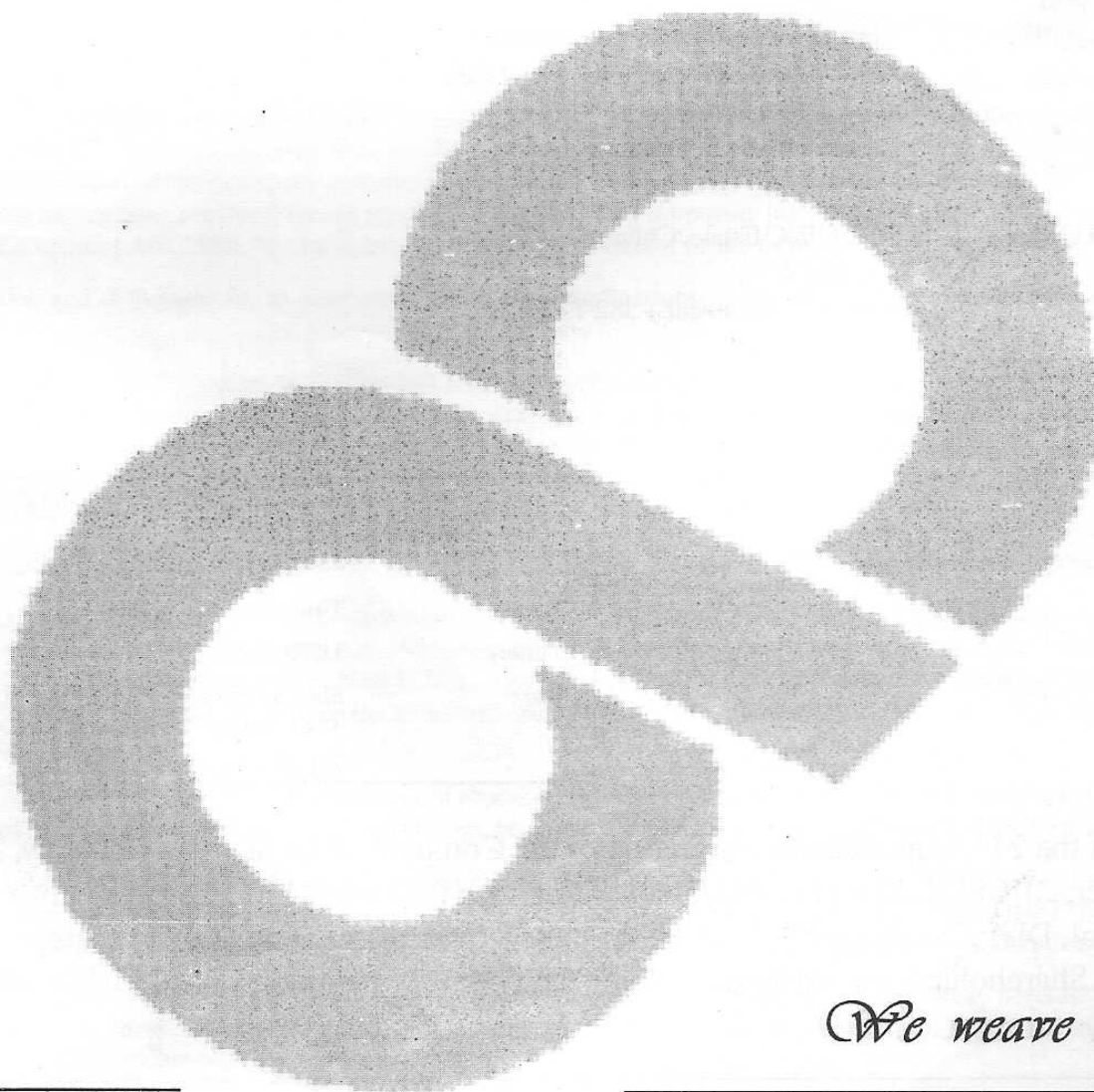




Arex Industries Limited

21ST ANNUAL REPORT 2009-2010



We weave brands

Arex Industries Limited

Board of Directors :

Shri Dinesh A Bilgi	Chairman & Managing Director
Shri Neel D Bilgi	Executive Director
Shri Chirag D Bilgi	Executive Director (w.e.f. 1st August, 2010)
Shri Pragnesh K Shah	Executive Director
Shri Laxman C Tilani	Director
Shri Vasant R Shah	Director
Shri Balkrishna I Makwana	Director
Shri Dinesh H Pande	Director (w.e.f. 1st August, 2010)

Bankers : State Bank of India

Auditors : M/s. C R SHAREDALAL & Co.
Chartered Accountants
Ahmedabad.

**Registrars and
Transfer Agent :** Sharepro Services (India) Pvt Ltd
416 - 420, 4th Floor, Devnandan Mall,
Opp. Sanyash Ashram, Ellisbridge,
Ahmedabad - 380 006.

**Registered Office
& Plant :** 612, GIDC Estate, Chhatral
Tal: Kalol
Dist. : Gandhinagar - 382 729

21ST ANNUAL GENERAL MEETING

Date	:	23 rd day of September, 2010
Day	:	Thursday
Time	:	11.30 A.M.
Place	:	Shor Sharaba Food Inn Pvt Ltd 3317 G.I.D.C., Highway, Chhatral Tal : Kalol, Dist : Gandhinagar - 382 729.

Notice of the 21st Annual General Meeting of the Company to be held on Thursday, 23rd day of September, 2010 at 11.30 a.m. at Shor Sharaba Food Inn Pvt Ltd, 3317 G.I.D.C., Highway, Chhatral, Tal : Kalol, Dist: Gandhinagar - 382 729 to transact the business mentioned therein is enclosed herewith. Shareholders are requested to bring their copy of the Annual Report while attending the Meeting.

NOTICE

NOTICE is hereby given that the 21st Annual General Meeting of members of the Company, will be held on Thursday, 23rd day of September, 2010 at 11.30 a.m. at Shor Sharaba Food Inn Pvt. Ltd., G.I.D.C. Highway, Chhatral, Tal.: Kalol, Dist.: Gandhinagar - 382 729, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt audited accounts for the year ended on 31st March, 2010 and the reports of the Directors & Auditors thereon; and the Compliance Certificate for the year ended on that date.
2. To declare dividend.
3. To appoint a Director in place of Shri Neel D Bilgi, who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint a Director in place of Shri Laxman C Tilani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Vasant R. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration

SPECIAL BUSINESS

7. To consider, and if thought fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to Section 260 and other applicable provisions, if any, of the Companies Act, 1956, Shri Chirag D Bilgi, who was appointed as an additional Director of the Company with effect from 1st August, 2010, by the Board of Directors of the Company and who holds office upto the date of this meeting and in respect of whom a notice in writing having been received, from a member of the Company proposing his candidature in pursuance of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company."

8. To consider, and if thought fit, to pass with or without modifications, if any, the following resolution as an ordinary resolution.

"RESOLVED THAT pursuant to Section 260 and other applicable provisions, if any, of the Companies Act, 1956, Shri Dinesh H Pande, who was appointed as an additional Director of the Company with effect from 1st August, 2010, by the Board of Directors of the Company and who holds office upto the date of this meeting and in respect of whom a notice in writing having been received, from a member of the Company proposing his candidature in pursuance of Section 257 of the Companies Act, 1956, be and is hereby appointed a Director of the Company."

9. To consider, and if thought fit, to pass with or without modifications, if any, the following resolution as special resolution.

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby given for the re-appointment and payment of remuneration to Shri Neel D Bilgi, Executive Director of the Company for a further period of five years with effect from 1st August, 2010 upon the terms and conditions including remuneration as mentioned in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER THAT in the event of absence of profits or inadequate profits in any financial year during the tenure of the Executive Director, Shri Neel D Bilgi, be paid the above salary and perquisites as minimum remuneration."

"RESOLVED FURTHER THAT the Board of Directors or Committee thereof, be and are hereby severally authorised to alter, revise, amend, vary, enhance or modify the scope and quantum of the remuneration of Shri Neel D Bilgi as may be deemed fit or proper, from time to time, subject to the ceilings laid down in Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors or Committee thereof, be and are hereby severally authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to above resolutions."

Annual Report 2009-2010

10. To consider, and if thought fit, to pass with or without modifications, if any, the following resolution as a Special resolution.

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311, 314, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby given for the appointment of Shri Chirag D Bilgi, (relative of Shri Dinesh A Bilgi, Chairman and Managing Director and Shri Neel D Bilgi, Executive Director) as Executive Director of the Company for a period of five years with effect from 1st August, 2010 upon terms and conditions including remuneration as detailed in the Explanatory Statement annexed hereto."

"RESOLVED FURTHER THAT in the event of absence of profits or inadequate profits in any financial year during the tenure of the Executive Director, Shri Chirag D Bilgi, be paid the above salary and perquisites as minimum remuneration."

"RESOLVED FURTHER THAT the Board of Directors or Committee thereof, be and are hereby severally authorised to alter, revise, amend, vary, enhance or modify the scope and quantum of the remuneration of Shri Chirag D Bilgi as may be deemed fit or proper, from time to time, subject to the ceilings laid down in Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors or Committee thereof, be and are hereby severally authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to above resolutions."

11. To consider, and if thought fit, to pass with or without modifications, if any, the following resolution as special resolution.

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby given for the appointment and payment of remuneration to Shri Pragnesh K Shah, as Executive Director of the Company for a period of five years with effect from 1st November, 2009 upon the terms and conditions including remuneration as mentioned in the Explanatory Statement annexed hereto.

"RESOLVED FURTHER THAT in the event of absence of profits or inadequate profits in any financial year during the tenure of the Executive Director, Shri Pragnesh K Shah, be paid the above salary and perquisites as minimum remuneration."

"RESOLVED FURTHER THAT the Board of Directors or Committee thereof, be and are hereby severally authorised to alter, revise, amend, vary, enhance or modify the scope and quantum of the remuneration of Shri Pragnesh K Shah as may be deemed fit or proper, from time to time, subject to the ceilings laid down in Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors or Committee thereof, be and are hereby severally authorised to do all such acts, deeds, matters and things as may be deemed necessary to give effect to above resolutions."

By Order of the Board

Regd Office:

612, GIDC Estate
Chhatral, Tal : Kalol
Dist : Gandhinagar-382 729
Date : July 29, 2010

Dinesh A Bilgi
Chairman & Mg Director

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND THAT A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Share Transfer Books and the Register of Members of the Company shall remain closed from Wednesday 1st September, 2010, to Wednesday, 8th September, 2010 (both days inclusive) for determining the names of members eligible for dividend, if declared at the meeting.
3. The dividend, if declared at the meeting, will be paid on or after 23rd September, 2010 to those members whose names appear in the Register of Members as on 8th September, 2010.
4. The relative Explanatory Statement pursuant to Clause 49 of the Listing Agreement and pursuant to Section 173 of Companies Act, 1956 in respect of item No.3 to 5, and 7 to 11 is annexed herewith.
5. Members desirous of any information or clarification on account's, are requested to write to the Company at least 10 days in advance of the meeting.
6. The Dividend as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid to those Members whose names appear in the Register of Members of the Company as on 8th September, 2010, in respect of shares held in Physical form and in respect of shares held in the electronic form, to those "Deemed Members" whose name appear in the statement of Beneficial Ownership furnished by the National Securities Depository Services Ltd (NSDL) and the Central Depository Services (India) Ltd (CDSL) at the end of business hours on 31st August, 2010.
7. As per the provisions of Section 205A & 205C of the Companies Act, 1956 and the Rules made thereunder, the Company has to transfer the dividend amount remaining unpaid and/or unclaimed for a period of seven years, to the **Investor Education and Protection Fund (IEPF)** and once the amount of unpaid/unclaimed dividend is transferred to the IEPF, such dividend can not be claimed from the Government or the Company. Therefore, you are hereby advised to claim your dividend entitlement at the earliest. For your kind information, the particulars of declaration of dividend(s) by the Company and due date of transfer of unpaid dividend to IEPF are as under:

Financial Year	Date of Declaration	Dividend (%)	Dividend Type	Amount (Rs) per share	Due Date of Transfer to IEPF
2003-04	08/03/2004	7.5	Interim Dividend	0.75	08/04/2011
2003-04	06/09/2004	7.5	Final Dividend	0.75	06/10/2011
2004-05	05/09/2005	9	Final Dividend	0.90	05/10/2012
2005-06	05/09/2006	9	Final Dividend	0.90	05/10/2013
2006-07	22/09/2007	9	Final Dividend	0.90	22/10/2014
2007-08	13/09/2008	9	Final Dividend	0.90	13/10/2015
2008-09	31/08/2009	9	Final Dividend	0.90	30/09/2016

8. The Company has passed necessary special/ordinary resolutions for (1) alteration of the Main Objects Clause of the Memorandum of Association, (2) increase in the borrowing limits upto Rs.200 Crore and (3) for disposal and/or creation of charges over assets of the Company, by way of postal ballots on 11.12.2009 in pursuance of the provisions of Section 192A of the Companies Act, 1956 and the Rules made thereunder.
9. The Securities and Exchange Board of India (SEBI) has mandated submission of Permanent Account Number (PAN) by every participant in Securities Market. Members holding shares in electronic form are, therefore, advised to submit PAN details to their respective Depository Participant (DP) and the members holdings shares in physical form can submit PAN details to the Company or its Registrar, M/s Sharepro Services (I) Pvt Ltd.
10. Members are requested to notify immediately any change in their addresses to the Company at its Registered Office or its Registrar & Share Transfer Agent M/s Sharepro Services (India) Pvt Ltd, 416 - 420, 4th Floor, Devnandan Mall, Opp. Sanyash Ashram, Ellisbridge, Ahmedabad - 380 006. Telephones: 079 - 26582381 to 84, Fax : 079 - 26582385.

Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting as required under Clause 49 of the Listing Agreement of the Bombay Stock Exchange Ltd:

Item No. 3 & 9:

Shri Neel D Bilgi is an MBA (Marketing) with experience in various fields. Shri Neel D Bilgi is a son of Shri Dinesh A Bilgi, Chairman & Managing Director of the Company and brother of Shri Chirag D Bilgi, Executive Director of the Company. He was appointed as an Executive Director of the Company for a period of five years with effect from 1st August, 2005 and his tenure expires on 31st July, 2010. He is also due for retirement as a Director but being eligible offered himself for the re-appointment. The Board of Directors have considered his expertise and contribution given for growth of the Company and on the basis of the recommendation of the audit committee, re-appointed him as an Executive Director for a further period of five years with effect from 1st August, 2010. You are requested to consider the same. The major terms and conditions of his re-appointment are as under :-

- A. Salary : Rs. 1,00,000/- per month with Basic Rs. 50,000/-
- B. Tenure : Five years from 1st August, 2010 to 31st July, 2015 :
- C. Perquisites

(The aggregate value of perquisites shall not exceed Rs.6,00,000/- per annum)

1. **Provident Fund:** 12% of the basic salary.
The contribution is subject to any changes effected in the schemes/rules of the Provident Fund.
2. **Car:** Provision of Company cars for official and for personal purpose of the appointee.
3. **Telephone:** Provision of 2 (two) telephones at the residence of the appointee and internet broadband reimbursement of mobile telephone expenses.

Benefits and Amenities:

4. **Gratuity:** Benefits shall not exceed a half month's salary for each completed year of service.
5. **Leave:** Leave on full pay and allowances at the rate of one month for every eleven months of service with liberty to accumulate such leave for a period of two months. Leave encashment for a maximum of two months accumulated leave, to be permitted at the end of the tenure.
6. The appointee shall be entitled to the benefits of Bonus and Incentives as per Rules of the Company.

The above remuneration including salary, perquisites, benefits and other amenities as aforesaid shall not exceed the ceilings laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956.

Other Terms and Conditions:

1. The Executive Director of the Company shall devote his whole time and attention to the business of the Company and shall use his best endeavour to promote its interest and welfare.
2. The Executive Director shall maintain confidentiality as any information or knowledge in connection with the business affairs of the Company, obtained by him during the course of his tenure as the Executive Director or at any time thereafter.
3. The Executive Director shall act in accordance with superintendence, control and direction of the Board of Directors of the Company.
4. The appointment may be terminated by giving two months notice either side.
5. The Executive Director shall not be paid sitting fees for attending meetings of the Board of Directors or Committees thereof.

In terms of the provisions of the Companies Act, 1956, your approval is required for the above appointment and payment of remuneration to Shri Neel D Bilgi. The Board hereby recommends the resolutions.

A copy of the resolution of the Board of Directors containing terms and conditions relating to the appointment and payment of remuneration to Shri Neel D Bilgi as Executive Director is available for inspection during business hours between 11.00 am to 1.00 pm during working days at the registered office of the Company.

This may be treated as an abstract of the terms and conditions of re-appointment pursuant to Section 302 of the Companies Act, 1956.

Shri Neel D Bilgi (Self), Shri Dinesh A Bilgi and Shri Chirag D Bilgi, being relatives, are deemed to be concerned or interested in the above resolutions.

Item No.4

Shri Laxman C Tilani aged about 55 years is an under graduate having vast experience in marketing and other areas in woven label industry. He has been a Director of the Company since 14th December, 1990. He is also a member of the Audit Committee and the Shareholders Grievance Committee. He has provided valuable services to the Company.

None of the Directors, except Shri Laxman C Tilani, is interested in the said resolution.

Item No. 5

Shri Vasant R Shah aged about 63 years is a Non – Matriculate. He has wide experience in the marketing of woven label industry. He has been a Director of the Company since 11th July, 1994. He is a member of the Audit Committee. He provided valuable guidance to the Company.

None of the Directors, except Shri Vasant R Shah, is interested or concerned in the resolution.

Item No.7 & 10:

Shri Chirag D Bilgi has been working as an Executive Officer (Marketing) of the Company with effect from 1st July, 2007. He is a BBA (Marketing) with experience in various fields. He is son of Shri Dinesh A Bilgi, Chairman & Managing Director of the Company and brother of Shri Neel D Bilgi, Executive Director of the Company. The Board of Directors considered his contribution and valuable services provided to the Company and on the basis of the recommendation of the audit committee, promoted him as an Executive Director of the Company for a period of five years with effect from 1st August, 2010, subject to the approval by the members of the Company in their ensuing Annual General Meeting.

You are requested to consider his appointment. The major terms and conditions of the appointment are as under:

A. **Salary** : Rs.1,00,000/- per month with Basic Rs.50,000/-

B. **Tenure** : Five years from 1st August, 2010 to 31st July, 2015 :

D. **Perquisites**

(The aggregate value of perquisites shall not exceed Rs.6,00,000/- per annum)

1. **Provident Fund:** 12% of the basic salary.
The contribution is subject to any changes effected in the schemes/rules of the Provident Fund.
2. **Car:** Provision of Company cars for official and for personal purpose of the appointee.
3. **Telephone:** Provision of 2 (two) telephones at the residence of the appointee and internet broadband and reimbursement of mobile telephone expenses.

Benefits and Amenities:

4. **Gratuity:** Benefits shall not exceed a half month's salary for each completed year of service.
5. **Leave:** Leave on full pay and allowances at the rate of one month for every eleven months of service with liberty to accumulate such leave for a period of two months. Leave encashment for a maximum of two months accumulated leave, to be permitted at the end of the tenure.
6. The appointee shall be entitled to the benefits of Bonus and Incentives as per Rules of the Company.

The above remuneration including salary, perquisites, benefits and other amenities as aforesaid shall not exceed the ceilings laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956.

Other Terms and Conditions:

1. The Executive Director of the Company shall devote his whole time and attention to the business of the Company and shall use his best endeavour to promote its interest and welfare.

2. The Executive Director shall maintain confidentiality as any information or knowledge in connection with the business affairs of the Company, obtained by him during the course of his tenure as the Executive Director or at any time thereafter.
3. The Executive Director shall act in accordance with superintendence, control and direction of the Board of Directors of the Company.
4. The appointment may be terminated by giving two months notice either side.
5. The Executive Director shall not be paid sitting fees for attending meetings of the Board of Directors or Committees thereof.

In terms of the provisions of the Companies Act, 1956, your approval is required for the above appointment and payment of remuneration to Shri Chirag D Bilgi. The Board hereby recommends the resolutions.

A copy of the resolution of the Board of Directors containing terms and conditions relating to the appointment and payment of remuneration to Shri Chirag D Bilgi as Executive Director is available for inspection during business hours between 11.00 am to 1.00 pm during working days at the registered office of the Company.

This may be treated as an abstract of the terms and conditions of re-appointment pursuant to Section 302 of the Companies Act, 1956.

Shri Chirag D Bilgi (Self), Shri Dinesh A Bilgi and Shri Neel D Bilgi, being relatives, are deemed to be concerned or interested in the above resolutions.

Item No.8

Shri Dinesh H Pande is a Commerce & Law Graduate. He is also a Diploma holder in Business Management. He is aged about 60 years. He has very rich experience in marketing in various fields for over three decades. His expertise and services will be helpful to the Company. He is a Independent Director. Your Board considered his experience and appointed as an additional Director of the Company with effect from 1st August, 2010 and he holds his office upto the date of this ensuing Annual General Meeting. The Board recommends his appointment.

None of the Directors of the Company, except Shri Dinesh H Pande is in any way concerned or interested in the said resolution.

Item No. 11:

The Board of Directors in their meeting held on 30th October, 2009 considered the necessity of suitable personnel in view of the increasing activities of the Company to look after day to day matters at Mumbai Office. Shri Pragnesh K Shah has been providing valuable services to the Company from time to time. The Board further considered the expertise and experience of Shri Pragnesh K Shah and on the basis of recommendation of the Audit Committee, appointed him as an Executive Director (Administrative- Mumbai Office) of the Company for a period of five years with effect from 1st November, 2009. The major terms and conditions of the appointment are as under:

A. Salary : Rs.35000/- per month with Basic Rs.10000/-

B. Tenure : Five years from 1st November, 2009 to 30th October, 2014 :

C. Perquisites

1. **Provident Fund:** 12% of the basic salary.
The contribution is subject to any changes effected in the schemes/rules of the Provident Fund.
2. **Car:** Provision of Company cars for official and for personal purpose of the appointee.
3. **Telephone:** Provision of 2 (two) telephones at the residence of the appointee and internet broadband and reimbursement of mobile telephone expenses.

Benefits and Amenities:

1. **Gratuity:** Benefits shall not exceed a half month's salary for each completed year of service.
2. **Leave:** Leave on full pay and allowances at the rate of one month for every eleven months of service with liberty to accumulate such leave for a period of two months. Leave encashment for a maximum of two months accumulated leave, to be permitted at the end of the tenure.
3. The appointee shall be entitled to the benefits of Bonus and Incentives as per Rules of the Company.

Arex Industries Ltd.



The above remuneration including salary, perquisites, benefits and other amenities as aforesaid shall not exceed the limit of **Rs.7,50,000/-** per annum.

Other Terms and Conditions:

1. The Executive Director of the Company shall devote his whole time and attention to the business of the Company and shall use his best endeavor to promote its interest and welfare.
2. The Executive Director shall maintain confidentiality as any information or knowledge in connection with the business affairs of the Company, obtained by him during the course of his tenure as the Executive Director or at any time thereafter.
3. The Executive Director shall act in accordance with superintendence, control and direction of the Board of Directors of the Company.
4. The appointment may be terminated by giving two months notice either side.
5. The Executive Director shall not be paid sitting fees for attending meetings of the Board of Directors or Committees thereof.

In terms of the provisions of the Companies Act, 1956, your approval is required for the above appointment and payment of remuneration to Shri Pragnesh K Shah. The Board hereby recommends the resolutions.

A copy of the resolution of the Board of Directors containing terms and conditions relating to the appointment and payment of remuneration to Shri Pragnesh K Shah as Executive Director is available for inspection during business hours between 11.00 am to 1.00 pm during working days at the registered office of the Company.

This may be treated as an abstract of the terms and conditions of appointment pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company, except Shri Pragnesh K Shah is in any way concerned or interested in the said resolution.

By Order of the Board

Regd Office:

612, GIDC Estate
Chhatral, Tal : Kalol,
Dist : Gandhinagar-382 729
Date: July 29, 2010

Dinesh A Bilgi
Chairman & Mg Director

DIRECTORS' REPORT

To

The Members,

Your Directors are pleased to present their 21st Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March, 2010.

FINANCIAL RESULTS

(Amount in Rupees)

	31.03.2010	31.03.2009
Sales (Net)	21,42,58,947	16,53,73,907
Profit before depreciation	6,02,23,968	4,02,75,474
Less: Depreciation	4,09,44,167	3,13,55,065
Provision for Taxation	33,00,000	29,50,000
Provision for Deferred Tax	64,00,000	(1,00,000)
Provision for Fringe Benefit Tax	-	3,70,000
Profit after Tax	95,79,801	57,00,409
Surplus brought forward from previous year	6,45,14,987	6,29,82,918
Add: Tax Adjustment	59,968	NIL
Profit available for Appropriation	7,41,54,756	6,86,83,327
Proposed Dividend	35,62,830	35,62,830
Tax on Proposed Dividend	6,05,510	6,05,510
Balance Carried to Balance Sheet	6,99,86,416	6,45,14,987

OPERATIONS

The Company has made a turnaround in its performance during the year under review. The Company has secured sales of Rs. 2142.59 lacs, i.e. an increase of 29.56% over the previous year's sales of Rs. 1653.74 lacs. Export of the Company has seen a boost up. The Company has made major capital expenditure for installation of WTG for captive consumption and plant and machineries for expansion on hand. The manufacturing and other overheads were also increased. The Company has earned profit of Rs. 602.24 lacs, i.e. an increase of 49.53% over the previous year's profits before providing depreciation and taxes.

DIVIDEND

Your Directors are pleased to recommend dividend at 9% (i.e. Re. 0.90 per share) subject to approval of the members in their ensuing Annual General Meeting. The final dividend, if declared will absorb an outflow of Rs.35,62,830/- towards dividend and Rs. 6,05,510/- towards dividend tax. The requisite provision for dividend has been made in the accounts for the year ended 31st March, 2010.

FINANCE

The Company's expansion project has been financed partly out of borrowings from the Company's bankers, namely the State Bank of India.

PARTICULARS OF EMPLOYEES

There was no employee covered under the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975. Hence, particulars are not given.

INSURANCE

All the assets of the Company including buildings, plant & machineries and stocks are adequately insured.

DIRECTORATE

Shri Laxman C Tilani and Shri Vasant R Shah are liable to retire by rotation as Director at the ensuing Annual General Meeting and are eligible for re-appointment. They have also offered themselves for re-appointments.

Shri Pragnesh K Shah was as an Executive Director of the Company for a period of five years from 1st November, 2009 and Shri Neel D Bilgi, relative of Directors was re-appointed as an Executive Director of the Company for a further period of five years from 1st August, 2010 by the Board of Directors on recommendation of the Audit Committee. You are requested to consider both the appointments.

Shri Dinesh H Pande was appointed as an Additional Director of the Company with effect from 1st August, 2010 to strengthen the present Board of Directors. He has a vast experience in Marketing for over three decades. He is a Independent Director. He holds office upto the date of this ensuing Annual General Meeting. The Board recommends his appointment.

Shri Chirag D Bilgi, an Executive Officer of the Company was promoted and appointed as an Additional and Executive Director of the Company with effect from 1st August, 2010. He has provided valuable services to the Company and the Audit Committee also recommended his appointment. He holds office upto the date of this ensuing Annual General Meeting. The Board recommends his appointment.

RESOLUTIONS BY POSTAL BALLOT

Your Directors are pleased to inform that the Company has passed resolutions through Postal Ballots on 11.12.2009 for (1) Alteration of the Main Objects Clause III of the Memorandum of Association by insertion of new Sub Clauses A(6) and A(7), (2) increasing borrowing powers of the Company upto Rs. 200 crores in view of the proposed expansion projects and (3) authorising the Company to sell, lease, mortgage or create charge over the assets of the Company for securing the borrowings.

WTG PROJECT

Your Directors have pleasure to inform you that the Company has installed 1.6MW Wind Turbine Generators at Samana, Jannagar District with total outlay of Rs. 880 lacs. The WTG's are also operative from 31st December, 2009. These WTG's are installed for captive consumption and would result in the reduction of the power cost which in turn would be beneficial to the Company.

COMPLIANCE CERTIFICATE

As required under the provisions of Section 383A of the Companies Act, 1956 and the rules made there under, a certificate is attached herewith and the same forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- in the preparation of annual accounts for the financial year ended March 31, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- ii) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year as at 31st March, 2010 and the profits of the Company for the year under review;
- iii) the directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the directors have prepared the accounts for the financial year ended 31st March, 2010 on a "going concern" basis.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the public during the year within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposit) Rules, 1975.

AUDITORS

M/s C R Shredalal & Co., Chartered Accountants, Ahmedabad retires as the Statutory Auditors at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment and have indicated their willingness to act as Auditors, if appointed. You are requested to consider their re-appointment. The Auditors observations read with the notes to the Accounts are self - explanatory.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company has been taking steps for optimum utilisation of power and fuel. Information as required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given by way of Annexure- "A" forming part of this Report.

CORPORATE GOVERNANCE

The Company has been proactive in adhering to the principles and practices of good Corporate Governance. As required by Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd, Mumbai, a detailed note on Corporate Governance is annexed to this Report. The Auditor's Certificate confirming compliance of the Corporate Governance requirements by the Company is attached to the Report on Corporate Governance.

ACKNOWLEDGEMENTS

The Board of Directors of the Company hereby express their sincere appreciation for the excellent support and co-operation extended by the State Bank of India, the Company's bankers, shareholders, customers, suppliers and other business associates. Your Directors place on record their deep appreciation for contribution of the Employees at all levels.

For and on behalf of the Board

Regd Office:

612, GIDC Estate, Chhatral

Tal : Kalol, Dist :

Gandhinagar-382 729

Date: July 29, 2010

Dinesh A Bilgi

Chairman & Mg Director

Annexure - "A"

INFORMATION AS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED ON 31ST MARCH, 2010.

A. Conservation of Energy:

- (a) Energy conservation measures taken
- (b) Additional investments & proposals, if any, being implemented for reduction of consumption of energy.
- (c) Impact of the measures at (a) & (b) for reduction of energy consumption & consequent impact on the cost of production of goods.
- (d) Total energy consumption and energy consumption per unit of production

The Company is conscious about the conservation of energy and reduction of consumption of energy. The Company has installed wind turbine generators in order to generate green energy. Additional Investment Rs. 880 lacs.

D. G Sets of 400 KVA have been installed as standby for continuous power supply.

As per Form A

Form A (SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		2009-10	2008-09
A. Power and Fuel Consumption	Electricity	25,20,591	18,93,235
	Purchased Unit		
	Total Amount (Rs)	1,40,84,645	1,11,19,622
	Rate/Unit	5.59	5.87
	Avg. Consumption per million Labels (Rs.)	7016	6461
	Electricity Generated from Windmill - KWH	5,53,489	--
B. Technology Absorption	Wheeling of Electricity Generated - KWH	5,14,032	--
		As per Form B	

Form B
(SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION

Research and development (R&D)

- (1) Specific areas in which R&D carried out by the Company.
- (2) Benefits derived as a result of the above R&D
- (3) Future plan of action
- (4) Expenditure on R&D

The Company does not have separate R&D activities and hence, separate expenses are not worked out.

Technology absorption, adaptation and innovation

- (1) Efforts, in brief, made towards technology absorption, adaptation and innovation.
- (2) Benefits derived as a result of the above efforts.
- (3) In case of imported technology. (imported during the last 5 years)
 - a) Technology imported
 - b) Year of Import
 - c) Has technology been absorbed
 - d) If not fully absorbed, areas where this has not taken place, reasons & future plans of action

The Company utilizes indigenously developed production technology. The technology has already been fully absorbed.

N. A.

C. Foreign Exchange Earnings and Outgo

	Rs.
(i) Foreign Exchange Used	
a) Import of Raw Material	15,25,746
b) Import of Capital Goods	1,01,67,248
c) Import of Stores & Spares	8,60,709
d) Travelling	1,00,645
e) Others	4,43,886
ii) Foreign Exchange Earned on account of exports	54,10,647

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The Company is engaged in the manufacturing of all types of Garment Labels. Labels are important for the garment manufacturers as they are brand symbol for any Company. The Company is supplying its Labels to the garment manufacturers within India and abroad.

Industry Structure

The textile industry is one of the largest employers in the Country, with a share of around 4% in GDP, 14% in the total industrial production and around 11.5% in foreign exchange earnings. The global economy has shown initial indications of recovery after severe spell of recession and slowdown. The size of the Indian Textile Industry is pegged at USD 52 billion in Financial Year - 09, about 64% is contributed by domestic demand.

Opportunities, Threats, Risks and concerns

The manufacturers and suppliers have become more brand conscious. The demand of quality garment labels continues to increase from the ready made garment segment due to growth in the overall economy of the Country. The weaving and processing segment in textile industry in India is highly fragmented with predominant presence of unorganised sector. The total size of label manufacturing industry is fairly small as compared to the overall size of the Textile Industry due to low value addition relative to overall finished garment. Further, there are many regional players in this business, largely in the unorganised space, which are located near the major textile producing states in India. The Company plans to explore new markets and tap domestic market in order to utilize its capacity.

Outlook

The future prospect of the Company will be driven by its ability to leverage upon its strength vice-versa its competitors with respect to its large processing capacity and

Annexure – "B"

customised product manufacturing capability. Your Company will maintain overall growth by utilising its ability by consistently upgrading its technology and controlling the solvency position alongwith improving the asset utilization.

Internal Control Systems

To safeguard the assets and interest, your Company implements adequate and effective control systems with proper checks and balances. The Audit Committee of the Board meets at regular intervals and actively reviews the internal control systems. Suitable corrective actions are initiated whenever necessary.

Review of Financial Performance

The Company has seen growth in its financial performance as compared to that of the last year. The Company has secured sales of Rs. 2142.59 lacs, i.e. an increase of 29.56% over the previous year's sales of Rs. 1653.74 lacs. The Company has been able to achieve profit of Rs. 602.24 lacs, i.e. and increase of 49.53% as against profit of Rs. 402.75 lacs earned during the previous year, before providing depreciation and taxes.

Human Resources

The relations between the employees and the management remained cordial throughout the year.

Cautionary Statement

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, exceptions or predictions may be forward looking. These statements are based on certain assumptions and exceptions of future events. Actual results could however differ materially from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements herein which may undergo changes in future on the basis of subsequent developments, information or events.

REPORT ON CORPORATE GOVERNANCE

In accordance to Clause 49 of the Listing Agreement of the Bombay Stock Exchange Limited where the Shares of the Company are listed a report of Corporate Governance for the financial year ended 31st March, 2010 is furnished below :

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company follows good Corporate Governance upto its best by achieving highest level of transparency, accountability and equity in all its dealings with all the parties. A good Corporate Governance is the combination of voluntary and statutory complinances with law and regulations.

2. BOARD OF DIRECTORS

a. Composition

The Board of the Company consists of Eight Directors. Shri Chirag D Bilgi and Shri Dinesh H Pande are appointed with effect from 1st August, 2010 as Executive Director and Independent Director respectively.

None of the non-executive Directors has material pecuniary relationship or transactions with the Company.

None of the Directors on the Board is a member of more than ten committees and Chairman of more than five committees across all Companies in which they are directors.

b. Board Procedure

The Detailed agendas and breif notes thereon are sent, well in advance, to the Directors for consideration and discussion at the meeting. The Board meets at least once in every quarter to review the quarterly performance and the financial results of the Company. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman.

The Board of Directors met six times on 11th April, 2009, 29th June, 2009, 31st July, 2009, 30th October, 2009, 27th November, 2009 and 29th January, 2010. The gap between any two meetings did not exceed four months.

The attendance record of each of the Directors at the Board Meetings held during 2009-10 and during the last annual general meeting is as under:

Name of the Director	Category	No. of Board Meeting Attended	Attendance at the last AGM (Y/N)	Directorship in Other public Companies	No of committees which Chairman/member in other Public Companies
Dinesh A Bilgi	CMD	6	Y	Nil	Nil
Neel D Bilgi	ED	6	Y	Nil	Nil
Chirag D Bilgi*	ED	-	N	Nil	Nil
Pragnesh K Shah	ED	6	N	Nil	Nil
Laxman C Tilani	NED	5	Y	Nil	Nil
Vasant R Shah	NED	6	Y	Nil	Nil
Balkrishan I Makwana	NED	6	Y	Nil	Nil
Dinesh H Pande*	NED	-	N	Nil	Nil

- Note:
1. CMD - Chairman and Managing Director (Promoter and CEO). His appointment is contractual
 2. ED - Executive Director (Promoter). His appointment is contractual. Shri Chirag D Bilgi is appointed with effect from 1st August, 2010.
 3. NED - Non Executive and Independent Director. Shri Dinesh Pande is appointed with effect from 1st August, 2010.

c. Code of Conduct

The Board Members and Senior Management team of the Company follow the Code of Conduct formulated and implemented by the Company.

Annual Report 2009-2010

3. COMMITTEES OF THE BOARD

a. Audit Committee

The Audit Committee reviews and recommends or suggests appropriate actions, from time to time, so as to achieve effective compliance of Clause 49 of the Listing Agreement. The Audit Committee is reconstituted with effect from 30th October, 2009 and comprises (1) Shri Balkrishna I Makwana (2) Shri Laxman C Tilani and (3) Shri Vasant R Shah. Shri Balkrishna I Makwana is the Chairman of the Committee.

The Committee met 6 times on 11th April, 2009, 29th June, 2009, 31st July, 2009, 30th October, 2009, 27th November, 2009 and 29th January, 2010 during the year.

b. Remuneration Committee

The Audit Committee has been entrusted with the powers and functions of recommending remuneration package for all senior and top management level personnel. (1) Shri Dinesh A Bilgi, Chairman & Managing Director, (2) Shri Neel D Bilgi, Executive Director and (3) Shri Pragnesh K Shah, Executive Director of the Company were paid remuneration during the year. The remuneration package depends upon the qualification, experience and expertise of the candidate and also linked with the contribution given towards the growth of the Company. The Non-Executive Directors are paid sitting fee amounting to Rs. 20000/- per meeting of the Board of Directors attended by them, except Shri Balkrishna I Makwana, who has voluntarily waived his right to claim any benefits including sitting fees from the Company.

Executive Directors Details of remuneration paid to Directors during the year are as under:

Name of Director	Salary (Rs)
Shri Dinesh A Bilgi, <i>Chairman and Managing Director</i>	13,48,611
Shri Neel D Bilgi, <i>Executive Director</i>	13,48,611
Shri Pragnesh K Shah, <i>Executive Director (From 01.11.2009)</i>	2,73,833

c. Shareholders Grievance Committee

The Shareholders Grievance Committee comprises of (1) Shri Balkrishna I Makwana, Chairman and (2) Shri Laxman C Tilani, Member constituted for addressing the redressal of the investor's grievance's. The Committee meets as and when required and looks after shareholders compliants and matters relating to transfer of shares, transmission, non-receipt of annual report, non-receipt of dividend, credit of shares to demat account etc. During the year under review, the Company had received 1 compliant from shareholders, which were resolved and there is no compliant pending as on 31st March, 2010. The Compliants are normally resolved within the stipulated period under the Listing Agreement. The requests for revalidation of dividend warrants and issue of duplicate share certificates or duplicate dividend warrants etc are normally attended after completion of necessary formalities and procedure. Shri Abraham Pingle is the Compliance Officer of the Company.

4. GENERAL BODY MEETINGS

a. Location and time, where last three Annual General Meetings were held is given below:

Year	Location/Venue	Date	Time
2006-2007	Hotel Satkar, H/1, 2/A, GIDC, Highway, Chhatral - 382 729 (N. G.)	22.09.2007	10.30 a. m.
2007-2008	Hotel Satkar, H/1, 2/A, GIDC, Highway, Chhatral - 382 729 (N. G.)	13.09.2008	10.30 a. m.
2008-2009	Shor Sharaba Food Inn Pvt Ltd, 3317, GIDC, Highway, Chhatral, Tal.: Kalol, Dist.: Gandhinagar - 382 729.	31.08.2009	10.30 a. m.

b. Special Resolution passed at the last three Annual General Meetings:

One special resolution was passed at the 20th AGM held on 31.08.2009 in respect of re-appointment of Shri Dinesh A Bilgi, (relative of Shri Neel D Bilgi and Shri Chirag D Bilgi) as Chairman and Managing Director for 5 years w.e.f. 01.05.2009. Three Special resolutions for (1) appointment of Shri Neel D Bilgi, (relative Shri Dinesh A Bilgi, CMD and Shri Chirag D Bilgi), (2) appointment of Shri Chirag D Bilgi as Executive Director for 5 years w.e.f. 1st August, 2010, and (3) Shri Pragnesh K Shah, as Executive Director of the Company for 5 years w.e.f. 1st November, 2009 are proposed to be passed at the ensuing 21st AGM to be held on 23rd September, 2010.

c. Passing of resolutions by Postal Ballot:

The following were passed via Postal Ballot held on 11.12.2009.

1. Alteration by addition of Clause A(6) and A(7) in the main object Clause III of the Memorandum of Association of the Company for diversified objects.
2. Increase in the borrowing powers of the Company and
3. Authorising the Company to sell, lease, mortgage and create charge over the assets of the Company.

d. Extra-ordinary General Meeting:

No Extra-ordinary General meeting was held by the Company during the financial year ended 31st March, 2010. But the Company has passed resolutions through Postal Ballots as per 'c' above.

5. DISCLOSURES

- a. No transaction of material nature has been entered into by the Company with its Promoters, Directors or the Management, their subsidiaries or relative etc. that may have potential conflict with the interest of the Company. Transactions with related parties as per requirement of Accounting Standard (AS-18) – "Related Party Disclosure" are disclosed in Notes to the Accounts in the Annual Report.
- b. There were no instances of non-compliances and no penalty/strictures have been imposed on the Company by Stock Exchanges or Securities Exchange Board of India (SEBI) or other authority on any matter related to capital markets, during last three years.
- c. CEO/CFO Certification: A certificate from the Chairman and Managing Director (i.e. CEO) and the Finance Head (i.e. CFO) on the financial statements of the Company was placed before the Board.
- d. Adoption of non-mandatory requirements of Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

6. MEANS OF COMMUNICATION

The Board of Directors of the Company approves and takes on record the un-audited financial results and informs the said financial results to the Bombay Stock Exchange Ltd, Mumbai where the shares of the Company are listed. Further, the quarterly/half yearly results are normally published in daily 'Western Times'.

7. GENERAL SHAREHOLDER INFORMATION**a) Annual General Meeting**

Date and Time : Thursday, 23rd September, 2010 at 11.30 a.m
Venue : Shor Sharaba Food Inn Pvt Ltd, 3317, GIDC, Highway, Chhatral, Tal : Kalol
Dist. Gandhinagar – 382 729.

b) Financial Calendar for 2010-2011 (Tentative)

Un-audited Results for First Quarter	: July 29, 2010
Annual General Meeting	: By end of September, 2011
Un-audited Results for Second Quarter/Half Year	: Last week of October, 2010
Un-audited Results for Third Quarter	: Last week of January, 2011
Audited Annual Results 2010-2011	: Last week of July, 2011

c) Date of Book Closure

The Book Closure for payment of dividend, if any, is from Wednesday, 1st September, 2010 to Wednesday, 8th September, 2010 (both days inclusive)

d) Dividend Payment

The payment of dividend, upon declaration by the shareholders at the forthcoming annual general meeting, will be made on or after 23rd September, 2010:

- i) to all those shareholders holding shares in physical and whose names appear in Company's Register of Members as on 8th September, 2010
- ii) to all those beneficial owners holding shares in electronic form, as per the ownership data made available to the Company by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as at the end of the day on 31st August, 2010.

e) Listing on Stock Exchange

The Equity Shares of the Company are listed at the Bombay Stock Exchange Ltd, Mumbai under Stock Code No. **526851** and ISIN No. is **INE480H01011**.

The Company has paid Annual Listing Fees for the year 2010-11 to the Bombay Stock Exchange Ltd, Mumbai. The Company has also paid custodial charges to National Securities Depository Ltd and Central Depository Services (India) Ltd for the year 2010-11.

f) Market Price Data on the Bombay Stock Exchange Limited, Mumbai

The High, Low and number of shares traded during each month in the last financial year on the Bombay Stock Exchange Ltd is here given below :

Month	High (Rs.)	Low(Rs.)	Total No of Shares Traded
April, 2009	10.37	9.41	800
May, 2009	11.49	9.86	1100
June, 2009	12.32	9.96	5500
July, 2009	12.50	8.50	13600
August, 2009	10.49	9.44	36400
September, 2009	11.00	9.55	8800
October, 2009	11.13	10.18	4600
November, 2009	12.14	10.00	11400
December, 2009	13.51	11.25	11300
January, 2010	14.87	11.88	13500
February, 2010	15.71	13.55	13800
March, 2010	-	-	-

g) Distribution of Shareholding as on 31st March, 2010

No of Shares	No of Shareholders	% of Shareholders	Total Shares	% of Shareholding
000 to 500	4479	94.26	554500	14.01
501 to 1000	91	1.91	75600	1.91
1001 to 2000	47	0.99	69700	1.76
2001 to 3000	54	1.14	136900	3.46
3001 to 4000	10	0.21	35500	0.90
4001 to 5000	6	0.13	28400	0.72
5001 to 10000	23	0.48	175900	4.44
10001 and above	42	0.88	2882200	72.81
Total	4752	100.00	3958700	100.00

h) Shareholding Pattern as on 31st March, 2010

Sr. No.	Category	No of Shares Held	% of Shareholding
1.	Promoters		
	Indian Promoters	2137580	54.00
	Foreign Promoter	520900	13.16
	Total Promoter Holding	2658480	67.16
2.	Mutual Fund and UTI	NIL	NIL
3.	Banks, Financial Institutions, Insurance Companies	NIL	NIL
4.	Private Corporate Bodies	138960	3.51
5.	Foreign Institutional Investors	NIL	NIL
6.	NRI/OCBs	NIL	NIL
7.	Indian Public	1161260	29.33
	Grand Total	3958700	100.00

i) Registrar and Share Transfer Agents

Pinnacle Shares Registry Private Limited has been debarred by SEBI from performing its activities and providing services as the Registrar & Transfer Agents to its clients from 28th February, 2010. The Company has appointed new Registrar & Transfer Agents w.e.f. 1st March, 2010, namely, M/s. Sharepro Services (I) Pvt Ltd. All share transfers and communication regarding share certificates, compliants and change of address may be addressed to :

Sharepro Services (India) Private Limited

416-420, 4th Floor, Devnandan Mall,

Opp. Sanyash Ashram, Ellisbridge, Ahmedabad – 380 006.

Tel : 079-26582381 to 84

Fax: 079-26582385

Email: sharepro@shareproservices.com

j) Share Transfer System

The transfer of shares in physical form is processed and completed by Registrar & Transfer Agent within a period of 7-15 days from the date of receipt thereof provided all the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants.

k) Dematerialisation of Shares

The Company has established connectivity with both the Depositories viz. National Securities Depository Ltd (NSDL) and Central Depository (India) Limited (CDSL) to enable the members to dematerialise holding in the Company, under ISIN No. **INE480H01011**.

l) Plant Location and Address for correspondence

612, GIDC, Chhatral, Tal: Kalol, Dist : Gandhinagar -382 729.

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT:

To
The Members of
Arex Industries Ltd.

We have examined the compliance of conditions of Corporate Governance by Arex Industries Limited for the year ended 31-3-2010, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with the Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the Said Clause. It is neither an audit nor an expression of an opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representation made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement(s).

We 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 C R SHAREDALAL & CO.

Chartered Accountants

Firm Regn. No. 109943w

J K Patel

Partner

Membership No. 047136

Place : Ahmedabad

Dated this July 29, 2010

COMPLIANCE CERTIFICATE

The Members
AREX INDUSTRIES LTD
Chhatral

L99999GJ1989PLC012213

I have examined the registers, records, books and papers of AREX INDUSTRIES LTD (hereinafter referred to as the 'Company') as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March, 2010** (the year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company and its officers and agents, I certify that in respect of the aforesaid year:

1. The Company has kept and maintained all registers as per Annexure 'A'.
2. The Company has filed forms and returns with the Registrar of Companies, Gujarat as per Annexure 'B'.
3. The Company being a public limited Company, comments are not given as to minimum paid up capital and maximum number of members.
4. The Board of Directors met 6 times on 11.04.2009, 29.06.2009, 31.07.2009, 30.10.2009, 27.11.2009 and 29.01.2010 during the year and the proceedings were recorded in the Books maintained for the purpose.
5. The Company has closed its Register of Members from Wednesday, 26th August, 2009 to Monday, 31st August, 2009 in compliance of Section 154 of the Act.
6. The annual general meeting for the financial year ended on 31.3.2009 was held on 31.8.2009 and the resolutions passed thereat were recorded in the Books maintained for the purpose.
7. No extra ordinary general meeting was held during the year. However, resolutions were passed by the members through postal ballot process on 11.12.2009.
8. The Company has not advanced loans to its Directors and other persons referred to under Section 295 of the Act, during the year.
9. As informed to me, there were no instances falling within the purview of Section 297 of the Act, during the year.
10. The Company has made entries in the register maintained under Section 301 of the Act.
11. The Company has not obtained approvals from the shareholders or Central Government pursuant to Section 314 of the Act, during the year.
12. The Company has approved issue of duplicate share certificates, during the year.
13. The Company has (i) delivered all certificates on lodgement thereof for transfer or transmission, (ii) deposited the amount of dividend in a separate bank account, (iii) posted warrants /cheques for dividend to the members of the Company within 30 days from the date of declaration (iv) not transferred the amounts in unpaid dividend accounts as they have not remained unclaimed or unpaid for a period of seven years to the Investor Education and Protection Fund, and (v) complied with the provisions of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional or alternate Directors during the year.
15. The Company has appointed Managing Director, Whole Time Director or Manager during the year in accordance with the provisions of Section 269 read with Schedule XIII to the Act.
16. The Company has not appointed sole-selling agent during the year.
17. No approval of the Central Government, Company Law Board, Regional Director or Registrar (ROC) was taken during the year.
18. The Directors have disclosed their interest in other firms/companies during the year.
19. The Company has not issued shares or debentures during the year.
20. The Company has not bought back any shares during the year.
21. The Company has not redeemed preference shares/debentures during the year.
22. The Company is not required to keep in abeyance rights to dividend, rights shares and bonus shares during the year.
23. The Company has not invited/ accepted deposits falling within the purview of Section 58A of the Act and the Rules made thereunder.
24. The amount borrowed by the Company, during the year, is within the borrowing limits of the Company under Section 293 (1) (d) of the Act.
25. The Company has not made any loans, advances or given guarantees or provided securities to other bodies corporate during the year.
26. The Company has not altered or shifted its registered Office during the year.
27. The Company has altered the Objects Clause of the Memorandum by passing of special resolutions through postal ballot process on 11.12.2009.

28. The Company has not altered name Clause of the Memorandum during the year.
29. The Company has not altered share capital Clause of the Memorandum during the year.
30. The Company has not altered its Articles of Association during the year.
31. As informed to me, no prosecution was initiated against nor show cause notice received by the Company and pending for alleged offences under the Act during the year.
32. No security amount was received from its employees during the year.
33. The Company has not set up its separate Provident Fund Scheme under Section 418 of the Act during the year.

Place: Ahmedabad
Date: July 29, 2010

NARENDRA B SHAH
Company Secretary
CP No. 2168

ANNEXURE 'A'

Registers maintained during the year :

1. Register of Members
2. Minutes Book of Board Meetings
3. Minutes Book of General Meetings
4. Minutes Book of Committee Meetings
5. Register of Contracts etc
6. Register of Directors
7. Register of Directors' shareholdings
8. Register of Charges
9. Register of Share Transfers etc
10. Register of Issue of Duplicate Share Certificates

ANNEXURE 'B'

Forms and Returns as stated to have been filed by the Company with the Registrar of companies, Gujarat during the financial year ending on 31st March, 2010

1. E Form 20B with Annual Return as on 31.8.2009 filed u/s 159 on 8.9.2009 (SRN P34371468 for Rs.500/-).
2. E Form 23AC and 23ACA with Annual Accounts for the year ending 31.3.2009 filed u/s 220 on 8.9.2009 (SRN P34371716 for Rs.500/-)
3. E Form 66 with compliance certificate for the year ending 31.3.2009 filed u/s 383A on 8.9.2009 (SRN P34371971 for Rs.500/-).
4. E Form 23 filed u/s 192 on 8.9.2009 (SRN A68750298 for Rs.500/-)
5. E Form 23 filed u/s 192 on 22.5.2009 (SRN A62237292 for Rs.1000/-)
6. E Form 25C filed u/s 269 on 22.5.2009 (SRN A62238878 for Rs.500/-)
7. E Form 23 filed u/s 192 on 13.11.2009 (SRN A72652415 for Rs.500/-)
8. E Form 25C filed u/s 269 on 13.11.2009 (SRN A72652100 for Rs.500/-)
9. E Form 32 filed u/s 303 on 13.11.2009 (SRN A72652647 for Rs.500/-)
10. E Form 23 filed u/s 192 on 14.12.2009 (SRN A74553157 for Rs.500/-)
11. E Form 20A (Declaration) filed u/s 149 on 14.12.2009 (SRN A74553561 for Rs.500/-)
12. E Form 8 filed u/s 125 on 4.4.2009 (SRN A59315796 for Rs.500/-)
13. E Form 8 filed u/s 125/135 on 1.1.2010 (SRN A75666032 for Rs.1000/-)

Auditors' Report

To,
The Members of
Arex Industries Ltd.

We have audited the attached Balance Sheet of AREX INDUSTRIES LIMITED as at 31st March, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto and Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) Amendment Order, 2004 (together the Order) issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks of books and records as we considered appropriate and on the basis of information and explanations given to us during the course of our audit which were necessary to the best of our knowledge and belief, we report, on the matters specified in paragraph 4 and 5 of the said Order in the attached Annexure.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; to the extent applicable to the company during the year under review.
- (v) On the basis of written representations received from the directors, as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting policies and notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India ;
 - (a) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2010;
 - (b) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (c) in the case of Cash Flow Statement, of the Cash Flows of the Company for the year ended on that date.

FOR C. R. SHAREDALAL & CO.,
CHARTERED ACCOUNTANTS
FIRM REGN. NO. 109943w

PLACE : AHMEDABAD

DATE : July 29, 2010

(J. K. PATEL)
PARTNER
MEMBERSHIP NO.047136

ANNEXURE TO THE AUDITORS' REPORT (Referred to in our Report of Even Date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, physical verification of Fixed Assets was conducted by the management during the year. In our opinion the frequency of physical verification is reasonable having regard to the size of the operation of the Company. According to the information and explanation given to us no material discrepancies was noticed on such verification.
- (c) The Company has not disposed off any Substantial part of Fixed Assets during the year.
2. (a) As explained to us, during the year, the management has conducted physical verification of inventories at regular intervals, the frequency of which, in our opinion, are reasonable and adequate in relation to the size of the Company and nature of its business.
- (b) The procedures for the physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.

- (c) In our opinion, the Company has maintained proper records in respect of inventories. We have been explained that no material discrepancies were noticed on physical verification of inventories, when compared with their book balance.
3. (a) During the year under review, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently requirements of clauses (iia), (iib), (iic) and (iid) of paragraph 4 of the order are not applicable.
- (b) (a) During the year under review, the Company has taken loans from two parties covered in the register maintained under section 301 of the Companies Act, 1956. Maximum amount outstanding during the year is Rs.111.50 Lacs and year end balance is 99.00 Lacs.
- (b) In our opinion, rate of interest and other terms and conditions of loans, taken by the Company are prima facie not prejudicial to the interest of the Company.
- (c) The Company is regular in paying interest and repayment of principal amount.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory, fixed assets and for sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control.
5. (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Sec. 301 of the Companies Act, 1956 have been entered in the Register required to be maintained under that section.
- (b) These transactions have been at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. During the year, the Company has not accepted any deposits from the public under the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
7. The Company has an internal audit system which, in our opinion, is commensurate with its size and the nature of its business.
8. To the best of our knowledge and according to the information and explanation given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the product of the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Custom Duty, Service Tax, Cess and other applicable statutory dues during the year with the appropriate authorities. A few minor delays have been noted. However, at 31st March, 2010 there are no undisputed dues payable, for a period of more than six months from the date they become payable.
- (b) According to the information and explanation given to us, there are no dues of Income tax, Sales tax, Wealth tax, Excise Duty, Custom Duty, Service Tax, Cess or any other applicable taxes which have not been deposited on account of any dispute.
10. The Company does not have any accumulated losses at the end of the financial year. Also the company has not incurred any cash losses in the current as well as in the immediately preceding financial year.
11. The Company has not defaulted in repayment of installment of dues of financial institutions and banks.
12. According to the information and explanations 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.
13. Provision of special statutes applicable to Mutual Benefit Company, Chit Fund Company or Nidhi Company are not applicable to the company during the year under review.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments during the year under review. The investments of the company are held in its own name.
15. According to the information and explanations given to us, company has not given any guarantee for loan taken by others from banks and Financial Institutions.
16. In our opinion, the term loans disbursed by bank during the year as well as those taken in earlier years have been applied for the purpose for which they have been obtained.
17. According to the Cash-flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have not, prima facie, been used during the year for long term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures during the year. Hence reporting on the question of scrutinization do not arise.
20. The Company has not raised any money by way of public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year ended March 31, 2010.

For C R SHAREDALAL & CO.

Chartered Accountants

Firm Regn No. 109943w

J K Patel

Partner

Membership No. 047136

Place : Ahmedabad

Dated this July 29, 2010

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BALANCE SHEET AS AT 31st MARCH, 2010

		AMOUNT IN RUPEES	
		AS AT 31/03/2010	AS AT 31/03/2009
SOURCE OF FUNDS			
Shareholders' Funds	1	3,95,87,000	3,95,87,000
Share Capital	2	7,33,78,416	6,79,06,987
Reserves & Surplus			
Loan Funds	3	18,47,90,893	14,01,95,741
Secured Loan	3A	99,00,000	-
Unsecured Loan		3,04,00,000	2,40,00,000
Deferred Tax Liabilities			
Total		33,80,56,309	27,16,89,728
APPLICATION OF FUNDS			
Fixed Assets	4	53,19,50,686	43,33,78,174
Gross Block		26,23,14,124	23,15,04,739
Less : Depreciation			
Net Block		26,96,36,562	20,18,73,435
Investments	5	1,16,200	1,16,200
Current Assets Loans & Advances	6	2,56,96,000	2,46,81,000
Inventories		4,66,45,025	4,36,00,826
Sundry Debtors		24,28,442	21,37,800
Cash and Bank Balances		97,27,780	1,42,05,610
Loans & Advances			
		8,44,97,247	8,46,25,236
Less: Current Liabilities & Provision	7	1,61,93,700	1,49,25,143
Net Current Assets		6,83,03,547	6,97,00,093
Total		33,80,56,309	27,16,89,728

Significant Accounting Policies 14
Notes Forming Part of the Accounts 15

As per our report of even date attached
For **C. R. SHAREDALAL & CO.**
Chartered Accountants

J. K. PATEL
(Partner)
Membership No. : 047136

Date : July 29, 2010

For and on behalf of the Board

Shri Dinesh Bilgi
Shri Vasant Shah
Shri Neel Bilgi

Shri Laxman Tilani
Shri Balkrishna Makwana
Shri Pragnesh Shah

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH, 2010

	SCHEDULE	AMOUNT IN RUPEES	
		31/03/2010	31/03/2009
INCOME			
Net Sales		21,42,58,947	16,53,73,907
Other Income	8	3,67,369	8,30,839
		<u>21,46,26,316</u>	<u>16,62,04,746</u>
EXPENSES			
Materials Consumed	9	6,02,66,367	4,59,99,916
(Increase)/Decrease in Stock	10	9,65,000	(28,40,000)
Trading Purchases		15,59,474	8,46,506
Employees' Remuneration & Benefits	11	3,43,51,569	2,91,81,018
Manufacturing & Other Expenses	12	2,13,38,461	2,11,01,998
Administrative, Selling & Other Exps.	13	2,26,81,404	2,04,62,928
Interest		1,32,40,073	1,11,76,906
Depreciation		4,09,44,167	3,13,55,065
		<u>19,53,46,515</u>	<u>15,72,84,337</u>
Profit before Taxation		1,92,79,801	89,20,409
Provision for Tax - Current		33,00,000	29,50,000
- Deferred		64,00,000	(1,00,000)
- Fringe Benefit Tax		-	3,70,000
		<u>95,79,801</u>	<u>57,00,409</u>
Profit after tax		95,79,801	57,00,409
Add: Balance of Profit brought forward from previous year		6,45,14,987	6,29,82,918
Add : Tax - Previous Year		59,968	-
		<u>7,41,54,756</u>	<u>6,86,83,327</u>
Profit Available for Appropriation		7,41,54,756	6,86,83,327
Proposed Dividend		35,62,830	35,62,830
Tax on Proposed Dividend		6,05,510	6,05,510
		<u>6,99,86,416</u>	<u>6,45,14,987</u>
Profit Carried to Balance Sheet		<u>6,99,86,416</u>	<u>6,45,14,987</u>
Nominal Value of Each Share in Rs.		10	10
Earning Per Share in Rs.		2.42	1.44
Significant Accounting Policies	14		
Notes Forming Part of the Accounts	15		

As per our report of even date attached
For **C. R. SHAREDALAL & CO.**

Chartered Accountants

J. K. PATEL
(Partner)

Membership No. : 047136

Date : July 29, 2010

For and on behalf of the Board

Shri Dinesh Bilgi
Shri Vasant Shah
Shri Neel Bilgi

Shri Laxman Tilani
Shri Balkrishna Makwana
Shri Pragnesh Shah

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CASH FLOW STATEMENT FOR YEAR ENDED 31st March, 2010

(AMOUNT IN RUPEES)

	Year ended March 31, 2010	Year ended March 31, 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,92,79,801	89,20,409
Adjustments for :		
Depreciation	4,09,44,167	3,13,55,065
Interest Paid	1,32,40,073	1,11,76,906
Other Income	(3,67,369)	(8,30,839)
Provision for Tax	(33,00,000)	(29,50,000)
Provision for Fringe Benefit Tax	-	(3,70,000)
Income Tax (Previous)	59,968	-
	5,05,76,839	3,83,81,132
	6,98,56,640	4,73,01,541
Operating Profit before Working Capital Changes		
Adjustments for :		
Trade Receivables	(30,44,199)	(14,91,767)
Inventories	(10,15,000)	(32,91,000)
Loan & Advances	44,77,830	31,08,757
Trade Payables	12,68,557	(20,309)
	16,87,188	(16,94,319)
	7,15,43,828	4,56,07,222
Net Cash Flow from Operating Activities (A)		
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(10,88,11,905)	(3,61,73,296)
Sale of Assets	1,04,611	6,82,878
Purchase of Investment	-	(33,400)
Other Income	3,67,369	8,30,839
	(10,83,39,925)	(3,46,92,979)
Net Cash used in Investing Activities (B)		
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proposed Dividend	(35,62,830)	(35,62,830)
Tax on Proposed Dividend	(6,05,510)	(6,05,510)
Secured Loans Raised	4,45,95,152	22,15,184
Unsecured Loans Raised	99,00,000	-
Interest Paid	(1,32,40,073)	(1,11,76,906)
	3,70,86,739	(1,31,30,062)
Net Cash used in Financing Activities (C)		
D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C)	2,90,642	(22,15,819)
Opening Balance of Cash & Cash Equivalents	21,37,800	43,53,619
Closing Balance of Cash & Cash Equivalents	24,28,442	21,37,800

For and on behalf of the Board

As per our report of even date attached
For **C. R. SHAREDALAL & CO.**
Chartered Accountants

Shri Dinesh Bilgi
Shri Vasant Shah
Shri Neel Bilgi

Shri Laxman Tilani
Shri Balkrishna Makwana
Shri Pragnesh Shah

J. K. PATEL
(Partner)

Membership No. : 047136

Date : July 29, 2010

AMOUNT IN RUPEES
31/03/2010 31/03/2009

SCHEDULE - 1
Share Capital
Authorised Capital :

5000000 Equity Shares of Rs. 10/- each	5,00,00,000	5,00,00,000
Issued, Subscribed and Paid up Capital	-----	-----
3958700 (Previous year 3958700) Equity shares of Rs. 10/- each fully paid up	3,95,87,000	3,95,87,000
TOTAL	3,95,87,000	3,95,87,000
	=====	=====

SCHEDULE - 2
Reserves and Surplus

State Cash Subsidy Received	23,92,000	23,92,000
Balance of Profit and Loss A/c	6,99,86,416	6,45,14,987
General Reserve	10,00,000	10,00,000
TOTAL	7,33,78,416	6,79,06,987
	=====	=====

SCHEDULE - 3
Secured Loan

Term Loan from Schedule Bank (i) (Installments payable in next 12 months: Rs. 3,75,00,000/P.Y. Rs. 2,46,00,000)	15,34,76,438	11,07,93,041
Cash Credit Accounts (ii)	1,42,84,908	1,36,54,948
From Life Insurance Corporation of India (Secured against Policies)	1,52,33,000	1,32,99,000
From ICICI Bank Ltd. (Secured against Vehicles)	4,03,562	7,25,874
From The Bhagyodaya Co-op Bank Ltd (Secured against Vehicles)	13,92,985	17,22,878
Instalments payable in next 12 months : Rs. 7,26,000/ P.Y. Rs. 8,34,130)	-----	-----
	18,47,90,893	14,01,95,741
	=====	=====

Notes :

- i) Term Loans are secured by first charge over Fixed Assets of the Company and Collateral Security of second charge on entire current assets of the company, pledge of shareholding of promoters and assignment of Keyman Insurance Policy. Loan is also guaranteed by personal guarantee of Managing Director.
- ii) The working capital facilities of Bank are secured by first charge on the stocks and book debts of the company and by a second charge over the immovable and other movable properties of the company. The loans are also secured by pledge of shareholding of promoters and personal guarantee of Managing Director and assignment of Keyman Insurance Policy.

SCHEDULE - 3A
Unsecured Loans

From Directors	99,00,000
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Schedules to the Accounts

SCHEDULE - 4

Fixed Assets

(AMOUNT IN RUPEES)

Description	Gross Block			Depreciation			Net Block	
	As at 1-4-09	Additions (Deductions) upto 31-03-10	Total As at 31-3-10	As on 1-4-09	During the year	Total As at 31-3-10	As at 31-3-10	As at 31-3-09
Leasehold Land	779141	Nil	779141	Nil	Nil	Nil	779141	779141
Factory Buildings	11468056	Nil	11468056	3478863	383034	3861897	7606159	7989193
Other Buildings	2602601	Nil	2602601	306934	42423	349357	2253244	2295667
Plant and Machinery	367475697	17854177	385329874	196059785	31047690	227107475	158222399	171415912
Windmills	Nil	88173352	88173352	Nil	6115655	6115655	82057697	Nil
Electrifications	5052683	552951 (185000)	5420634	3309196	417106	3726302 (141921)	1879332 (43079)	1743487
Furniture and Fixtures	8949005	204535	9153540	3540463	574869	4115332	5038208	5408542
Office Equipments	1507480	32189	1539669	615536	58991	674527	865142	891944
Computers	29232318	1994701 (10054393)	21172626	22935867	1717882	24653749 (9992861)	6573270 (61532)	6296451
Vehicles	6173865	Nil	6173865	1258095	586517	1844612	4329253	4915770
Resort (Leasehold) #	137328	Nil	137328	Nil	Nil	Nil	137328	137328
Total	433378174	98572512	531950686	231504739	40944167	262314124	269636562	201873435
Previous Year	398766400	34611774	433378174	201028318	31355065	231504739	201873435	

Leasehold Resort "Time Share" is not amortised over the period of lease.

AMOUNT IN RUPEES
31/03/2010 31/03/2009

SCHEDULE - 5 :

Investment Long Term (At Cost)

Face Value

Nos.

Quoted :

In Equity Shares (Fully Paid-up)				
- Premjyot Fabric Limited	10	1000	20,000	20,000
- Welspun Corp. Ltd	10	5000	50,000	50,000
(Market Value as on 31/3/10 Rs. 13,86,250 P. Y. Rs. 3,72,250)				

Unquoted :

In Equity Shares (Fully Paid-up)				
- The Bhagyodaya Co-op Bank Ltd.	100	462	46,200	46,200
			1,16,200	1,16,200

**SCHEDULE - 6 :****Current Assets, Loans & Advances****A) Current Assets****1. Inventories (As taken, valued & certified by the Management)**

i) Raw Materials (Lower of cost or net realisable value)	1,31,57,000	1,15,23,000
ii) Packing Materials (At Cost)	44,000	28,000
iii) Work in Process (Lower of cost & Standard Factory Overhead or net realisable value)	34,80,000	41,30,000
iv) Cons.stores & Other Material (At cost)	24,30,000	21,00,000
v) Finished Goods (Lower of cost or net realisable value)	65,85,000	69,00,000
	2,56,96,000	2,46,81,000

2. Sundry Debtors (Unsecured, considered good)

Outstanding for more than six months	62,18,729	1,02,54,090
Others	4,04,26,296	3,33,46,736
	4,66,45,025	4,36,00,826

3. Cash and Bank Balances

Cash on hand	13,87,181	6,80,154
With Scheduled Bank - Current Accounts	10,41,261	14,57,646
	24,28,442	21,37,800

B) Loans and Advances : (Unsecured, considered good)

1. Loan to Employees	9,00,163	12,33,839
2. Advances/Claims recoverable in cash or in kind or for value to be received.	68,54,493	1,06,56,872
3. Sundry Deposits	10,66,700	18,33,200
4. Advance Payment of Taxes (Net of Provision)	9,06,424	4,81,699
	97,27,780	1,42,05,610

SCHEDULE - 7**Current Liabilities and Provisions:****Current Liabilities :-**

Sundry creditors for goods	24,56,862	24,08,360
Sundry creditors for expenses	18,04,806	27,12,241
Sundry creditors for capital goods	13,10,542	-
Advance from Customers	73,667	89,775
Provision for Expenses	52,06,270	40,60,561
Provision for Interest	1,82,855	1,38,495
Unpaid Dividend	9,90,358	13,47,371
	1,20,25,360	1,07,56,803

Provisions :-

Proposed Dividend	35,62,830	35,62,830
Tax on Proposed Dividend	6,05,510	6,05,510
	41,68,340	41,68,340
	1,61,93,700	1,49,25,143

	AMOUNT IN RUPEES	
	31/03/2010	31/03/2009
SCHEDULE - 8		
Other Income		
Bad-debts Recovery	1,33,188	6,07,772
Interest (TDS during the year Rs. 16,306 P.Y. Rs. 16,353)	1,16,654	97,902
Dividend	9,152	7,714
Miscellaneous Income	1,08,375	1,17,451
	<u>3,67,369</u>	<u>8,30,839</u>
SCHEDULE - 9		
Materials consumed		
Opening stock of raw materials	1,15,23,000	1,19,96,500
Add : Purchase during the year (Net)	6,19,00,367	4,55,26,416
	<u>7,34,23,367</u>	<u>5,75,22,916</u>
Less: Closing Stock of raw materials	1,31,57,000	1,15,23,000
	<u>6,02,66,367</u>	<u>4,59,99,916</u>
SCHEDULE - 10		
(Increase) / Decrease in Stocks		
Opening Stock		
Work-in-process	41,30,000	26,30,000
Finished Goods	69,00,000	55,60,000
	<u>1,10,30,000</u>	<u>81,90,000</u>
Less: Closing Stock		
Work-in-process	34,80,000	41,30,000
Finished Goods	65,85,000	69,00,000
	<u>1,00,65,000</u>	<u>1,10,30,000</u>
	<u>9,65,000</u>	<u>(28,40,000)</u>
SCHEDULE - 11		
Employees' Remuneration & Benefits		
Salaries / Wages & Bonus	2,54,88,134	2,07,87,464
Other Benefits & Perks	63,28,491	60,16,435
Contribution to P.F. & other funds	25,34,944	23,77,119
	<u>3,43,51,569</u>	<u>2,91,81,018</u>
SCHEDULE - 12		
Manufacturing & Other Expenses		
Power & Fuel	1,15,40,715	1,11,19,622
Freight & Octroi	3,64,412	3,35,248
Stores & Spare Parts Consumed	39,14,903	51,44,644
Repairs & Maintenance :		
Machinery	2,38,455	6,65,205
Buildings	9,35,469	6,75,721
Others	5,05,981	3,59,022
Factory & Other Expenses	30,21,278	20,05,052
Packing material consumed	8,17,248	7,97,484
	<u>2,13,38,461</u>	<u>2,11,01,998</u>

AMOUNT IN RUPEES
31/03/2010 31/03/2009

SCHEDULE- 13
Administrative, Selling & Other Expenses

Printing and Stationery	10,71,257	8,31,156
Telephone	9,82,961	10,94,823
Conveyance & Petrol Expenses	20,62,433	17,63,652
Traveling Expenses	13,94,550	15,57,465
Rent	17,92,800	19,08,900
Rates & Taxes	2,33,245	86,637
Auditors' Remuneration	1,10,300	1,10,300
Office Expenses	19,69,032	14,46,140
Selling Expenses	72,66,543	78,62,654
Insurance	5,33,035	4,55,497
Keyman Insurance	20,33,910	20,33,910
Bad Debts	29,69,813	5,27,160
Donation	8,501	2,000
Loss on Sale of Assets	2,011	2,97,878
Loss due to foreign exchange fluctuation (Net)	2,51,013	4,84,756
	2,26,81,404	2,04,62,928

SCHEDULE:14: SIGNIFICANT ACCOUNTING POLICIES :
STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOLLOWED IN THE COMPILATION OF THE ACCOUNTS
i) Basis of Presentation

The Accounts have been prepared using historical cost convention and on the basis of a going concern, with revenues recognised and expenses and other claims are accounted for on accrual basis except in case of significant uncertainties. Where changes in presentation are made, comparative figures for the previous year are re-grouped accordingly.

ii) Fixed Assets

Fixed assets are stated at cost less depreciation. Cost comprises of cost of acquisition and directly attributable cost of bringing the assets to condition for its intended use.

iii) Investments

Long term Investments are stated at cost. Provision for diminution in the value of long term investment is made only if such a decline is other than temporary in nature.

iv) Inventories

Inventories are valued as under :

- Raw materials : at weighted average cost or net realisable value which ever is lower.
- Work in Process : at the aggregate of material cost and direct applicable standard overheads, or net realisable value which ever is lower.
- Finished Goods: at the aggregate of material cost and direct applicable standard overheads or net realisable value which ever is lower.
- Trading Goods : at Cost or Net realisable value which ever is lower.
- Stores and Spares and Packing Materials items are valued at Cost.

v) Depreciation

Depreciation is provided on a straight line basis, except on Windmill on which depreciation is charged on Written Down Value basis by applying the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation on addition and sale of assets during the year are charged on pro-rata basis.

vi) Foreign Currency Transactions

- Transactions in Foreign Currency are recorded at the Exchange rates prevailing at the time the transactions are effected.
- Assets and Liabilities in Foreign Currency as at year end covered by forward contracts are stated at the forward contract rates, while those not covered by forward contracts are restated at the rates of exchange at the year end.
- Exchange difference arising on the settlement of monetary items at the rates different from those at which they were initially recorded during the year or reported in previous financial statements are recognised as income or expense in the year in which they arise.



vii) Provision, 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 outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

viii) Retirement Benefits

Gratuity and Leave Encashment Liabilities are accounted for on the basis of actuarial valuation made by Life Insurance Corporation of India in respect of eligible Employees of the Company. Company's contribution to Provident Fund are charged to Profit & Loss Account.

ix) Revenue Recognition

The sales are recorded when supply of goods takes place in accordance with the terms of sales and on change of title in the goods. The sales are shown net off VAT, rebates and sales return.

x) Taxes on Income

Provision for current tax is made considering various allowances and benefits available to the company under Income tax Act. In accordance with Accounting Standard AS-22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, Deferred taxes resulting from timing differences between book and tax profits are accounted for at the current rate of tax to the extent the timing differences are expected to be crystallized.

xi) Borrowing Costs

Borrowing cost are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of an asset till put for its intended use is capitalised as part of the cost of that asset.

xii) Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

xiii) Lease

The Company's significant leasing arrangements are in respect of operating leases for premises (Residence, Office etc). The leasing arrangements which are not cancellable range between eleven months to three years generally, and are usually renewable by mutual consent at agreed terms. The aggregate lease rent payable are charged as rent in Profit & Loss Account.

xiv) Government Grants

Government grants under TUF Scheme are recognised in the financial statement on accrual basis and the same is adjusted against interest expenses for which it is granted in the nature of compensation.

xv) Power Generation from Windmills

Units generated from windmills are adjusted against the consumption of power at our factories. The monetary value of the units so adjusted, calculated at the prevailing UGVCL rates net of wheeling charges has been included in power and fuel. The value of unadjusted units as on the Balance Sheet date has been included in Advances recoverable in cash or in kind under the Schedule Loans and Advances.

SCHEDULE:15: NOTES FORMING PART OF ACCOUNTS:

		AMOUNT IN RUPEES	
		31/03/2010	31/03/2009
i)	Estimated amount of contracts remaining to be executed on capital account and not provided for	---	---
ii)	Contingent Liabilities of		
	(a) Letter of Credit by bank	9,11,250	---
	(b) Disallowance of expenses under Income Tax Act for A. Y-1996-97 matter pending with High Court of Gujarat	13,51,672	13,51,672
iii)	CIF Value of direct imports :		
	- Raw Materials	15,25,746	20,98,180
	- Capital Goods	1,01,67,248	1,74,50,048
	- Stores & Spares	8,60,709	32,86,453
iv)	Expenditure in Foreign Currency		
	- Traveling	1,00,645	1,62,807
	- Others	4,43,886	16,47,920
v)	Earning in Foreign Currency (FOB Value)	54,10,647	45,65,520
vi)	Consumption of :	% Amt. Rs	% Amt.Rs.
	a) Raw Materials:		
	Indigenous	97 5,87,40,621	95 4,39,01,736

Annual Report 2009-2010

Schedules to the Accounts



Imported
b) Stores, Spares and Tools:
Indigenous
Imported

3	15,25,746	5	20,98,180
78	30,54,194	36	18,58,191
22	8,60,709	64	32,86,453

AMOUNT IN RUPEES

31/03/2010 31/03/2009

vii) Auditors' Remuneration
- Audit Fee
- Others

1,10,300	1,10,300
11,030	---

viii) Directors Remuneration
- Salary & Bonus

29,71,055	24,69,972
-----------	-----------

2009-2010

2008-2009

ix) Capacity & production :
(Million Picks in mts.)

Installed Capacity	Production	Installed Capacity	Production
12870	9383	11414	5354

Labels

[The company is not required to obtain any license under Industrial (Development & Regulation) Act, 1951 for the products being manufactured by the company]

x) Stocks

	01/04/2009 Opening Stock		31/03/2010 Closing Stock	
	Quantity	Amount (Rs.)	Quantity	Amount (Rs.)
Raw Material (Yarn Kgs & Substrate mts)	46685 (57603)	1,15,23,000 (1,19,96,500)	51910 (46685)	1,31,57,000 (1,15,23,000)
Work in Process	10978 (8012)	41,30,000 (26,30,000)	8930 (10978)	34,80,000 (41,30,000)
Finished Stocks (Pcs.)	21243580 (14761203)	69,00,000 (55,60,000)	20324432 (21243580)	65,85,000 (69,00,000)

[Previous year's figures are denoted in bracket]

xi) Sales, Purchase and Consumption of Materials

		2009-2010		2008-2009	
	Units	Quantity	Amt. (Rs.)	Quantity	Amt. (Rs.)
Sales of Labels	Pcs.	359263572	21,42,58,947	293011397	16,53,73,907
Purchase of Raw Materials (Yarn & Substrate)	Kgs.	261131	6,19,00,367	193006	4,55,26,416
Consumption of Raw Materials (Yarn & Substrate)	Kgs.	255906	6,02,66,367	203992	4,59,99,916

xii) The figures are rounded off to the nearest rupee and are regrouped or rearranged, wherever necessary to make them comparable.

xiii) Company provides for depreciation on the fixed assets, at the rates specified in Schedule XIV of the Companies Act, 1956, on straight line method. (Windmills - Written Down Value)

xiv) Sundry Debtors, Sundry Creditors, Loans and Advances, Deposits and Personal Accounts either debit or credit are subject to confirmation from parties and reconciliation if any.

xv) In the opinion of the Board, the current assets, loans and advances have a value on realisation in ordinary course of business at least equal to the amount at which they are stated.

xvi) Prior period transactions :
- Previous year's Income Tax

2009-2010
(59968)

2008-2009

	Rs.
xvii) Employee Benefits - Particulars as per Accounting Standard AS 15 as at 31/03/2010	
1-The amount recognised in Balance sheet, Present funded obligation & Fair Value of Funded Plan Assets	67,64,649
Present Value of unfunded Obligation	(26,37,338)
Surplus / (Deficit)	41,27,311
Net Liability / (Assets)	67,64,649
2-The amounts recognised in Profit & Loss Account, By Current Service Cost	7,80,662
By Interest on Obligation	3,11,027
To Expected Return on Plan Assets	(5,31,626)
Opening Net actuarial Loss / (Gain) recognised	(2,85,145)
Employee Benefit Expense	2,74,918
3-Reconciliation of Changes in Present value of the defined Benefits,	
By Opening defined Obligation	38,87,834
Add Current Service Cost	7,80,662
Add Interest Cost	3,11,027
Actuarial Losses / (Gains)	(3,10,616)
Benefits Paid	(5,41,596)
Closing defined Benefits Obligation	41,27,311
4-Reconciliation of Changes in the fair value of Plan Asset, By Opening value of plan asset	55,55,412
By Expected Return	5,31,626
By Actuarial Gains / (Losses)	(25,471)
By Contribution by Employer	12,44,678
To Benefits Paid	(5,41,596)
Closing Fair Value of Plan Assets (By 100% Insurance Policy)	67,64,649
5-Basis of assumptions as at 31/03/2010	
Discounted Rate	8.25%
Expected Return	9.00%
Annual Increase in Salary Cost	6.00%

xviii) The Deferred Tax Liability Comprises of Tax effect of Timing difference of account of

Particulars	Deferred Tax Liability Rs. At 01/04/09	Current Year (Asset)/Liability	Deferred Tax Liability Rs. At 31/03/10
Deferred Tax Liability Difference Between Book and Tax Depreciation	2,40,00,000	64,00,000	3,04,00,000
Total....	2,40,00,000	64,00,000	3,04,00,000

xix) Earning Per Share

		2009-10	2008-09
Profit attributable to Share Holders (Rs)	(A)	95,79,801	57,00,409
Basic/Weighted Average No. of Equity Shares Outstanding during the year	(B)	39,58,700	39,58,700
Nominal Value of Equity Shares (Rs)		10	10
Basic/Diluted Earning per Share (Rs)	A/B	2.42	1.44

xx) Segment Reporting

Company has only one primary segment of manufacturing and sale of labels and does not fall under secondary segment. In view of this, details of segment information is not given as required by AS 17 Segment Reporting issued by The Institute of Chartered Accountants of India.

xxi) Related Party Transactions

(A) Related parties and nature of relationship

Sr. No.	Name of related Party	Description of relationship
1.	Mr. Dinesh Bilgi	Managing Director
2.	Mr. Neel Bilgi	Executive Director
3.	Mr. Pragnesh Shah	Executive Director

4. Mr. Chirag Bilgi		Relatives of key Management Personnel		
(B)	Transactions with Key Managerial Personnel			
	<u>Nature of Transactions</u>	<u>During the Year</u>	<u>Closing Balance</u>	<u>Previous Year</u>
	Remuneration	Refer Note No. (viii) Above	---	Refer Note (viii)
	Loan Taken	Rs. 1,11,50,000	99,00,000	Rs. 44,50,000
	Interest Paid	Rs. 8,47,200	---	Rs. 2,65,200
	Salary to Relative of Key Managerial Personnel	Rs. 2,67,723	---	Rs. 2,19,998
(C)	Related party relationship is as identified by the Company on the basis of information available with them and relied upon by the Auditors.			

xxii) Interest Expenses

	2009-10	2008-09
On Term Loans	1,44,92,352	1,42,44,320
Less : TUF Reimbursement on Term Loan Interest	(49,58,928)	(56,47,247)
On Working Capital	12,03,505	10,64,456
	-----	-----
On other Loans	1,07,36,929	96,61,529
	25,03,144	15,15,377
	-----	-----
	1,32,40,073	1,11,76,906
	=====	=====

xxiii) Disclosure in accordance with Part I of Schedule VI of Companies Act, 1956 in respect of Micro, Small and Medium Enterprises:

Sr. No.	Particulars	2009-10	2008-09
a.	Principal amount remaining unpaid	NIL	NIL
b.	Interest due thereon	NIL	NIL
c.	Interest paid by the Company in term of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006	NIL	NIL
d.	Interest due and payable for the period of delay in payment	NIL	NIL
e.	Interest accrued and remaining unpaid	NIL	NIL
f.	Interest remaining due and payable even in succeeding years.	NIL	NIL

This information as required to be disclosed has been determined to the extent such parties have identified on the basis of information available with the Company. Further, previous year information is not available with the Company.

As per our report of even date attached
For **C. R. SHAREDALAL & CO.**

Chartered Accountants

J. K. PATEL
(Partner)

Membership No. : 047136

Date : July 29, 2010

For and on behalf of the Board

Shri Dinesh Bilgi
Shri Vasant Shah
Shri Neel Bilgi

Shri Laxman Tilani
Shri Balkrishna Makwana
Shri Pragnesh Shah

Balance Sheet abstract and Company's General Business Profile (Information pursuant to Part IV of Schedule VI to the Companies Act, 1956)

1. Registration Details

Registration No.	:	12213	State :	04
Balance Sheet	:	31-03-2010		

2. Capital Raised during the year (Amount Rs. in Thousand)

Public Issue	:	Nil	Right Issue :	Nil
Bonus Issue	:	Nil	Private Placement :	Nil

3. Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousand)

Total Liabilities	:	354250	Total Assets :	354250
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SOURCE OF FUNDS

Paid-up Capital	:	39587	Reserves & Surplus :	73378
Secured Loan	:	184791	Unsecured Loan :	9900
Other Liabilities	:	30400		

APPLICATION OF FUNDS

Net Fixed Assets	:	269637	Investments :	116
Net Current Assets	:	68304	Misc. Expenditure :	Nil
Accumulated Losses	:	Nil	Capital Work-In-Progress :	Nil

4. Performance of Company (Amount Rs. in Thousand)

Turnover	:	214626	Total Expenditure :	195347
+ / - Profit/(Loss) before tax	:	19280	+ / - Profit/(Loss) after tax :	9580
Earning per Share (Rs.)	:	2.42	Dividend Rate (%) :	9

5. General Names of Three Principal Products/Services of the Company (As per Monetary Terms)

Item Code No. (ITC Code)	:	58071009
Product Description	:	Other Textile Materials

Arex Industries Ltd.

Regd. Office : 612, GIDC, Chhatral, Tal. Kalol, Dist. Gandhinagar - 382729.



NAME AND ADDRESS

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21ST ANNUAL GENERAL MEETING

23rd September, 2010 at 11.30 A.M.

Shor Sharaba Food Inn Pvt Ltd
3317, GIDC, Highway, Chhatral - 382 729

ADMISSION SLIP

Please hand over this admission slip at the entrance of the meeting hall

DP ID No. :

L. F. No. :

Client ID No. :

Holding :

☐

Member

☐

Proxy

NAME OF THE PROXY / MEMBER (IN CAPITAL LETTERS)

I hereby register my presence at the meeting

Signature of the Member / Proxy

Arex Industries Ltd.

Regd. Office : 612, GIDC, Chhatral, Tal. Kalol, Dist. Gandhinagar - 382729.



I/We

.....

.....

PROXY FORM

DP ID No. :

L.F. No. :

Client ID No. :

Holding :

In the district of being a member / members of Arex Industries Limited hereby appoint of in the district of or failing him/her..... of in the district of as my / our proxy to vote for me / us and on my / our behalf at the 21st Annual General Meeting of the Company to be held on Thursday, 23rd September, 2010 and at any adjournment thereof.

Signed this day of 2010.

PROXY FORM

Proxy No.	Date of Receipt

Proxy form must reach company's registered office not later than 48 hours before the commencement of the meeting.

Affix
One
Rupee
Revenue
Stamp

Signature

Book - Post

To,

If undelivered please return to :

Arex Industries Ltd.

**S/10, Vikram Chambers,
Ashram Road,
Ahmedabad - 380 009.**