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Arrow Webtex Limited

Board of Directors

Mr. Jaydev M. Mody	—	Chairman
Mrs. Kalpana G. Singhania		
Mr. Aditya Mangaldas		
Mr. Aurobind Patel		
Dr. Vrajesh Udani		
Mr. Chand V. Arora	—	Managing Director

Registered Office and Plant

Plot No. 101 / 102, 19th Street,
MIDC Industrial Area, Satpur,
Nasik 422 007.
Phone : (0253) 2350741
Facsimile : (0253) 2351126
e-mail : arrow@bom2.vsnl.net.in
Website : www.arrowwebtex.com

Auditors

M/s. Amit Desai & Co.,
Chartered Accountants, Mumbai.

Audit Committee

Mr. Aditya Mangaldas	—	Chairman
Mr. Aurobind Patel		
Mr. Jaydev M. Mody		

Bankers

UTI Bank Ltd.
Sharanpur Road Branch, Nasik – 422 002

Share Transfer / Investor Grievance Committee

Mr. Jaydev M. Mody	—	Chairman
Mr. Chand V. Arora		

Company Secretary & Compliance Officer

Mr. Girish G. Paralikar

Share Transfer Agents

Amtrac Management Services Ltd.
Plot No. 101 / 102, 19th Street,
MIDC Industrial Area, Satpur, Nasik 422 007
Phone : (0253) 2354032
Facsimile : (0253) 2351126
e-mail : amtrac_nsk@sancharnet.in

Shares listed at

Bombay Stock Exchange Limited
Ahmedabad Stock Exchange Limited
The Delhi Stock Exchange Association Limited

Demat of shares available through

National Securities Depository Limited
Central Depository Services (India) Limited



Notice

NOTICE is hereby given that the 27th Annual General Meeting of the Members of the Company shall be held at the Registered Office of the Company at Plot No. 101 / 102, 19th Street, MIDC Industrial Area, Satpur, Nasik 422 007 on Saturday, the 19th day of August, 2006 at 02.00 P.M. (S.T.) to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at and the Profit & Loss Account for the year ended 31st March 2006 and the annexures thereto along with the reports of the Directors and Auditors thereon.
2. To declare dividends on the Equity and Preference Shares of the Company.
3. To appoint a Director in place of Mr. Jaydev M. Mody who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from Saturday, the 12th day of August, 2006 to Saturday, the 19th day of August, 2006, both days inclusive.
3. Dividends on the Equity and Preference shares, as recommended by the Directors for the financial year ended 31st March 2006, when declared at the meeting shall be paid on 22nd day of August, 2006.
4. Members holding shares in PHYSICAL mode and who wish to receive their dividends by way of Electronic Clearing Service (ECS) credit facility are requested to furnish the following details to the Company latest by the 10th August, 2006 viz.:
 - a. Name of the Bank :
 - b. Branch :
 - c. Bank Address in full :
 - d. Bank Account Number :
 - e. Account Type (Savings / Current) :
 - f. 9 digit code no of the bank (MICR Code) :
 - g. Photocopy of the cancelled cheque :

The Company does not accept responsibility if the ECS facility could not be implemented for any reasons beyond the control of the Company.

The holders of the Shares in DEMAT mode should update their ECS Credit details as above with their Depository Participant. The Company shall NOT update any such details for the holders of the shares in DEMAT mode.

The ECS Credit facility is currently available for the shareholders located at Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Jaipur, Hyderabad, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna, Pune and Thiruvananthapuram.

3. Provisions of Section 109 A of The Companies Act, 1956 permits Nomination by the members of the Company. Filing and sending to the Company the prescribed Form No. 2 B, which is attached for the convenience of the members, can do the same.
4. Shareholders are requested to claim their dividends that have remained unpaid, if any, for the year ended 31st March 2004 and 31st March 2005. These dividends shall be transferred to the Investor Education and Protection Fund as follows:

Year	Date of Transfer
31.03.2004	25 th September, 2011
31.03.2005	1 st July, 2012

5. The details for Mr. Jaydev Mody, who is seeking re-appointment as a Director of the Company, are furnished in the Corporate Governance Report.

Registered Office :

Plot No. 101 / 102, 19th street,
MIDC Industrial Area, Satpur,
Nasik 422 007.

Saturday, the 22nd day of April, 2006

By order of the Board,
GIRISH G. PARALIKAR
Company Secretary



Management Discussion and Analysis

A. Industry Structure & Developments:

Our Company is engaged in the businesses of:

- a. Manufacture of narrow woven fabrics, woven labels, printed labels and printed elastic tapes.
- b. Real estate development and consultancy services and,
- c. Trading in Securities.

B. Operations:

Manufacturing:

Arrow has a manufacturing facility at Nasik. Your company is in the process of setting up additional manufacturing capacity, which will nearly double the existing capacity. The expansion is in its final stage of implementation and is expected to be complete by the end of November 2006.

Information Technology:

Arrow is in the process of setting up an Oracle based ERP Package. This shall integrate the various functions in the Company including sourcing of materials, inventory and stock maintenance, sales invoicing and receivables and all related functions. The same is also in its final leg of implementation and is expected to be operational in full by the end of July 2006.

Subsidiary Companies:

Fasttrack Impex Private Ltd. (FIPL) is a 100 % subsidiary of the Company. Sailer Real Estate Developers India Private Ltd., (SREDIPL) being a subsidiary of Fasttrack Impex Private Ltd., is also a subsidiary of the Company.

SREDIPL is engaged in the business of running hotel in Goa. FIPL is in the business of real estate development and agency businesses and also dealing with shares and other securities. The results of these subsidiaries also form a part of the accounts of the Company.

C. Markets:

A. Narrow Woven Fabrics Division:

The NWF has generated Rs. 1304.60 Lacs sales which is 36.78 % of the total income of the Company. This business has shown a steady but consistent growth in the current fiscal. The Company has initiated measures to have total customer satisfaction as its motto and is deriving all its team efforts in this focused area. Also the expansion plans are under implementation and are expected to contribute healthy profits in the current financial year.

B. Real Estate Development and Consultancy Division:

The Real Estate Development and Consultancy division has generated an income of Rs. 1931.50 Lacs which is 58.71 % of the total income of the Company. The profits of Rs. 1,192 Lacs as shown by this division are 88.52 % of the net profits of the Company. This division is a major contributor for the exponential growth of the Company.

Certain new projects are on the cards with the Company, which are quite exciting and remunerative in the long run. The Company shall approach you at the appropriate time with a detailed presentation on this.



27th Annual Report 2005-2006

D. Financials:

The Financial Performance of the Company for the year ended 31st March 2006 is as under:

Statement of Income:

(Rs. in Lacs)

Particulars	Year ended 31.03.2006	Year ended 31.03.2005	Consolidated Results 31.03.2006
Income from Operations	3,289.96	1613.40	3,547.30
Profit before Interest, Depreciation and Taxation	1,977.01	540.15	2,153.40
Profit before Depreciation	1,973.53	530.66	2,149.66
Depreciation	69.94	88.40	86.26
Profit before Tax	1,903.60	442.26	2,063.40
Profit after Tax	1,346.56	312.80	1,502.35
EPS Rs.	44.86	10.42	50.06
Book Value per share Rs.	69.38	36.35	67.02

Balance Sheet:

(Rs. in Lacs)

Particulars	As at 31.03.2006	As at 31.03.2005	Consolidated Balance Sheet As at 31.03.2006
Liabilities:			
Share Capital:			
- Equity	300.14	300.14	300.14
- Preference	91.02	181.02	91.02
Reserves & Surplus	1,782.28	790.91	1,711.56
Loan Funds	533.74	226.74	1,494.38
Total Liabilities	2,707.18	1,498.81	3,597.10
Assets			
Fixed Assets (Net of Depreciation)	684.63	356.06	1,188.97
Investments	148.94	120.00	148.19
Net Current Assets	1,870.98	1,014.99	2,257.18
Deferred Tax Assets	2.00	7.00	2.00
Miscellaneous Expenditure	0.63	0.76	0.76
Total Assets	2,707.18	1,498.81	3,597.10

Rs. in Lacs

Share Capital	391.16
Loan Funds	1,494.38
Fixed Assets	1,188.97
Investments	148.19
Net Working Capital	548.38



Arrow Webtex Limited

Particulars	As at 31.03.2006
Raw Material and WIP	122.13
Finished Goods	77.60
Receivables	1,651.63
Net Working Capital	548.38

Return on Capital Employed (ROCE)

Particulars	Year ended 31.03.2006
Net Fixed Assets :	1,188.97
Net Current Assets :	2,257.18
Capital Employed : (excluding investment)	2,102.72
PBIT (excluding dividend and profit on sale of assets)	2,067.14
ROCE %	59.98

E. Threats, Risks and Concerns:

Rising interest rates due to external economic forces and the general trend of the rising fuel prices, which can make an indirect impact on the profitability of the Company, are cause of concern for us. Also, the Government policies with regard to the foreign direct investments in the real estate division may have an impact on our functioning.

Cheap imports and anti dumping duties levied by the nations outsourcing garments and trims from India could play a threat for our business. The oversupply of the real estate stock can be threatening for the business.

Any business runs on an inherent risk of skilled manpower shortage, customers demanding better products at cheaper price and generic competition being developed ready to supply material at competitive pricing are the risks associated with our business. Any retrospective amendment to /legal interpretations of the laws and regulations pertaining to land and properties are the risks with which every significant player is exposed to.

F. Outlook and Opportunity:

Notwithstanding the risks and threats as mentioned above, Arrow shall tread its path cautiously towards progress, prosperity and is upbeat about its future performance. The proposed merger between Creole Holdings Company Private Ltd. and Arrow shall create a robust structure standing on a solid foundation poised for future growth.

Our focus shall be to use technology and human resources to its optimum capacity and have better performance than the earlier years' performance.

G. Internal Controls:

The Company is in the process of setting adequate internal control systems. The financial statements towards the performance of the Company are under strict vigilance by the Management and are reviewed periodically. The Company has set up an Internal Audit trail whereby deviations, if any, can be brought to the notice of the Management quickly and remedial actions are initiated swiftly.

H. Human Resources And Industrial Relations:

The industrial relations remained cordial throughout the year. The employees of the Company have extended a very productive co-operation in the efforts of the Management to turn around the Company. Continuous training down the line is a normal feature in the Company to upgrade the skills and knowledge of the employees and workmen of the Company.

I. Cautionary Statement:

The statements made above may be construed as Forward Looking Statements within the meaning of the applicable laws and regulations. Actual performance of the Company may vary substantially depending upon the business structure and model from time to time. Important external and internal factors may force the Company to project a downtrend in the operations.



Directors' Report

The Directors are pleased to present to the Members of the Company their 27th report on the working of the Company for the year ended 31st March 2006.

Financial Results

(Rupees in Lacs)

	Year ended 31.03.2006	Year ended 31.03.2005
Income for the Year	3,289.96	1613.40
Profit before Interest, Depreciation and Tax	1,977.01	540.15
Finance Charges	(3.48)	(9.49)
Profit before Depreciation and Taxes	1,973.53	530.66
Depreciation	(69.94)	(88.40)
Provisions for Taxation/ Deferred Tax	(570.00)	(113.00)
Net Profit for the Current Year	1,333.59	329.26
Earlier Years Adjustments	12.97	(16.46)
Earlier Years Balance Brought Forward	41.98	50.55
Net Profit available for Appropriation	1,388.54	363.35
Appropriation :		
Proposed dividend on Equity Shares	(300.14)	(45.02)
Proposed dividend on Preference Shares	(11.35)	(18.10)
Dividend Tax for both the above dividends	(43.70)	(8.25)
Transfer to General Reserves	(800.00)	(250.00)
Balance carried to Balance Sheet	233.35	41.98

Operations

During the year, the Company has fared extremely well and has shown an excellent performance. Both the divisions of the Company have shown significant improvement in their performance which has resulted in the rise of the Net Profits by about 405%.

During the year the Directors of the Company have proposed a Scheme of Arrangement / Amalgamation between Creole Holding Company Private Ltd. and the Company. Upon being effective, the resources utilization shall be still better and the Company shall have very good avenue in the real estate business, which is showing continuous improvement for the last couple of years.

The proposed expansion plan at the Narrow Woven Fabric Division of the Company is in the final stage of its implementation. It is expected to be completed by the end of November, 2006.

Dividends

The Directors are happy to recommend dividends @ 100 % on the Equity Share Capital and @ 10 % on the Preference Share Capital of the Company.

Directors

Mr. Jaydev M.Mody retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.



Arrow Webtex Limited

Your directors commend the resolutions for the re-appointment of Mr. Jaydev M. Mody.

Directors Responsibility Statement

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs at the end of the financial year and loss of the Company for the financial year ended 31st March, 2006.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on the going concern basis.

Audit Committee

The Company has established the Audit Committee with Mr. Aditya Mangaldas, Mr. Aurobind Patel and Mr. Jaydev M. Mody as its members. Mr. Aditya Mangaldas, an Independent Director is the Chairman of the Audit Committee. The Audit Committee has all the powers as detailed under Section 292 A of the Companies Act, 1956.

Auditors

The present Auditors of the Company, M/s. Amit Desai & Co., Chartered Accountants have certified that their appointment, if made, at the ensuing Annual General Meeting shall be in accordance with the provisions of Section 224 of the Companies Act, 1956. The Directors commend the resolution for their appointment and fixing their remuneration.

Statements under Section 217(1)(e) and 217(2A) of the Companies Act, 1956

The information under the provisions of Section 217(1)(e) is enclosed.

The information under the provisions of Section 217(2A) is NIL.

Demat and Listing Details

The total number of Equity Shares held in dematerialised form as on 31st March 2006 are 26,70,631, which represents 88.98 % of the total paid up Equity Shares of the Company.

The total number of Preference Shares held in dematerialised form as on 31st March 2006 are 9,10,165, which represents 99.99 % of the total paid up Preference Shares of the Company.

The Equity Shares of the Company are listed on the Stock Exchanges at Mumbai, Ahmedabad and New Delhi. The Preference Shares of the Company are listed on the Stock Exchange, Mumbai.

The Company has paid the annual listing fees to these exchanges till 31.03.2007.

Acknowledgements

The Board does acknowledge with thanks the role of UTI Bank Ltd. in the functioning of the Company and their continued support and co-operation.

The Board also wishes to thank its suppliers, customers and employees for the support they have extended to the Company.

On behalf of the Board,

JAYDEV M. MODY
Chairman

Saturday, the 22nd day of April, 2006



27th Annual Report 2005-2006

FORM - A

Disclosure of particulars with respect to conservation of energy

	2005-2006	2004-2005
A. Power and Fuel Consumption:		
1. Electricity:		
a. Purchased		
Unit :		
('000 KWH)	989.62	771.79
Total Amount (Rs. in lacs)	36.96	30.98
Rate / per unit (KWH)	3.73	4.01
b. Own Generation		
(i) Through Diesel Generator	NIL	NIL
(ii) Through Steam Turbine/Generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil, LSHS & L.D. Oil	NIL	NIL
4. Others / Internal Generation	NIL	NIL
B. Consumption per unit of Production:		
ELECTRICITY		
Narrow Fabrics (per mtr.) :	0.17	0.13
Labels (per piece) :	0.020	0.018

The consumption of electricity depends upon the product mix used and the nature of the product manufactured. Thus the above indicates an average consumption per unit of production.

FORM - B

Disclosure of particulars with respect to technology absorption etc.:

RESEARCH AND DEVELOPMENT:

- Specific Areas in which R & D has been carried out by the Company: **NIL.**
- Benefits derived as a result of the above R & D : **Not Applicable.**
- Future plan of action :
Efforts are being taken towards product improvement, development, launching of a new consumer product and cost reduction etc.
- Expenditure on R & D: **NIL**

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:**NIL****FOREIGN EXCHANGE EARNINGS AND OUTGO :**

During the year, the foreign exchange outgo was Rs. 91.78 Lacs. The foreign exchange earned was Rs. 21.44 Lacs.

On behalf of the Board,

JAYDEV M. MODY
Chairman

Saturday, the 22nd day of April, 2006



Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange)

1. Company Philosophy

The Company's philosophy on Corporate Governance is to enhance the Shareholder value with the help of better and accountable Board practices, professional approach and greater transparency in its operations.

2. Board of Directors

The composition of the Board of Directors and related information as on 31st March 2006 is as follows:

Name of the Director & Designation	Executive / Non-Executive Independent	No. of Board Meetings held / Attended	Attendance at the last AGM on 01.07.2005	Directorships in other Public Limited Companies incorporated in India	Details of Board Committees of which Member / Chairman in the Company
Mr. Jaydev M. Mody Chairman	Non-Executive Promoter Director	4 / 3	No	5	Chairman of : 1. Share Transfer & Investor Grievance Committee 2. Member - Audit Committee
Mrs. Kalpana G. Singhania	Non-Executive Promoter Director	4 / 2	No	NIL	None
Mr. Chand V. Arora	Executive Promoter Director	4 / 3	Yes	NIL	Member - Share Transfer and Investor Grievance Committee
Mr. Aditya Mangaldas	Non-Executive, Independent Director	4 / 4	No	2	Chairman - Audit Committee
Mr. Aurobind Patel	Non-Executive, Independent Director	4 / 4	No	NIL	Member - Audit Committee
Dr. Vrajesh Udani	Non-Executive, Independent Director	4 / 3	No	NIL	None

None of the Directors on the Board hold the office of Director in more than 15 Public Limited Companies or memberships of Committees of the Board in more than 10 Committees or Chairmanship of more than 5 Committees across all Companies.

Board Meetings held during the Year:

Four Board Meeting were held during the twelve months period ended 31st March 2006. Those were held on 2nd May 2005, 30th July 2005, 28th October 2005 and 25th January 2006. The maximum gap between two Board Meetings was less than four months. The Board is provided all the material information well in advance pertaining to major strategic decisions and other statutory information.

3. Details of Directors seeking re-election

Mr. Jaydev M. Mody retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-election.

Mr. Mody is a Bachelor of Arts from the University of Bombay. He is 51 years age.