



ARROW COATED PRODUCTS LTD



**21st
Annual Report
2012-2013**

**Innovative
Eco-Friendly Solutions**

BOARD OF DIRECTORS :

Mr. Shilpan P. Patel
Mr. Neil Patel
Mr. Vijay Dhar
Mr. Haresh Mehta
Mr. Faredun Taraporwala
Dr. Anil Saxena
Mr. Harish Mishra

Chairman & Managing Director
Whole Time Director
Director
Director
Director
Director
Director

COMPANY SECRETARY

Ms. Poonam Bansal

BANKERS :

Bank of Baroda
HDFC Bank Ltd

AUDITORS :

J. A. Rajani & Co.
Chartered Accountants
Mumbai

REGISTERED OFFICE :

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

REGISTRAR AND SHARE TRANSFER AGENTS :

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

WORKS :

5310, GIDC,
ANKLESHWAR - 393 002.
GUJARAT.

CHAIRMAN'S MESSAGE

Dear Partners,

Your Company has done exceptionally well in the financial year 2012-13 in spite of the sluggish global economic growth. The year ended March 2013 has done us proud for more than one reason. We achieved our targets and the business focus has been maintained to cover our major Strategic Business Units, as per plans. However, I am aware of the fact that growth in isolation is not the only barometer of long term and sustained success. We have indeed strengthened our competitive edge by increased productivity and we are aware we have to gather further higher economies of scale.

The total income from operations is ₹ 1058 Lacs as compared to ₹ 443 Lacs in the previous year giving very high growth rate of around 139% as compared to previous year. The company has earned net profit of ₹ 163 Lacs, as compared to net loss of ₹ 93 Lacs in the previous year resulting into a jump of over 275%.

Further consolidated income from operations, including all subsidiaries of your company, for current financial year is ₹ 1541 Lacs as compared to ₹ 446 Lacs in the Previous Year, giving an increase of 245%. The company earned net profit of ₹ 259 Lacs, as compared to net loss of ₹ 114 Lacs in the previous year, after providing depreciation of ₹ 25 Lacs and taxation of ₹ 24 Lacs. One can see that put together now your Company as well as its subsidiaries have accounted for an incremental net profit of ₹ 373 Lacs which is around 327% higher as compared to previous year. We consider this as an inspiring growth rate affording us a challenge to sustain hereon.

I would further like to inform that your UK based 100% owned subsidiary, Arrow UK, which was primarily formed to create markets for Indian products and inventions, is also performing well. The total income from operation thereat is ₹ 778 Lacs and net profit of this company is ₹ 74 Lacs, after providing taxation of ₹ 15 Lacs, as against loss of ₹ 1 Lacs in the previous year.

The Board of Directors have recommended 7.5% dividend for the F.Y 2012-13 on ordinary Shares, as they thought it prudent to create a healthy reserve for leveraging future growth plans.

Despite path breaking advancements made by the world to save the environment there are still miles and miles to go before we build a safe haven for our future generations. Your company, by its own innovative ways still continues to contribute to this very important cause.

We work, we succeed and at times we fail but our endeavor to excel still remains. The lessons of the past are before us and we often revisit them in our minds. It is said that those who do not learn from history are condemned to repeat it. As we step into the next financial year we tread cautiously yet steadily & confidently. I would like to thank and commend my wonderful and committed team, Board of Directors and above all you, my shareholders, for their relentless faith in the company.

Achievements & vision of the SBU's (Strategic Business Units):

Water Soluble Film (WSF): Arrow Coated Products Ltd, an ISO 9001:2008 certified company, is one of the leading manufacturers of cast water soluble film in the world, having world class manufacturing facilities in Ankleshwar, Gujarat & has one of largest cast water soluble film (PVAL) manufacturing machine in the world. Industry is now waking up to the need of water-soluble film and its packaging advantages. This Wonder Product has got varied applications in industries ranging from Agrochemicals, Construction, Chemical, Embroidery, Health & hygiene to Water transfer printing (3D printing). WSF provides an instant solution to the various problems faced in handling of hazardous material by industries today.

Most modern industries are turning to WSF as their primary packaging product.

Our Company has developed a wide range of water soluble films especially for the agrochemical industry which dissolves completely in water & meets WHO standards (solubility standards) as per CIPAC method without damaging the environment or causing any harm to humans and has no health hazards.

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.

Mouth Melting Strip(MMS): 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. Arrow has now mastered the technology of edible water soluble film, and has made agreements with at least one company for out-licensing this patent in India. Coming year shall bring good results to the revenue stream, as many active ingredients belonging to health and hygiene shall be the preferred drug delivery system via this technology. As is aware, that this patent has now been granted in several countries, including Australia, South Africa, Europe and India. This patent is still being prosecuted in the USA.

Intellectual Property Division: We have now received grants for a total of 28 patents, which are likely to generate revenues in the coming years on recurring basis. The life of a patent ranges between 15 to 20 years. It is more important to note that besides revenues, the grant of a patent necessarily means the increase in the intrinsic value of the company. Recently, our Japanese competitor bought out the American competitor and paid a very interesting value, which was much more than the value of the bricks and mortar of the company. The Valuation had taken the IP into consideration besides the market values. Our patents are most based on Water Soluble films technology and so the opportunity lies in converting the competition into a strategic alliance partner, thus creating revenues for each other's company, based on each other's strengths.

Export & FE earnings Division: We have successfully entered the European market. Mr. Neil Patel and his team received sizable orders from a European company for an end use which is quite unique to our product. This will pave the way for tapping other companies based in USA, Korea and Europe. Arrow Coated Products (UK) Ltd. will be in charge of this growth in the coming years.

As I conclude, I re-affirm your Company's focus on delivering robust Financial Results.

I would like to thank all our employees for their outstanding performance, Board of Directors, you very supportive shareholders and all my partners for their continued support and relentless faith in the company.

Shilpan P Patel

Chairman & Managing Director

NOTICE

Notice is hereby given that the 21st Annual General Meeting of **Arrow Coated Products Limited** will be held on Saturday, the 28th September 2013 at 10.30 a.m. at The Classique Club, Behind Infinity Mall, New Link road, Oshiwara, Andheri (West), Mumbai – 400 053 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet as on 31st March, 2013 and Statement of Profit and Loss for the year ended on that date together with the Directors' Report and Auditors' Report thereon.
2. To declare Dividend on Equity Shares for the the year ended 31st March, 2013.
3. To appoint a Director in place of Mr. Haresh Mehta, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anil Saxena, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.
5. To consider and if thought fit, to pass, the following resolution as an Ordinary Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956 M/s. J.A. Rajani & Co., Chartered Accountants, be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed by the Board of Directors of the Company".

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary to implement this resolution".

SPECIAL BUSINESS

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

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309, 310 and 311 read with Part II of Schedule XIII and all other applicable provisions (if any) of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force), and subject to the approval of Shareholders of the Company Mr. Neil Patel be and is hereby appointed as Whole-Time Director of the Company for a period of three (3) years from 1st October 2012 to 30th September 2015 on the terms and conditions (including the remuneration to be paid on the event of loss or inadequacy profits in any financial year) as under, with the liberty to the directors to alter and vary the terms & conditions of the said appointment in such manner as may be agreed to between the directors and Mr. Neil Patel subject to such approvals as may be required: on the following terms and conditions:

- 1) **Tenure of Agreement: For a period of 3 years commencing from 1st October 2012 upto 30th September 2015.**
- 2) **Remuneration:**
 - i) Basic Salary: ₹ 90,000/- per month
 - ii) The benefits, perquisites, allowances and bonus with effect from 1st October 2012 shall be as under:

Particulars	Per Month (₹)	Per Annum (₹)
Basic (A)	44,220	5,30,640
Benefits, Perquisites, Allowances (B)		
HRA	22,500	2,70,000
Medical Reimbursement	1,250	15,000
Conveyance	800	9,600
Special Allowance	20,450	2,45,400
Total Benefits, Perquisites and Allowances which may be entitled (B)	45,000	5,40,000
Retiral Benefits (C)		
Provident Fund	780	9360
Gratuity	-	-
Total Retirement Benefit (C)	780	9360
Performance Linked Payment (D) At 100% Target Performance	-	-
Total A+B+C+D	90,000	10,80,000

iii) **Minimum Remuneration:** Where in any financial year during the currency of the tenure of Whole Time Director, the company has no profits or its profit are inadequate, the company will pay to the Whole Time Director remuneration by way of salary and perquisites as minimum remuneration as specified above.

iv) All the personal policies of the company and related Rules which are applicable to other employees of the company shall also be applicable to the Whole Time Director, unless specifically provided otherwise.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such actions and to do all such deeds, matters and things, as it may be required from time to time to give effect to this resolution."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as **Special Resolution:**

"RESOLVED THAT in supersession to the earlier resolution passed by the shareholders of the Company at 20th Annual General Meeting of the Company held on 27th September 2012 and pursuant to the provisions of Section 198, 269, 309, 310 and 311, read with Part II of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the said Act' including any modification(s) or re-enactment(s) thereof for the time being in force) and subject to approval of the shareholders of the Company, Mr. Shilpan Patel the Managing Director of the Company be and is hereby appointed as Managing Director of the Company for a period of three (3) years from 1st October 2012 to 30th September 2015 on the terms and conditions (including the remuneration to be paid on the event of loss or inadequacy profits in any financial year) as under, with the liberty to the directors to alter and vary the terms & conditions of the said appointment in such manner as may be agreed to between the directors and Mr. Shilpan Patel subject to such approvals as may be required:

1) Tenure of Agreement:

For a period of 3 years commencing from 1st October 2012 upto 30th September 2015.

2) Remuneration:

i) Basic Salary: ₹1,25,000/- per month

ii) The benefits, perquisites, allowances and bonus with effect from 1st October 2012 shall be as under:

Particulars	Per Month (₹)	Per Annum (₹)
Basic (A)	59,380	7,12,560
Benefits, Perquisites, Allowances (B)		
HRA	31,250	3,75,000
Medical Reimbursement	1,250	15,000
Conveyance	800	9,600
Special Allowance	29,200	3,50,400
(B)Total Benefits, Perquisites and Allowances which may be entitled	62,500	7,50,000
Retiral Benefits (C)		
Provident Fund	3,120	37,440
Gratuity	-	-
Total Retirement Benefit (C)	3,120	37,440
Performance Linked Payment (D) At 100% Target Performance		
Total A+B+C+D	1,25,000	15,00,000

iii) Minimum Remuneration: Where in any financial year during the currency of the tenure of Managing Director, the company has no profits or its profit are inadequate, the company will pay to the Managing Director remuneration by way of salary and perquisites as minimum remuneration as specified above.

iv) All the personal policies of the company and related Rules which are applicable to other employees of the company shall also be applicable to the Managing Director, unless specifically provided otherwise.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such actions and to do all such deeds, matters and things, as it may be required from time to time to give effect to this resolution."

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

Place: Mumbai
Date : 28th May, 2013

Poonam Bansal
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE 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 23rd September 2013 to Saturday, the 28th September 2013 (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. The unclaimed dividend up to the financial year 2005 - 2006 is due for transfer to the Investor Education and Protection Fund (IEPF) as required under section 205-A and 205-C of the Companies Act, 1956 administered by the Central Government during the month of October 2013. The Shareholders whose dividend is unclaimed for the aforesaid financial year are requested to claim it immediately from the Company.
Further, Shareholders are requested to note that no claim shall lie against the said fund or the Company in respect of any amounts which were unclaimed for a period of seven years from the date that these became first due for payment and no payment shall be made in respect of any such claim.
8. Members whose shareholding is in the electronic mode are requested to intimate any change in their address to their respective Depository Participants.
9. 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. Haresh Mehta, aged 60 years, is a Science Graduate. He has vast experience in packaging industry. He is also director in Janya Packaging Pvt. Ltd. He is Chairman of Shareholders/Investors's Grievance Committee and member of Audit Committee and Remuneration Committee of the Company. As on 31st March 2013, he held 42466 shares of the Company.

Dr. Anil Saxena, aged 58 years, is MBBS & MD. He has vast experience in Television Production. He is also director in Sagar Barseria Motion Films Pvt. Ltd. He is also a member of Audit Committee, Shareholder's/Investors's Grievance Committee and Remuneration Committee of the Company. As on 31st March 2013, he does not hold any shares in the Company.

Mr. Shilpan Patel, aged 57 years, hold a Master's degree in Business Administration from Sam Houston University, Texas, USA. He majored in Economics and Marketing. He did his graduation in Commerce from H.L. Collage of Commerce, Ahmedabad in India. He is also director in Arrow Convector Pvt Ltd., NagralD Arrow Secure Cards Pvt Ltd., Grace Paper Industries Pvt. Ltd., Sparrow Biopolymer Products Private Limited, Arrow Agri-Tech Pvt. Ltd., Arrow Coated Products (UK) Ltd. and Advance IP Technologies Limited.

As on 31st March 2013, he held 45,23,852 shares in the Company.

Mr. Neil Patel, aged 26 years, is MSc. (Bio Medical Science) from Kingston College, London. He possesses good entrepreneurship skills. He is associated with the Company since last 5 years and is working on Mouth Melting Strip (MMS) project. He is also Director in Avery Bio-Tech Private Limited, Arrow Agri-Tech Private Limited and Almighty Natures Developers Private Limited.

As on 31st March 2013, he does not hold any shares in the Company.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:**Item No. 6:**

The Board of Directors of the Company appointed Mr. Neil Patel, son of Mr. Shilpan Patel, Managing Director of the Company, as Whole Time Director of the Company with effect from 1st October 2012, at remuneration of Rs. 90,000/- per month, subject to shareholders approval in general meeting.

Mr. Neil Patel, aged 26, is MSc. (Bio Medical Science) from Kingston College, London. He possesses good entrepreneur skills. He is associated with the Company since last 5 years and working on Mouth Melting Strip (MMS) project.

The Board recommends the passing of the Special Resolution as set out at item No. 6 of the Notice. None of the directors, except Mr. Shilpan Patel and Mr. Neil Patel are interested or concerned in the resolution.

Item No. 7:

The shareholders of the company at the 20th Annual General Meeting of the Company held on 27th September 2012 have already appointed Mr. Shilpan Patel as the Managing Director of the Company w.e.f from 1st December 2010 for the period of three years i.e. upto 30th of November 2013 without any salary.

Considering the current financial position of the company, the Board of Directors of the Company have now decided to re-appoint Mr. Shilpan Patel as the Managing Director of the Company, with effect from 1st October 2012 for a period of 3 years upto 30th September 2015 on the revised terms and conditions and on the basis of remuneration of Rs. 1,25,000/- per month, subject to shareholders approval in general meeting, in supersession to the earlier resolution passed by the shareholders of the company passed on 27th September 2012.

Mr. Shilpan Patel, aged 57 years, hold a Master's degree in Business Administration from Sam Houston University, Texas, USA. He majored in Economics and Marketing. He did his graduation in Commerce from H.L. Collage of Commerce, Ahmedabad in India. His reappointment will be immensely beneficial to the company.

The Board recommends the passing of the Special Resolution as set out at item No. 7 of the Notice.

None of the directors, except Mr. Shilpan Patel and Mr. Neil Patel are interested or concerned in the resolution.

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

Place: Mumbai
Date : 28th May, 2013

Poonam Bansal
Company Secretary

DIRECTORS' REPORT

To,

The Members,

The Directors of Arrow Coated Products Limited present the 21st Annual Report on the operations of the Company, together with the Audited Accounts for the year ended 31st March, 2013.

Financial Results

(₹ In'000)

Particulars	2012-2013	2011-2012
Total income	105835	44286
Profit (Loss) before finance cost, Depreciation and Amortization expenses, exceptional items & Tax	21726	(3580)
Less : Finance Cost	1727	3560
Less : Depreciation and Amortization expenses	2497	2233
Less: Exceptional items	364	(423)
Profit Before Tax (PBT)	17138	(8950)
Less : Provision for Taxation		
- Current Tax	440	-
- Deferred Tax	376	140
- Fringe Benefit Tax	-	-
Profit After Tax (PAT)	16322	(9090)
Add : Balance brought forward	4643	14202
Less : Tax & Dividend Adjustment	(10437)	(252)
Balance carried to Balance Sheet	10528	4643

Operations :

The total income from operations including other income for the financial year under review amounted to Rs. 1058.35 Lacs as compared to Rs. 442.86 Lacs in the previous year. The Company has incurred net profit of Rs. 163.22 Lacs under review after providing for depreciation of Rs. 24.97 Lacs and taxation of Rs. 8.16 Lacs. After adjustment of brought forward balance of Rs. 46.43 Lacs from previous year and after providing for the tax adjustment, Rs. 105.28 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

Your Directors have recommended a dividend of 7.5% on Equity Shares of the Company for the year ended 31st March, 2013

Conversion of Detachable Warrants into Equity Shares

During the year under review, the Company has allotted 10,39,552 fully paid-up Equity Shares of face value of Rs. 10/- each on 9th March, 2013 against conversion of detachable warrants issued by the Company on 16th March 2012. The above shares were listed on BSE Ltd. on 23rd April, 2013.

Consequent to the above, the paid-up Equity Share capital of the Company is increased to Rs. 11,73,99,480/- divided into 1,17,39,948 Equity Shares of Rs. 10/- each.

Public Deposits

During the year under review, the Company has not accepted/renewed any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956.

Directors

Mr. Haresh Mehta and Dr. Anil Saxena, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors recommend re-appointment of Mr. Haresh Mehta and Dr. Anil Saxena as Directors of the Company at the ensuing Annual General Meeting of the Company.