

ARNAV CORPORATION LIMITED

28TH ANNUAL REPORT

2014-15

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CHAIRMAN SPEECH

During the financial year 2014-15, we saw most macroeconomic indicators improving as far as India is concerned and it became visible in the GDP growth projections. The new base GDP for current FY is expected to be above 8% +. Inflation, as measured by CPI, which was at 10% for previous FY, has fallen drastically to 5.92% for FY15. This is way below the RBI's initial target of 8%, which was later revised downwards to 6%. Fall in global commodity prices, particularly crude oil and agri commodities have benefitted India. Index of Industrial Production (IIP), an indicator of economic growth, is slowly showing signs of revival as it grew 2.8% for FY15, which is higher than the preceding two years.

The only weak spot among the macro indicators currently is the exports sector which has barely grown over FY14 and missed FY15 target of USD 350 bn. Government has set up an ambitious target of USD 900 bn of exports by FY20. Recently, slew of measures have been announced by the Government to boost manufacturing sector at home through “Make in India” initiative but the dampener remains the lower global growth.

Your Company's continued focus on cost reduction and productivity enhancement initiatives, supported by market buoyancy which has resulted in considerable gains both in revenues as well as profitability. Further, we enhanced our product offerings and reached out to specific profitable segments successfully. Given the success with this strategy, we were able to expand our operations to multifold sectors.

Given the underlying potential of Indian markets in the long run, we continue to be positive on the long term potential in India and expect retail investors to grow in markets supported by higher purchasing power. Your Company will continue to work towards creating enduring value for its stakeholders and customers by converting the difficult times into opportunities.

CORPORATE INFORMATION

ARNAV CORPORATION LIMITED

CIN: L74900MH1987PLC044592

Listed at BSE Ltd., Scrip Code: 531467,

Security ID: ARNAVCORP

REGISTERED ADDRESS

101, C Wing, Ambika Darshan,
C P Road, Kandivali (East), Mumbai- 400 101.

E-mail:- corp.arnav@gmail.com

Website: - www.arnavcorp.com

Phone: - +91-022-64501225

BOARD OF DIRECTORS

Dhiren Negandhi

Chairman, Managing Director
Compliance Officer

Jayesh Shah

Executive Director

Kajal Soni

Executive Director

Pradeep Parmar

Independent Director

Rajnish Kumar

Independent Director

Chandrakant Shinde

Independent Director

BOARD OF COMMITTEES

Audit Committee	Nomination & Remuneration Committee	Stakeholder Relationship Committee
Rajnish Kumar: Chairman	Rajnish Kumar: Chairman	Pradeep Parmar : Chairman
Pradeep Parmar : Member	Pradeep Parmar : Member	Rajnish Kumar : Member
Jayesh Shah: Member	Chandrakant Shinde: Member	Chandrakant Shinde: Member

Risk Management Committee

Chandrakant Shinde : Chairman

Kajal Soni : Member

Jayesh Shah : Member

CHIEF FINANCIAL OFFICER

Jayesh Shah

COMPLIANCE OFFICER

Mr. Dhiren Negandhi

AUDITORS

STATUTORY AUDITOR

M/s. Shiv Pawan & Co.
Chartered Accountants

SECRETARIAL AUDITOR

M/s. Mayank Arora & Co.
Practicing Company Secretary

INTERNAL AUDITOR

M/s. Tejas Nadkarni & Associates
Chartered Accountants

TAX AUDITOR

M/s. D. P. Agarwal & Co.
Chartered Accountants

BANKERS

Axis Bank

Dhanlaxmi Bank

Kotak Mahindra Bank

REGISTRAR & SHARE TRANSFER AGENT

Universal Capital Securities Pvt. Ltd.

21, Shakil Niwas, Opp. Satya Saibaba Temple,
Mahakali Caves Road, Andheri(E), Mumbai- 400093

Tel No. 9820356405

Email: karlekar@unisec.in

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE

The last year has been a fortuitously good one for the Indian economy with a sea change in the macroeconomic parameters and a sustainable turnaround on the cards. At a time when concerns have been raised about global growth prospects, the Indian economy has marched on and has in fact entered a sweet spot. As a start, Gross Domestic Product (GDP) growth, which had plummeted to around sub 5% levels in past two fiscal years, finally seems to have picked up on the back of a cyclical rebound and some genuine improvement. Growth in the current year, while not spectacular, has moved up firmly into the 8%+ bracket. This improvement has come on the back of improved performance in the industrial sector, stable growth in the services sector and a surprisingly resilient agriculture sector. Further, policy action on the quick environmental clearances and E – auction of mining licenses has helped prop up sentiment while a push to some stuck projects has aided growth prospects. Encouragingly, the pick-up in growth seems to be taking place at a time when inflation is on the downtrend as effects of the past slowdown and the massive fall in global commodity.

Inflation levels have continued to surprise on the downside and have printed comfortably under the Central Bank's comfort zone. Price levels have seen an across the board moderation as food, fuel and service price inflation has come down. This clearly shows that there is still some slack in the economy as it grows below its potential rate of growth. This moderation in inflation has also had an impact on interest rates as the Reserve Bank of India (RBI) has finally started its rate cutting cycle with its first rate cut in January earlier this year. The RBI had established targets for inflation under its new policy regime and as such those targets have been met comfortably and set the stage for a further easing of policy in the coming months. That said, the RBI continues to remain vigilant on the external front and the possible threat of capital outflows in response to the normalization of monetary policy in the US. Accordingly, while we do expect the RBI to continue easing, the cycle is unlikely to be as deep as some in the markets expect. This eventual has lead to stable economic environment which promote new business and encourage expanding current projects. The trading or the retail business has both become prosperous due to high purchasing power in the hand of public.

Overall there is a real sense that a new set of reforms and the enthusiasm in the markets can lead India towards another prosperous era of high growth. That said, the government's job is not yet over. Given the high expectations of success it has now become imperative for the government to deliver in order for the growth momentum to be sustained.

OPPORTUNITIES

Company operates through a very adaptable business model thereby enhancing its ability in dealing with various goods and products. Company has the flexibility of changing its product offerings based on the overall market scenario and changing consumer preferences. Company is constantly looking for expanding its products offerings and is hopeful of diversifying in resale of following products in future:

1. School and Office Supplies

These products are in demand all year round, so entrepreneurs do not need to worry about making sales. With a large number of businesses and schools situated in the urban areas of India; products such as pencils, pens, paper of different varieties, notebooks, and others will always be in constant demand.

2. Customized Jewelry:

People, especially women love to accessorize themselves; and since India is a religious, cultural yet fashionable place, customized jewelry businesses in India are sure to grow. You can invest in buying a small jewelry-making kit and create necklaces, earrings, and bracelets that are uniquely designed for each of your customers. Creativity and a good marketing tactic are two overwhelming factors that will determine our success.

3. Greeting Cards

Special occasions happen all year round in India, thus the constant need for greeting cards. Even the advent of online greeting cards has not in any way decreased the demand of print greeting cards; as humans love, appreciate and connect more with tangible materials.

4. Home Decorations

Creativity really pays off and pays well. People love decorating their homes with vases, chimes, figurines, and other things that can beautify houses. We plan to tie hand with artist located in rural and semi urban areas since the art form is not too expensive to buy. The products like these provide higher margin and good profitability, further artists can improvise and design their own art form waste material and sell them at low prices. People, especially woman, love to keep abreast with fashion and the changing home designs and lifestyle will keep this business “flowing”, so no need to worry about its running.

5. E-Commerce

E-commerce presents a good opportunity to develop a parallel distribution channel for the company’s products. This shall help the Company to access huge market without substantial investment in physical infrastructure. This will entail enormous cost saving thereby allowing the company to fund its expansion aspirations.

THREATS:

Despite large opportunity canvas, the business growth could be scuttled due to the various threats and challenges it faces. These include increasing competition from new avenues, change of consumer preferences, inability of the Company to ensure good distribution infrastructure, growth of e-commerce are some of the threats to the Company’s business.

Your Company is continuously tracking these threats and upgrading its operational, legal and financial strengths to successfully counter the same.

OUTLOOK:

The company has experimented and has always believed that going with the flow shall always provide an opportunity to leverage the position. The company has always believed in such policy which is in alignment with governments policies. The overall improvement in business environment and consumer confidence presents an optimistic picture of the days to come. Introduction of new products and adoption of new business model may provide a cusp of opportunities to evolve as a prominent player in the industry.

FINANCIAL PERFORMANCE

During the reporting year the company has made a profit of Rs 132,748/- which is a great positive in comparison to last year where it incurred a loss. The profit is result of capital infusion which has resulted in jump in income from operations by 71,855,051/- about 220.11% hike in income. The company has incentivized its employee for the impeccable effort for the turnaround situation. Employee benefit expenses for the period under review has escalated by Rs 360,824/-

the company also reports escalation in other expenses & cost of material consumed which is completely justified by turnover rise. EPS of company is positive but negligible, still it's a sigh of relief of the stakeholders.

INTERNAL CONTROL AND ADEQUACY

The Company has adequate internal control systems appropriate for the business process having regard to efficiency of operations - both systems, finance and for compliance with applicable laws. The controls are reviewed periodically BY management and strengthened in view of changed processes, systems and regulations. Key issues if any are specifically brought to the attention of the Audit Committee and deliberated in detail along with the action plan for closure.

HUMAN RESOURCE

One of the key pillars of the Company's business is its people. The Company's HR policies and practices are built on core values of Integrity, Commitment and hard work. The Company's focus is on recruitment of good talent and retention of the talent pool. The Company is hopeful and confident of achieving the same to be able to deliver results and value for our shareholders.

FORWARD LOOKING STATEMENT

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimate, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations Actual results could differ materially from those expressed or implied. Important factors that could influence the company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation.

REPORT OF THE BOARD OF DIRECTOR'S

To,
The Members
Arnav Corporation Limited

Your Directors are pleased to present the Twentieth Eight Annual Report on the business and operations of the Company and statement of accounts for the year ended 31st March, 2015.

1. FINANCIAL RESULTS:

During the year the performance of the Company is as under:

Particulars	Current Year 31-03-2015 (Rs.)	Previous Year 31-03-2014 (Rs.)
Revenue from Operations	104,500,100	32,645,049
Other Income	-	-
Total Income	104,500,100	32,645,049
<u>Less:</u> Total Expenses	104,223,207	(32,696,241)
Profit/ Loss Before Taxation	276,893	(51,192)
Less: Provision for Tax	58,584	-
Deferred Tax	85,561	(15,819)
Profit After Taxation	132,748	(35,373)

2. OPERATION AND BUSINESS PERFORMANCE:

Your Company has had a phenomenal year with both top line and bottom line soaring to new levels. Your company registered revenue of Rs. 104,500,100/- which was three times higher than the last years revenue which stood at Rs. 32,645,049/-. Further, the company recorded net after tax profit of Rs. 132, 748/- against a loss of Rs. 35,373/- in the previous year. Your company shall endeavour to improve the margins and increase the revenues in the current year.

3. DIVIDEND:

In light of the encouraging performance and bright future prospects, the Board has decided to preserve the resources for any business requirements. Hence, the Board has not recommended dividend.

4. TRANSFER TO RESERVE:

Your Company has not transferred any amount to Reserves in the year under review.

5. SHARE CAPITAL STRUCTURE:

The paid up Equity Share Capital as at 31st March, 2015 stood at Rs. 894,209,580/- consisting of 89,420,958 Equity Shares of Rs. 10/- each fully paid up.

Details of issue of shares in the current financial year are as under:

Sr. No.	Date of issue	Particulars	No. of Shares	Issue Price
1	April 01, 2014	Opening balance	45162100	N.A
2.	October 21, 2014	Bonus issue (49:50)	44258858	N.A
3.	March 31, 2015	Closing Balance	89420958	N.A

During the year under review, the Company has not issued shares with differential voting rights nor has granted any stock options or sweat equity. As on 31st March, 2015, none of the Directors of the Company hold instrument convertible into equity shares of the Company.

6. **DEPOSIT:**

During the year under the review the Company has neither invited nor accepted deposit from the public.

7. **EXTRACT OF THE ANNUAL RETURN:**

The details forming part of the extract of the Annual Return in Form MGT-9, as required under Sub- Section (3) of Section 92 of the Companies Act, 2013, is includes in this Report as **Annexure-A** and forms an integral part of this Report.

8. **DIRECTORS:**

a. **RETIREMENT BY ROTATION**

In terms of Section 152 of the Companies Act, 2013, **Mr. Jayesh Shah**, Executive Director would retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

b. **CHANGE IN DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. Dhiren Negandhi has been the Managing Director of the Company since 14th December, 2012 and pursuant to the terms of his appointment his tenure as Managing Director will end on 13th December, 2015. The Board of Directors, on the recommendation of Nomination and Remuneration Committee, proposes to re-appoint **Mr. Dhiren Negandhi** as Managing Director of the Company for a period of five years effective from 14th December, 2015 to 13th December, 2020.

Further, Board of Directors of the Company has proposed to appoint Mr. Gopal Vyas and Mr. Nitin Shanichara as Independent Directors of the Company for a period of five years.

9. **DECLARATION BY INDEPENDENT DIRECTORS**

The Independent Directors of your Company have submitted the declaration of Independence as required under Section 149(7) of the Companies Act, 2013, confirming that they meet criteria of independence under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

10. **BOARD EVALUATION**

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually and collectively. A structured questionnaire was prepared after taking into consideration of the various aspects of the Board's functioning.