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ARORA FIBRES LIMITED

**15TH ANNUAL REPORT
2007-2008**

ARORA FIBRES LIMITED

Board of Directors :

Rupinder Singh Arora : *Chairman*
Navin Marwah : *Director*
S. M. Gupta : *Director*
M. Girijan Nair : *Director*

Auditors :

M/s. A. M. JOSHI & CO.

Chartered Accountants

Sukrita, 127, Shivaji Park,
Dr. M. B. Raut Road,
Dadar, Mumbai-400 028.

1. Shareholders are requested to bring their copy of the Annual Report to the Meeting.
2. Please address all correspondence regarding share transfer work to the Registrars and Share Transfer Agents and **not to the Company's Registered Office.**
3. Members are requested to notify their change of address, if any, to our Registrars and Share Transfer Agents, **at the following address:**

SHAREX DYNAMIC (INDIA) PVT. LTD.

Unit-I, Luthra Ind. Premises,
Safed Pool, Andheri-Kurla
Road, Andheri (East),
Mumbai-400 072.

Banker :

**CORPORATION BANK
HDFC BANK**

Registered Office :

Survey No. 213,
Piparia Industrial Estate,
Silvassa-396 230,
Dadra & Nagar Haveli.

Corporate Office :

Arora House,
16, Golf Link, Union Park,
Khar (West), Mumbai-400 052.

FIFTEENTH ANNUAL REPORT

Notice

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of ARORA FIBERS LIMITED, will be held on Tuesday, the 30th day of September, 2008 at 11.00 A.M. at the Registered Office of the Company situated at Survey No.213, Piparia Industrial Estate, Silvassa-396 230, Dadra & Nagar Haveli, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Profit & Loss Account for the year ended 31st March, 2008 and the Balance Sheet as at that date together with the report of the Directors and the Auditors thereon.
2. To appoint a director in place of Mr. Girijan Nair who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS:

4. To consider and, if thought fit, to pass, with or without modification the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT the Articles of Association of the Company be and are hereby amended in the manner set out below:

- (a) In Article No.2 the following shall be added as xxviii

(xxviii) RA means Mr. Rupinder Singh Arora and RA Group means RA and his affiliates and the term RA Group members shall mean any one of them. Affiliate of RA means i) if the member is RA then RA himself, his wife, his lineal and blood descendants, spouses of such lineal and blood descendants and children and grand children including step or adoptive, or ii) any Company or entity controlled by RA.

- (b) In Article 6 the following shall be added at the end of the Article.

For so long as the RA Group holds 26% or more of the equity shares of the Company the approval of the RA Group shall be required for issue of new shares.

- (c) Article 94(1) shall be substituted by the following:

94(1)(a) Five Members present in the person (who shall include the authorized representative of the RA Group) shall be the quorum for the General Meeting.

- (b) Notwithstanding what is stated in Article 94(a) above, the RA Group may by notice in the writing waive the requirement of the presence of

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the representative for the purpose of constituting a valid quorum in respect of the General Meeting.

(d) Article 95(3) shall be substituted by the following:

95(3)(a) RA shall be the chairman of the every General Meeting as long as he is willing to be a the Director and the chairman of the company. In the absence of RA at any General Meeting, one of the RA Group nominees shall preside at such meeting as the Chairman of such General Meeting.

(b) If for any reason RA is unable to continue as the Chairman of the Company, then the chairman of the Board shall be the Chairman of every General Meeting. In the absence of the Chairman of the Board at any General Meeting, one of the RA Group nominees shall preside at such Meeting as the Chairman of that General Meeting. No business shall be discussed at any General Meeting except the selection of a Chairman while the chair is vacant.

(e) Article 120 shall be substituted by the following:

120.(a) Until otherwise determined by the Company in a General Meeting and subject to the section 252 and 259 of the Act the number of Directors (excluding Alternative Director) shall not be less than three and not be more than twelve. The composition of the Board (including the number of Directors who are Indian Nationals) will be in accordance with all applicable requirements of Law.

(b) The RA Group shall be entitled to appoint one third of the members of the Board (RA Group nominees) who shall be the Non-Executive Directors.

(c) If the RA Group Nominee retires, resigns, is removed or otherwise vacates office at any time then, the RA Group shall be entitled to nominate one replacement Director upon the retirement, removal or resignation of their nominee Director.

(d) The RA Group nominees shall hold office at the pleasure of the RA Group, and be subject to removal by the RA Group. Their appointment and removal shall be effective by the notice in writing addressed to the Board, under the hand of one of the authorized representative of the RA Group and the same shall take effect forthwith upon being delivered to the company. As and when there is vacancy on the Board of the Company for any cause or any reason out of the Directors nominated by the RA Group, such vacancy shall be filled by the RA Group.

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- (f) Article 121 shall be substituted by the following:

The following persons are the present Directors of the Company:

1. MR. RUPINDER SINGH ARORA.
2. MR. SURENDRA GUPTA.
3. MR. NAVIN MARWAH
4. MR. GIRIJAN NAIR

- (g) Article 128 shall be substituted by the following:

128 (a) Subject to the provisions of the Act and these Articles, the Board shall have the powers at any time and from time to time to appoint any qualified person to be a Director either as an addition to the Board or to fill a casual vacancy but so that the total number of Directors shall not at any time exceed the maximum number fixed under Article 120. Any person so appointed as addition shall hold office only upto the date of the next Annual General Meeting. Any person appointed to fill a casual vacancy shall hold office only upto the date to which the original director in whose place he is appointed would have held office if it had not vacated but shall be eligible for election.

- (b) As and when there is a vacancy on the Board of Director for any cause or reason out of the Directors nominated by the RA Group (i.e. RA Group Nominees) such a vacancy shall be filled by the RA Group.

- (h) Article 155 shall be substituted by the following:

155 (a) RA shall be and shall continue as the non-retiring Chairman of the Board so long as he is willing to be a Director and Chairman of the Company and shall not be liable to retire by rotation. The Chairman shall preside at all meetings of the Board and the General Meetings of the Company. In the absence of RA at any meeting of the Board one of the RA Group Nominees shall preside at such meeting as the Chairman. The Chairman shall have a casting vote in the event of the tie.

- (b) If for any reason RA is unable to continue as the Chairman, the Members of the Board of Directors shall appoint one of the RA Group Nominees as the Chairman

- (c) All the Director shall exercise their voting rights to ensure that these Articles are implemented and acted upon by them to prevent the taking of any action by the Company or by any member, which is contrary to or with a view or intention to evade or defeat the terms as contained in these Articles.

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- (i) Article 156 shall be substituted by the following:

Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be presence of at least one-third of its total strength which must include at least an equal number of directors who are RA Group Nominees (or his or their alternate) unless such absent RA Group Nominee Director(s) consent in writing to a quorum requirement being satisfied despite his or their absence. Provided that where at any time the number of interested directors exceeds or is equal to two-third of the total strength of the number of remaining director, that is to say, the number of Directors who are not interested, present at the meeting being not less than two (of whom atleast one should be an RA Group Nominee), they shall be the quorum during such time.

- (j) Article 167 shall be substituted by the following:

167 (a) Subject to the provisions of the Section 267, 268, 269, 309, 310, 311, 316 & 317 and other applicable provisions and Schedule XIII of the Act and of this Articles, the RA Group shall have the right by the notice in writing signed by RA or RA Group Nominee addressed to the Board the right to designate one or more of the RA Group Nominees as the Managing Director(s) or Manager or Executive Director(s) of the Company and the Board shall within one week of the date of receipt of such letter appoint such designate or designators as the Managing Director(s) or Manager or Executive Director(s) of the Company. The RA Group shall have the right by the similar notice to require the Board to remove any Managing Director(s) or Manager or Executive Director(s) of the Company and Board shall within one week of the date of receipt of such letter take steps to remove such a person from such office with the Company. On a vacancy being caused in the office of the Managing Director(s) or Manager or Executive Director(s) whether by resignation, death, removal or otherwise, the RA Group shall have the right to designate another RA Group Nominee for such appointment and the Board shall proceed to appoint such RA Group Nominee in the same manner as prescribed above. The terms of appointment of Managing Director(s) or Manager or Executive Director(s) shall be as are specified, (with the power to vary such terms) by the RA Group from time to time and these shall be the terms on which such persons shall be appointed by the Board. The Managing Director(s) or Manager or Executive Director(s) as the case may be, so appointed, shall be responsible for and in charge of the day to day management and affairs of the Company and subject to the provisions of the Act and these Articles, the Board shall vest in such Managing Director(s) or Manager or Executive Director(s) as the case may be, all the power vested in the Board generally.

- (b) The Managing Director or Manager or Executive Director, as the case

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may be of the Company in office on the date of adoption of this Article by the Company shall be deemed to be the Managing Director or Manager or Executive Director as the case may be designated by the RA Group for appointment and appointed by the Board, as provided in sub-Article (a) above and the remaining provisions of sub-Article (a) above shall apply to such Managing Director or Manager or Executive Director (as the case may be)

5. To consider and if thought fit, to pass, with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT subject to the applicable provisions and schedule XIII as amended, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the appointment of Shri Girijan Nair as whole-time Director for a period of 5 years from 1st August, 2008 on the following terms and conditions:

Salary : Rs.12,700/- in the band of Rs.12,700/- to Rs.30,000/- per month with annual increments as may be decided by the Board.

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

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, and the rules framed there under, the Listing Agreements, the Securities Exchange Board of India (Delisting of Securities) Guidelines-2003, and all other Laws, rules, regulations and guidelines, as may be applicable and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board or a Committee duly constituted by the Board, the consent of the Company be and is hereby accorded for delisting the equity shares of the Company from Kolkata and Delhi Stock Exchanges".

By Order of the Board of Directors

RUPINDER SINGH ARORA

Chairman

Mumbai, Dated : 30th June, 2008.

Corporate Office :

Arora House, 16, Golf Link,
Union Park, Khar (West),
Mumbai-400 052.

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NOTES:

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, the 25th September, 2008 to Tuesday, the 30th September, 2008 (both days inclusive).
4. The additional information pursuant to clause 49 of the Listing Agreement with the Stock Exchanges in respect of the Directors seeking election is furnished herewith.
5. Members are requested to notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
6. Members desiring to seek any information on the Annual Accounts to be explained at the meeting are requested to send their queries in writing to the Company Secretary at least seven days before the date of the meeting at the Registered Office to make the required information available.
7. Members are requested to bring their copy of the Annual Report to the Meeting.
8. All the documents referred to in the Notice and Explanatory Statement unless otherwise specifically stated otherwise will be available for inspection by the members at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days from the date hereof upto the date of the meeting.

By Order of the Board of Directors

RUPINDER SINGH ARORA

Chairman

Mumbai, Dated : 30th June, 2008.

Corporate Office :

Arora House, 16, Golf Link,
Union Park, Khar (West),
Mumbai-400 052.

FIFTEENTH ANNUAL REPORT**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2A) OF THE COMPANIES ACT, 1956****Item No. 4:**

It proposed to amend the Articles of Association of the Company to enable the Promoters to have additional powers to bring the Company out of woods. The Company needs additional funds and the promoters can arrange the same if they have sufficient powers in the Articles.

Except Mr. Rupinder Singh Arora no other director is interested in the resolution.

Item No. 5

The Board of Directors have by resolutions passed at the meeting of the Board of Directors of the Company held on 30th June, 2008, appointed Mr. Girijan Nair as whole-time Director of the Company for a period of 5 Years from 1st August, 2008. Mr. Girijan Nair holds a Diploma in Textiles and has a good experience in production & Exports.

Except Mr. Girijan Nair no other director is interested in the resolution.

Item No. 6

Presently, the Equity Shares of the Company are listed at Four Stock Exchanges viz.,

- (a) The Bombay Stock Exchange Limited (BSE)
- (b) The National Stock Exchange Association of India Limited (NSE)
- (c) The Delhi Stock Association Limited (DSE)
- (d) The Calcutta Stock Exchange Association Limited (CSE);

The Equity Shares of the Company are traded pre-dominantly in BSE and NSE. The trading Volume in the Company's shares on the other Stock Exchanges, Viz. DSE and CSE are very insignificant. Since, there is no much trading activity of Company's shares on these Stock Exchanges it is proposed to seek Members' approval for de-listing of shares listed with the said Stock Exchanges. The Company's shares will however continued to be listed on BSE and NSE. In accordance with the requirements of Securities Exchange Board of India (Delisting of Securities) Guidelines - 2003, members' approval is being sought by a Special Resolution for enabling de-listing of the equity shares listed with DSE and CSE.

The Directors recommend the resolution for members' approval.

None of the Directors of the Company is interested in the resolution

By Order of the Board of Directors

RUPINDER SINGH ARORA

Chairman

Mumbai, Dated : 30th June, 2008.

Corporate Office :

Arora House, 16, Golf Link,
Union Park, Khar (West),
Mumbai-400 052.

ARORA FIBRES LIMITED

Directors' Report to the Shareholders

Your Directors present before you the Fifteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March 2008.

	2007-2008 Rupees	2006-2007 Rupees
FINANCIAL RESULTS:		
Profit/(Loss) before Finance Charges, Depreciation and Taxation	(23,00,484)	1,63,76,359
Add/Less: Interest	(29,94,532)	46,98,940
Profit/(Loss) before Depreciation, Impairment and Taxation	(52,95,330)	1,16,77,419
Less: Depreciation	(81,72,330)	81,43,506
Less: Impairment	(4,04,91,849)	—
Profit/(Loss) for the year before Taxation	(5,39,59,195)	35,33,913
Less: FRINGE Benefit Tax	(1,42,513)	1,59,994
Less: Deferred Tax	—	(20,59,127)
Profit/Loss after Tax	(5,41,01,708)	54,33,046
Brought forward Loss from previous year	(8,54,49,830)	(9,08,82,877)
Balance carried to Balance Sheet	(13,95,51,538)	(8,54,49,831)

DIVIDEND:

The Board of Directors regret their inability to declare dividend in view of carried forward losses for the year.

WORKING:

Your company has suffered a loss of Rs. 5,41,01,708/-. The carried forward loss is Rs. 13,95,51,538/- as against Rs. 8,54,49,831/- brought forward from previous year. The Company has suffered a cash loss of Rs. 52,95,016/- during the year against cash profit of Rs.1,16,77,419/- during the previous year.

Management Discussion and Analysis Report:

The Recycled Polyester Fibre industry is not in a happy situation owing to excessive supply vis-à-vis demand. Further, several manufacturing units have come up in recent times in various specified areas enjoying exemption from Excise Duty, Sales Tax, Concessional Power Tariff, Capital Subsidy etc making the company less competitive.