



Arrow Textiles Limited

Annual Report
2010-11



THE BOARD OF DIRECTORS

Mr. Jaydev Mody Chairman
Mr. Aditya Mangaldas
Mr. Aurobind Patel
Mr. Chand Arora Managing Director
Mr. Harshvardhan Piramal

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Ami Sheth

REGISTERED OFFICE & PLANT LOCATION

Plot No. 101 - 103,
19th Street, Satpur, MIDC,
Nasik - 422 007, Maharashtra.
Website: www.arrowtextiles.com

STATUTORY AUDITORS

M/s. Amit Desai & Co
Chartered Accountants

BANKERS

Axis Bank Limited, Fort Branch, Mumbai.
Bank of Baroda, Bhulabhai Desai Road, Mumbai.

SHARE TRANSFER AGENTS

Freedom Registry Limited
Plot No. 101 / 102, MIDC, 19th Street,
Satpur, Nasik - 422 007, Maharashtra.
Phone : (0253) 2354032
Facsimile : (0253) 2351126
e-mail : amtrac_nsk@sancharnet.in

SHARES LISTED ON

Bombay Stock Exchange Limited
National Stock Exchange of India Limited

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NOTICE

Notice is hereby given that the 4th Annual General Meeting of Members of Arrow Textiles Limited will be held on Thursday, 29th day of September, 2011 at 1.00 p.m. at the Gateway Hotel, P-17 MIDC, Ambad, Mumbai Agra Road, Nasik-422 010, Maharashtra, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2011 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Aditya Mangaldas, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint auditors and to fix their remuneration.

Special Business:

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 and/or any statutory modification or re-enactment thereof from time to time and in force, and subject to the approval of such authorities as may be required, the consent of the members be and is hereby accorded to the re-appointment of Mr. Chand Arora as Managing Director of the Company for a period commencing on 1st October, 2011 and ending on 31st March, 2012 on the terms and conditions stated hereunder and also set out in the letter of re-appointment issued by the Company, with powers to the Board of Directors (which term shall be deemed to include any “committee” thereof) to alter, amend, vary and modify the terms and conditions of the said appointment/re- appointment and remuneration payable from time to time as it deems fit in such manner as may be mutually agreed upon:

Terms and Conditions:

- A) Basic Salary: ₹ 3,00,000/- per month with liberty to

the Board of Directors to increase the same as it may in its absolute discretion determine from time to time provided that the salary does not exceed ₹ 5,00,000/- per month during the tenure.

- B) Accommodation/House Rent Allowance: Rent free furnished accommodation or 50% of the salary as house rent allowance in lieu of accommodation.
- C) Perquisites: The appointee shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called “perquisites”) such as medical reimbursement, leave travel assistance/ allowance, hospitalization and accident insurance, transport allowance, self development allowance, uniform allowance, education allowance, books and periodicals allowance and any other perquisites as per the policy/rules of the Company in force or as may be approved by the Board from time to time.

In addition to the above, the appointee shall also be entitled to the following benefits as per policy/rules of the Company in force or as may be approved by the Board from time to time:

- (i) Company maintained two cars with driver or cash equivalent thereof;
- (ii) Telecommunication facilities at residence;
- (iii) Company paid abroad vacation with spouse every year.

The appointee shall be entitled to following perquisites which will not be included in the computation of the ceiling of remuneration:

- (i) Company's contribution to provident fund and superannuation fund;
 - (ii) Payment of gratuity and other retiral benefits and;
 - (iii) Encashment of leave.
- D) Commission: The appointee shall also be entitled to, in addition to the aforesaid salary and perquisites, Commission not exceeding ₹ 18,00,000/- per annum.
- E) The total remuneration including perquisites and commission shall not exceed monetary limits specified in Schedule XIII to the Act.

- F) The Board is authorised to fix actual remuneration and revise it from time to time within the aforesaid ceilings.

RESOLVED FURTHER THAT the Board be and is hereby authorized at its discretion from time to time to fix the actual remuneration and/or perquisites of Mr. Chand Arora and revise such remuneration and/or perquisites from time to time within the maximum limits specified as above. The Board be and is hereby further authorized to vary/modify/ amend any of the aforesaid terms and conditions, provided such variation/ modification/ amendment is in conformity with the applicable provisions of the Act, as amended from time to time.

RESOLVED FURTHER THAT in the event of the approval of the Central Government stipulating any changes with respect to the payment of remuneration to Mr. Chand Arora, the Board of Directors of the Company be and is hereby authorized to vary the remuneration in accordance therewith.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate.”

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ONLY ON A POLL AND A PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Explanatory Statement Pursuant to Section 173 (2) of the Companies Act, 1956 is annexed to this notice.
3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. In terms of the Articles of Association of the Company, read with Section 256 of the Companies Act, 1956, Mr. Aditya Mangaldas, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment. The Board of Directors of the Company recommends his respective re-appointments.
5. Brief resume of Mr. Aditya Mangaldas, Director proposed to be re-appointed, nature of his expertise in specific functional areas, names of the companies in which he hold directorships and memberships/ chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges are attached as Annexure to this notice.
6. Members are requested to bring their attendance slip duly completed and signed along with their copy of annual report to the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. The Register of Beneficial Owners, Register of Members and Share Transfer Books of the Company will remain closed from Monday, 26th September, 2011 to Thursday, 29th September, 2011 (both days inclusive).
9. Members holding shares in electronic form are requested to intimate immediately any change in their address, email ID or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change of address immediately to the Company / Company's Share Transfer Agent (STA).
10. Non-Resident Indian Members are requested to inform STA of the Company, immediately of:
 - a) Change in their residential status on return to India for permanent settlement.
 - b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.

11. Members may please note that, Securities and Exchange Board of India (SEBI) has made Permanent Account Number (PAN) as the sole identification number for all participants transacting in the securities market, irrespective of the amount of such transactions. SEBI has also mandated that for securities market transactions and off market/ private transactions involving transfer of shares in physical form, it shall be necessary for the transferee(s) to furnish copy of PAN card to the Company/STA for registration of such transfer of shares.

Members may please note that, SEBI has also made it mandatory for submission of PAN in the following cases viz., (i) Deletion of name of the deceased shareholder(s) (ii) Transmission of shares to the legal heir(s) and (iii) Transposition of shares.

12. Section 109A of the Companies Act, 1956, permits nomination by shareholders of the Company in prescribed Form No. 2B. Shareholders are requested to avail this facility. The duly filled in and signed Form No.2B should be sent to the STA of the Company at their Nasik address.
13. In order to render better and efficient services, we request you to consolidate the multiple folios which are in the same names and in identical order. Consolidation of folios does not amount to transfer of shares and therefore no stamp duty or other expenses are payable by you. In case you decide to consolidate your folios, you are requested to forward your share certificates to the STA of the Company at their Nasik address.
14. The Company, consequent upon the introduction of the Depository System (DS), entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Members, therefore, have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL. In view of the numerous advantages offered by the Depository System, members holding shares of the Company in physical form are requested to avail of the facility of dematerialization.

15. To prevent fraudulent transactions, we urge the Members to exercise due diligence and notify the Company of any change in address/stay in abroad or demise of any shareholder as soon as possible. Members are requested not to leave their demat account dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.

16. Members desirous of asking any questions at the Annual General Meeting are requested to send in their questions so as to reach the Company at least 10 days before the Annual General Meeting, so that the same can be suitably replied.

17. The Ministry of Corporate Affairs (MCA), has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders. Members of the Company are requested to support this green initiative by registering / updating their email addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with STA of the Company, M/s. Freedom Registry Limited.

By Order of the Board of Directors,

Ami Sheth
Company Secretary

Mumbai, 1st August, 2011

Registered Office:
Plot No. 101-103,
19th Street, MIDC,
Satpur, Nasik- 422 007,
Maharashtra.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956

Serial No: 4

Mr. Chand Arora, 58, holds a bachelors degree in science. He is the Managing Director of the Company. Mr. Chand Arora looks after the overall operations of the Company. He has enriched experience of more than 25 years in Textiles Industry. He has knowledge of latest technology and advancement in manufacturing operations as well as a great vision for future of textile industry.

The appointment of Mr. Chand Arora as Managing Director ends on 30.09.2011. Board of Directors of the Company at its meeting held on 1st August, 2011 considered and approved re-appointment of Mr. Chand Arora as Managing Director of the Company for a period commencing on 1st October, 2011 and ending on 31st March, 2012.

The proposed re-appointment requires the approval of the shareholders by way of a Special Resolution and accordingly, the resolution as set out in the notice is recommended.

Except Mr. Chand Arora, no other Director of the Company is concerned or interested in the said resolution.

ADDITIONAL INFORMATION IN TERMS OF SUB CLAUSE (iv) OF THE PROVISO TO SUB-PARAGRAPH (C) OF PARAGRAPH (1) OF SECTION II OF PART II OF SCHEDULE XIII TO THE COMPANIES ACT, 1956 IS FURNISHED BELOW:

I GENERAL INFORMATION

1. NATURE OF INDUSTRY:

Arrow Textiles Limited ("the Company") is into Textile Industry

2. DATE OR EXPECTED DATE OF COMMENCEMENT OF COMMERCIAL PRODUCTION:

The Company was incorporated on January 30, 2008 under the Companies Act, 1956. The Certificate for Commencement of Business was issued by the Registrar of Companies, Mumbai on July 3, 2008 and it started commercial production soon thereafter.

3. IN CASE OF NEW COMPANIES, EXPECTED DATE OF COMMENCEMENT OF ACTIVITIES AS PER PROJECT APPROVED BY FINANCIAL INSTITUTIONS APPEARING IN THE PROSPECTUS :

Not Applicable.

4. FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31.03.2011

PARTICULARS	(₹ In Lacs)
Income for the year	3,008.12
Profit before Interest, Depreciation and Tax	613.05
Finance Charges	144.84
Profit before Depreciation and Taxes	468.22
Depreciation	188.09
Provisions for Taxation/ Deferred Tax	(142.67)
Prior Period Items / Extra Ordinary Items	-
Net Profit/(Loss) for the Current Year	137.46
Earlier Years Balance Brought forward	(100.16)
Balance carried to Balance Sheet	37.30

5. EXPORT PERFORMANCE AND FOREIGN EXCHANGE EARNED:

Export sales and Foreign Exchange earned for F.Y. 31.03.2011 is ₹ 4,32,60,322/-

6. FOREIGN INVESTMENTS OR COLLABORATIONS, IF ANY:

Nil

II. INFORMATION ABOUT THE APPOINTEE

1. BACKGROUND DETAILS, JOB PROFILE AND SUITABILITY:

Mr. Chand Arora, 58, holds a bachelors degree in science. He is the Managing Director of the Company. Mr. Chand Arora looks after the overall operations of the Company. He has enriched experience of more than 25 years in Textile Industry. He has knowledge of latest technology and advancement in manufacturing operations as well as a great vision for future of textile industry.

2. PAST REMUNERATION:

As per previous approval of Central Government dated 29.07.2011, the Company has paid remuneration to Mr. Chand Arora not exceeding ₹ 85,05,617/- per anum.

3. RECOGNITION & AWARDS:

Nil

4. JOB PROFILE AND HIS SUITABILITY:

Mr. Chand Arora, 58, holds a bachelors degree in science. He is the Managing Director of the Company. Mr. Chand Arora looks after the overall operations of the Company. He has enriched experience of more than 25 years in Textile Industry. He has knowledge of latest technology and advancement in manufacturing operations as well as a great vision for future of textile industry.

5. REMUNERATION PROPOSED :

As per details given in Resolution above

6. COMPARATIVE REMUNERATION PROFILE WITH RESPECT TO INDUSTRY, SIZE OF THE COMPANY, PROFILE OF THE POSITION AND PERSON (IN CASE OF EXPATRIATES THE RELEVANT DETAILS WOULD BE WITH RESPECT TO THE COUNTRY OF HIS ORIGIN):

Taking into consideration the size of the Company, the profile of Mr. Chand Arora, Managing Director of the Company, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level incumbents, in other companies.

7. PECUNIARY RELATIONSHIP DIRECTLY OR INDIRECTLY WITH THE COMPANY OR RELATIONSHIP WITH THE MANAGERIAL PERSONNEL, IF ANY:

Beside the remuneration proposed, Mr. Chand Arora, Managing Director of the Company, do not have any other pecuniary relationship with the Company and he is not related to any of the Managerial Personnel of the Company.

III. OTHER INFORMATION:

1. REASONS FOR LOSS OR INADEQUACY OF PROFITS:

- i. Fluctuation in price, availability and quality of raw material
- ii. High competition for textiles industry

2. STEPS TAKEN BY THE COMPANY TO IMPROVE PERFORMANCE:

- i. Efforts taken to mitigate the effect of surge in raw material prices
- ii. Company has increased production capacity
- iii. Improved manufacturing facilities by using technological advanced machines.

3. EXPECTED INCREASE IN PRODUCTIVITY AND PROFITS IN MEASURABLE TERMS:

With the above mentioned steps taken by the Company, the Company has achieved Net Profit After Tax for F.Y. 2010-11 of ₹ 1,37,45,620/- compared to Net Loss for F.Y. 2009-10 of ₹ 44,00,542/-.

IV. DISCLOSURES:

REMUNERATION PACKAGE:

Remuneration package as mentioned in the Special Resolution.

None of the Directors of the Company, except Mr. Chand Arora, himself, is concerned or interested in the Resolution, except to the extent of their shareholding.

The Board recommends the above Special Resolution for the approval by the Members.

The contents of the aforesaid explanatory statement shall be treated as the memorandum of abstract of variation, as stipulated under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors,

Ami Sheth
Company Secretary

Mumbai, 1st August, 2011

Registered Office:
Plot No. 101-103,
19th Street,
MIDC, Satpur,
Nasik - 422 007,
Maharashtra.

Brief Resume of Directors seeking appointment / Reappointment at this Annual General Meeting (In pursuance of Clause 49 of the Listing Agreement)



Name of Director

Mr. Aditya Mangaldas

Date of Birth

16th September, 1963

Date of Appointment

1st October, 2008

Qualification

- Mechanical Engineer from L.D.College of Engineering, Ahmedabad
- MBA from Babson College, U.S.A

Profile and Expertise

Mr. Aditya Mangaldas, is the Chairman and Managing Director of The Victoria Mills Ltd. He has been the Chairman and Managing Director of The Victoria Mills Limited since October, 1999. He has wide experience and has spent approximately 20 years in the textile industry.

He is a Mechanical Engineer from L.D.College of Engineering, Ahmedabad and has an MBA from Babson College, U.S.A.

He is actively involved in an organization involved in housing and caring for children with serious chronic diseases.

Number of shares held in the Company, Individually or Jointly / on a beneficial basis.

Nil

Directorship and Committee memberships (Excluding Arrow Textiles Limited)

i) Directorships held in other Companies

The Victoria Mills Ltd.
Morarjee Textiles Ltd.
Bromelia Trading Pvt. Ltd.
Victoria Land Pvt. Ltd.

ii) Chairman of Board committees

Nil

iii) Member of Board Committees

Nil

DIRECTORS' REPORT

Your Directors are pleased to present their Fourth Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2011.

FINANCIAL HIGHLIGHTS

(₹ in Lacs)

Particulars	Year Ended 31.03.2011	Year Ended 31.03.2010
Income for the year	3,008.12	2,296.13
Profit before Interest, Depreciation and Tax	613.05	283.78
Finance Charges	144.84	130.03
Profit before Depreciation and Taxes	468.22	153.74
Depreciation	188.09	141.83
Provisions for Taxation/ Deferred Tax	(142.67)	(55.92)
Prior Period Items / Extra Ordinary Items	-	-
Net Profit/(Loss) for the Current Year	137.45	(44.00)
Earlier Years Balance Brought forward	(100.16)	(56.15)
Balance carried to Balance Sheet	37.30	(100.15)

DIVIDEND

The Directors do not recommend any dividend for the Financial Year ended 31st March, 2011.

OPERATIONS

During the year under review, your Company recorded a total income of ₹ 3008.12 lacs. For further information, kindly refer to Management Discussion and Analysis Report, forming part of this Annual Report.

GROUP FOR INTER SE TRANSFER OF SHARES

As required under Clause 3(1)(e)(i) of the Securities & Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (Takeover Regulations), persons constituting group (within the meaning of group defined in Monopolies and Restrictive

Trade Practices Act, 1969) for the purpose of claiming exemption from applicability of the provisions of Regulations 10 and 12 of the Takeover Regulations, are given in Annexure A to this Report.

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, the Management Discussion & Analysis Report and Corporate Governance Report together with Certificate from Auditors of the Company, on compliance with the conditions of Corporate Governance as laid down, forms part of this report.

PARTICULARS OF EMPLOYEES

In terms of provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure to the Director's Report. However, having regard to the provisions of Section 219 (1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all members of the Company and other entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The operations of the Company are not energy intensive. However, wherever possible the Company strives to curtail the consumption of energy on continued basis. The particulars as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are furnished in the Annexure B to this Report.

DIRECTORS

At the ensuing Annual General Meeting Mr. Aditya Mangaldas will retire by rotation, and being eligible, offer himself for re-appointment in terms of provisions of Articles of Association of the Company.

The brief resume/details relating to Mr. Aditya Mangaldas, Director of the Company to be re-appointed is furnished in the explanatory statement to the notice of the ensuing Annual General Meeting.

Your Directors recommend his appointment/ reappointment at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, the Directors confirm that:

1. In the preparation of the annual accounts for the financial year ended March 31, 2011, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs as at 31st March, 2011 and of the profit of the Company for the year under review;
3. The Directors have taken proper and sufficient care 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 Directors have prepared the accounts for the financial year ended 31st March, 2011 on 'going concern' basis.

FIXED DEPOSITS

During the year under review, the Company has not accepted any fixed deposits from the public.

RIGHTS ISSUE

During the year under review, the Company issued 54,41,126 Equity Shares of ₹ 10/- each at a premium of ₹ 1/- per share to the existing Equity Shareholders of the Company on rights basis in the ratio of 2 shares for every

5 shares held on record date. The Rights Issue opened on 12th March, 2011 and closed on 26th March, 2011. The Company raised total ₹ 598.52 lacs by way of Rights Issue.

AUDITORS

The Board of Directors recommends to re-appoint M/s. Amit Desai & Co., Chartered Accountants as Statutory Auditors of the Company, who retire at the conclusion of forthcoming Annual General Meeting and are eligible for re-appointment. M/s. Amit Desai & Co. have given their consent to act as Auditors, if re-appointed. Members are requested to consider their re-appointment. The Auditors comments on the Company's accounts for the year ended on 31st March, 2011 are self explanatory in nature and do not require any explanation as per the provisions of Section 217(3) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

Your Directors express their sincere appreciation of the co-operation received from shareholders, bankers and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

By Order of the Board of Directors,

Jaydev Mody
Chairman

Mumbai, 1st August, 2011

Registered Office:
Plot No. 101-103,
19th Street, MIDC,
Satpur, Nasik – 422 007,
Maharashtra.