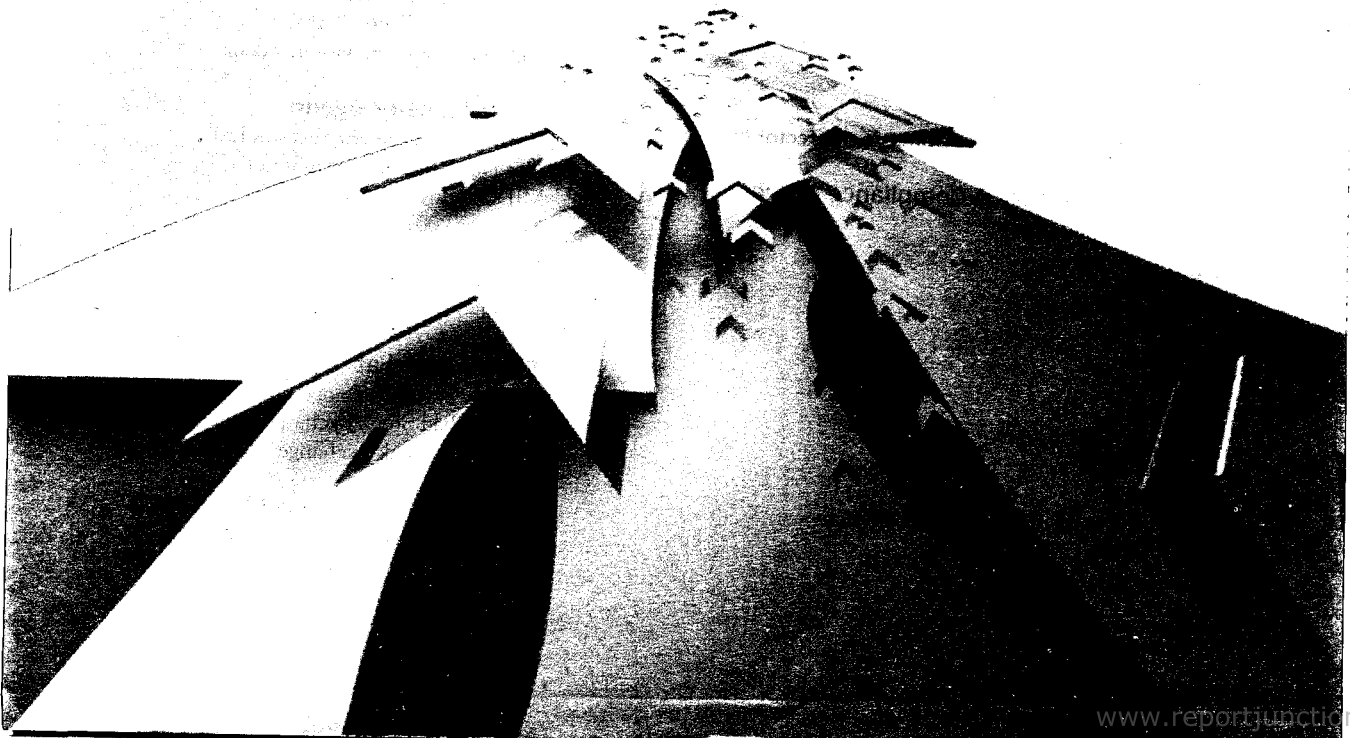




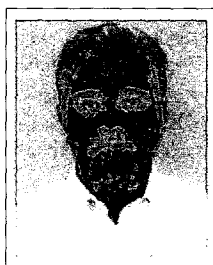
Arrow Webtex Limited

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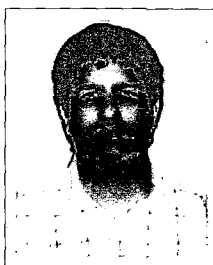
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Board of Directors



Mr. Jaydev Mody



Mr. Rajeev Piramal



Ms. Ambika Kothari



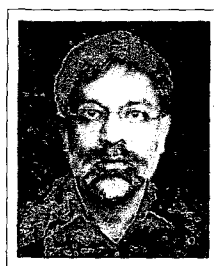
Mr. Chand Arora



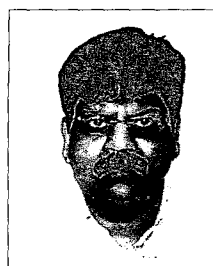
Mr. Aditya Mangaldas



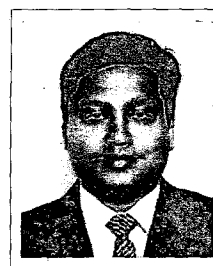
Mr. Mahesh Gupta



Mr. Aurobind Patel



Dr. Vrajesh Udani



Mr. Rajesh Jaggi

Board of Directors

Mr. Jaydev Mody – Chairman
 Mr. Aditya Mangaldas
 Mr. Aurobind Patel
 Dr. Vrajesh Udani
 Mr. Mahesh Gupta
 Mr. Rajeev Piramal
 Mr. Rajesh Jaggi
 Ms. Ambika Kothari
 Mr. Chand Arora – Managing Director.

Company Secretary & Compliance Officer

Mr. Girish G. Paralakar

Auditors

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

Bankers

UTI Bank Ltd.
 Sharanpur Road Branch
 Nasik 422 002.

ABN Amro Bank, Nariman Point Branch
 Sakhar Bhavan, Nariman Point
 Mumbai 400 021.

Registered Office

G 4, Ground Floor, Clover Classic
 North Main Road, Koregaon Park,
 Pune 411 001.
 Phone : (020) 2612 3300
 Fax : (020) 6608 0090
 Website : www.arrowwebtex.com

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 Ltd.
 Ahmedabad Stock Exchange Ltd.
 The Delhi Stock Exchange Association Ltd.

Demat of shares available through

National Securities Depository Limited
 Central Depository Services (India) Limited



Notice

NOTICE is hereby given that the 16th Annual General Meeting of the Members of the Company shall be held at the Registered Office of the Company at G 4, Ground Floor, Clover Classic, North Main Road, Koregaon Park, Pune 411 001 on Saturday the 29th day of September, 2007 at 02.00 PM. (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 2007 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 Auditors to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business:

4. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:
 "RESOLVED THAT pursuant to the provisions of Section 258 of the Companies Act, 1956, the number of directors of the Company be increased to nine."
5. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Jaydev M. Mody, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Rajeev Piramal, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mrs. Ambika Kothari, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Aditya Mangaldas, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company not liable to retire by rotation."
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Mahesh Gupta, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Vrajesh Udani, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Aurobind Patel, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
 "RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Mr. Rajesh Jaggi, who was appointed as an Additional Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation."
6. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:
 "RESOLVED
 THAT pursuant to the Scheme of Arrangement between the Company and the erstwhile Arrow Webtex Ltd., the appointment of Mr. Chand V. Arora as a Managing Director of the Company as made by the shareholders of the erstwhile Arrow Webtex Ltd. at their meeting held on Friday, the 1st day of July, 2005 be continued with effect from 1st April, 2005, i.e. the date of his appointment in that Company on the same remuneration and other benefits payable to him as mentioned below:
 THAT pursuant to the provisions of Sections 198, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 ("the said Act") and subject to such other consents, sanctions and approvals as may be required in this behalf, approval of the members be and is hereby accorded to the continuation of the appointment of Mr. Chand V. Arora as the Managing Director of the Company with effect from 01.04.2005 for a term of 5 (five) years,
 1. Mr. Chand V. Arora shall not be liable to retire by rotation,



2. The Board of Directors shall have liberty to alter and vary the terms and conditions as to his appointment with powers to grant increase in the remuneration in such manner as the Board may, in its absolute discretion, deem fit within the limits prescribed by the said Act or its enactments from time to time,
3. His remuneration shall be as detailed below:
 1. Salary : Rs. 1,25,000/- per month inclusive of all the optional perquisites, inter alia as follows:
 - i. House Rent Allowance,
 - ii. Medical Reimbursement for self and his family subject to the ceiling of one months salary in a year or three months salary over a period of three years,
 - iii. Leave Travel Allowance for self and family once in a year incurred in accordance with the rules specified by the Company,
 - iv. Club Fees excluding admission and life membership fees for any two clubs,
 - v. Premium for personal accident insurance.
 2. Performance Linked Bonus: Subject to the ceiling stipulated under Sections 198 and 309 of the Companies Act, 1956, such amounts as may be determined by the Board of Directors at the end of each financial year.

Over and above, he will be also eligible for the following:

- i. Company's contribution to Provident Fund, Superannuation Fund and / or Annuity Fund in respect of the salary payable to the Managing Director in accordance with the rules of the Company in this regard,
- ii. Gratuity at a rate not exceeding one half months salary for each completed year of service subject to a ceiling as may be laid down by the rules of the Company.
- iii. Leave with full pay and other leaves as per rules of the Company.
- iv. Provision of a car for use on Company's business and telephone at his residence. Personal long distance calls on telephone shall be billed on Mr. Chand V. Arora.

RESOLVED FURTHER THAT in case of absence or inadequacy of profits, Mr. Chand V. Arora shall be entitled to receive the same remuneration, perquisites and benefits as above, subject to the compliance with the provisions of Schedule XIII of the Companies Act, 1956, if and to the extent necessary, with the approval of the Central Government.

7. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and other rules, regulations, guidelines and laws, as may be applicable; and subject to such approvals, sanctions and permissions as may be required to be obtained in this behalf from the Securities & Exchange Board of India (SEBI), the Reserve Bank of India and the Stock Exchanges where the shares of the Company are listed and such other appropriate authorities; and subject to such terms and conditions as may be prescribed by the concerned authorities while granting such approvals, permissions and sanctions, which may be approved and accepted by the Board of Directors of the Company (including any Committee thereof), consent of the Company be and is hereby accorded to the Foreign Institutional Investors, including their sub-accounts (hereinafter referred to as FIIs), Non-Resident Indian Investors (hereinafter referred to as NRIs), and any other entity whether incorporated in India / abroad and holding their investments in the Indian Companies under the various foreign investment schemes for their investment in the Equity Shares and other securities convertible into equity shares of the Company by purchase / acquisition from the market or otherwise under various investment schemes as may be permissible from time to time, including the Portfolio Investment Scheme; subject to the condition that:

 - a. The total foreign holding of all the entities as aforesaid shall not exceed an overall limit of 64% of the paid-up Equity Share Capital of the Company; and
 - b. Within the said overall limit of 64%, the total NRI holding shall not exceed 24% of the total paid up Equity Share Capital or the paid up value of the respective securities convertible into Equity shares of the Company as may be applicable."
8. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 94(1)(a) of the Companies Act, 1956 and other applicable provisions, if any, the Authorised Share Capital of the Company be and is hereby increased from Rs. 25,00,00,000/- (Rupees Twenty Five Crores only) to Rs.30,00,00,000/- (Rupees Thirty Crores only) by creating 50,00,000 (Fifty Lacs) further Equity shares of Rs. 10/- each ranking pari-passu in all respects with the existing Equity Shares of the Company"



9. To consider and, if thought fit, to pass the following resolution as a Special Resolution:
- "RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, Clause V of the Memorandum of Association of the Company be and are hereby altered as under :
- V. The Capital of the Company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 10,00,000 (Ten Lacs) 10 % Preference Shares of Rs.10/- each amounting to Rs. 1,00,00,000/-, (Rupees One Crores only) , 1,30,00,000 8% Preference shares of Rs.10/- each amounting to Rs.13,00,00,000/- (Rupees Thirteen Crores only) and 1,60,00,000 Equity Shares of Rs. 10 each amounting to Rs.16,00,00,000/- (Rupees Sixteen Crores only)."

Notes:

- 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. A PROXY SHALL NOT VOTE AT THE MEETING EXCEPT ON A POLL IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ACT, 1956. THE PROXY TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE TIME OF COMMENCEMENT OF THE MEETING.
 - The Register of Members and the Share Transfer Books of the Company shall remain closed from Monday, the 24th day of September, 2007 to Saturday, the 29th day of September, 2007, both days inclusive, for the purpose of the Annual General Meeting of the Company and payment of dividend.
 - Dividends on the Equity and Preference shares, as recommended by the Directors for the financial year ended 31st March 2007, when declared at the meeting shall be paid on 3rd October, 2007.
 - Provisions of Section 109 A of The Companies Act, 1956 permits Nomination by the members of the Company by filling and sending to the Company the prescribed Form No. 2 B, which is attached for the convenience of the members.
 - Shareholders are requested to claim their dividends that have remained unpaid, if any, for the previous years. These dividends shall be transferred to the Investor Education and Protection Fund as follows:
- | Year | Due date of Transfer |
|------------|----------------------|
| 31.03.2004 | 27th August, 2011 |
| 31.03.2005 | 1st July, 2012 |
| 31.03.2006 | 21st August, 2013 |
- The Explanatory Statement pursuant to the provisions of Section 173 of the Companies Act, 1956 in respect of item nos. 4 to 9 above is enclosed.
 - The details of the directors seeking appointment at the Annual General Meeting are furnished separately in the Corporate Governance Report attached herewith.

Registered Office :

G 4, Ground Floor, Clover Classic,
North Main Road,
Pune 411 001

Thursday the 21st day of June, 2007.

By order of the Board,

GIRISH G. PARALIKAR
Company Secretary

Explanatory Statement under the provisions of Section 173 of the Companies Act, 1956 in respect of Item nos. 4 to 9 above in the accompanying Notice dated 21st June, 2007.

Item No. 4:

Consequent to the Scheme of arrangement between the Company and the erstwhile Arrow Webtex Ltd., the then existing directors tendered their resignations. In order to broad base the Board, it is proposed to appoint professional directors on the Board of the Company. For their appointment, it is necessary to increase the strength of the Board of Directors of the Company. Provisions of Section 258 of the Companies Act, 1956 requires the consent of the General Meeting by way of an Ordinary Resolution for the same.

Your directors commend the same for your approval.

All the Directors of the Company may be deemed to be concerned with or interested in the resolution.

Item No. 5:

All the directors of the Company proposed to be appointed under this resolution have been appointed as Additional Directors of the Company and would hold office only upto the date of the ensuing Annual General Meeting of the Company.

All the proposed appointees have a strong business acumen which shall serve the interests of the Company. The Management believes that their appointment shall be of help to the business of the Company.

Relevant Notices proposing the candidature of all these Directors are received by the Company pursuant to the provisions of Section 257 of the Companies Act, 1956 in this behalf.



Arrow Webtex Limited

Your directors commend the same for your approval.

The Directors proposed to be appointed may be deemed to be concerned with or interested in the resolution.

Item No. 6:

Mr. Chand V. Arora was the Managing Director of the erstwhile Arrow Webtex Ltd. Pursuant to the Scheme of Arrangement, all the employees of Arrow Webtex Ltd. shall continue as employees of the new Arrow Webtex Ltd.

Accordingly, Mr. Chand V. Arora continues to act as the Managing Director of the new Arrow Webtex Ltd. on the same terms and conditions as were approved by the shareholders of the erstwhile Arrow Webtex Ltd. A resolution to that effect is proposed at the ensuing Annual General Meeting of the Company.

Mr. Chand V Arora, 54, holds a Bachelors degree in science. He was the Managing Director of the AWL and is now the Managing Director of the Company, pursuant to the merger of AWL with our Company. Mr. Chand V Arora will look after the overall operations of the Company.

In view of this it is proposed to continue the terms of appointment for Mr. Chand V. Arora as the Managing Director of the Company for a term of five years with effect from 1st April, 2005 on the remuneration as proposed hereinabove.

Your directors commend the same for your approval.

None of the Director of the Company except Mr. Arora is concerned with or interested in the resolution

Item No. 7:

On account of globalisation and also opening of the Indian economy, foreign investors are evincing interests in the Indian Companies. The inherent strength of the Indian companies lies in trained and relatively low cost manpower, well educated and technologically sound personnel and a work culture of high quality.

Our company is no exception to this. From the current trends prevailing in the market, it is quite possible that the Company may have foreign holding and it is also likely that the same may exceed the limits as prescribed by the Reserve Bank of India for such foreign investments in Indian Companies.

Your directors therefore propose to enhance the said limit upto 64% of the paid-up Equity Share Capital of the Company within which 24% shall be for the Non-resident Indians.

Your Directors commend the resolution for your approval as required under the Foreign Exchange Management Act and the guidelines issued by the Securities & Exchange Board of India (SEBI) and Reserve Bank of India (RBI) there under.

None of the director of the Company is interested in or concerned with the aforesaid resolution

Item No. 8:

The Company is embarking upon various business activities and has certain business plans for which additional capital may be required. The directors have, therefore, thought it fit, to increase the authorised capital of the Company and it is proposed to increase the authorised capital from the existing level of Rs.25,00,00,000/- (Rupees Twenty Five Crores only) to Rs. 30,00,00,000/- (Rupees Thirty Crores only) by creating and issuing 50,00,000 further equity shares of Rs.10/- each.

The proposed increase of Authorised Capital requires the approval of members.

The Directors recommend that the resolution be passed as a Special Resolution as provided under the provisions of Section 94(1) (a) of the Companies Act, 1956.

None of the director of the Company is concerned with or interested in this resolution except to the extent of their share holdings in the Company.

Item No. 9:

Consequent to the increase of Authorised Capital the Memorandum of Association of the Company will require alteration so as to reflect the increase in share capital. Any alterations in the Memorandum of Association requires the approval of the members of the Company by way of Special Resolution under the provisions of the Companies Act, 1956. The Board therefore, commends the resolution for your approval as Special Resolution.

None of the director of the Company is concerned with or interested in this resolution except to the extent of their shareholdings in the Company.

By order of the Board,

Registered Office:

G 4, Ground Floor

Clover Classic

North Main Road, Pune 411 001

Girish G. Paralikar

Company Secretary

Thursday the 21st day of June, 2007.



Management Discussion and Analysis

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.

INDUSTRY PROFILE

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. Leasing out the Properties acquired by the Company.

Textile Industry

India, with its sizable base of raw material, can produce and supply good quality fabrics and textile materials. The reliability in supplies, consistency in quality, huge production base and still competitive pricing plays important roles in this sector. A very good track record of production of quality fabrics, adaptability to the customized volumes and well-integrated industry are also strengthening the industry.

The Government policies in the form of setting up of textile parks across the country, extending loans under the Technology Upgradation Fund Scheme (TUFS), setting up design institutes, allowing foreign direct investment under the automatic route shall also boost the industry.

Real Estate Sector

Looking to the current market trends, it is expected that in the residential, retail and commercial real estate sector there lies a sizable demand potential in the coming years.

The burgeoning outsourcing and information technology industry shall lead a demand in the commercial office space in India. Also the retail sector is increasing at manifold levels leading to surge in demand. The Government thrust on infrastructure development across the country and privatization thereof to a great extent shall also provide better opportunities in this sector.

Further, the increase in the purchasing power, changes in the consumption patterns and trends, the existence of customer friendly housing finance from banks and housing finance companies, are leading to growth in the housing sector as well.

All these factors shall mean a robust growth in the Real Estate Sector in the coming period.

OPPORTUNITIES AND CHALLENGES BEFORE THE COMPANY

The Company is well placed to capitalize the opportunities thrown open by this favourable conditions in the market. It shall focus on the thrust areas of real estate development and consultancy, infrastructure development, leasing of the commercial premises and manufacture of quality narrow woven fabrics.

The Company shall also identify and pursue the opportunities in developing infrastructure projects, hospitality, gaming and entertainment business and leasing of new kind of equipments as a growth strategy.

While doing so, the Company shall always ensure that it has the necessary funding support for all its activities and the sectors in which it is entering to provide handsome profits.

BUSINESS REVIEW AND OUTLOOK

a. Narrow Woven Fabrics Manufacturing

The Company has a manufacturing facility at Nasik. In the current fiscal, in November, 2006, it has completed its expansion project which will nearly double our manufacturing capacity.

b. Real Estate

The Company renders consultancy services for development of properties in and around Mumbai.



Arrow Webtex Limited

The Company also leases commercial office space, with focus on prime properties which can attract corporate tenants. As of the date of this report, we directly own about 1,33,000 square feet of property in Mumbai, which has been given on leave and license basis to corporate tenants.

INFORMATION TECHNOLOGY

For its Textile Division operations at Nasik, the Company has set up an in-house ERP package based on SAP and Oracle. 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. It is operational in full and is helping the smooth operations of the Textile division.

SUBSIDIARY COMPANIES

Fasttrack Impex Private Ltd. (FIPL) is a 74% subsidiary of the Company. Sailer Real Estate Developers (I) Private Ltd. (SREDPL), being a subsidiary of FIPL is also a subsidiary of the Company. Further, Aryanish Finance & Investment Private Ltd. (AFIPL) and Highstreet Cruise and Entertainment Private Ltd. (HCEPL) are the 100% subsidiaries of the Company.

After the date of the balance sheet, on 4th May 2007, FIPL has sold its holdings in SREDPL. Thereby it ceases to be a subsidiary of the Company from that date.

FIPL is in the business of real estate development and agency businesses and also dealing with shares and other securities. AFIPL is engaged in the business of investment and HCEPL is in the business of gaming and entertainment.

The results of these subsidiaries also form a part of the accounts of the Company.

PERFORMANCE

A. Narrow Woven Fabrics Division

The NWF has generated sales of Rs.1,278.72 Lacs during the financial year ended 31st March, 2007. This constitutes 31.99% of the total income of the Company. The Company has initiated measures to have total customer satisfaction, as its motto and is driving all its team efforts in this focused area. The expansion in the capacity, which was completed in the last financial year, is 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.2,718.35 Lacs that is 68.01% of the total income of the Company. This division continues to be the major contributor for the exponential growth of the Company.

There are new projects and new business ventures on the cards. These are quite exciting and remunerative in the long run. The Company shall approach you at the appropriate time with a detailed presentation on this.

FINANCIALS

The Financial Performance of the Company for the year ended 31st March 2007 is as under:

| Particulars | (Rs. in Lacs) | |
|---|--------------------------|---------------------------------------|
| | Year ended 31.03.2007 | Consolidated Results 31.03.2007 |
| Income from Operations | 3,997.07 | 4,062.46 |
| Profit before Interest, Depreciation and Taxation | 2,459.62 | 2,452.33 |
| Profit before Depreciation | 2,055.81 | 2,048.27 |
| Depreciation | 146.09 | 182.89 |
| Profit after Depreciation | 1,909.72 | 1,865.38 |
| Earlier years Adjustments | 534.12 | 545.64 |
| Profit after Tax | 2,011.84 | 1,975.81 |
| EPS Rs. | 19.15 | 18.80 |
| Book Value per share Rs. | 30.44 | 29.59 |



Balance Sheet

(Rs. in Lacs)

| Particulars | As at 31.03.2007 | Consolidated As at 31.03.2007 |
|------------------------------------|---------------------|-------------------------------------|
| Liabilities: | | |
| Share Capital: | | |
| – Equity | 1,050.48 | 1,050.48 |
| – Preference | 1,223.85 | 1,223.85 |
| Reserves & Surplus: | 2,146.65 | 2,057.84 |
| Loan Funds | 6,488.69 | 7,952.80 |
| Deferred Tax Liability | 70.00 | 70.00 |
| Total Liabilities | <u>10,979.67</u> | <u>12,354.97</u> |
| Assets | | |
| Fixed Assets (Net of depreciation) | 1,493.65 | 2,582.26 |
| Investments | 117.70 | 680.33 |
| Property given on Lease | 8,166.43 | 8,166.43 |
| Net Current Assets | 1,183.29 | 907.35 |
| Deferred Tax Assets | NIL | NIL |
| Miscellaneous Expenditure | 18.60 | 18.60 |
| Total Assets | <u>10,979.67</u> | <u>12,354.97</u> |

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.

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 new ventures and projects that it shall embark into do provide exciting opportunities for its 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.

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.

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.



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 total strength of the Board is nine directors. Of these, six are independent directors.

The composition of the Board of Directors and related information as on 21st June, 2007 is as follows:

| Name of the Director & Designation | Executive / Non-Executive Independent | No. of Board Meetings held / Attended | Attendance at the last AGM on 04.09.2006 | Directorships in other Companies incorporated in India | Details of Board Committees of which Member / Chairman in the Company |
|------------------------------------|---------------------------------------|---------------------------------------|--|--|---|
| Mr. Jaydev M. Mody Chairman | Non-executive Promoter Director | N.A. | N.A. | Other Directorships – 50 companies | Chairman of: 1. Share Transfer & Investor Grievance Committee |
| Mrs. Kalpana G. Singhanian*** | Non-executive Promoter Director | N.A. | N.A. | Other Directorships – 2 companies | None |
| Chand V. Arora | Executive Promoter Director | N.A. | N.A. | Other Directorships – 2 companies | Member Share Transfer and Investor Grievance Committee |
| Aditya Mangaldas | Non-Executive, Independent Director | N.A. | N.A. | Other Directorships – 5 companies | Member Audit Committee |
| Aurobind Patel | Non-executive, Independent Director | N.A. | N.A. | Other Directorships – 1 company | Member Audit Committee |
| Vrajesh Udani | Non-executive, Independent Director | N.A. | N.A. | Other Directorships – NIL companies | None |
| Mahesh Gupta | Non-executive, Independent Director | N.A. | N.A. | Other Directorships – 10 companies | Chairman: Audit Committee |

Note: All these directors were appointed w.e.f. 15th March, 2007.

PS. : *** Mrs. Kalpana G. Singhanian has resigned as a Director of the Company w.e.f. 28th July, 2007.

Mr. Rajeev A. Piramal, Mr. Rajesh S. Jaggi and Mrs. Ambika Kothari have been appointed as Directors of the Company w.e.f. 28th July, 2007. Their details are as follows:

| Name of the Director & Designation | Executive / Non-Executive Independent | No. of Board Meetings held / Attended | Attendance at the last AGM on 04.09.2006 | Directorships in other Companies incorporated in India | Details of Board Committees of which Member / Chairman in the Company |
|------------------------------------|---------------------------------------|---------------------------------------|--|--|---|
| Mr. Rajeev A. Piramal | Non-executive Independent Director | N.A. | N.A. | Other Directorships – 43 companies | None |
| Mr. Rajesh Jaggi | Non-executive Independent Director | N.A. | N.A. | Other Directorships – 3 companies | None |
| Mrs. Ambika Kothari | Non-executive Promoter Director | N.A. | N.A. | Other Directorships – 2 companies | 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.