

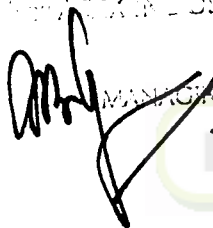


Arex Industries Limited

19th ANNUAL REPORT 2007-2008

CERTIFIED TRUE-COPY

AREX INDUSTRIES LTD.

MANAGING DIRECTOR

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We weave brands

Arex Industries Limited

Board of Directors :

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

Bankers :

State Bank of India

Auditors :

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

Registars 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

19TH ANNUAL GENERAL MEETING

| | | |
|-------|---|-----------------------------------------------------------------------|
| Date | : | 13 th day of September, 2008 |
| Day | : | Saturday |
| Time | : | 10.30 A.M. |
| Place | : | Hotel Satkar, H/1, 2A, G.I.D.C. Highway, Chhatral – 382 729 (N.G.) |

Notice of the 19th Annual General Meeting of the Company to be held on Saturday, 13th day of September, 2008 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 19th Annual General Meeting of members of the Company, will be held on Saturday, 13th day of September, 2008 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 31st March, 2008 and the reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Laxman C Tilani, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vasant R. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

By Order of the Board

Regd Office:

612, GIDC Estate, Chhatral

Tal : Kalol

Dist : Gandhinagar-382 729

Date: 27th June, 2008

Notes:

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, 9th September, 2008, to Saturday, 13th September, 2008 (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 13th September, 2008 to those members whose names appear in the Register of Members as on 13th September, 2008.
4. The relative Explanatory Statement pursuant to Clause 49 of the Listing Agreement, in respect of item No.3 & 4 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 13th September, 2008, 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 8th September, 2008.
7. 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 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 Bombay Stock Exchange Ltd:

Item No.3

Shri Laxman C Tilani is aged about 53 years is a non-matriculate. He has a 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 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 or concerned in the resolution.

Item No.4

Shri Vasant R Shah aged about 63 years is a Non-Metriculate. He has wide experience in the marketing in woven label industry. He has been a Director of the Company, since 1994.

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

By Order of the Board

Regd Office:

612, GIDC Estate, Chhatral

Tal : Kalol

Dist : Gandhinagar-382 729

Date: 27th June, 2008

Dinesh A Bilgi

Chairman & Mg Director



Annual Report 2007-2008

DIRECTORS' REPORT

To
The Members,

Your Directors are pleased to present their 19th Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March, 2008.

| FINANCIAL RESULTS | (Amount in Rupees) | |
|-------------------------------------------|--------------------|--------------------|
| | 31.03.2008 | 31.03.2007 |
| Sales (Net) | 16,15,96,084 | 14,17,45,890 |
| Profit before depreciation | 452,12,111 | 4,38,02,476 |
| Less: Depreciation | 3,14,93,160 | 2,62,52,224 |
| Provision for Taxation | 55,00,000 | 50,00,000 |
| Provision for Deferred Tax | (4,00,000) | 9,00,000 |
| Provision for Fringe Benefit Tax | 3,25,000 | 3,00,000 |
| Profit after Tax | 82,93,951 | 1,13,50,252 |
| Surplus brought forward | | |
| from previous year | 5,89,27,421 | 5,22,16,329 |
| Less: Tax Adjustment | 70,114 | 4,70,820 |
| Profit available for Appropriation | 6,71,51,258 | 6,30,95,761 |
| Proposed Dividend | 35,62,830 | 35,62,830 |
| Tax on Proposed Dividend | 6,05,510 | 6,05,510 |
| Balance Carried to Balance Sheet | 6,29,82,918 | 5,89,27,421 |

OPERATIONS

The Company's performance continued to be satisfactory. The Company has secured sales of Rs. 1615.96 lacs, i.e. an increase of 14% over the previous year's sales of Rs. 1417.46 lacs. The Company has earned a profit of Rs. 452.12 lacs as against profit of Rs. 438.02 lacs earned during the previous year, before depreciation and taxes.

DIVIDEND

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 final dividend, if declared as above would involve 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, 2008.

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 Laxman C Tilani and Shri Vasant R Shah retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointment. 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 2007-08, 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 31st March, 2008 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 Sharsedalal & 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 - B 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

Date : 27th June, 2008

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, 2008.

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.

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**

| | | 2007-08 | 2006-07 |
|--------------------------------------|----------------------------------------------|---------------|-----------|
| A. Power and Fuel Consumption | | | |
| Electricity | Purchased Unit | 19,60,523 | 16,52,764 |
| | Total Amount (Rs) | 92,75,222 | 77,71,692 |
| | Rate/Unit | 4.73 | 4.70 |
| | Avg. Consumption per million mts picks (Rs.) | 1641 | 1580 |
| B. Technology Absorption | | 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.



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Technology absorption, adaptation and innovation

- (1) Efforts, in brief, made towards technology absorption, ptation 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

| | | |
|-----|-----------------------------------------------|-----------------|
| (i) | Foreign Exchange Used | |
| a) | Import of Capital Goods | Rs. 1,73,26,428 |
| b) | Import of Stores & Spares | Rs. 12,11,690 |
| c) | Travelling | Rs. 1,49,936 |
| d) | Import of Raw Materials | Rs. 23,80,579 |
| ii) | Foreign Exchange Earned on account of exports | Rs. 40,97,995 |

Annexure – “B”

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

The Company is engaged in the manufacturing of Garment Labels. The labels are widely used in ready-made garments, hosieries, shoes, badges, terry towels & leather garment products. The entire production of your Company is currently being consumed by the garment manufacturers and exporters in India and abroad.

Industry Structure

The Indian industries are fast developing. The Company is engaged in supplying accessories to garment and other textile auxiliary Industries. The demand for labels is increasing with the growth of these industries.

Opportunities, Threats, Risks and concerns

The year under review was exceptional year for your company, the first quarter was slightly effected by contentious issue of the appreciation of Indian Rupee, thereafter, and business picked up and was able to give outstanding performance. With opening of big malls & multi branded outlet, demand for quality labels is increasing day by day. The customers, now a days, become brand conscious and are demanding globally acceptable high quality labels.

The Company driven by positive approach has already invested heavily in modern technology to cut operating costs. The Company is expanding its production capacity in a strategic manner. The Company has added few more machines during the year under review for value added products. With the strong production and marketing team along with Customer Centers at various part of India, the Company expects better results in coming years.

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 informative

services. The Company strives to maintain its low-cost product profile; it is also fully committed to providing its customers with products with exceptional service and quality.

Internal Control Systems

The Company has put in place a system of internal controls and checks which are supplemented by regular internal check procedure. 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 satisfactory. The gross revenue for the year was Rs. 16.16 Crores resulting into a gross profit of Rs. 4.52 Crores for the year under review. The Directors recommended a dividend of Rs. 0.90 per equity share for the year ended on 31st March, 2008.

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.

Arex Industries Ltd.



REPORT ON CORPORATE GOVERNANCE

The Company's shares are listed at Bombay Stock Exchange Limited. Accordingly, the Corporate Governance report of the year 2007-08 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 independent Directors. Shri Dinesh A Bilgi is a Chairman and Managing Director and Shri Neel D Bilgi is a Whole Time Executive Director.

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: 30th April, 2007, 26th June, 2007, 31st July, 2007, 29th October, 2007 and 29th January, 2008. 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.

The table below gives the composition of the Board and the attendance records of the Directors at the Board Meetings held during 2007-08, as well as at the last annual general meeting.

| 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 I. 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 2007-08, the Audit Committee met 4 times on the following dates: 26th June, 2007, 31st July, 2007, 29th October, 2007 and 29th January, 2008. 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.



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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. Shri Dinesh A Bilgi, Chairman & Managing Director and Shri Neel D Bilgi, 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 performance. The Non Executive Directors were not paid remuneration during the year 2007-2008.

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 14 complaints from shareholders, which were resolved and there is no complaint pending as on 31st March, 2008. Shri 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

| | |
|---------------------------------------|-----------|
| Shri Dinesh A Bilgi | 13,51,899 |
| <i>Chairman and Managing Director</i> | |
| Shri Neel D Bilgi | 12,25,674 |
| <i>Executive Director</i> | |

5. GENERAL BODY MEETINGS

The last three Annual General Meeting were held as under:

| Year | Location/Venue | Date | Time |
|-----------|-------------------------------------------------------------------|------------|-------------|
| 2004-2005 | Hotel Satkar, H/1, 2/A, GIDC, Highway, Chhatral – 382 729 (N. G.) | 05.09.2005 | 10.30 a. m |
| 2005-2006 | Hotel Satkar, H/1, 2/A, GIDC, Highway, Chhatral – 382 729 (N. G.) | 05.09.2006 | 10.30 a. m. |
| 2006-2007 | Hotel Satkar, H/1, 2/A, GIDC, Highway, Chhatral – 382 729 (N. G.) | 22.09.2007 | 10.30 a. m. |

The Company has no resolutions to be passed through postal ballot at the ensuing Annual General Meeting.

6. DISCLOSURES

- 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.
- 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.
- 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.

7. MEANS OF COMMUNICATION

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