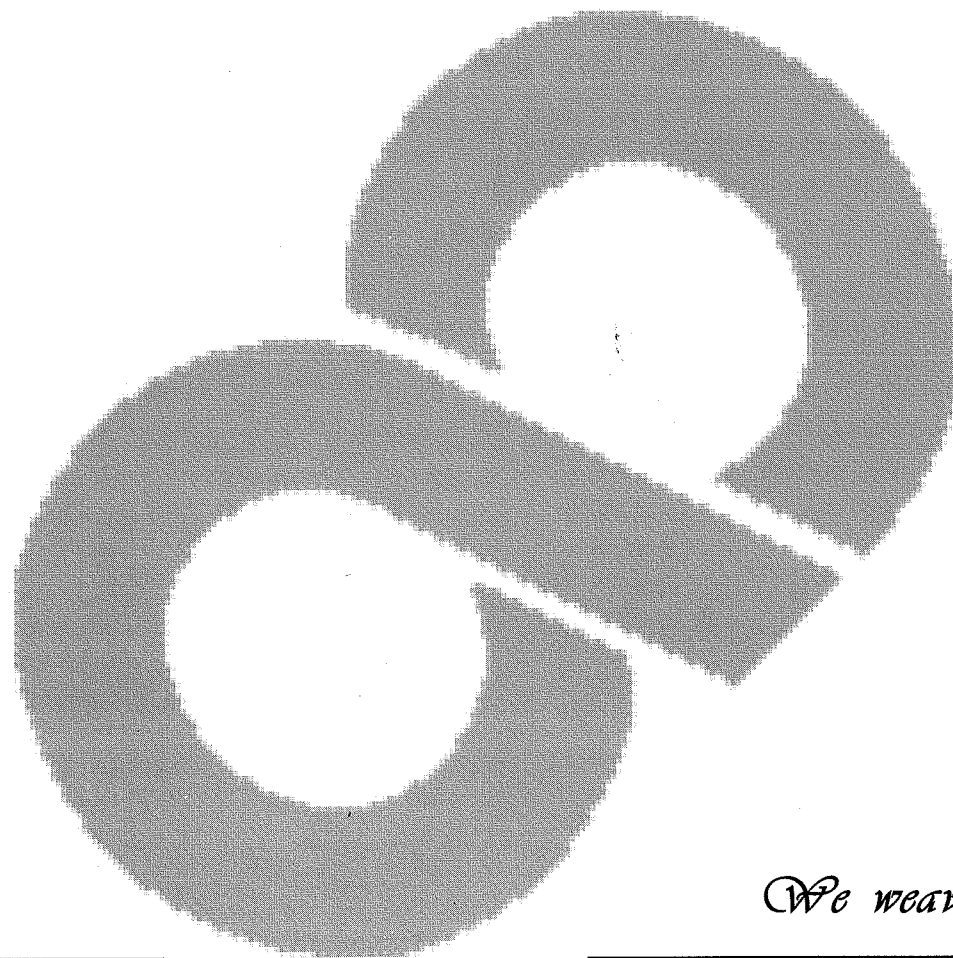




# Arex Industries Limited

## 23<sup>RD</sup> ANNUAL REPORT 2011-2012



*We weave brands*

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

**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, G. I. D. C. Estate  
Chhatral, Tal.: Kalol  
Dist : Gandhinagar - 382 729

### 23<sup>RD</sup> ANNUAL GENERAL MEETING

Date	:	18 <sup>th</sup> September, 2012
Day	:	Tuesday
Time	:	11.30 A.M.
Place	:	Shor Sharaba Food Inn Pvt. Ltd. 3317, G.I.D.C., Highway, Chhatral, Tal.: Kalol, Gandhinagar – 382 729

Notice of the 23<sup>rd</sup> Annual General Meeting of the Company to be held on Tuesday, 18<sup>th</sup> day of September, 2012 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 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 23<sup>rd</sup> Annual General Meeting of members of the Company, will be held on Tuesday, 18<sup>th</sup> day of September, 2012 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 31<sup>st</sup> March, 2012 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 Dinesh H Pande, 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 Neel D Bilgi, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

**Regd Office:**  
612, GIDC Estate  
Chhatral, Tal : Kalol  
Dist : Gandhinagar-382 729  
**Date : 31<sup>st</sup> July, 2012**

**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 Thursday, 13<sup>th</sup> September, 2012 to Tuesday, 18<sup>th</sup> September, 2012 (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 18<sup>th</sup> September, 2012 to those members whose names appear in the Register of Members as on 18<sup>th</sup> September, 2012.
4. The relative Explanatory Statement pursuant to Clause 49 of the Listing Agreement in respect of item No.3 to 5 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 as on 18<sup>th</sup> September, 2012, in respect of shares held in Physical form and in respect of shares held in the electronic form, to those "Deemed Members" whose names 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 12<sup>th</sup> September, 2012.
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	Tentative date of Transfer to IEPF
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
2009-10	23/09/2010	9	Final Dividend	0.90	22/10/2017
2010-11	17/09/2011	9	Final Dividend	0.90	16/10/2018

8. As per the provisions of Section 205C of the Companies Act, 1956 and the Rules made thereunder, the Company has transferred whole of the unpaid and/or unclaimed Final dividend amount for the year 2003-04 to the Investor Education and Protection Fund (IEPF) on 15.10.2011.
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 holding shares in physical form can submit PAN details to the Company or its Registrar, M/s Sharepro Services (I) Pvt Ltd.
10. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to the Registrar, M/s. Sharepro Services (I) Pvt Ltd, for consolidation into a single folio.
11. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/document including Annual Report can be sent by email to its members. To support this green initiative of the Government in full measure, members who have not registered their email addresses, so far, are requested to register their email addresses, in respect of electronic holding with the Depository through their concerned Depository Participants.
12. 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**

Shri Dinesh H Pande, aged about 62 years, is a Commerce & Law Graduate and also holds a Diploma Degree in Business Management. Shri Dinesh H Pande has a vast experience of over three decades in various fields including Marketing and Human Resource Department. He was appointed as an Independent Director of the Company since 1<sup>st</sup> August, 2010. He is a member of the Audit Committee and the Shareholders Grievance Committee. He has provided valuable guidance and expert services to the Company.

None of the Directors, except Shri Dinesh H Pande, is interested in the said resolution.

**Item No. 4**

Shri Laxman C Tilani aged about 60 years is an under graduate having vast experience in marketing and other areas in woven & printed fabrics & labels industry. He has been a Director of the Company since 14<sup>th</sup> 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 or concerned in the resolution.

**Item No. 5**

Shri Neel D Bilgi aged about 34 years is a MBA (Marketing) and has experience in various fields. He is a son of Shri Dinesh A Bilgi, Chairman and Managing Director and brother of Shri Chirag D Bilgi, Executive Director of the Company. He has been associated with the Company over a decade and has also been re-appointed as Executive Director w.e.f. 1<sup>st</sup> August, 2010. He looks after the Marketing, Customer Services and Administration Departments of the Company. He has also contributed with his expertise for the product developments and production Department.

None of the Directors, except Shri Dinesh A Bilgi, Managing Director of the Company, Shri Neel D Bilgi and Shri Chirag D Bilgi, Executive Directors of the Company, being relatives, are interested or concerned in the resolution.

**Regd Office:**  
612, GIDC Estate  
Chhatral, Tal : Kalol,  
Dist : Gandhinagar-382 729  
**Date: 31<sup>st</sup> July, 2012**

**By Order of the Board**

Dinesh A Bilgi  
Chairman & Mg Director

## DIRECTORS' REPORT

To  
The Members,

Your Directors are pleased to present their 23<sup>rd</sup> Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31<sup>st</sup> March, 2012.

## FINANCIAL RESULTS

	(Amount in Rupees)	31.03.2012	31.03.2011
Revenue from Operations (Net of Excise Duty)		21,93,12,663	25,06,11,707
Profit before Depreciation & Amortisation Expenses and Finance Cost		6,43,60,753	9,59,88,628
Less: Finance Cost		1,57,75,312	1,72,76,147
Depreciation & Amortisation Expenses		4,82,61,169	5,62,48,628
<b>Profit before Tax</b>		<b>3,24,272</b>	<b>2,24,63,853</b>
Provision for Taxation		42,42,689	45,81,595
Provision for Deferred Tax		(75,50,000)	21,20,000
<b>Profit after Tax</b>		<b>36,31,583</b>	<b>1,57,62,258</b>
Surplus brought forward from previous year		8,41,47,453	6,99,86,416
Add/(Less): Tax Adjustment		(25,11,540)	25,53,359
<b>Profit available for Appropriation</b>		<b>8,52,67,496</b>	<b>8,83,02,033</b>
Proposed Dividend		35,62,830	35,62,830
Tax on Proposed Dividend		5,77,980	5,91,750
<b>Balance Carried to Balance Sheet</b>		<b>8,11,26,686</b>	<b>8,41,47,453</b>

## OPERATION

The year under review was very turbulent affecting the business operations of the Company. The Company's poor performance was due to various constraints, challenging environment and lower economic growth coupled with pressure of hikes in raw materials, fuel charges and other overheads. The global economic environment was also confronted with geo-political instability, Eurozone sovereign debt crisis, fluctuating global commodity prices and heavy fluctuations in foreign exchange rates. The Company's export was also adversely affected. The Company has achieved sales of Rs.21,93,12,663/- i.e. 12.5% lower as compared to the previous year's sales. Further, the Company has incurred undertaken major repairs to the Plant and Machineries aggregating to Rs.1,51,19,064/-. The Company has earned Rs.6,43,60,753/- as against profit of Rs.9,59,88,628/- earned during the previous year before providing Depreciation and Finance Cost. Your Directors hope revival of the market conditions and better performance of the Company in the coming years.

## DIVIDEND

Your Directors are pleased to recommend dividend at 9% (i.e. Re.0.90 per share) out of the current profits and balance out of the surplus in the profit and loss Account, 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 amount and Rs.5,77,980/- towards dividend distribution tax. The requisite provision for dividend has been made in the accounts for the year ended 31<sup>st</sup> March, 2012.

## FINANCE

The Company continued to avail financial assistance to part finance its activities from 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 and machineries and stocks are adequately insured.

## DIRECTORATE

Shri Dinesh H Pande, Shri Laxman C Tilani and Shri Neel D Bilgi are liable to retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointments. They have also offered themselves for re-appointments.

## COMPLIANCE CERTIFICATE

As required under the provisions of Section 383A of the Companies Act, 1956 and the rules made thereunder, 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, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 31<sup>st</sup> March, 2012 and the profits of the Company for the year under review;
- 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 Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2012 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 Deposits) Rules, 1975.

## COST AUDIT

As per the provisions of Section 209(1)(d) and 233B of the Companies Act, 1956 and the Rules made, notifications and

## Arex Industries Ltd.

circulars issued thereunder, the Company has to submit Compliance Report certified by a Cost Accountant for the year ended on 31<sup>st</sup> March, 2012. The Company has also appointed Mr Manish B Analkat, Practising Cost Accountant of Ahmedabad to conduct cost audit for the year 2012-13 in respect of the products of the Company.

## 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.

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, 2012.

## A. Conservation of Energy:

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

The Company always emphasises conservation and reduction in consumption of energy.

The Company generates green energy through its 1.6MW wind turbine generators and consequent reduction of consumption of energy. D.G. Sets of 400 KVA have been installed as stand by for continuous power supply.

As per Form A

Form A  
(SEE RULE 2)

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

	2011-12	2010-11
A. Power and Fuel Consumption		
Electricity Purchase Unit	2599250	2871752
Total Amount (Rs.)	1,50,16,466	1,52,55,050
Rate / Unit	5.78	5.31
Avg. KWH Consumption per million Units	7067	6751
Electricity Generated from Windmill – KWH	2564371	2310678
Wheeling of Electricity Generated – KWH	2307934	2079610
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&amp;D)

- Specific areas in which R&D carried out by the Company.
- Benefits derived as a result of the above R&D
- Future plan of action
- 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**

(i) Foreign Exchange Used	Rs.
a) Import of Raw Material :	14,19,207/-
b) Import of Capital Goods :	45,87,456/-
c) Import of Stores & Spares :	51,77,935/-
d) Travelling :	1,57,490/-
e) Others :	6,05,186/-
ii) Foreign Exchange Earned on account of exports :	63,85,132/-

For and on behalf of the Board

Dinesh A Bilgi  
Chairman & Mg Director  
Chairman & Mg Directo

Dated 31<sup>st</sup> July, 2012

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Annexure – “B”

**Overview**

The Company is one of the leading manufacturers of all types of Woven & Printed Fabrics & Labels for Garment madeups, a product with a brand symbol for any Company or enterprise. The Woven & Printed Fabrics & Labels are widely used to recognize the brand, image, products and the manufacturer. The Company continued to manufacture and supply Woven & Printed Fabrics & Labels to the garment manufacturers within India and abroad.

**Industry Structure**

The Indian economy after recording a GDP growth of 8.4 per cent during the previous year saw a decline to a level of 6.9 per cent during 2011-12. However, the textile industry is one of the most important sectors in the Indian Economy and second largest generator of employment after agriculture and continues to contribute more than 4 % to the GDP and 17% to the export earnings. The Government proposes to increase investment in this sector through various schemes e.g. Scheme for Integrated Textile Parks (SITP), Technology Upgradation Fund Scheme (TUFs), Integrated Skill Development Scheme (ISDs), Technology Mission on Technical Textiles (TMTT) for growth and development of the textile industry.

**Opportunities, Threats, Risk and Concern**

The demand for Woven & Printed Fabrics & Labels largely depends on the demand for ready made garments. The Company has strategic plans to continue its operations and to face competitive markets, inflationary conditions and entry of unorganized sector in the weaving and processing segment in textile industry.

**Outlook**

The Company always endeavors upgrading its technology for efficient and better productivity. The Company is quality

conscious and its product is also well accepted in both the markets. This will maintain growth of the Company and enhance its stake holder's value.

**Internal Control Systems**

The Company has implemented adequate and effective control systems with proper checks and balances to safe guard the assets and to prevent frauds. The Audit Committee meets at regular intervals and actively reviews the internal control systems. The Company also takes suitable actions whenever necessary.

**Review of Financial Performance**

The Company has sustained and continued on the path of growth. However, the year under review was very turbulent with adverse market conditions which resulted into poor performance. The sales were lowered by 12.5 per cent over the previous year's sales. This has also resulted affected results of the Company.

**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 31<sup>st</sup> March, 2012 is furnished below:

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

The Company accepts highest level of transparency, integrity, professionalism and accountability in all its dealings alongwith enhancing shareholder value by applying the combination of voluntary and statutory compliances with laws and regulations.

**2. BOARD OF DIRECTORS****a. Composition**

The Board consists of Eight Directors, of whom four are non-executive and independent Directors having no material pecuniary relationship or transactions with the Company.

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**

Notice for the Meeting of the Board of Directors are served to all the Directors alongwith agendas and brief notes for their consideration and deliberations at the meeting. For review and taking on record of the quarterly performance of the financial results of the Company alongwith Limited Review Report submitted by the Auditors of the Company, the Board usually meets every quarter. The Board is also free to recommend the inclusion of any matter for discussion in with the permission of the Chair.

The Board of Directors met four times on 30.4.2011, 3.8.2011, 29.10.2011 and 7.2.2012. The gap between any two meetings did not exceed four months. The Board Meetings are usually held at the Registered Office of the Company.

The attendance record of each of the Directors at the Board Meetings held during 2011-12 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	4	Y	Nil	Nil
Neel D Bilgi	ED	4	Y	Nil	Nil
Chirag D Bilgi	ED	4	Y	Nil	Nil
Pragnesh K. Shah	ED	4	Y	Nil	Nil
Laxman C Tilani	NED	4	N	Nil	Nil
Vasant R Shah	NED	4	N	Nil	Nil
Balkrishan Makwana	NED	4	Y	Nil	Nil
Dinesh Pande	NED	4	Y	Nil	Nil

Note: 1. CMD :- Chairman and Managing Director (Promoter and CEO). Appointment is contractual  
2. ED :- Executive Director. The appointment is contractual.  
3. NED :- Non Executive Director and Independent Director.

**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.