1 Corporate Information**

The Company is mainly in business of water soluble film and bio compostible products.

**2 Significant accounting policies****a) Basis of Preparation of Financial Statements:**

The financial statement have been prepared on the basis of going concern, under historical cost convention, to comply in all material aspect with applicable accounting principles in India, the Accounting standards issued by the ICAI (except as other wise stated) and the relevant provision of Companies Act, 1956.

The preparation of financial statements in conformity with accounting standards requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

All assets and liabilities have been classified as current or non-current as per the operating cycle criteria set out in the Revised Schedule VI to the Companies Act, 1956.

**b) Fixed Assets, Depreciation and Impairment Loss:**

Fixed Assets are stated at cost net of accumulated depreciation. Cost includes expenses related to acquisition and financing cost on borrowing during construction period. Assets acquired on Hire purchase are capitalised to the extent of Principal Value.

Depreciation on Fixed Assets has been provided on written down value basis and manner provided in Schedule XIV to The Companies Act 1956. Additions during the Year are depreciated on pro-rata basis. Leasehold land is shown at cost and no write offs are made in respect thereof.

Costs relating to Patents are written off over the remaining useful life from the day of Grant.

In case, the recoverable amount of fixed assets is lower than its carrying amount, a provision is made for the impairment loss.

**c) Investments:**

Long-term investments other than trade are stated at cost of acquisition less provision for diminution in value other than temporary, if any.

Holding of investment in subsidiaries and Associated Companies are of strategic importance to the Company and therefore the Company does not consider it necessary to provide decrease in the book value of such investment, till such relationship continues with the Investee Company.

**d) Prior Period Adjustments:**

All items of Income/Expenditure pertaining to prior period (except those not exceeding Rupees One Thousand in each case which is accounted through respective revenue accounts) are accounted through Prior Period account.

**e) Inventories:**

Raw Materials are valued at cost. Finished Goods are valued at lower of cost or net realizable value

**f) Revenue Recognition:**

Sales exclude Sales Tax, Excise Duty and other charges such as freight, insurance and other Incidental charges. Dividend from investments in the shares is accounted for on the basis of the date of declaration of dividend falling within the accounting year. Interest Income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

**g) Retirement Benefits:**

The Company makes monthly contribution as per the applicable statute for Provident Fund and charges off the same to the Statement of Profit and Loss.

Provision for leave entitlement is accrued and provided for at the end of the financial year.

The Company has created an Employees' Group Gratuity Fund, which has taken a Group Gratuity cum Life Insurance Policy from the Life Insurance Corporation of India. Gratuity is provided on the basis of premium paid on the above policy as intimated by Life Insurance Corporation of India. The adequacy of the fund along with the provision is as per the actuarial valuation.

**h) Borrowing Cost:**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which this are incurred.

**i) Foreign Currency Transactions:**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. At the year-end monetary items denominated in foreign currencies are converted into rupee equivalent at the year-end exchange rates. All exchange differences arising on settlement and conversion on foreign currency transaction are dealt with in Statement of profit and loss.

Investments in shares of foreign subsidiary companies are expressed in Indian currency at the rates of exchange prevailing at the time when the original investments were made.

**j) Accounting For Taxes On Income:**

The provision for current income tax has been made in accordance with the Income Tax Law prevailing for the relevant assessment year after considering various admissible relief's'.

Deferred tax for the year is recognised, on timing differences being the difference between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax asset and liabilities are measured using the tax rates and tax rules that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset are recognized and carried forward only if there is reasonable / virtual certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation.

**k) Expenditure During Construction and on New Projects:**

In case of new Industrial units and substantial expansion of existing units, all pre- operating expenditure specifically for the project, incurred up to the date of installation, is capitalised and added pro rata to the cost of fixed assets.

**l) Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**m) Deferred Revenue Expenditure:**

Preliminary Expenses and Shares Issue Expenses are amortised over a period of 10 years.

(₹ in '000)

Particulars	AS AT	AS AT
	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
<b>Note 3</b>		
<b>Share Capital</b>		
<b>Authorised Capital :</b>		
1,20,00,000 (P.Y. 1,20,00,000) Equity Shares of ₹ 10/- each	<b>120000</b>	120000
<b>Issued, Subscribed and Paid Capital</b>		
1,07,00,396 ( P. Y. 53,50,198 Equity Shares) of ₹ 10/- each Fully paid up	<b>107004</b>	53502
	<b>107004</b>	53502

**Notes:**

- During the year the Company has allotted 53,50,198 fully paid-up Equity Shares of face value of ₹10/- each together with 10,70,040 detachable warrants, convertible into equity shares of the Company within a period of 12 months from the date of issue at such price as may be determined in accordance with the provisions of SEBI (ICDR) Regulations, 2009, on the Rights basis.
- The Company has only one class of Equity Shares with a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share.
- Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

(₹ in '000)

Name of Shareholder	As at 31 <sup>st</sup> March, 2012		As at 31 <sup>st</sup> March, 2011	
	No. of Shares held	Amount	No. of Shares held	Amount
At the beginning of the year	<b>5,350,198</b>	<b>53502</b>	5,289,598	52896
Issued during the year-ESOP	-	-	60,600	606
Issued during the year-Right Issue	<b>5,350,198</b>	<b>53502</b>	-	-
Outstanding at the end of the year	<b>10,700,396</b>	<b>107004</b>	5,350,198	53502

**d) Shareholder Holding more than 5%**

Name of Shareholder	As at 31 <sup>st</sup> March 2012		As at 31 <sup>st</sup> March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Arrow Convertors Pvt Ltd	1,057,195	9.88%	363,100	6.79%
Jigisha S. Patel	985,890	9.21%	338,610	6.33%
Shilpan P. Patel	3,998,777	37.37%	1,373,405	25.67%
Shilpan Patel (HUF)	1,830,568	17.11%	630,600	11.79%

(₹ in '000)

	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>Note 4</b>		
<b>Reserves and Surplus</b>		
General Reserve	200	200
Capital Reserve	3949	3949
Share Premium		
Balance at the beginning of the years	29199	27587
Add : Share Premium on ESOPs	-	1612
	29199	29199
Employee Stock Option Outstanding (Refer Note.46)	3865	6222
Less : Current year transfer to Share Premium	-	1612
Less : Written back during the year	-	745
	3865	3865
Profit & Loss account	14202	15407
Add: Net Profit/(Loss) for current year	(9307)	(1388)
Less: Tax adjustment of Earlier Years	(252)	183
	4643	14202
	41856	51415

**Note 5**

A sum of ₹ 4269 ('000) is being carried as share application money, received as subscription money for allotment of shares upon conversion of warrants, but inadvertently, shares not allotted pertaining to financial year 2008-2009.

(₹ in '000)

Particulars	AS AT 31 <sup>st</sup> March, 2012	AS AT 31 <sup>st</sup> March, 2011
<b>Note 6</b>		
<b>Long term Borrowings</b>		
<b>Unsecured</b>		
From Directors	19230	15200
From Related parties	49654	46977
(Refer to Note No. 38)	68884	62177
<b>Note 7</b>		
<b>Deferred Tax Liabilities (net)</b>		
<b>Deferred Tax Assets</b>		
Disallowance under Section 43B	88	120
<b>Deferred Tax Liabilities</b>		
Related to Fixed Assets	564	456
	476	336
<b>Note 8</b>		
<b>Long Term Provision</b>		
Leave encashment	239	185
(Refer to note no. 35)	239	185



**Notes to the financial statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>Note 9</b>		
<b>Short Term Borrowings</b>		
<b>Secured</b>		
Term Loan from Indusind Bank (Refer to Note no.30)	-	23132
<b>Unsecured</b>		
Overdraft Facility from Indusind Bank (Secured by Guarantee given by Directors) (Refer to Note no.30)	25512	-
	<b>25512</b>	23132
 The Company has defaulted in repayment of Loans and Interest in respect of the following:		
<b>Term Loan from Banks</b>		
Principal	-	22500
Interest	-	632
There is a default in repayment of three principal instalment of ₹ 7500 ('000) each due on the 1 <sup>st</sup> November 2010, 1 <sup>st</sup> December 2010 and 1 <sup>st</sup> January 2011 and interest for two months ₹ 632 ('000).		
<b>Loan repayable on Demand</b>		
Interest	1231	-
There is a default in payment of interest for the period 31 <sup>st</sup> October, 2011 to 31 <sup>st</sup> March, 2012.		
<b>Note 10</b>		
<b>Other Current Liabilities</b>		
Unclaimed Dividends	191	425
Advance from Customer	2840	2295
Provision for expenses	71	150
Statutory liabilities	1163	489
	<b>4265</b>	3359
<b>Note 11</b>		
<b>Short term Provision</b>		
Salary and reimbursement Payable	2105	2003
Provident and ESIC Payable	62	81
Income tax Provision	228	228
	<b>2394</b>	2312

**Notes to the financial statements for the year ended 31<sup>st</sup> March, 2012**

**Note 12**

**FIXED ASSETS (Refer Note. 40)**

(₹ in '000)

Particulars	Gross Block			Depreciation/Amortisation			Net Block	
	As At 01.04.2011	Additions	Sale/Transfer	As At 31.03.2012	As At 1.04.2011	For the Deduction on Disposal	As At 31.03.2012	As At 31.03.2011
<b>a</b>								
<b>Tangible Assets</b>								
Factory Land	194	-	-	194	-	-	194	194
Factory Building	3,691	-	-	3,691	2,355	133	1,203	1,336
Office Building	134	-	-	134	74	3	57	60
Plant & Machinery	32,332	-	-	32,332	23,697	1,201	7,434	8,635
Furniture & Fixture	3,664	-	-	3,664	3,159	91	414	505
Office Equipment	7,548	-	-	7,548	6,312	288	949	1,237
Lab. Equipment	580	23	-	602	390	27	186	190
Electric Installation	1,225	-	-	1,225	909	47	269	316
Motor Car	5,227	-	-	5,227	4,741	126	360	486
<b>Total</b>	<b>54595</b>	<b>23</b>	<b>-</b>	<b>54618</b>	<b>41636</b>	<b>1917</b>	<b>11065</b>	<b>12959</b>
Previous year	54154	991	550	54596	39898	2215	12959	
<b>b</b>								
<b>Intangible Assets</b>								
Patent Rights	4,363	505	-	4,869	249	316	4,303	4,114
<b>Total</b>	<b>4,363</b>	<b>505</b>	<b>-</b>	<b>4,869</b>	<b>249</b>	<b>316</b>	<b>4,303</b>	<b>4,114</b>
Previous year	513	3850	-	4363	12	237	4114	
<b>c</b>								
<b>Intangible Assets under Development</b>								
Patent Rights	12,563	2,865	505	14,923	-	-	14,923	12,563
<b>Total</b>	<b>12,563</b>	<b>2,865</b>	<b>505</b>	<b>14,923</b>	<b>-</b>	<b>-</b>	<b>14,923</b>	<b>12,563</b>
Previous year	11,891	2,558	1,886	12,563	-	-	12,563	

**Notes to the financial statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>Note 13</b>		
<b>Non Current Investments</b>		
<b>Investment (Non Trade)</b>		
<b>Investment in Government Securities</b>		
National Saving Certificates	5	5
<b>Investment in Equity Instruments</b>		
<b>Unquoted Equity Share (Fully Paid)</b>		
Shamrao Vithal Co op Bank	9	9
300 Equity Shares of ₹ 25/- each		
100 Equity Shares of ₹ 10/- each		
<b>Unquoted Equity Share (Fully Paid) in Subsidiaries</b>		
Arrow Coated Products (UK) Ltd 20099 Equity shares of £1.00 each (P.Y 20099 shares) (100% holding)	1602	1602
Nagra ID Arrow Secure card (P) Ltd 219850 Equity shares of ₹ 10 each (P.Y. 101377 shares) (51% holding)	2199	1014
<b>Unquoted Equity Share (Fully Paid) in Associates</b>		
Sparrow Bio Plast (P) Ltd 4600 Shares of ₹ 10/- Each (P.Y 4600 Shares) (46% holding)	46	46
<b>Other Non Current Investments</b>		
Share Application money in NagralD Arrow Secure Card (P) Ltd	-	200
	<b>3860</b>	<b>2876</b>
<b>Note 14</b>		
<b>Long Term Loans and advances</b>		
Capital Advances (Unsecured, considered good)	16731	29582
Security Deposit(Unsecured, considered good)	1407	1602
Advance to Suppliers (Unsecured, considered good)	41897	41617
Loans and advances to Subsidiaries/Associates (Refer to Note no. 36)	1185	919
	<b>61220</b>	<b>73719</b>
<b>Note 15</b>		
<b>Other Non Current Assets</b>		
Miscellaneous Expenditure-Right Issue	1750	784
	<b>1750</b>	<b>784</b>
<b>Note 16</b>		
<b>Inventories</b>		
(As taken, valued and certified by Management)		
Finished Goods	38237	37198
Raw Material	642	6016
	<b>38878</b>	<b>43215</b>
<b>Note 17</b>		
<b>Trade Receivable</b>		
(Unsecured, Considered Good)		
(i) Outstanding for more than one year	41375	46821
(ii) Others less than one year	4511	4459
	<b>45886</b>	<b>51281</b>

**Notes to the financial statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>Note 18</b>		
<b>Cash &amp; Cash Equivalents</b>		
<b>Balances with Banks</b>		
Earmarked Balance		
Unpaid Dividend Account	187	350
Other Earmarked account**	52649	-
Current Account	2012	1999
Fixed Deposit with Bank *	4207	1899
( ₹ 3132 ('000) (P.Y. ₹ 1732('000) ) for Bank Guarantee )		
Cash on Hand	619	910
	<b>59673</b>	<b>5157</b>
* Fixed Deposit with Bank includes ₹ 3132 ('000) with maturity for more than 12 months		
** Received against issue of shares on rights basis		
<b>Note 19</b>		
<b>Short Term Loans and Advances</b>		
(Unsecured considered good)		
Loansto Related parties* (Refer Note No. 38)	1392	1618
Loansto Body Corporate	21662	-
Deposit to others	1066	200
Advances to Suppliers	312	328
Loans and Advances to Employees	611	576
Advance payment of Income Tax (net of Provision)	1630	1430
Prepaid Expenses	69	84
Balance with Government Authorities	1726	1357
	<b>28467</b>	<b>5594</b>
*Company in which is Director is a Director		
*Company in which relative of Director is a Director		
	<b>7</b>	<b>-</b>
	<b>1376</b>	<b>1435</b>
<b>Note 20</b>		
<b>Other Current Assets</b>		
Interest Accrued on Fixed Deposit	222	73
	<b>222</b>	<b>73</b>
Particulars	for Year Ended 31 <sup>st</sup> March 2012	for Year Ended 31 <sup>st</sup> March 2011
<b>Note 21</b>		
<b>Revenue from Operation</b>		
Sales of Products	35905	29239
Consultancy Fees	5459	6590
	<b>41364</b>	<b>35829</b>
<b>Note 22</b>		
<b>Other Income</b>		
Excess Liabilities written back	-	389
Dividend Income	1	1
<b>Interest Income</b>		
On Fixed Deposit	285	23
On Loans and Deposits	4277	1171
(TDS deducted ₹ 4.61 lacs (P.Y ₹ 1.07 Lacs))		
Miscellaneous Income	31	268
	<b>4594</b>	<b>1851</b>

**Notes to the financial statements for the year ended 31<sup>st</sup> March , 2012**

(₹ in '000)

Particulars	for Year Ended 31 <sup>st</sup> March 2012	for Year Ended 31 <sup>st</sup> March 2011
<b>Note 23</b>		
<b>Material Cost &amp; Inventory Adjustments</b>		
Cost of Raw Materials consumed		
Opening stock	6016	3747
Add: Purchases	5516	12137
Less: Closing Stock	642	6016
	10891	9867
Purchase of Traded Goods	15742	1643
	26633	11510
<b>Inventory Adjustment :</b>		
Stock at close	38237	37198
Stock at commencement	37198	35228
	(1038)	(1970)
Material Consumed	25595	9540
<b>Note 24</b>		
<b>Employee Benefit Expenses</b>		
Staff Salaries & Bonus	4119	4760
Provident Fund, ESIC & Gratuity	244	296
ESOP compensation cost	-	(745)
Staff welfare expenses	170	560
	4532	4872
<b>Note 25</b>		
<b>Manufacturing Expenses</b>		
Factory Expenses	1054	1110
Labour Charges	1350	2018
Electricity, Fuel & Water Charges	4590	4567
Repair & Maintenance	539	278
Freight Inward	138	207
	7671	8181
<b>Note 26</b>		
<b>Financial Cost</b>		
Interest on Borrowings	3560	3210
Bank Charges	217	226
	3777	3437
<b>Note 27</b>		
<b>Other Expenses</b>		
Legal & Professional Charges	1809	2323
Patent Charges	404	310
Payments to Auditors (Refer to Note no.43)	399	237
Repairs to others	169	259
Insurance Charges	76	97
Postage & Telephone	655	925
Conveyance & Travelling Exp.	3010	1678
Foreign Exchange Gain / Loss	1227	256
Rent, Rate and Taxes	247	-
Miscellaneous Expenses	1723	1384
Packing Charges	-	376
Discount and Commission on Sales	348	-
	10068	7846

**28 Contingent liabilities and Commitments:**

(₹ in '000)

Particulars	As at 31 <sup>st</sup> March 2012	As at 31 <sup>st</sup> March 2011
<b>(i) Contingent Liabilities</b>		
(a) Sales tax matters not acknowledged as debt	10829	10829
(b) Income tax matters not acknowledged as debt	-	983
(c) Bank Guarantees given	1732	1732
(d) Other money for which the Company is contingently liable		
<b>Total</b>	<b>12561</b>	<b>13544</b>
<b>(ii) Commitment</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	-	17700
(b) Buy back of Machine	18928	18928
<b>Total</b>	<b>18928</b>	<b>18928</b>

- 29 Balances of Sundry Debtors, Sundry Creditors, Deposits, Loans and Advances are subjected to reconciliation and confirmation, necessary adjustment if required, will be made after reconciliation. The management does not expect any material difference affecting the current year's financial statements.
- 30 During the previous year Term Loan from Indusind Bank of ₹ 23132 ('000) was secured by hypothecation of inventory, book Debts and other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleshwar and other Fixed Asset of Company at various location and office premises in Mumbai of Arrow Convertors Pvt Ltd with additional corporate guarantee of M/s Arrow Convertors Pvt Ltd and also personal guarantee of Mr. Shilpan P. Patel and during current year it was converted into Overdraft from Indusind Bank of ₹ 25512 ('000) against pledge of Term Deposit of Mr. Shilpan P. Patel and their relatives and it is payable upto 31<sup>st</sup> May, 2012 or maturity of term deposit whichever is earlier.
- 31 During the previous year Board of Directors have decided to surrender the proposed Unit at Sachin, Surat (SEZ unit) for which Company had received a sum of ₹ 484 ('000) against the deposit towards land & Building (capital work in progress) and a sum of ₹ 260 ('000) which was incurred for factory building & maintainance was not recoverable.  
During the year the Term Loan Lender had waived ₹ 800 ('000) principal amount on conversion of Term Loan into Overdraft facility.
- 32 In the opinion of the Board and to the best of their knowledge and belief all the Current Assets, Loans and Advances have value on realisation at least of an amount at which they are stated in Balance Sheet.
- 33 The Company does not possess information as to which of its suppliers are covered under micro, small and medium Enterprise Development Act, 2006. However, the Company is regular in making payment to its suppliers and has not received any claim in respect of interest for delayed payment.
- 34 Sundry Creditors include  
Due from the associate Company -  
₹ 8 ('000) (previous year ₹ 8 ('000)) SP Arrow – Bio Plast Pvt Ltd
- 35 Liability In respect of gratuity and leave encashment are not accounted on basis of actuarial valuation which is not in conformity with Accounting Standard (AS)15 (Revised 2005) on Employee Benefits as issued by the Institute of Chartered Accountant of India.
- 36 For the purpose of distribution of dividend, separate bank account for each year is opened. The balance in this bank account represents the unclaimed/unpaid dividend warrants of the respective years Unpaid dividends are subject to reconciliation.
- 37 As the Company's business activity, in the opinion of the management, falls within single primary segment printing products and packaging material, which are subject to the same risks and returns, the disclosure requirement of Accounting Standard (AS)-17 "Segment Reporting" issued by the Institute Of Chartered Accountant of India are, in the opinion of the management, not applicable
- 38 Related Party Disclosure as required by Accounting Standard 18 of the Institute of Chartered Accountants of India. Related parties as defined under Clause 3 of the Accounting standard have been identified on the basis of representation made by management.

**i) List of Related Parties**

Name of Related Party	Relationship
1 Arrow Coated Products (U.K.) Ltd	Subsidiary Company
2 NagralD Arrow Secure Cards Pvt. Ltd	
3 SP Arrow Bio - Plast Pvt. Ltd	Associate Company
4 Mr. Shilpan P. Patel (CMD)	Key Management Personnel
5 Mr. Vijay dhar	
6 Mr. Haresh Mehta	
7 Mr. Faredun Taraporwala	
8 Dr. Anil Saxena	
9 Mr. Rishil S Patel	Relative of Key Management Personnel
10 Ms. Jigisha S Patel	
11 Mr. Neil Patel	
12 Arrow Convertors Pvt. Ltd.	Enterprises over which Key Management Personnel are able to exercise significant influence
13 Grace Paper Industries Private Limited.	
14 Jayna Packaging Private Limited.	
15 Arrow Digital Private Limited.	
16 Arrow Agri-Tech Private Limited	
17 Mr. Shilpan P. Patel (HUF)	
18 Avery Bio – Tech Private Limited	

**ii) Transaction with Related Parties & Outstanding Balance as on 31<sup>st</sup> March, 2012**

(₹ in '000)

TRANSACTIONS DURING THE YEAR	Entities where control Exist	Key Management Personnel	Relatives of KMP & Significant Influence
Purchase	- (23)	- (-)	<b>348</b> (93)
Sale	- (-)	- (-)	<b>37</b> (-)
Sitting Fees	- (-)	<b>30</b> (-)	- (-)
Share Application Money	- (200)	- (-)	- (-)
Investment	<b>1,185</b> (-)	- (-)	- (-)
Right Issue Subscription	- (-)	<b>26254</b> (-)	<b>25413</b> (-)
Advance/Loan Given	<b>266</b> (80)	- (-)	<b>158</b> (1437)
Advance/Loan Given Repaid	- (250)	- (-)	<b>135</b> (2)
Advance/Loan Received	- (-)	<b>4134</b> (1,014)	<b>2778</b> (7,218)
Advance/Loan Received Repaid	- (-)	<b>104</b> (464)	<b>25</b> (40)
Balance- Receivable	<b>1185</b> (919)	- (-)	<b>1382</b> (1435)
Balance- Payable	<b>8</b> (8)	<b>20,237</b> (16,207)	<b>46111</b> (43,312)

(Previous year figures are shown in bracket)

- 39** As required by Accounting Standard 20 on Earning per Share issued by the Institute of Chartered Accountant of India (ICAI), basic earning per share has been calculated by dividing net profit after tax by the weighted average number of equity shares outstanding during the year as per detail given below: (₹ in '000)

Particulars	2011-12	2010-11
Profit as per profit & loss Account (After tax & extraordinary items)	<b>(9,307)</b>	(1,388)
Weighted average number of shares used in computing earning per equity share		
For Basic EPS	<b>5,584,727</b>	5,308,208
For Diluted EPS	<b>5,584,727</b>	5,308,208
Basic earning per share (₹)	<b>(1.67)</b>	(0.26)
Diluted earning per share (₹) (on nominal value of ₹ 10/- per share)	<b>(1.67)</b>	(0.26)

- 40** Some Assets of which the Company is the beneficial owner are pending for transfer in the name of the Company.
- 41** The Company had decided in the year 2008-09 to discontinue the Trading activities in Digital Printing machines and digital signage cutting machines and the management is of the opinion that all the assets relatable to the machine division will realize at a value at which they appear in the books of accounts in aggregate.
- 42** As stipulated in Accounting Standard 28, the Company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.
- 43** **Auditors Remuneration:**

Particulars	2011-12	2010-11
Audit Fees	<b>230</b>	165
Tax Audit Fees	<b>112</b>	72
Taxation Matters	<b>100</b>	39
Certification and Other Matters	<b>170</b>	33
<b>Total</b>	<b>613</b>	309

- 44** The Company based on its accounting policies followed, does not consider it necessary to provide for diminution in value of investment in Subsidiary Company.
- 45** The utilisation of funds received by way of Shares issued on Rights basis: (₹ in '000)

Particulars	Amount
Funds raised on Right issue	<b>53502</b>
Payment of Right Issue Expenses	853
Balance in Escrow Account	52649

- 46** The Employee Stock Options outstanding as at 31<sup>st</sup> March, 2012 were 1,45,300 (prev. yr. 1,45,300). The weighted-average exercise price is ₹ 10/- and weighted average fair value of options is ₹ 26.6/-.



**47 Earning and expenditure in foreign currency:(on accrual basis) (₹ in '000)**

Particulars	2011-12	2010-11
<b>Earning in Foreign Currency</b>		
Export Sales	<b>1238</b>	1640
Consultancy Fees	<b>5459</b>	6590
<b>Expenditure in Foreign Currency</b>		
Raw material Import	<b>161</b>	83
Purchase of trading Goods	<b>11320</b>	-
Travelling Expenditure	<b>1081</b>	292
Patent	<b>3264</b>	4449

**48 Disclosures of Loans /Advances to Subsidiaries, Associate Companies etc.(As required by Clause 32 of the Listing agreement with BSE Limited. (₹ in '000)**

Name of Company / Firms	Relationship	Amount Outstanding	Max. Amount Outstanding
<b>NagraID Arrow Secure Cards Pvt Ltd</b>	Subsidiary	169 (69)	169 (69)
<b>SP Arrow Bio – Plast Pvt. Ltd</b>	Associate	1015 (849)	1015 (1089)

(previous year figures are shown in bracket)

**49 Previous Year figures have been regrouped, rearranged wherever necessary to confirm current year classification.**
**As per our report of even date.**

**For J. A.Rajani & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

Place : Mumbai  
Date : 30<sup>th</sup> May 2012

**AUDITORS REPORT****To the Board of Directors of Arrow Coated Products Limited on the Consolidated Financial Statements of Arrow Coated Products Limited, its Subsidiaries and Associate (Arrow Group)**

1. We have audited the attached consolidated Balance Sheet of Arrow Group as at 31<sup>st</sup> March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the management of Arrow Coated Products Limited. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. We have relied on the unaudited financial statements of one subsidiary whose financial statements reflect total assets of ₹ 5451.22('000) as at 31<sup>st</sup> March 2012 and total revenues of ₹ 327.16 ('000) and the Loss of ₹ 102.99('000) for the year ended. These unaudited financial statements as approved by the Board of Directors have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on such approved unaudited financial statements.
4. We have relied on the unaudited financial statements of step subsidiary whose financial statements reflect total assets of ₹ 399.58('000) as at 31<sup>st</sup> March, 2012 and total revenues of ₹ nil and the Loss of ₹ 604.77('000). These unaudited financial statements as approved by the Board of Directors have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on such approved unaudited financial statements.
5. We report that in case of financial statements of Arrow Coated Products Limited has not complied with Accounting Standard (AS) 24 Discontinuing Operations and Accounting Standard (AS) 15 Employee Benefits issued by the Institute of Chartered Accountants of India.
6. The Parent Company has not made provisions for overdue debts aggregating ₹ 39867.16 ('000) and advances aggregating ₹ 31500.92('000). Had this observations made by us been considered, Consolidated Loss after tax would have been ₹ 82464.44 ('000)[as against the reported Consolidated Loss of ₹ 11096.37 ('000) ]; Consolidated Reserves and Surplus would have been debit balance of ₹ 34959.81 ('000)[as against the reported Consolidated Reserves and Surplus of credit balance ₹ 36408.26 ('000) ]; Consolidated Trade Receivable would have been ₹ 6348.90 ('000)[as against the reported Consolidated Sundry debtors of ₹ 46216.06 ('000) ] and Consolidated Long Term Loans and Advances would have been ₹ 28562.88 ('000)[as against reported Consolidated Long Term Loans and Advances of ₹ 60063.80 ('000) ].
7. We report that the Consolidated Financial Statements have been prepared by the Management of Arrow Coated Products Limited in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, and Accounting Standard (AS) 23, Accounting for Investment in Associates, as notified under the Companies (Accounting Standards), Rules 2006 and on the basis of the separate audited financial statements of Arrow Coated Products Limited ,its subsidiaries and associate included in the consolidated financial statements.
8. On the basis of the information and explanation given to us and on consideration of the other financial information of the components and accounts approved by the Board of Directors as explained in paragraph 3 & 4 above and audit report on the individual financial statements of the Arrow Coated Products Limited ,its subsidiaries and its associate, in our opinion, subject to paragraph 5 and 6 above the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:
  - i) In the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the Arrow Group as at 31<sup>st</sup> March, 2012;
  - ii) In the case of the Consolidated Statement of Profit and Loss, of the Loss of Arrow Group for the year ended on that date; and
  - iii) In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Arrow Group for the year ended on that date.

For **J.A.Rajani & Co.**  
Chartered Accountants

**P.J.Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

Place: Mumbai  
Date : 30<sup>th</sup> May, 2012

**Consolidated Balance Sheet as at 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	Notes	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>I. EQUITY AND LIABILITIES</b>			
1 Shareholders' Fund			
(a) Share Capital	3	107004	53502
(b) Reserves & Surplus	4	36408	48064
2 Share Application Money pending allotment	5	4269	5408
3 Minority Interest		(611)	(762)
		<b>147071</b>	<b>106212</b>
<b>3 Non Current Liabilities</b>			
(a) Long-term borrowings	6	74322	66506
(b) Deferred tax liabilities (Net)	7	476	336
(c) Long-term provisions	8	254	195
		<b>75052</b>	<b>67037</b>
<b>4 Current Liabilities</b>			
(a) Short-term borrowings	9	25512	23132
(b) Trade payables (Refer to Note 33)		15967	9646
(c) Other Current Liabilities	10	4322	3352
(d) Short-term provisions	11	2505	2400
		<b>48307</b>	<b>38530</b>
<b>TOTAL</b>		<b>270429</b>	<b>211779</b>
<b>II. ASSETS</b>			
<b>1 Non Current Assets</b>			
(a) Fixed Assets	12		
(i) Tangible assets		11123	13005
(ii) Intangible assets		5812	5623
(iii) Intangible assets under development		14923	12577
(b) Non-current investments	13	(961)	(461)
(c) Long-term loans and advances	14	60064	72825
(d) Other non-current assets	15	1871	929
		<b>92833</b>	<b>104498</b>
<b>2 Current assets</b>			
(a) Inventories	16	39420	43689
(b) Trade receivables	17	46216	51281
(c) Cash and cash equivalents	18	60453	6563
(d) Short-term loans and advances	19	31247	5664
(e) Other current assets	20	260	84
		<b>177596</b>	<b>107281</b>
<b>TOTAL</b>		<b>270429</b>	<b>211779</b>
Notes to Accounts & Significant Accounting Policies	1 to 48		

**As per our report of even date.**
**For J. A. Rajani & Co.**  
Chartered Accountants

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No. 108331W

 Place : Mumbai  
Date : 30<sup>th</sup> May 2012

For and on behalf of the Board of Directors

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

**Consolidated Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	Notes	Year Ended 31 <sup>st</sup> March 2012	Year Ended 31 <sup>st</sup> March 2011
<b>INCOME</b>			
Revenue from Operation	21	41691	35829
Less: Excise Duty		1672	2397
Other Income	22	4662	1879
<b>Total</b>		<b>44681</b>	<b>35312</b>
<b>EXPENDITURE</b>			
Material Cost & Inventory Adjustments	23	25527	9551
Employee Benefit Expenses	24	5422	5392
Manufacturing Expenses	25	7671	8181
Financial Cost	26	3788	3448
Depreciation and amortisation Expenses	12	2251	2462
Other Expenses	27	11671	8846
<b>Total</b>		<b>56330</b>	<b>37881</b>
<b>Profit/(Loss) Before Exceptional Items and Tax</b>		<b>(11649)</b>	<b>(2569)</b>
Exceptional Items (Refer to Note No. 31)		(800)	260
Prior period Expense		424	-
<b>Profit/(Loss) Before Tax</b>		<b>(11273)</b>	<b>(2829)</b>
Current tax		-	-
Deferred Tax		140	85
<b>Profit/(Loss) After Tax Before Minority and Associates</b>		<b>(11413)</b>	<b>(2913)</b>
<b>Less Share of loss of Minority</b>		<b>(981)</b>	<b>(597)</b>
<b>Add Share of loss of Associates</b>		<b>(665)</b>	<b>(389)</b>
<b>Profit/(Loss) After Tax After Minority and Associates</b>		<b>(11096)</b>	<b>(2706)</b>
Earning Per Share (Basic) in ₹		(1.99)	(0.51)
Earning Per Share (Diluted) in ₹		(1.99)	(0.51)
Notes to Accounts & Significant Accounting Policies	1 to 48		

**As per our report of even date.**
**For J. A. Rajani & Co.**  
Chartered Accountants

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No. 108331W

 Place : Mumbai  
Date : 30<sup>th</sup> May 2012

For and on behalf of the Board of Directors

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012** (₹ in '000)

Particulars	31 <sup>ST</sup> March 2012	31 <sup>ST</sup> March 2011
<b>A Cash Flow from Operating Activities</b>		
Net Profit before Tax & Prior Period Items	(11,273)	(2,829)
Adjustment for		
Depreciation	2,251	2,462
Profit / Loss on sale of Fixed Asset	-	(17)
Miscellaneous Expenditure Write off	32	-
ESOP Amortisation & other	-	(721)
Other Income	-	(648)
Interest Income	(4,630)	(1,213)
Dividend Income	(1)	(1)
Interest Expenses	3,788	3,448
Exceptional item	(800)	260
Operating Profit before Working Capital Changes	(10,634)	742
Adjustment for		
(Increase)/Decrease in Trade Receivables	5,064	20,752
(Increase)/Decrease in Inventories	4,270	(4,271)
(Increase)/Decrease in Other Current and non Current Assets	(176)	(7)
(Increase)/Decrease in Long Term and Short Term Loans and Advances	(12,616)	(16,029)
(Increase)/Decrease in Trade Payables, Other Current and Non Current Liabilities and Provisions	7,438	(2,935)
Cash Generated from operations	(6,654)	(1,749)
Taxes Paid (Including TDS) (net)	(206)	(109)
Net Cash used in Operation	(6,859)	(1,858)
<b>B Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets/Patent	(2,905)	(4,867)
Sale of Fixed Assets/Patent	-	90
Investment	(166)	150
Interest & Dividend Income	4,631	1,213
Net Cash from Investing Activities	1,560	(3,414)
<b>C Cash Flow from Financing Activities</b>		
Proceeds from Long term Borrowing	7,816	8,085
Proceeds from Short term Borrowing	3,180	244
Increase in Share Capital	53,496	1,744
Currency Fluctuation Reserve	(307)	(7)
Interest and Finance cost	(3,788)	(3,448)
Dividend Paid	(234)	0
Rights Issue Expenses	(974)	(276)
Net Cash from Financing Activities	59,189	6,342
Net Increase in Cash & Cash Equivalents	53,890	1,071
Opening Balance of Cash & Cash Equivalents	6,563	5,492
Closing Balance of Cash & Cash Equivalents*	60,453	6,563

\* This includes ₹ 52835 ('000) balance in earmarked account and ₹ 3132 ('000) held in deposit for more than 12 months (P.Y includes ₹ 350 ('000) balance in earmarked account and ₹ 1732 ('000) held in deposit for more than 12 months)

**As per our report of even date.**

**For J. A. Rajani & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

Place : Mumbai  
Date : 30<sup>th</sup> May 2012

**Notes to the Consolidated Financial Statements for the year ended March 31, 2012**
**1 Basis of Consolidation:**

- a) The consolidated financial statement relates to the Arrow Coated Products Ltd., the Holding Company, its subsidiary, Arrow Coated Products (UK) Ltd incorporated in UK, Step down Subsidiary Advance IP Technologies Limited (Subsidiary of Arrow Coated Products (UK) Ltd.) and NagralD Arrow Secure Card Pvt. Ltd. and its Associate SP Arrow Bio-Plast Pvt. Ltd.
- b) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements"
- c) Goodwill represents the difference between the Company's share in the net worth of subsidiaries and the cost of acquisition at time of making the investment in the subsidiaries. For this purpose the Company's share of net worth is determined on the basis of latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. The goodwill recorded in these consolidated financial statements has not been amortized, but instead evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired.
- d) In case of associates where the Company directly or indirectly through subsidiaries hold more than 20% of equity or the Company exercises significant influence through representation of the Board of directors of the other Companies, Investment are accounted for using Equity Method in accordance with Accounting Standard (AS-23) "Accounting for Investments in Associates in Consolidated financial statements issued by the Institute of Chartered Accountants of India.
- e) In case of foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the exchange fluctuation reserve.
- f) Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company.
- g) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and the equity of the Company's shareholders.

**2 Significant accounting policies**
**a) Basis of Preparation of Financial Statements:**

The financial statement have been prepared on the basis of going concern, under historical cost convention, to comply in all material aspect with applicable accounting principles in India, the Accounting standards issued by the ICAI (except as other wise stated) and the relevant provision of Companies Act, 1956.

The preparation of financial statements in conformity with accounting standards requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

All assets and liabilities have been classified as current or non-current as per the operating cycle criteria set out in the Revised Schedule VI to the Companies Act, 1956.

**b) Fixed Assets, Depreciation And Impairment Loss :**

Fixed Assets are stated at cost net of accumulated depreciation. Cost includes expenses related to acquisition and financing cost on borrowing during construction period. Assets acquired on Hire purchase are capitalised to the extent of Principal Value.

Depreciation on Fixed Assets has been provided on written down value basis and manner provided in Schedule XIV to The Companies Act 1956. Additions during the Year are depreciated on pro-rata basis. Leasehold land is shown at cost and no write offs are made in respect thereof. Costs relating to Patents are written off over the remaining useful life from the day of Grant. In case, the recoverable amount of fixed assets is lower than its carrying amount, a provision is made for the impairment loss.

**c) Investments:**

Long-term investments other than trade are stated at cost of acquisition less provision for diminution in value other than temporary, if any.

Holding of investment in subsidiaries and Associated Companies are of strategic importance to the Company and therefore the Company does not consider it necessary to provide decrease in the book value of such investment, till such relationship continues with the Investee Company.

**d) Prior Period Adjustments:**

All items of Income / Expenditure pertaining to prior period (except those not exceeding Rupees One Thousand in each case which is accounted through respective revenue accounts) are accounted through Prior Period account.

**e) Inventories:**

Raw Materials are valued at cost. Finished Goods are valued at lower of cost or net realizable value

**f) Revenue Recognition:**

Sales exclude Sales Tax, Excise Duty and other charges such as freight, insurance and other Incidental charges. Dividend from investments in the shares is accounted for on the basis of the date of declaration of dividend falling within the accounting year. Interest Income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

**g) Retirement Benefits:**

The Company makes monthly contribution as per the applicable statute for Provident Fund and charges off the same to the Profit and Loss account.

Provision for leave entitlement is accrued and provided for at the end of the financial year.

The Company has created an Employees' Group Gratuity Fund, which has taken a Group Gratuity cum Life Insurance Policy from the Life Insurance Corporation of India. Gratuity is provided on the basis of premium paid on the above policy as intimated by Life Insurance Corporation of India. The adequacy of the fund along with the provision is as per the actuarial valuation.

**h) Borrowing Cost:**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which this are incurred.

**i) Foreign Currency Transactions:**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. At the year-end monetary items denominated in foreign currencies are converted into rupee equivalent at the year-end exchange rates. All exchange differences arising on settlement and conversion on foreign currency transaction are dealt with in profit and loss account; Investments in shares of foreign subsidiary companies are expressed in Indian currency at the rates of exchange prevailing at the time when the original investments were made.

**j) Accounting For Taxes On Income:**

The provision for current income tax has been made in accordance with the Income Tax Law prevailing for the relevant assessment year after considering various admissible relief's'.

Deferred tax for the year is recognised, on timing differences being the difference between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax asset and liabilities are measured using the tax rates and tax rules that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset are recognized and carried forward only if there is reasonable / virtual certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation.

**k) Expenditure During Construction And On New Projects:**

In case of new Industrial units and substantial expansion of existing units, all pre- operating expenditure specifically for the project, incurred up to the date of installation, is capitalised and added pro rata to the cost of fixed assets.

**l) Provisions, Contingent Liabilities and Contingent Assets:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**m) Deferred Revenue Expenditure:**

Preliminary Expenses and Shares Issue Expenses are amortised over a period of 10 year

**Notes to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>Note 3</b>		
<b>Share Capital</b>		
<b>Authorised Capital :</b>		
1,20,00,000 (P.Y. 1,20,00,000) Equity Shares of ₹ 10/- each	<b>120000</b>	120000
<b>Issued, Subscribed and Paid Capital</b>		
1,07,00,396 ( P. Y. 53,50,198) Equity Shares of ₹ 10/- each	<b>107004</b>	53502
<b>Fully paid up</b>	<b>107004</b>	53502

**Notes :**

a) During the year the Company has allotted 53,50,198 fully paid-up Equity Shares of face value of ₹ 10/- each together with 10,70,040 detachable warrants, convertible into equity shares of the Company within a period of 12 months from the date of issue at such price as may be determined in accordance with the provisions of SEBI (ICDR) Regulations, 2009, on the Rights basis.

b) The Company has only one class of equity shares with a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share.

**c) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

(₹ in '000)

Name of Shareholder	As at 31 <sup>st</sup> March 2012		As at 31 <sup>st</sup> March 2011	
	No. of Shares held	Amount	No. of Shares held	Amount
At the beginning of the year	<b>5,350,198</b>	<b>53502</b>	5,289,598	52896
Issued during the year-ESOP	-	-	60,600	606
Issued during the year-Right Issue	<b>5,350,198</b>	<b>53502</b>	-	-
Outstanding at the end of the year	<b>10,700,396</b>	<b>107004</b>	5,350,198	53502

Name of Shareholder	As at 31 <sup>st</sup> March 2012		As at 31 <sup>st</sup> March, 2011	
	No. of Shares held	% of holding	No. of Shares held	% of holding
Arrow Convertors Pvt Ltd	<b>1,057,195</b>	<b>9.88%</b>	363,100	6.79%
Jigisha S. Patel	<b>985,890</b>	<b>9.21%</b>	338,610	6.33%
Shilpan P. Patel	<b>3,998,777</b>	<b>37.37%</b>	1,373,405	25.67%
Shilpan Patel (HUF)	<b>1,830,568</b>	<b>17.11%</b>	630,600	11.79%

(₹ in '000)

	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>Note 4 :</b>		
<b>Reserves and Surplus</b>		
<b>General Reserve</b>	<b>200</b>	200
Currency fluctuation Reserve	<b>(111)</b>	196
Capital Reserve	<b>3949</b>	3949
<b>Share Premium</b>		
Balance at the beginning of the years	<b>29199</b>	27587
Less : Share Premium on Capital Reduction	-	-
Add : Share Premium on ESOPs	-	1612
	<b>29199</b>	29199
Employee Stock Option Outstanding (Refer Note 44)	<b>3865</b>	6222
Less : Current year transfer to Share Premium	-	1612
Less : Written back during the year	-	745
	<b>3865</b>	3865
Profit & Loss Account	<b>10655</b>	13178
Add: Net Profit/(Loss) for current year	<b>(11096)</b>	(2706)
Less: Tax adjustment of Earlier Years	<b>(252)</b>	183
	<b>(693)</b>	10655
	<b>36408</b>	48064

**Note 5**

A sum of ₹ 4269 ('000) is being carried as share application money, received as subscription money for allotment of shares upon conversion of warrants, but inadvertently, shares not allotted pertaining to financial year 2008-2009.



**Notes to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	AS AT 31 <sup>st</sup> March 2012	AS AT 31 <sup>st</sup> March 2011
<b>Note 6</b>		
<b>Long term Borrowings</b>		
<b>Unsecured</b>		
From Directors	19685	15853
From Related parties	49654	46907
From Others	4982	3746
(Refer to Note.38)		
	<b>74322</b>	<b>66506</b>
<b>Note 7</b>		
<b>Deferred Tax Liabilities (net)</b>		
<b>Deferred Tax Assets</b>		
Disallowance under Section 43B	88	120
<b>Deferred Tax Liabilities</b>		
Related to Fixed Assets	564	456
	<b>476</b>	<b>336</b>
<b>Note 8</b>		
<b>Long Term Provision</b>		
Leave encashment	254	195
(Refer to note no. 35)		
	<b>254</b>	<b>195</b>
<b>Note 9</b>		
<b>Short Term Borrowings</b>		
<b>Secured</b>		
Term Loan from Indusind Bank		23132
(Refer to Note no.30)		
<b>Unsecured</b>		
Overdraft Facility from Indusind Bank	25512	
(Secured by Guarantee given by Directors)		
(Refer to Note no.30)		
	<b>25512</b>	<b>23132</b>
The Company has Defaulted in repayment of Loan and interest in respect of following:		
Term Loan from Banks		
Principal	-	22500
Interest	-	632
There is a default in repayment of three principal instalment of ₹ 7500 ('000) each due on the 1 <sup>st</sup> November 2010, 1 <sup>st</sup> December 2010 and 1 <sup>st</sup> January 2011 and interest for two months ₹ 632 ('000).		
Loan repayable on Demand		
Interest	1231	-
There is a default in payment of interest for the period 31 <sup>st</sup> October 2011 to 31 <sup>st</sup> March 2012.		
<b>Note 10</b>		
<b>Other Current Liabilities</b>		
Unpaid Dividends	191	425
Advance from Customer	2840	2295
Provision for expenses	71	150
Other Liabilities (Book Overdraft)	31	13
Statutory liabilities	1189	469
	<b>4322</b>	<b>3352</b>
<b>Note 11</b>		
<b>Short term Provision</b>		
Salary and reimbursement Payable	2215	2089
Providend and ESIC Payable	62	81
Income tax Provision	229	229
	<b>2505</b>	<b>2400</b>

**Notes to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2012**

**Note 12**

**FIXED ASSETS (Refer Note. 40)**

(₹ in '000)

Particulars	Gross Block			Depreciation / Amortisation			Net Block		
	As At 01.04.2011	Additions 31.03.2012	Sale/Transfer 31.03.2012	As At 01.04.2011	For the period	Deduction 31.03.2012	As At 31.03.2012	As At 31.03.2011	As At
<b>a</b>									
<b>Tangible Assets</b>									
Factory Land	194	-	-	194	0	-	-	194	194
Factory Building	3,691	-	-	3,691	133	-	2,489	1,203	1,336
Office Building	134	-	-	134	3	-	77	57	60
Plant & Machinery	32,332	-	-	32,332	1201	-	24,898	7,434	8,635
Furniture & Fixture	3,664	-	-	3,664	91	-	3,250	414	505
Office Equipment	7,681	29	-	7,710	306	-	6,704	1,006	1,283
Lab. Equipment	580	23	-	602	27	-	416	186	189
Electric Installation	1,225	-	-	1,225	47	-	956	269	316
Motor Car	5,227	-	-	5,227	126	-	4,867	360	486
<b>Total</b>	<b>54,727</b>	<b>52</b>	<b>-</b>	<b>54,779</b>	<b>1,935</b>	<b>-</b>	<b>43,657</b>	<b>11,123</b>	<b>13,005</b>
Previous year	54,285	991	550	54,727	2,225	476	41,722	13,005	-
<b>b</b>									
<b>Intangible Assets</b>									
Goodwill on Consolidation	1,146	-	-	1,146	-	-	-	1,146	1,146
Patent Rights	4,726	505	-	5,232	316	-	565	4,666	4,477
<b>Total</b>	<b>5,872</b>	<b>505</b>	<b>-</b>	<b>6,377</b>	<b>316</b>	<b>-</b>	<b>565</b>	<b>5,812</b>	<b>5,623</b>
Previous year	1,845	4,027	-	5,872	238	-	250	5,623	-
<b>d</b>									
<b>Intangible Assets under Development</b>									
Patent Rights	12,577	2,865	520	14,923	-	-	-	14,923	12,577
<b>Total</b>	<b>12,577</b>	<b>2,865</b>	<b>520</b>	<b>14,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,923</b>	<b>12,577</b>
Previous year	11,906	2,558	1,887	12,577	-	-	-	12,577	-

**Notes to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	AS AT 31 <sup>st</sup> March, 2012	AS AT 31 <sup>st</sup> March, 2011
<b>Note 13</b>		
<b>Non Current Investments</b>		
<b>Investment (Non Trade)</b>		
<b>Investment in Government Securities</b>		
National Saving Certificates	5	5
<b>Investment in Equity Instruments</b>		
<b>Unquoted Equity Share (Fully Paid)</b>		
Shamrao Vithal Co op Bank	9	9
300 Equity Shares of ₹ 25/- each		
100 Equity Shares of ₹ 10/- each		
<b>Unquoted Equity Share (Fully Paid) in Associates</b>		
SP Arrow BioPlast (P) Ltd 4600 Shares of ₹ 10/- Each (P.Y 4600 Shares) (46% holding)	46	46
Advances to Associates (Refer to Note 38)	1015	849
Shares of Loss of Associates	(2035)	(1370)
	(961)	(461)
<b>Note 14</b>		
<b>Long Term Loans and advances</b>		
Capital Advances (Unsecured, considered good)	16731	29582
Security Deposit(Unsecured, considered good)	1435	1627
Advance to Suppliers (Unsecured, considered good)	41897	41617
	60064	72825
<b>Note 15</b>		
<b>Other Non Current Assets</b>		
Miscellaneous Expenditure	1871	929
	1871	929
<b>Note 16</b>		
<b>Inventories</b>		
(As taken, valued and certified by Management)		
Finished Goods	38778	37673
Raw Material	642	6016
	39420	43689
<b>Note 17</b>		
<b>Trade Receivable</b>		
(Unsecured, Considered Good)		
(i) Outstanding for more than one year	41375	46952
(ii) Others less than one year	4841	4328
	46216	51281
<b>Note 18</b>		
<b>Cash &amp; Cash Equivalents</b>		
<b>Balances with Banks</b>		
Earmarked Balance		
Unpaid dividend Account	187	350
Other Earmarked account**	52649	-
Current Account	2067	2367
Fixed Deposit with Bank *	4908	2832
( ₹ 3132 ('000) (P.Y. ₹ 1732 ('000)) for Bank Guarantee )		
Cash on Hand	643	1015
	60453	6563
* Fixed Deposit with Bank includes ₹ 3132 ('000) with maturity for more than 12 months		
** Received against issue of shares on rights basis		

**Notes to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	AS AT 31 <sup>st</sup> March, 2012	AS AT 31 <sup>st</sup> March, 2011
<b>Note 19</b>		
<b>Short Term Loans and Advances</b> (Unsecured considered good)		
Loansto Related parties* (Refer Note No. 38)	1397	1618
Loansto Body Corporate	21662	-
Deposit to others	1066	200
Advances to Suppliers	2981	350
Loans and Advances to Employees	611	576
Advance payment of Income Tax (net of Provision)	1665	1460
Prepaid Expenses	69	84
Balance with Government Authorities	1797	1376
	<b>31247</b>	<b>5664</b>
*Company in which is Director is a Director	12	-
*Company in which relative of Director is a Director	1376	1435
<b>Note 20</b>		
<b>Other Current Assets</b>		
Interest Accrued on Fixed Deposit	260	84
	<b>260</b>	<b>84</b>
Particulars	for Year Ended 31 <sup>st</sup> March, 2012	for Year Ended 31 <sup>st</sup> March, 2011
<b>Note 21</b>		
<b>Revenue from Operation</b>		
Sales of Products	35905	29239
Consultancy Fees	5786	6590
	<b>41691</b>	<b>35829</b>
<b>Note 22</b>		
<b>Other Income</b>		
Excess Liabilities written back	-	389
Dividend Income	1	1
<b>Interest Income</b>		
On Fixed Deposit	353	42
On Loans and Deposits	4277	1171
Other Income	31	276
	<b>4662</b>	<b>1879</b>
<b>Note 23</b>		
<b>Material Cost &amp; Inventory Adjustments</b>		
Cost of Raw Materials consumed		
Opening stock	6016	3747
Add: Purchases	5516	12137
Less: Closing Stock	642	6016
	<b>10891</b>	<b>9868</b>
Purchase of Trading Goods	15742	1643
	<b>26633</b>	<b>11511</b>
<b>Inventory Adjustment:</b>		
Stock at close	38778	37672
Stock at commencement	37672	35712
	<b>(1105)</b>	<b>(1960)</b>
Material Consumed	<b>25527</b>	<b>9551</b>
<b>Note 24</b>		
<b>Employee Benefit Expenses</b>		
Staff Salaries & Bonus	4999	5278
Provident Fund, ESIC & Gratuity	244	296
ESOP compensation cost	-	(745)
Staff welfare expenses	179	563
	<b>5422</b>	<b>5392</b>

**Notes to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2012**

(₹ in '000)

Particulars	for Year Ended 31 <sup>st</sup> March, 2012	for Year Ended 31 <sup>st</sup> March, 2011
<b>Note 25</b>		
<b>Manufacturing Expenses</b>		
Factory Expenses	1054	1110
Workman Wages	1350	2018
Electricity, Fuel & Water Charges	4590	4567
Repair & Maintenance	539	278
Freight Inward	138	207
	<b>7671</b>	<b>8181</b>
<b>Note 26</b>		
<b>Financial Cost</b>		
Interest on Borrowings	3560	3210
Bank charges	228	238
	<b>3788</b>	<b>3448</b>
<b>Note 27</b>		
<b>Other Expenses</b>		
<b>Administrative expense</b>		
Legal & Professional Charges	2014	2538
Patent Charges	890	501
Payments to Auditors	412	245
Repairs to others	169	259
Insurance Charges	76	97
Postage & Telephone	685	938
Conveyance & Travelling Exp.	3366	1956
Foreign Exchange Gain / Loss	1227	270
Rent, Rate and Taxes	434	145
Miscellaneous Expenses	1878	1522
Packing Charges	-	376
Discount and Commission on Sales	348	-
Product Development Expenses	171	-
	<b>11671</b>	<b>8846</b>
<b>Note 28</b>		
<b>Contingent Liabilities and Commitments :</b>		
<b>(i) Contingent Liabilities</b>		
(a) Sales tax matters not acknowledged as debt	10829	10829
(b) Income tax matters not acknowledged as debt	-	983
(c) Bank Guarantees given	1732	1732
(d) Other money for which the Company is contingently liable		
<b>Total</b>	<b>12561</b>	<b>13544</b>
<b>(ii) Commitment</b>		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for	-	17700
(b) Buy back of Machine	18928	18928
<b>Total</b>	<b>12,561</b>	<b>13544</b>

**Notes to the Consolidated Financial Statements for the year ended 31<sup>st</sup> March, 2012**

- 29** Balances of Sundry Debtors, Sundry Creditors, Deposits, Loans and Advances are subjected to reconciliation and confirmation, necessary adjustment if required, will be made after reconciliation. The management does not expect any material difference affecting the current year's financial statements.
- 30** During the previous year Term Loan from Indusind Bank of ₹ 23132 ('000) was secured by hypothecation of inventory, book Debts and other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleshwar and other Fixed Asset of Company at various location and office premises in Mumbai of Arrow Convertors Pvt. Ltd. with additional corporate guarantee of M/s Arrow Convertors Pvt. Ltd. and also personal guarantee of Mr. Shilpan Patel and during current year it was converted into Overdraft from Indusind Bank of ₹ 25512 ('000) against pledge of Term Deposit of Mr. Shilpan P. Patel and their relatives and it is payable upto 31<sup>st</sup> May, 2012 or maturity of term deposit whichever is earlier.
- 31** During the previous year Board of Directors have decided to surrender the proposed Unit at Sachin, Surat (SEZ unit) for which Company had received a sum of ₹ 484 ('000) against the deposit towards land & Building (capital work in progress) and a sum of ₹ 260 ('000) which was incurred for factory building & maintainance was not recoverable.  
During the year the Term Loan Lender had waived 8 Lacs principal amount on conversion of Term Loan into Overdraft facility.
- 32** In the opinion of the Board and to the best of their knowledge and belief all the Current Assets, Loans and Advances have value on realisation at least of an amount at which they are stated in Balance Sheet.
- 33** The Company does not possess information as to which of its suppliers are covered under micro, small and medium Enterprise Development Act, 2006. However, the Company is regular in making payment to its suppliers and has not received any claim in respect of interest for delayed payment.
- 34** Sundry Creditors include  
Due from the associate Company -  
₹ 8 ('000) (previous year ₹ 8 ('000) SP Arrow – Bio Plast Pvt Ltd
- 35** Liability In respect of gratuity and leave encashment are not accounted on basis of actuarial valuation which is not in conformity with Accounting Standard (AS)15 (Revised 2005) on Employee Benefits as issued by the Institute of Chartered Accountant of India.
- 36** For the purpose of distribution of dividend, separate bank account for each year is opened. The balance in this bank account represents the unclaimed /unpaid dividend warrants of the respective year Unpaid dividends are subject to reconciliation.
- 37** As the Company's business activity, in the opinion of the management, falls within single primary segment printing products and packaging material, which are subject to the same risks and returns, the disclosure requirement of Accounting Standard (AS) 17 "Segment Reporting" issued by the Institute Of Chartered Accountant of India are, in the opinion of the management, not applicable
- 38** Related Party Disclosure as required by Accounting Standard (AS)18 of the Institute of Chartered Accountants of India. Related parties as defined under clause 3 of the Accounting standard have been identified on the basis of representation made by management.

**i) List of Related Parties**

S. No.	Name of Related Party	Relationship
1	SP Arrow Bio - Plast Pvt. Ltd	Associate Company
2	Mr. Shilpan P. Patel (CMD)	Key Management Personnel
3	Mr. Vijay Dhar	
4	Mr. Hareesh Mehta	
5	Mr. Faredun Taraporwala	
6	Dr. Anil Saxena	
7	Mr. Rishil S Patel	
8	Ms. Jigisha S Patel	
9	Mr. Neil Patel	
10	Arrow Convertors Pvt. Ltd.	Enterprises over which Key Management Personnel are able to exercise significant influence
11	Grace Paper Industries Private Limited.	
12	Jayna Packaging Private Limited.	
13	Arrow Digital Private Limited.	
14	Arrow Agri-Tech Private Limited	
15	Avery Bio – Tech Private Limited	

**ii) Transaction with Related Parties & Outstanding Balance as on 31<sup>st</sup> March, 2012** (₹ in '000)

TRANSACTION DURING THE YEAR	Associate Company	Key Management Personnel	Entities where where Singificant Influence
Purchase	- (23)	- (-)	348 (93)
Sale	- (-)	- (-)	37 (-)
Sitting Fees	- (-)	30 (-)	- (-)
Right Issue Subscription	- (-)	26254 (-)	25413 (-)
Advance/Loan Given	166 (10)	- (-)	158 (1437)
Advance/Loan Given Repaid	- (250)	- (-)	135 (2)
Advance/Loan Received	- (-)	4134 (1014)	2778 (7291)
Advance/Loan Received Repaid	- (-)	104 (464)	25 (40)
Balance- Receivable	1015 (849)	- (-)	1382 (1435)
Balance- Payable	8 (8)	20693 (16788)	46111 (47131)

(Previous year figures are shown in bracket)

- 39** As required by Accounting Standard (AS) 20 on Earning per Share issued by the Institute of Chartered Accountant of India (ICAI), basic earning per share has been calculated by dividing net profit after tax by the weighted average number of equity shares outstanding during the year as per detail given below:

(₹ in '000)

Particulars	2011-12	2010-11
Profit as per profit & loss Account (After tax & extraordinary items)	(11,096)	(2,706)
Weighted average number of shares used in computing earning per equity share		
For Basic EPS	5,584,727	5,308,208
For Diluted EPS	5,584,727	5,308,208
Basic earning per share (₹)	(1.99)	(0.51)
Diluted earning per share (₹)	(1.99)	(0.51)
(on nominal value of ₹ 10/- per share)		

- 40** Some Assets of which the company is the beneficial owner are pending for transfer in the name of the company.
- 41** The Company had decided in the year 2008-09 to discontinue the Trading activities in Digital Printing machines and digital signage cutting machines and the management is of the opinion that all the assets relating to the machine division will realize at a value at which they appear in the books of accounts in aggregate.
- 42** As stipulated in Accounting Standard (AS) 28, the company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.

**43 Auditors Remuneration:** (₹ in '000)

Particulars	2011-12	2010-11
Audit Fees	242	165
Tax Audit Fees	112	72
Taxation Matters	110	39
Certification and Other Matters	180	33
<b>Total</b>	<b>635</b>	<b>309</b>

**44** The Company based on its accounting policies followed, does not consider it necessary to provide for diminution in value of investment in subsidiary Company.

**45** The utilisation of funds received by way of Shares issued on Rights basis: (₹ in '000)

Particulars	Amount
Funds raised on Right issue	<b>53502</b>
Payment of Right Issue Expenses	853
Balance in Escrow Account	52649

**46** The Employee Stock Options outstanding as at 31<sup>st</sup> March, 2012 were 1,45,300 (prev. yr. 1,45,300). The weighted-average exercise price is ₹ 10/- & weighted average fair value of options is ₹ 26.6/-

**47** Earning and expenditure in foreign currency:(on accrual basis)

Particulars	2011-12	2010-11
<b>Earning in Foreign Currency</b>		
Export Sales	<b>1238</b>	1640
Consultancy Fees	<b>5459</b>	6590
<b>Expenditure in Foreign Currency</b>		
Raw material Import	<b>161</b>	83
Purchase of trading Goods	<b>11320</b>	-
Travelling Expenditure	<b>1081</b>	292
Patent	<b>3264</b>	4449

**48** Previous Year figures have been regrouped, rearranged wherever necessary to confirm current year classification.

**As per our report of even date.**

**For J. A.Rajani & Co.**  
Chartered Accountants

For and on behalf of the Board of Directors

**P. J. Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

**Shilpan P. Patel**  
Chairman & Managing Director

**Anil Saxena**  
Director

Place : Mumbai  
Date : 30<sup>th</sup> May 2012



**Arrow Coated Products Limited**

Regd. Off. : 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053

**PROXY FORM**

Regd. Folio No. .... No. of Shares held .....

D.P. ID / Client ID. ....

I/We, ..... of ..... in the district of ..... being a Member / Members of **Arrow Coated Products Limited** hereby appoint ..... of ..... in the District of ..... or ..... failing ..... him ..... of ..... as my/our /proxy to vote for me/us, on my /our behalf of at the 20<sup>th</sup> ANNUAL GENERAL MEETING of the Company, to be held on Thursday, the 27<sup>th</sup> day of September, 2012 at 10.30 a.m. at Swagath Bageecha, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400 095 or any adjournment thereof.

Affix Revenue Stamp of 15 paise
--

Signed on ..... day of ..... 2012

Signature of member .....

--- Tear here ---

**Arrow Coated Products Limited**

Regd. Off. : 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053

(To be completed and presented at the Entrance)

**ATTENDANCE SLIP**

Regd. Folio No ..... No of Shares held on .....

D.P. ID / Client ID .....

I / We, ..... (name of the attending Member or Proxy) (IN BLOCK LETTERS), hereby record my presence at the 20<sup>th</sup> ANNUAL GENERAL MEETING of the Company, to be held on Thursday, the 27<sup>th</sup> day of September, 2012 at 10.30 a.m. at Swagath Bageecha , Bageecha Complex, Marve Road, Malad (West), Mumbai – 400 095.

\_\_\_\_\_  
Member's/Proxy's Signature

**Notes :-**

- 1) Interested Joint Members may obtained Attendance Slip from the Registered Office of the Company.
- 2) Members / Joint Members / Proxies are requested to bring the attendance slip with them. Duplicate Slip will not be issued at the venue.

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**Arrow Coated Products Ltd.**

5D, Laxmi Industrial Estate, New Link Road,

Andheri (West), Mumbai – 400 053

Tel No. :022 - 4074 9000, Fax No. : 022 - 4074 9099

Email : sandhya@arrowcoated.com



**ARROW COATED PRODUCTS LTD.**



**20<sup>th</sup>  
Annual Report  
2011-2012**

**Innovative  
Eco-Friendly Solutions**