



27<sup>th</sup> annual report 2009|10

# COMPANY INFORMATION

## BOARD OF DIRECTORS

JAMNAPRASAD MAHESHWARI

Managing Director

HEMANT MEHTA

ARVIND BALDWA

NIKHIL RAJPURIA

NISHANT KUMAR

KIRIT PATEL

## COMPANY SECRETARY

YOGESH CHHUNCHHA

## AUDITORS

M/S. SHAH MOHNOT SINGHAL & CO.  
CHARTERED ACCOUNTANTS, AHMEDABAD

## BANKERS

- INDIAN OVERSEAS BANK
- AXIS BANK
- CORPORATION BANK

## REGISTERED OFFICE

604, Avdhesh House,  
Opp. Shri Guru Govind Gurudwara,  
SG Highway, Thaltej, Ahmedabad-380054  
Telefax No: [079] 26859223  
Email : armspaperltd@gmail.com

## REGISTRAR & SHARE TRANSFER AGENTS

SHAREPRO SERVICES (INDIA) PVT. LTD.,  
13 AB Samhita Warehousing Complex,  
2nd Floor, Sakinaka Telephone Exchange Lane,  
Off Andheri-Kurla Road, Sakinaka,  
Andheri (E), Mumbai - 400072  
Phone No. [022] 67720300, 67720400  
Fax No. [022] 28591568

**NOTICE**

NOTICE is hereby given that the **TWENTY-SEVENTH** Annual General Meeting of the Members of M/S. ARMS PAPER LIMITED will be held on Thursday, the 5<sup>th</sup> day of August, 2010 at 4:00 p.m. at 604, Avdhesh House, Opp. Shri Guru Govind Gurudwara, Sarkhej - Gandhinagar Highway, Thaltej, Ahmedabad- 380 054 to transact the following business :

**ORDINARY BUSINESS**

- 1] To receive, consider, approve and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2010 and Profit and Loss Account for the year ended on that date together with Directors' and the Auditors' Report thereon.
- 2] To appoint Directors in place of Shri Arvind Baldwa, who retire by rotation and being eligible, offers himself for re-appointment.
- 3] To appoint Directors in place of Shri Nikhil Rajpuria, who retire by rotation and being eligible, offers himself for re-appointment.
- 4] To reappoint Statutory Auditors of the Company and to fix their remuneration.
- 5] Members holding shares in physical form are requested to notify the change in addresses, their Pin code numbers, email addresses and telephone numbers, if any to the company at its Registered Office or to M/s. Sharepro Services (India) Pvt. Ltd. - Registrar & Share Transfer Agents by quoting their folio numbers. Members holding shares in electronic mode may update such details with their respective Depository Participants. [DPs]
- 6] Members holding shares in physical form can avail of the nomination facility by filing Form 2B (in duplicate) with the Company or its Registrar & Share Transfer Agent which will be made available on request and in case of shares held in dematerialized form, the nomination has to be lodged with their DP.
- 7] Members of the Company who have multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificates to the Registrar & Share Transfer Agents M/s. Sharepro Services (India) Pvt. Ltd. or to the Registered Office of the Company for consolidation of all such shareholdings into one account to facilitate better service.

**NOTES :**

- 1] A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE, INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2] Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting along with a copy of the Annual Report. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
- 3] Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold the shares in physical form are requested to write their Folio Number(s) in the Attendance Slip for attending the meeting.
- 4] The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 30<sup>th</sup> July, 2010 to Thursday, the 5<sup>th</sup> August, 2010 (both days inclusive).
- 8] Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to address their questions to the Secretary of the Company so as to reach atleast seven days before the date of the meeting, so that the information may be made available at the meeting, to the best extent possible.
- 9] In all correspondence with the Company or with its Share Transfer Agents, members are requested to quote their folio number and in case their shares are held in the dematerialized form, they must quote their client ID and their DP ID Numbers.
- 10] The shares of the Company are in compulsory demat segment. Those members who still continue to hold shares in physical form, are requested to get their shares dematerialized at the earliest.
- 11] Securities and Exchange Board of India vide its circular has made it mandatory for every participant in the securities/capital market to furnish income tax Permanent Account Number (PAN). Accordingly, all the shareholders (including joint holders) holding shares in physical form are requested to submit copy of their PAN Card for the purpose of the transfer to our Registrar & Share Transfer Agents, M/s. Sharepro Services (India) Pvt. Ltd.

- 12] In terms of Clause 49 of the Listing Agreement with the Stock Exchange, a brief resume of the retiring Directors, who are proposed to be appointed/reappointed at this meeting are as under:

Sr. No.	Name of Director	Date of Birth	Date of Appointment	Qualification	Experience	Committee Membership
1.	Shri Arvind Baldwa	30.08.1953	11.10.2007	M.com	17 years as Industrialist	-
2.	Shri Nikhil Rajpuria	10.11.1980	11.10.2007	MBA (U.S.A.)	7 years as Finance Professional	Chairman – Shareholder's /Investor's Grievance Committee and Member – Remuneration Committee

**For and on Behalf of the Board of Directors**

**Place : Ahmedabad**  
**Date : 27<sup>th</sup> May, 2010**

**Jamnabprasad Maheshwari**  
**Managing Director**

**DIRECTORS' REPORT**

To,  
The Members,  
ARMS PAPER LIMITED  
AHMEDABAD

Your Directors have pleasure in presenting the 27<sup>th</sup> Annual Report on the business and operations of the Company together with Audited Accounts for the year ended 31<sup>st</sup> March, 2010.

**FINANCIAL RESULTS:**

Your company's performance for the financial year 2009-10 is summarized below:

	<b>2009-10</b>	2008-09
	<b>(Rs. in Lacs)</b>	(Rs. in Lacs)
Turn Over and Other Income	2079.26	4051.43
Profit Before Depreciation and Taxes	154.52	200.77
Depreciation	(1.20)	(0.21)
<b>Profit Before Taxes</b>	<b>153.32</b>	<b>200.56</b>
Taxation	(0.69)	(32.55)
<b>Profit After Taxation</b>	<b>152.63</b>	<b>168.01</b>
<b>Add/Less:</b> Prior Period Income	11.62	-
Balance Brought Forward from Last Year	(142.32)	(310.33)
<b>Balance Carried to Balance Sheet</b>	<b>21.93</b>	<b>(142.32)</b>

**OPERATIONS:**

Your Company has earned a total income from sales and other sources of Rs. 2079.26 Lacs as compared to Rs. 4051.43 Lacs in the previous year. The total expenditure incurred during the year was Rs. 1925.94 Lacs as compared to Rs. 3850.86 in the previous year. A provision of Rs. 0.69 Lacs is made for taxation. The Net Profit after taxation during the year under review is Rs. 152.63 Lacs as compared to Rs. 168.01 in the previous year. Your Company has wiped off the accumulated losses this year and a Credit Balance of Rs. 21.93 Lacs is carried to the Balance Sheet.

**DIVIDEND:**

With a view to conserve the resources, your Directors have decided not to recommend dividend on equity shares for the year ended 31<sup>st</sup> March, 2010.

**FIXED DEPOSITS:**

Your Company has neither accepted nor renewed any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

**DIRECTORS:**

Shri Arvind Baldwa and Shri Nikhil Rajpuria retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirements under Sub section 2AA of Section 217 of the Companies Act, 1956, with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- (1) in the preparation of Annual Accounts, the applicable Accounting Standards have been followed along with the proper explanation relating to material departures, if any.
- (2) the directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2010 and of the Profit for the year ended on that date.
- (3) the directors to the best of their knowledge and ability have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of 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 Annual Accounts on a "going concern basis".

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Since the Company is not engaged in any manufacturing activity, particulars under Section 217(1)(e) of the Companies Act, 1956, regarding Conservation of Energy and Technology Absorption are not applicable. There were no foreign exchange transactions during the year.

**PARTICULARS OF EMPLOYEES:**

The information required as per sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2010 is NIL.

**CORPORATE GOVERNANCE:**

The Company continues to remain committed for high standards of corporate governance. The report on Corporate Governance as per the requirement of the listing agreement with stock exchanges forms part of this report. The Company has complied with all the requirements of Corporate Governance. The certificate from the statutory auditors of the

Company regarding compliance by the Company of the conditions stipulated under Clause 49 of Listing Agreement is attached to this Report.

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis Report and Report on Corporate Governance are given as Annexure to this Report.

The Company is in process of implementing the Corporate Governance Voluntary Guidelines 2009, issued by Ministry of Corporate Affairs, in December, 2009.

**DEMATERIALISATION:**

The shares of the Company are in compulsory demat segment and are available for trading in the depository system of both National Securities Depository Ltd (NSDL) and the Central Depository Services India Ltd (CDSL). As on 31<sup>st</sup> March, 2010, 5197721 nos. of equity shares forming 94.19% of the equity share capital of the Company stands dematerialized.

**LISTING OF SHARES:**

The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE). The Bombay Stock Exchange Limited has nation wide terminal and therefore, shareholders/investors are not facing any difficulty in trading in the shares of the Company from any part of the country.

Your Company has paid annual listing fees for financial year 2010-11 to Bombay Stock Exchange Limited and annual custodial fees to National Securities Depository Limited and Central Depository Services (India) Limited.

**AUDITORS AND AUDITORS' REPORT:**

M/s. Shah Mohnot Singhal & Co., Chartered Accountants the Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received confirmation that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

Your Directors recommend re-appointment of M/s. Shah Mohnot Singhal & Co., Chartered Accountants as the Statutory Auditors of the Company for the current financial year and fixation of their remuneration.

There is no qualification, observations or adverse comments in the Auditors' Report and hence it does not call for any further explanation.

**ACKNOWLEDGEMENT:**

Your Directors take this opportunity to acknowledge the co-operation received from Banks, the Reserve Bank of India and other Government Agencies and Shareholders resulting in improved performance during the year under review.

**For and on Behalf of the Board of Directors**

**Place : Ahmedabad**  
**Date : 27<sup>th</sup> May, 2010**

**Jamnadas Maheshwari**  
**Managing Director**

**Declaration:**

The Board of Directors of the Company have approved and adopted Code of Conduct for the directors and Senior Management Personnel. I hereby declare to the best of my knowledge and belief that, all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for during the year.

**For and on Behalf of the Board of Directors**

**Place : Ahmedabad**  
**Date : 27<sup>th</sup> May, 2010**

**Jamnadas Maheshwari**  
**Managing Director**

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **Indian Industry Overview**

Indian Paper Industry is the 15th largest in the world and provides employment to 1.3 million people in the country contributing Rs.25 billion worth revenue to the government. The industry has recorded a volume growth of CAGR of 5.47% over the last 3 years. In 2003-04, it recorded a volume growth of 6%, in line with the GDP growth. Indian paper industry has a 1:1 correlation with the economy. Therefore, with the expected GDP growth of minimum 7-8%, the paper sector is expected to record a similar growth rate

**Source:IPMA**

### **Company's Performance and Future Outlook**

During the year under review, the Company has earned a total income from sales and other sources of Rs. 2079.26 Lacs as compared to Rs. 4051.43 Lacs in the previous year. The total expenditure incurred during the year was Rs. 1925.94 Lacs as compared to Rs. 3850.86 in the previous year. A provision of Rs. 0.69 Lacs is made for taxation. The Net Profit after taxation during the year under review is Rs. 152.63 Lacs as compared to Rs. 168.01 in the previous year. Your Company has wiped off the accumulated losses this year and a Credit Balance of Rs. 21.93 Lacs is carried to the Balance Sheet.

### **Risk and concerns**

There are several risks that every industry faces and the Paper industry has also its own intrinsic risks. In the normal course of business, the Company is also exposed to various risk areas. The Company's risk management aims at identifying and evaluating risks as early as possible and limiting the business losses by taking suitable measures for hedging risks.

These risks have been identified and the Company is aware of the potential for these risks to occur. Due care is being taken to plan and alleviate known-risks as well as proactively identify new risks that may occur.

The key risks that will affect the performance of the Company and are dynamically considered for risk management activities can be elaborated as follows:

- Increasing costs of raw material, transport and storage
- Compliance and regulatory pressures including changes in various laws

The Company Management understands that risks can negatively impact the attainment of both the short-term operational and long-term strategic goals. The Company has a defined risk management strategy in place which includes a Risk Management Team that identifies risks, creates mitigation plans and monitors the occurrence of risk. Appropriate mitigation plans for different risks are created and operationalised across the Company.

### **Internal Control System and their adequacy**

The Company has established suitable internal control systems, which provide reasonable assurance with regard to safeguarding the Company's assets, promoting operational efficiency and ensuring compliance with various legal and regulatory provisions. The Internal Audit Department reviews internal control systems in various business processes and also verifies compliance of the laid down policies and procedures. Reports of the internal auditor are reviewed by the senior management and are also placed before the Audit Committee of the Board. The statutory auditors also review their findings with the senior management and the Audit Committee.

### **Financial and Operative Performance**

The financial and operative performances are already elaborated in Directors' Report which is a part of this report.

### **Cautionary Statement**

*Statements in this Report particularly those which relate to "Management Discussion & Analysis" may constitute forward looking statements within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statement since the Company's operation are influenced by many external and internal factors beyond the control of the Company. Important factors that could make a difference to the Company's operation include global and Indian demand-supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.*

## REPORT ON CORPORATE GOVERNANCE

In compliance with Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance for the year under review is given below:-

### 1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance has been developed with a tradition of fair and transparent governance and disclosure practices, many of which were in existence even before they were mandated by legislation. Transparency, integrity, professionalism and accountability-based values form the basis of the Company's philosophy for corporate governance. The Company strives to improve the corporate governance practices to meet stakeholders' expectations and strictly complies with regulatory guidelines on corporate governance.

### 2) BOARD OF DIRECTORS:

#### (a) Composition of Board of Directors:

The Board of Directors of the Company comprises of six directors having an optimum combination of Non-executive Directors and Independent Directors. The Board of Directors of the Company is headed by the Managing Director of the Company and Five other directors. All the directors on the Board are well experienced, competent and highly prominent persons from their respective fields. They take active part at the Board as well as Committee Meetings which add value in the decision making process of the Board. None of the Independent Directors have any pecuniary relationship with the Company and none of the directors is related to each director.

The all details of directors of Company along with the number of directorship and committee membership held by them as on date are as under:

Sr. No.	Name of Director	Category of Directorship	Number of other Directorship	Number of Committee Membership / Chairmanship in the Company
1	Shri Jamnaprasad Maheshwari	Chairman & Managing Director	Nil	Member - Shareholder's /Investor's Grievance Committee
2	Shri Hemant Mehta	Director	1	Member – Audit Committee and Shareholder's /Investor's Grievance Committee
3	Shri Arvind Baldwa	Director	1	---
4	Shri Nikhil Rajpuria	Independent Director	1	Chairman - Shareholder's /Investor's Grievance Committee and Member – Remuneration Committee
5	Shri Nishant Kumar	Independent Director	Nil	Chairman – Audit Committee and Member – Remuneration Committee
6	Shri Kirit Patel	Independent Director	Nil	Chairman – Remuneration Committee and Member – Audit Committee

**Note :** As provided in Clause 49 of the Listing Agreement, none of the directors is member of more than ten Board Level Committees or the Chairman of more than five Committees.

#### (b) Number of Board Meetings:

During the year under review, the Board of Directors met seven times on 6<sup>th</sup> April, 2009; 15<sup>th</sup> May, 2009; 26<sup>th</sup> June, 2009; 30<sup>th</sup> July, 2009; 30<sup>th</sup> October, 2009; 31<sup>st</sup> December, 2009 and 29<sup>th</sup> January, 2010. The maximum gap

between two Board Meetings does not exceed four months as provided in Clause 49 of the Listing Agreement. Adequate information for the businesses to be transacted at Board Meeting are circulated as part of Board papers to enable the Board Members to take appropriate decisions.