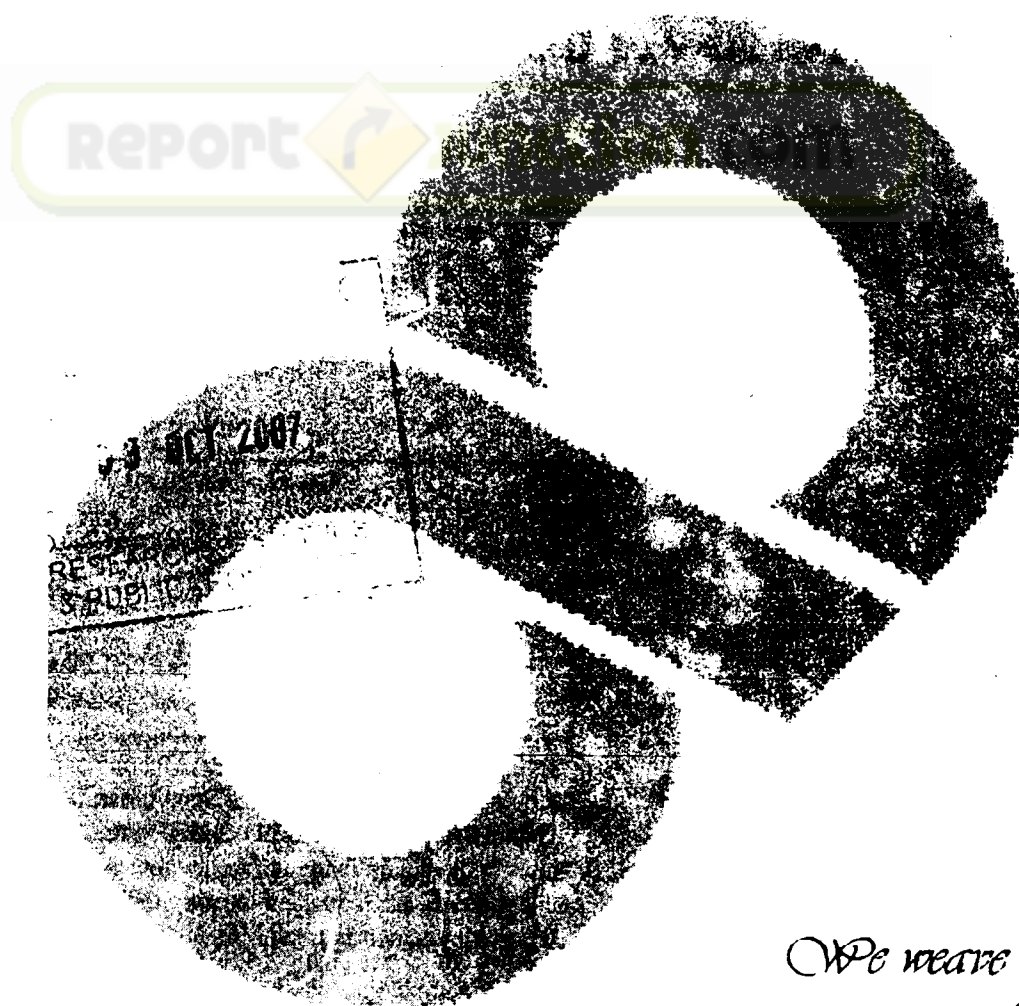




# Arex Industries Limited

18<sup>th</sup> ANNUAL REPORT 2006-2007



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# **Arex Industries Limited**

## **Board of Directors :**

<b>Shri Dinesh A Bilgi</b>	<i>Chairman &amp; Managing Director</i>
<b>Shri Neel D Bilgi</b>	<i>Executive Director</i>
<b>Shri Pragnesh K Shah</b>	<i>Director</i>
<b>Shri Laxman C Tilani</b>	<i>Director</i>
<b>Shri Vasant R Shah</b>	<i>Director</i>
<b>Shri Balkrishna I Makwana</b>	<i>Director</i>

## **Bankers :**

State Bank of India

## **Auditors :**

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

## **Registrars and**

### **Transfer Agent :**

Pinnacle Share Registry Pvt. Ltd.  
Nr. Asoka Mills, Naroda Road,  
Ahmedabad - 380 025.

## **Registered Office & Plant :**

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

### **18TH ANNUAL GENERAL MEETING**

<b>Date</b>	<b>:</b>	<b>22<sup>nd</sup> day of September, 2007</b>
<b>Day</b>	<b>:</b>	<b>Saturday</b>
<b>Time</b>	<b>:</b>	<b>10.30 A.M.</b>
<b>Place</b>	<b>:</b>	<b>Hotel Satkar, H/1, 2A, G.I.D.C. Highway, Chhatral - 382 729 (N.G.)</b>

Notice of the 18th Annual General Meeting of the Company to be held on Saturday, 22<sup>nd</sup> day of September, 2007 at 10.30 a.m. at Hotel Satkar, H/1, 2A, G.I.D.C. Highway, Chhatral-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.

## Arex Industries Ltd.



### NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of members of the Company, will be held on Saturday, 22<sup>nd</sup> day of September, 2007 at 10.30 a.m. at Hotel Satkar, H/1, 2A, GIDC, Highway, Chhatral, Dist : Gandhinagar - 382 729 (N G), to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt audited accounts for the year ended on 31<sup>st</sup> March, 2007 and the reports of the Directors and Auditors thereon.
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 Balkrishna I. Makwana, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

#### SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolution as Special Resolutions:

**"RESOLVED THAT** pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby given to appointment of Shri Chirag D. Bilgi, a relative of Shri Dinesh A. Bilgi, Chairman and Managing Director of the Company and Shri Neel D. Bilgi, Executive Director of the Company, to hold an Office or place of Profit as Executive Officer (Marketing) w.e.f. 1<sup>st</sup> July, 2007 on a salary of Rs. 16,500/- per month plus perquisites and other terms and conditions as stated in the Explanatory Statement annexed hereto."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to review, or revise the terms and conditions including remuneration payable to Shri Chirag D. Bilgi, so however that the remuneration shall not exceed the limits laid down under the provisions of Section 314 of the Companies Act, 1956, as amended from time to time, and to do all such acts, deeds, matters and things as may be deemed expedient for the purpose."

By Order of the Board

Regd Office:  
612, GIDC Estate, Chhatral  
Tal : Kalol  
Dist : Gandhinagar-382 729  
June 26, 2007

Dinesh A Bilgi  
Chairman & Mg Director

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 Tuesday, 18<sup>th</sup> September, 2007, to Saturday, 22<sup>nd</sup> September, 2007 (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 22<sup>nd</sup> September, 2007 to those members whose names appear in the Register of Members as on 17<sup>th</sup> September, 2007.

4. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 and Clause 49 of the Listing Agreement, in respect of item No.3, 4 & 6 is annexed herewith.
5. Members desirous of any information or clarification on accounts, 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 on 17<sup>th</sup> September, 2007, in respect of shares in 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 17<sup>th</sup> September, 2007.
7. Members are requested to notify immediately any change in their addresses to the Company at it Registered Office or its Registrar & Share Transfer Agent M/s Pinnacle Share Registry Pvt Ltd, Naroda Road, Ahmedabad.

**Information on Directors retiring by rotation seeking re-appointment at this Annual General Meeting as required under Clause 49 of the Listing Agreement of Mumbai Stock Exchange and Explanatory Statement pursuant to Section 173 of the Companies Act, 1956:**

#### Item No 3

Shri Neel D. Bilgi is aged about 29 years is MBA (Marketing) with experience in various fields. He has been associated with the Company since 1999 and has been appointed as Executive Director w.e.f. 1<sup>st</sup> August, 2005. He looks after the marketing and day to day General Administration of the Company.

None of the Directors, except Shri Neel D. Bilgi and Shri Dinesh Bilgi, being relatives, is in any way concerned or interested in the said resolution.

#### Item No.4

Shri Balkrishna I. Makwana is aged about 60 years is B Sc (Agr.). He worked with Central Bank of India since 1969 and was Branch Manager since 1978. He retired under VRS Scheme from the Bank in the year 2001. He was appointed as an independent director of the Company w.e.f. 1<sup>st</sup> February, 2003 and is the Chairman of Audit Committee and Shareholder's Grievance Committee. He has been rendering valuable services to the Company.

None of the Directors, except Shri Balkrishna I. Makwana, is interested in the said resolution.

#### Item No.6

The Directors of the Company appointed Shri Chirag D. Bilgi, relative of Shri Dinesh A. Bilgi, Chairman & Managing Director and Shri Neel D. Bilgi, to hold Office or Place of Profit as Executive Officers w.e.f. 1.7.2007. Shri Chirag D. Bilgi is a BBA(Marketing). He shall also be entitled to the perquisites and benefits as per Rules of the Company. As required under the provisions of Section 314 of the Companies Act, 1956, your approval by way of Special Resolution is necessary. The Directors recommends the Special Resolution.

The Appointment shall be terminated by giving 30 days Notice or salary in lieu thereof either side, Shri Dinesh A. Bilgi and Neel D. Bilgi, being relatives, may be deemed to be concerned or interested in the Resolution.

By Order of the Board

Regd Office:  
612, GIDC Estate, Chhatral  
Tal : Kalol  
Dist : Gandhinagar-382 729  
June 26, 2007

Dinesh A Bilgi  
Chairman & Mg Director

**Arex Industries Ltd.****DIRECTORS' REPORT**

To  
The Members,

Your Directors are pleased to present their 18<sup>th</sup> Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31<sup>st</sup> March, 2007.

<b>FINANCIAL RESULTS</b>	(Amount in Rupees)	
	<b>31.03.2007</b>	<b>31.03.2006</b>
Sales (Net)	14,17,45,890	12,59,82,898
Profit before depreciation	4,38,02,476	4,77,28,093
Less: Depreciation	2,62,52,224	2,12,40,341
Provision for Taxation	50,00,000	49,00,000
Provision for Deferred Tax	9,00,000	28,57,900
Provision for Fringe Benefit Tax	3,00,000	2,71,000
<b>Profit after Tax</b>	<b>1,13,50,252</b>	<b>1,84,58,852</b>
Surplus brought forward from previous year	5,22,16,329	3,79,36,847
Less: Tax Adjustment	4,70,820	1,16,850
<b>Profit available for</b>		
<b>Appropriation</b>	<b>6,30,95,761</b>	<b>5,62,78,849</b>
Proposed Dividend	35,62,830	35,62,830
Tax on Proposed Dividend	6,05,510	4,99,690
<b>Balance Carried to</b>		
<b>Balance Sheet</b>	<b>5,89,27,421</b>	<b>5,22,16,329</b>

**OPERATIONS**

The Company's performance continued to be satisfactory. The Company has secured sales of Rs.1417.46 lacs, i.e. an increased of 13% over the previous year's sales of Rs.1259.83 lacs. The Company has earned a profit of Rs. 438 lacs as against profit of Rs.477 lacs earned during the previous year, before depreciation and taxes.

**DIVIDEND**

In view of the Company's profitable performance, your directors are pleased to recommend final dividend at 9% (i.e. Re. 0.90 per share) subject to approval of the members in their ensuing Annual General Meeting. The total amount of dividend outgo will be Rs.35,62,830/- and tax on dividend will be Rs.6,05,510/-. The requisite provision for dividend has been made in the accounts for the year ended 31<sup>st</sup> March, 2007.

**FINANCE**

The Company has been availing financial assistance and other credit facilities from State Bank of India to part finance the expansion project.

**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 and machineries and stocks are adequately insured.

**DIRECTORATE**

Shri Neel D. Bilgi and Shri Balkrishna I. Makwana retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointments. You are requested to consider their re-appointments.

**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 year 2006-07, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the Directors had 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 31<sup>st</sup> March, 2007 and the profits of the Company for that year;
- the Directors had 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 Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the Annual Accounts 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 Share Dalal & 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 reappointment.

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

In house study was made for identifying areas for optimum utilisation of power and fuel. Information as required under

## Arex Industries Ltd.



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

As required by Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited the Reports on Management Discussion and Analysis, Corporate Governance as well as Auditors' Certificate regarding compliance of conditions of Corporate Governance, is given by way of "Annexure - B" forming part of this Report.

### ACKNOWLEDGEMENTS

The Board of Directors of the Company hereby express their sincere appreciation for the excellent support and co-operation extended by 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

June 26, 2007

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 31<sup>ST</sup> MARCH, 2007.

##### A. Conservation of Energy:

(a)	Energy conservation measures taken	
(b)	Additional investments & proposals, if any, being implemented for reduction of consumption of energy.	The Company is conscious about the conservation of energy and 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. G. Sets of 400 KVA have been installed as standby for continuous power supply.
(d)	Total energy consumption and energy consumption per unit of production	As per Form A

#### Form A

(SEE RULE 2)

#### FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

		2006-07	2005-06
<b>A. Power and Fuel Consumption</b>			
Electricity	Purchased Unit	16,52,764	14,25,941
	Total Amount (Rs.)	76,97,647	64,08,261
	Rate/Unit	4.66	4.40
	Avg. Consumption per million mts picks (Rs.)	1565	1503
<b>B. Technology Absorption</b>		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 is carried out by the Company.	
(2)	Benefits derived as a result of the above R&D	The Company does not have separate R&D activities and hence, separate expenses are not worked out.
(3)	Future plan of action	
(4)	Expenditure on R&D	



**Arex Industries Ltd.**

Technology absorption, adaptation and innovation

(1) Efforts, in brief, made towards technology absorption, ptation and innovation.	The Company utilizes indigenously developed production technology. The technology has already been fully absorbed.
(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	N. A.
d) If not fully absorbed, areas where this has not taken place, reasons & future plans of action	

**C. Foreign Exchange Earnings and Outgo**

(i) Foreign Exchange Used	
a) Import of Capital Goods	Rs. 4,18,97,903
b) Import of Stores & Spares	Rs. 17,69,553
c) Travelling	Rs. 1,90,930
d) Import of Raw Materials	Rs. 35,77,333
ii) Foreign Exchange Earned on account of exports	Rs. 35,94,687

Annexure - "B"

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT****Overview**

Your Company is leading manufacturer, supplier and exporters of woven and printed labels. Labels are used in ready-made garments, hosiery, shoes, bridges, Terry Towels and Leather Garments. They provide brand, size, country of origin, care and content information for consumers and tracking information for retailers. Most of the company's customers are retailers, branded apparel entities or contract manufacturers.

**Industry Structure**

The Indian Textile Industry is one of the largest and oldest sectors in the country and among the most important in the economy in terms of output, investment and employment. Your Company is engaged in supplying accessories to Garment manufactures a segment of textile industry.

**Opportunities, Threats, Risks and concerns**

The Indian Label Industry is now firmly in the fast growth path. With ballooning Indian Retail Market, the demand for labels is increasing day by day. Most of the customers have become brand conscious and are demanding globally acceptable high quality labels. By the changing trend, the expectations are very high with bright prospects and there is need to capitalize the new emerging opportunities.

Seeing the increasing margin, new global players have opened their offices in India and host of small manufac-

turers had entered the market at the cost of quality products. Entry of International players with a change in consumer behaviour are forcing Indian Label Manufacturers to modernize their products & understand the importance of labels to be produced locally and expect the same quality & service standards available in developed countries. Further, the fluctuation in exchange rates is also affecting the business. Your Company is facing stiff competition in the market.

However, with strong and experienced production and marketing team along with officers at various part of India, the Company has achieved sufficient capability and resources. Further, foreseeing the demand of the market, the Company had increased the capacity by adding few more imported looms and machineries to its production unit.

**Outlook**

The Company continues to be a market leader in developing and providing products and solutions that add significant value for its customers both in brand building and information services. The Company strives to maintain its lowest-cost producer profile; it is also fully committed to providing its customers with products that are supported with exceptional service and quality. With continuous investment in new product developments, new and update machinery and technology and innovative sales and marketing initiative, the management

## Arex Industries Ltd.



believes that it is well positioned to compete successfully as provider of innovative brand identification solutions to the retail and apparel industry world wide.

### Internal Control Systems

The Company has put in place a system of internal controls and checks which are supplemented by regular internal audit procedure commensurate with the size of its business and nature of its operations. 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's performance has been satisfying. The gross revenue for the year was Rs. 14.22 Crores resulting a gross profit of Rs.4.38 Crores for the year under review. The Directors recommended a dividend of Rs.0.90 per equity share for the year ended on 31<sup>st</sup> March, 2007. Your Directors are hopeful for better results for the years to come.

### Human Resources

As on 31<sup>st</sup> March, 2007, 168 personnel were working with the Company at its factory and various Customer Service Centers at various places. The relations between the employees and the management remained cordial throughout the year under review.

### 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

The Company's shares are listed at Bombay Stock Exchange Limited. Accordingly, the Corporate Governance Report of the year 2006-07 as per the provisions of Clause 49 of the Listing Agreement is given below:

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

The Company's activities are carried out in accordance with good corporate practice and the Company is constantly striving to adopt the best practices.

### 2. BOARD OF DIRECTORS

#### a. Composition

The Board of Company consists of six directors, of whom four are non-executive and are independent directors. Shri Dinesh A. Bilgi and Shri Neel D. Bilgi are whole time executive directors.

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

#### b. Board Procedure

The Board of Directors met five times on the following dates: 29<sup>th</sup> April, 2006, 27<sup>th</sup> June, 2006, 31<sup>st</sup> July, 2006, 31<sup>st</sup> October, 2006 and 28<sup>th</sup> January, 2007. The gap between any two meetings did not exceed four months. The Board of the Company is presented with all the relevant information well in advance before such meeting on various matters affecting the working of the Company, as well as those that require deliberation at the highest level. Directors have separate and independent access to senior management at all times.

The table below gives the composition of the board and the attendance records of the directors at the board meetings held during 2006-07, as well as at the last annual general meeting.

**Arex Industries Ltd.**

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	5	Y	Nil	Nil
Neel D. Bilgi	ED	5	Y	Nil	Nil
Laxman C. Tilani	NED	5	Y	Nil	Nil
Vasant R. Shah	NED	5	Y	Nil	Nil
Pragnesh K. Shah	NED	5	Y	Nil	Nil
Balkrishan Makwana	NED	5	Y	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.  
 3. NED - Non Executive Director and Independent Director.

**3. COMMITTEES OF THE BOARD****a. Audit Committee**

The Audit Committee was set up since 2003. The Committee has been reviewing its working and making appropriate changes from time to time to bring about greater effectiveness as required under the provisions of Clause 49 of the Listing Agreement. The Audit Committee consists of (1) Shri Balkrishna I. Makwana, (2) Shri Laxman C. Tilani, and (3) Shri Pragnesh K. Shah. Shri Balkrishna I. Makwana is the Chairman of the Committee. During the year 2006-07, the Audit Committee met 4 times on the following dates: 27<sup>th</sup> June, 2006, 31<sup>st</sup> July, 2006, 31<sup>st</sup> October, 2006 and 28<sup>th</sup> January, 2007. All members were present at the aforesaid meetings. All members of the audit committee are independent and non-executive directors. The minutes of the Audit Committee Meetings are placed at the Meeting of the Board of Directors.

**b. Remuneration Committee**

The Company has not set up separate remuneration committee. However, Audit Committee is entrusted with the powers of finalising remuneration payable to the Directors and other employees of the Company. The components of the total remuneration vary for different cadres and are governed by the industry pattern, qualification, experience and other relevant factors of the employees. Non Executive Directors are not paid any remuneration.

**c. Shareholders Grievance Committee**

The Shareholders Grievance Committee has been constituted to attend to and redress the investor's grievance. The said Committee comprises of (1) Shri Balkrishna I. Makwana, Chairman and (2) Shri Laxman C. Tilani, Member. Both are Independent and Non-Executive Directors. The Committee specifically looks into shareholders complaints 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 18 complaints from shareholders, which were resolved and there is no complaint pending as on 31<sup>st</sup> March, 2007. Mr. Saji Joseph is a Compliance Officer of the Company.

**4. REMUNERATION OF DIRECTORS****Executive Director**

The Managing Director and Executive Directors are paid remuneration as under:

Name of Director	Salary (Rs)	Perquisites (Rs)
Shri Dinesh A. Bilgi <i>Chairman and Managing Director</i>	8,79,180	5,00,000
Shri Neel D. Bilgi <i>Executive Director</i>	4,26,646	3,00,000