



ARROW

ARROW COATED PRODUCTS LTD.



18th
Annual Report 2009-2010

**Innovative
Eco-friendly Solutions**

BOARD OF DIRECTORS :

Mr. Shilpan P. Patel	-	Chairman & Managing Director
Mr. B. S. Vasa	-	Director (upto 31.01.2010)
Mr. Vijay Dhar	-	Director
Mr. Hareesh Mehta	-	Director
Mr. Faredun Taraporwala	-	Director
Mr. R. Somashekar	-	Executive Director (upto 31.07.2009)
Mr. Rama Subramaniam	-	Director (upto 04.09.2009)
Mr. Bruce Drew	-	Director (w.e.f. on 04.09.09)

BANKERS :

IndusInd Bank Limited

AUDITORS :

J. A. Rajani & Company
Chartered Accountants
Mumbai

REGISTERED OFFICE :

Arrow House, 5-D, Laxmi Industrial Estate,
New Link Road, Andheri (West),
Mumbai 400 053

REGISTRAR & SHARE TRANSFER AGENTS :

System Support Services,
209, Shivai Industrial Estate,
Near Park Davis,
89-Andheri Kurla Road, Sakinaka,
Mumbai 400 072

WORKS :

5310, GIDC, Ankleshwar 393 002



Chairman's Statement

Friends and Patrons,

My heartfelt Greetings to all my valued, Shareholders and patrons. We have successfully completed 16 eventful years of business driven by values and ethics. Your company follows the ethos of producing and marketing products which satisfy the needs of the planet Earth as also all us living-beings settled on it.

Past several years, we have had a very good run, as far as both top line and bottom line is concerned. However, since the Board decided to discontinue the business of Digital machines, Your Company has seen a drastic drop in the business.

However this was necessary and is a very prudent step. This has allowed us to focus on our core business of manufacturing our patented products like, water soluble films and their variants.

The economic down turn also took its toll on us, besides other external factors had a negative impact on your company's top line and bottom line.

While our focus has always been on Water Soluble Films (WSF) and Bio-compostible films, which are inter alia directly and indirectly linked to Agro-chemical industry, we were simultaneously hit by bad monsoons. This curtailed the sales of weedicides and fungicides, which are the biggest consumers of WSF.

Other big consumers of WSF are Textiles and garments industries, due to downturn in exports of garments, the demand of WSF was affected resultantly. Our sales of Bio compostible films, which are mainly used for high quality garment packaging, also took a negative hit.

All put together, your company did not fare well, inspite of brilliant and dedicated efforts put in by Team Arrow.

Going forward we intend to focus on business which are totally in our control and are protected by various patents. We intend to focus on businesses of our JV partners and market products which are laced with heavy technology. However, our mission will remain the same, we will focus and deal in businesses which help Planet Earth, and secure the lives of teeming millions.

Team arrow has decided to focus on their respective various SBUs, which were formed during the past years. We are fortifying these SBUs, with energetic human assets, and technical support.

Looking forward, and having conviction in the strong fundamentals of our business, we feel that from hereon, the future looks bright, due to following bright spots.

Arrow Pharma Foray : Taking advantage of the patented technology, your company is in the process of securing partner(s) in the field of Pharmaceuticals and Nutraceuticals for entering into this highly lucrative and IPR sensitive field. Revenue streams include licensing and royalty earnings, earnings from infringement cases, and P2P product sales.

Arrow Agri-care Foray : Arrow proposes to enter crop protection business using a different version of this patented process and patented product. Using our capsule packaging know-how, we intend to leverage our custom made grades of WSF, to enter into strategic alliances with the big players of Agro-chemical industry. These are long term revenue generating areas that your company is targeting, using our patents and knowledge acquired over the years.

Both these ventures will mean additional Capital expenditure and your company is planning for this ahead of time.

SBU : I am pleased to inform you that the IPR cell formed under my guidance within your company has got enviable success during the past year, and this has buoyed us for looking for newer, wider business. Till last year we have been granted 16 patents by Indian Patent office, EU Patent Office, Eurasia Patent Office, South African Patent office and Australian Patents Offices. These are in various fields, including Personal Health Care, Pharma, Bio Compostible composites, Security Paper etc. This will mean going forward more revenues to your company in form of royalties, Exclusive Marketing Rights (EMR), Exclusive Production Rights (EPR) etc.

Nagra-Arrow Secure Card Pvt Ltd (NASC), is a joint venture between with Nagra-ID, a Kudelski Group Company, listed on SWX, Switzerland is expected to do well in coming years. As the UID project will progress, so will the applications based on secure smart cards will progress. NagralD, has some very unique and patented technologies, and proven applications, which will bring revolution in financial transactions businesses and security fields.

We also recognize the urgent need to develop a global cadre of managers to enable us to place our footprints in the global market as a manufacturing base. I assure all stake holders that we are moving in this direction slowly but steadily. I would also like to thank my wonderful and committed team. I would like to thank my patrons for their relentless faith in the company.

Shilpan Patel
Chairman & Managing Director

NOTICE

Notice is hereby given that the 18th Annual General Meeting of Arrow Coated Products Limited will be held on Tuesday, the 14th September 2010 at 10.00 a.m. at Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai 400 095 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet as on 31st March 2010 and Profit and Loss Account for the year ended 31st March 2010 together with the Directors' Report and Auditors' Report thereon.
2. To appoint a director in place of Mr. Faredun Homi Taraporwala, who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.
3. To appoint a director in place of Mr. Vijay Dhar, who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Members of the Company be and is hereby accorded for the appointment of Mr. Neil Patel, son of Mr. Shilpan Patel, Managing Director of the Company, as Vice President Marketing with effect from 26th February 2010 at a remuneration of Rs. 25,000/- (Rupees Twenty Five Thousand only) per month with a liberty to the Board of Directors to revise the remuneration payable to Mr. Neil Patel, from time to time as it may deem fit and proper, subject to overall remuneration shall not exceed Rs. 50,000/- (Rupees Fifty Thousand only) per month.

RESOLVED FURTHER THAT the Board of Directors of the company be and is hereby authorized to do all necessary act, deeds and things as may be necessary to carry on the purpose of this resolution."

By order of the Board of Directors
For **Arrow Coated Products Limited**

Place: Mumbai
Date : 29th May 2010

Shilpan Patel
Chairman & Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND IN CASE OF POLL, VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
3. Member / Proxy should bring the attendance slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 13th September 2010 to Tuesday, the 14th September 2010 (both days inclusive).
5. Members desirous of seeking information relating to the accounts and operations of the Company are requested to address their queries to the Company at least 7 days in advance of the meeting, to enable the company to keep the information ready.
6. Shareholders are requested to bring their copies of Annual Report to the meeting.



7. Members whose shareholding is in the electronic mode are requested to intimate any change in their address to their respective Depository Participants.
8. Members are requested to address all correspondences to the Registrar and Share Transfer Agents.

Brief resume of directors being appointed /reappointed (pursuant to Clause 49 of the Listing Agreement):

Mr. Faredun Homi Taraporwala, aged 57 years, is arts graduate and B.D.M. He has vast experience in Administration, marketing and sales. He is also director in SP Arrow Bio Plast Pvt. Ltd. and Saker Age Graphics Pvt. Ltd. He does not hold any shares in the Company.

Mr. Vijay Dhar, aged 69 years, is I.S.C. He has vast experience in business administration. He is also director in Hughes Communications India Ltd., Hughes Network Systems India Ltd., S.S.R. Ventures Pvt. Ltd., U. R. Productions Pvt. Ltd., Taksal Pharma Pvt. Ltd., Natasha Properties Pvt. Ltd. and Kanika Properties Pvt. Ltd. As on 31st March 2010, he holds 7500 equity shares of the Company.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956:

Item No. 5:

The Board of Directors of the Company appointed Mr. Neil Patel, son of Mr. Shilpan Patel, Managing Director of the Company, as Vice President - Marketing of the Company with effect from 26th February 2010, at remuneration of Rs. 25,000/- per month.

Mr. Neil Patel, aged 24 years, is MSc. (Bio Medical Science) from Kingston College, London. He possesses good entrepreneur skills. He is associated with the Company since last 2 years and working on Mouth Melting Strip (MMS) project.

As per the provisions of Section 314(1)(b) of the Companies Act, 1956, the appointment of a relative of directors of the Company is required to be approved by members of the Company passing Special Resolution.

The Board recommends the passing of the Special Resolution as set out at item No. 5 of the Notice.

None of the directors, except Mr. Shilpan Patel, is interested or concerned in the resolution.

By order of the Board of Directors
For **Arrow Coated Products Limited**

Place: Mumbai
Date : 29th May 2010

Shilpan Patel
Chairman & Managing Director

DIRECTORS' REPORT

To,
The Members,

The Directors of Arrow Coated Products Limited present the 18th Annual Report on the operations of the Company, together with the Audited Accounts for the year ended 31st March 2010.

Financial Results**(Rupees in thousands)**

Particulars	2009-2010	2008-2009
Total income	21,765	46,329
Profit (Loss) before interest, Depreciation & Tax	(2,204)	2,609
Less: Interest	3,287	3,431
Less: Depreciation	2,538	3,112
Less: Prior period expenses	31	57
Profit before Tax	(8,060)	(3,991)
Less: Provision for Taxation		
- Current Tax	-	-
- Deferred Tax	696	(692)
- Fringe Benefit Tax	-	185
Profit after Tax	(8,756)	(3,484)
Add: Balance brought forward	24,163	28,534
Less: Tax & Dividend Adjustment	-	887
Amount available for appropriation	15,407	24,163
Less: Proposed Dividend	-	-
Less: Tax on Dividend	-	-
Balance carried to Balance Sheet	15,407	24,163

Operations

The total income from operations including other income for the financial year under review amounted to Rs. 217.64 Lacs as compared to Rs. 463.29 Lacs in the previous year. The Company has incurred net loss of Rs. 87.58 Lacs during the year under review after providing for depreciation of Rs. 25.38 Lacs and taxation of Rs. 696 Lacs. After adjustment of brought forward balance of Rs. 241.63 Lacs from previous year Rs. 154.05 Lacs has been carried to the Balance Sheet.

Business outlook and future prospects

Business outlook and future prospects of the Company is discussed in detail in Management Discussion and Analysis Report attached herewith.

Dividend

In view of the loss during the year, your Directors do not recommend any dividend for the year ended 31st March 2010.

Directors

Mr. Faredun Homi Taraporwala and Mr. Vijay Dhar, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment. Your Board recommends the re-appointment of Mr. Faredun Homi Taraporwala and Mr. Vijay Dhar as directors of the Company.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of Companies Act, 1956, your Directors confirm that:



- i) in the preparation of the annual accounts, the applicable Accounting Standards (except AS-24 regarding discontinuance of operations) had been followed along with proper explanation relating to material departures;
- ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are responsible 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 and of the loss of the company for that year;
- iii) the directors had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the directors had prepared the accounts on a going concern basis.

Corporate Governance

Management Discussion and Analysis Report and Report on Corporate Governance alongwith a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, are attached and form part of this Report.

Auditors

M/s. J. A. Rajani & Co., Chartered Accountants, Statutory Auditors of the Company holds office upto the conclusion of ensuring Annual General Meeting and being eligible offered for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Members are requested to consider the re-appointment of the Statutory Auditors and fix their remuneration.

Auditors' Report

In respect to observations made by the Auditors in their report, your Directors would like to state as under:

- 1) During the year 2008-09, the company discontinued trading activities in Digital Printing Machine and Digital Signang Cutting Machine and the Management of the Company is of opinion that all the asset related Machine Division will realised at a Value at which they appear in the books of account in aggregate.
- 2) Regarding over due debts aggregating Rs. 377.05 Lacs and advances aggregating Rs. 84.10 Lacs the Company is hopeful of total realisation, and hence no provision for the same is made.
- 3) Regarding payment of undisputed statutory due, and we state that the company is in process of payment of the same with appropriate authorities.
- 4) Regarding non payment of income tax of Rs. 5.33 lacs pertaining to assessment year 2006-07, we state that the company has appealed before the CIT (Appeals) to challenge the demand.

Audit Committee

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has constituted an Audit Committee comprising of Mr. Faredun H. Taraporwala, Mr. Vijay Dhar and Mr. Hareesh Mehta. Mr. Faredun H. Taraporwala is Chairman of the Audit Committee.

Particulars of Employees as per Section 217(2A) of Companies Act, 1956

During the year under review, none of the employees of the Company was in receipt of remuneration equal to or exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Company.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

(a) Conservation of Energy and technology absorption

- (i) The Company has paid special attention to the conservation of energy as a matter of principal and policy. This has been reflected in the selection of equipment at the project stage. The cost of power has kept to the minimum by optimum operation. Regular preventive maintenance has helped to operate unit efficiently.
- (ii) Additional investment and proposals, if any, are being implemented for reduction of Conservation of Energy.

- (iii) Impact of the measures at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods : Not ascertainable

(b) Foreign Exchange earning and outgo

Foreign Exchange earnings - Rs. 17.52 Lacs (previous year Rs. 4.76 Lacs)

Foreign Exchange outgo - Rs. 6.87 Lacs (previous year Rs. 37.55 Lacs)

Employees' Stock Options:

Details as required under Clause 12 of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, are given in annexure attached to this report.

Subsidiary companies:

Arrow Coated Products (UK) Ltd., NagralD Arrow Secure Cards Pvt. Ltd. and Advance IP Technologies Ltd. (step down) are subsidiary companies of the Company. As required under Section 212 of the Companies Act, 1956, a statement regarding subsidiary companies is attached to the Balance Sheet for the year ended 31st March 2010.

As required by under Accounting Standard 21, the Audited Consolidated Financial Statements for the above referred subsidiary companies are attached herewith and form part of the Annual Report.

Acknowledgements:

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institution, Banks, Government Authorities, Vendors and Shareholders and all organizations connected with its business during the year under review. Your Directors also wish to place a record their deep sense of appreciation for the committed services of Executives, Staff and Workers of the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date : 29th May 2010

Shilpan Patel
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Development

A. Water Soluble Film (WSF)

Industry is now waking up to the need of water-soluble film and its packaging advantages. Various NGOs and our own efforts for propagating the use of WSF in packaging of hazardous chemicals like Fungicides, Herbicides and Weedicides which are exceptionally potent pesticides and the proper disposal of packaging materials, after the chemicals are dispensed with. The failure would result in serious health problems to flora, fauna, animals and human beings is now being acknowledged by this Industry. This has also led to the realization to follow international rules of packaging these chemicals in WSF in future.

B. Bio-Compostable Products

Arrow has been propagating Bio-Compostable plastics and other composites as an alternative to petro-plastics. Arrow has succeeded in developing a low cost Bio-Compostable plastic which can be used for daily uses like shopping bags and garbage bags. We have started trial of commercial production of non soluble Bio-Compostable plastics made from Potato starch. This technology is in collaboration with Sphere S.A., France.

C. Oxy Fresh

Agriculture is the backbone of Indian Economy & more than 60% of population is directly or indirectly dependent on agriculture for livelihood. India is second largest producers of fruits & vegetables in the world with more than 325 million tones of production every year.



Arrow Coated Products Ltd. introduces a revolutionary packaging technology called OXY- Fresh films - a post harvest packaging solution. A unique technology aimed at reducing wastage in vegetables, fruits & flowers caused by deterioration. This technology not only increases the shelf life of vegetables & fruits but also helps to maintain their moisture level by naturally controlling the respiratory mechanism of vegetables & fruits.

D. Mouth Melting Strip

This technology is a relatively new development, which allows small quantities of active ingredients to be delivered in a user-friendly format. Adapting existing products such as oral sprays, liquids or tablets, or exploiting entirely new opportunities, Arrow MMS works closely with clients to create the most effective thin film product and process solutions.

E. Digital Technology Enabled Products

Arrow moved forward to sign a Term Sheet to form a Joint Venture Company owned jointly by NagralD Switzerland and Arrow. NagralD is the world leader in Smart Cards and has several patents in this field. Nagra Smart Display card is a rage in the credit card market as one of the most secure credit cards in the world. This technology was introduced at the French show Cartes IT. Our joint venture is aimed towards National ID card project, which is yet to take off, while Driver's License and E-Governance projects have moved ahead in several states in India. This will create demand for Smart Cards, NagralD, is part of Kudelski Group, which is a Blue Chip Company on Swiss Stock Exchange (SWX).

F. Patents and IPR SBU

IPR is an important revenue stream for any company. Arrow has spent reasonably heavy amounts of money in RND and filing of patents in the last 5 years. This will pay dividends in many years to come. It gives me great pleasure to inform our share holders that we have been granted two more patents in India. We have also filed 18 patents Nationally and Internationally. Some of these patents shall change the way many Detergents, Pharma and Agro chemical products are being packaged and delivered. We intend to license some of this technology to various companies.

Intellectual proper is one of the things that sets the company apart, with protected core technology in the form of patents one has nuggets of wealth at the centre of the business. The patents are value creators for the companies as they can be licensed, sold, mortgaged, assigned or cross licensed so having a strong patent portfolio enables a company to be royalty earner than royalty payer.

The patent rights are territorial in nature, so one has to file and seek patent grant in all the countries separately where one wants to protect his invention. The filling of patent applications all over the world is an expensive task but once the patent is granted and various revenue generation streams come in to effect, it's a WIN-WIN situation for the company.

G. Arrow UK Activities

Arrow UK purchased stake in Advance IP Technologies Limited, a UK based Company. This Company is jointly owned by Arrow and Israel based promoters. Advance IP specializes in generating revenues from various IPR (Patent) created by both the partners. Arrow is a Joint Patent holder of a block buster Patent in health and hygiene and the same has been assigned to Advance IP. This Patent has been granted in UK and is being examined in Europe, USA, Australia, China and India.

H. Export Division SBU

Exports of our products have increased but there is an unlimited and untapped potential world wide. There are only 3 major players in cast water soluble films, and Arrow is one of them. All of us have unique methods of production of these films and have earned patent protection. Arrow UK has generated excellent inquiries and all this need special care. This year we segregated a new division specially to address to Arrow UK and other export markets. This should give a positive impetus to our export sales this year.

I. Arrow Pharma Foray

Taking advantage of the patented technology, our company is in the process of securing partner(s) in the field of Pharmaceuticals and Nutraceuticals for entering into this highly lucrative and IPR sensitive field of saving human and animal lives. In future, Arrow would like to enter crop protection using a different version of this patented process and patented product. As India starts it's foray into providing food grains for the world population, the need for low pesticides residue will be very important. These are long term revenue generating fields that your company is targeting using our Patents and knowledge aquired over the years. Both these ventures will mean additional Capital expenditures and your company is planning this ahead of time. Arrow's Pharma foray will be limited to the use of its Patented drug (Active) delivery system, using edible Water Soluble Film.