



Arrow Textiles Limited

Annual Report
2011-12



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. Sushama Vesvikar

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 : support@freedomregistry.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 5th Annual General Meeting of Members of Arrow Textiles Limited will be held on Monday, 24th day of September, 2012 at 2.00 p.m. at The Gateway Hotel, Ambad, 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, 2012 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. Harshvardhan Piramal, 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 of 1 year commencing on 1st April, 2012 and ending on 31st March, 2013 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. Harshvardhan Piramal, Director, retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment. The Board of Directors of the Company recommends his re-appointment.
5. Brief resume of Mr. Harshvardhan Piramal, 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 is 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 Tuesday, 18th September, 2012 to Monday, 24th September, 2012 (both days inclusive).
9. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company or Share Transfer Agents (STA) of the Company, for assistance in this regard.
10. 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 (DP) 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 / STA.
11. 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.
12. 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.
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 Nashik address.
14. 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 DP and holdings should be verified.
15. 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.
16. 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. Accordingly companies are now allowed to send various notices /Annual Reports / documents to its members through electronic mode to those shareholders whose email ids are registered with the respective Depository Participants and downloaded from the depositories viz. National Securities Depository Limited (NSDL)/Central Depository Services (India) Limited (CDSL).

SEBI in line with the aforesaid MCA circulars allowed supply of soft copies of full annual reports to those members of the Company, who have registered their email addresses for the purpose, by way of amending the Clause 32 of the Equity Listing Agreement vide its Circular No. CIR/CFD/DIL/7/2011 dated 5th October, 2011.

Further, in terms of the Circular No. NSDL/CIR/II/10/2012 dated 9th March, 2012 issued by NSDL, email addresses made available by the Depository as part of the beneficiary position downloaded from the Depositories from time to time will be deemed to be members registered email address for serving notices/documents including those covered under Section 219 of the Companies Act, 1956 read with Section 53 of the Companies Act, 1956.

In light of the above, soft copy of the Annual Report for the year ended 31st March, 2012 has been sent to all the members whose email address is registered with the Company/Depository Participant(s) unless any member has requested for a hard copy of the same. 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 DP and in respect of shares held in physical form with STA of the Company, M/s. Freedom Registry Limited. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon receipt of request for the same, by post/courier free of cost. The Annual Report of the Company will also be displayed on the website of the Company.

**By Order of the Board of Directors,
SUSHAMA VESVIKAR
Company Secretary**

Mumbai, 7th August, 2012

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**Item No. 4**

Mr. Chand Arora, 59, 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.

Mr. Chand Arora was appointed as Managing Director of the Company by the shareholders at its Annual General Meeting held on 29th September, 2011. His appointment as Managing Director was for the period from 1st October, 2011 to 31st March, 2012. Board of Directors of the Company by Circular Resolution dated 31.03.2012 re-appointed Mr. Chand Arora as Managing Director of the Company for a period of 1 year from 1st April, 2012 to 31st March, 2013, which was subsequently ratified by the Board of Directors of the Company at its meeting held on 25th May, 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 31.03.2012

Particulars	(₹ In Thousands)
Income for the year	333,334.57
Profit before Interest, Depreciation and Tax	74,910.11
Finance Charges	28,783.31
Profit before Depreciation and Taxes	46,126.80
Depreciation	43,240.61
Provisions for Taxation/ Deferred Tax	5,602.45
Prior Period Items / Extra Ordinary Items	-
Net Profit/(Loss) for the Current Year	(2,716.26)
Earlier Years Balance Brought forward	3,729.64
Balance carried to Balance Sheet	1,013.38

5. Export Performance and Foreign Exchange Earned:

Export sales and Foreign Exchange earned for F.Y. 31.03.2012 is ₹ 5,25,81,810/-

6. Foreign Investments or Collaborations, if Any:

Nil

II. INFORMATION ABOUT THE APPOINTEE

1. Background Details:

Mr. Chand Arora, 59, 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 26.04.2012, the Company has paid remuneration to Mr. Chand Arora not exceeding ₹ 85,05,617/- per annum for the period from 01.10.2011 to 31.03.2012.

3. Recognition & Awards:

Nil

4. Job Profile and His Suitability:

Mr. Chand Arora, 59, 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. Effect of writing off Goodwill

Consequent upon giving effect to Scheme of Demerger, an amount of ₹ 7,16,18,820/- arising as Goodwill (being difference between the aggregate value of equity shares allotted and net book value of the assets under Demerger undertaking as on 1st April, 2008 has been decided to be charged to Profit and Loss Account in equal amount over a period of five years on straight line basis. Goodwill also includes loan fund and retirement benefit obligation pertaining to textile division transferred subsequently). Goodwill arising on demerger has been amortized over a period of five years on straight line basis.

In view of the above, it can be concluded that Net Profit before Tax has affected. Has the amount of Goodwill not written off and charged to Profit and Loss Account, the Net Profit before Tax of the Company would have been different as evident in the table below:

Financial Year	Net Profit/(Loss) Before Tax (₹)	Goodwill written off (₹)	Net Profit/(Loss) Before Tax, if Goodwill not written off (₹)	Net Profit/(Loss) After Tax (₹)
2008-09	(2,17,698)	1,43,23,764	1,41,06,066	(56,03,019)
2009-10	11,91,187	1,43,23,764	1,55,14,951	(44,00,542)
2010-11	2,80,12,469	1,43,23,764	4,23,36,233	1,37,45,620
2011-12	28,86,189	1,43,23,764	1,72,09,953	(27,16,263)

- ii) During the year the financial charges, depreciation and other expenses increased substantially, however due to recession in the domestic and international market, the company was not able to achieve its production capacity to its fullest extent and as such the company could not achieve optimum production mix in comparison to its installed capacity, leading to increase in expenditure which was could not be fully offset by the revenue during the year.
- iii) Further due to fluctuation in the power supply, the Company was not able to maximize the usage of the installed machines, as the operations of the Company are special in nature and the time taken in achieving the normal production cycle on restoration of electricity was high, resulting into wastage of production time, increase in cost, more wastage and low output as compared to the installed capacity.

2. Steps Taken by the Company to Improve Performance:

- i. Optimal utilization of the resources available with the Company, by using technologically advanced machines to achieve optimum production mix.
- ii. Aggressive Marketing to capture sizable shares in the Textile Industry. The Company is planning to expand its presence in those domains where small and mid size companies are operating but cannot provide superior quality products and thus it will help the Company to increase its order book size and in turn help the Company to achieve optimum utilization of its installed capacity as well as optimum product mix.
- iii. New product development to capture untapped areas of Textile Industry. The Company is working on enhancing its R & D activity, wherein the main thrust will be developing new products and where by the existing infrastructure of the Company can be utilized to its optimum level without having to make new investments.
- iv. Concentrating on the Export Market. The Company is actively touching base with new clients in international market, whereby the untapped territories can be explored leading to increase in overall performance of the Company.

3. Expected Increase in Productivity and Profits in Measurable Terms:

With the above mentioned steps taken by the Company, the Company will be able to improve its sales and profit.

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.

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. Harshvardhan Piramal

Date of Birth

27th October, 1973

Date of Appointment

1st October, 2008

Qualification

- Bachelor of Science (Physics) from the Kings College London, U.K.
- MBA with specialization in Finance & Strategy from the London Business School, U.K.

Profile and Expertise

Mr. Harshvardhan Piramal, began his career at venture capital firm Indocean Chase Capital Partners (now part of JP Morgan Chase). After his MBA, he founded Thundercloud Technologies, an IT company, in May 2000. In August 2001, he became Chief Operating Officer - Allied Pharma Businesses at Nicholas Piramal India Limited where he successfully turned the loss making vitamins division around and launched the 'Wellspring' brand for the pathology labs division.

He is currently the Executive Vice Chairman of Morarjee Textiles and PMP Auto Components, both part of the Ashok Piramal Group. He plays competitive polo at the national level and is a keen football player and fan. He co-founded Pune Football Club, which plays in Indian football top division. He travels all over the globe and often to the forests of India to watch, photograph and help save tigers.

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

A Public Limited Companies

Ashok Piramal Management Corporation Limited
 Morarjee Textiles Limited
 Bridgeview Real Estate Development Private Limited
 Camphor & Allied Products Limited
 Five Star Mercantile Limited
 Just Textiles Limited
 Morarjee Holdings Private Limited
 Peninsula Facility Management Services Limited
 Peninsula Mega Properties Private Limited
 Pune Football Club Limited
 Peninsula Crossroads Private Limited (Formerly known as L & T-Cross Roads Private Limited)

B Private Limited Companies

AGP Education and Academy Private Limited
 AGP Infra Private Limited