



28th
ANNUAL REPORT
2010-11

COMPANY INFORMATION

BOARD OF DIRECTORS

JAMNA PRASAD MAHESHWARI

Managing Director

HEMANT MEHTA

ARVIND BALDWA

NIKHIL RAJPURIA

NISHANT KUMAR

KIRIT PATEL

COMPANY SECRETARY

ALPESH GANDHI

AUDITORS

M/S. TALATI & TALATI

Chartered Accountants, Ahmedabad

BANKERS

- INDIAN OVERSEAS BANK *
- CORPORATION BANK
- AXIS BANK

REGISTRAR & SHARE TRANSFER AGENTS

SHAREPRO SERVICES (INDIA) PVT. LTD.,

416-420, 4th Floor, Devnandan Mall,

Opp. Sanyas Ashram, Ellisbridge,

Ahmedabad - 380006

REGISTERED OFFICE

604, Avdhesh House,

Opp. Shri Guru Govind Gurudwara,

SG Highway, Thaltej, Ahmedabad-380054

Telefax No: [079] 26859223

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NOTICE

NOTICE is hereby given that the **TWENTY-EIGHTH** Annual General Meeting of the Members of M/s. ARMS PAPER LIMITED will be held on Monday, the 18th day of July, 2011 at 11:00 a.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 and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and Profit and Loss Account for the year ended on that date together with Directors' and the Auditors' Report thereon.
- 2] To appoint a Director in place of Shri Nishant Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
- 3] To appoint a Director in place of Shri Kirit Patel, who retires by rotation and being eligible, offers himself for re-appointment.
- 4] To consider, and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution:

"RESOLVED THAT pursuant to the provisions of Section 224 of the Companies Act, 1956, M/s. Talati & Talati, Chartered Accountants (ICAI Reg. No. 110758W) be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company at a remuneration which may be decided by the Board of Directors on the recommendation of an Audit Committee and reimbursement of out of pocket expenses actually incurred by them in connection with the Audit."

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 11th July, 2011 to 18th July, 2011 (both days inclusive).
- 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) Private Limited - 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.
- 8] Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to address their questions to the Company Secretary of the Company so as to reach at least 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 a copy of their PAN Card for the purpose to our Registrar & Share Transfer Agents, **M/s. Sharepro Services (India) Pvt. Ltd.**
- 12] Members are requested to bring the copy of the Annual Report at the meeting.

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- 13] In terms of Clause 49 of the Listing Agreement with Bombay Stock Exchange Ltd., a brief resume of the retiring directors, who are proposed to be re-appointed at this meeting are as under:

Sr. No.	Name of Director	Date of Birth	Date of Appointment	Qualification	Experience	Committee Membership
1.	Shri Nishant Kumar	30/07/1982	08/10/2008	M.B.A.	7 years as professional	Audit Committee, Remuneration Committee
2.	Shri Kirit Patel	02/08/1948	08/10/2008	B.Com.	12 years	Audit Committee, Remuneration Committee

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 18th June, 2011

Jamna Prasad Maheshwari
Managing Director

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice / documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the form attached to the Notice and register the same with M/s. Sharepro Services (India) Pvt. Ltd., at their office situated at 416-420, 4th floor, Devnandan Mall, Opp. Sanyas Ashram, Ellisbridge, Ahmedabad - 380 006.

DIRECTORS' REPORT

To,
The Members,
ARMS PAPER LIMITED,
AHMEDABAD

Your Directors have pleasure in presenting the 28th Annual Report on the business and operations of the Company together with Audited Accounts for the year ended 31st March, 2011.

FINANCIAL RESULTS:

Your company's performance for the financial year 2010-11 is summarized below:

	2010-11 (₹ in lacs)	2009-10 (in lacs)
Turn over and Other Income	1387.99	1998.31
Profit before Depreciation and Taxes	54.56	154.52
Depreciation	(1.55)	(1.20)
Profit Before Taxes	53.01	153.32
Taxation	(0.05)	(0.69)
Profit after Taxation	52.96	152.63
Add/Less: Prior Period Income	—	11.62
Balance Brought Forward from Last Year	21.93	(142.32)
Balance Carried to Balance Sheet	74.89	21.93

OPERATIONS:

Your Company has earned a total income from sales and other sources of 1387.99 Lacs as compared to 1998.31 Lacs in the previous year. The total expenditure incurred during the year was 1334.98 Lacs as compared to 1844.99 Lacs in the previous year. The Net Profit after taxation during the year under review is 52.96 Lacs as compared to 152.63 Lacs in the previous year. Your Directors are exploring various new business opportunities that will enable the Company to improve its financial position.

DIVIDEND:

With a view to conserve the resources, your Directors do not recommend any dividend on the equity share capital of the Company for the year ended 31st March, 2011.

AUDIT COMMITTEE:

The Audit Committee was reconstituted during the year under review and it consists of following members:

1. Shri Hemant Mehta : Chairman
2. Shri Nishant Kumar : Independent Director
3. Shri Kirit Patel : Independent Director

FIXED DEPOSITS:

Your Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

DIRECTORS:

There is no change in the Directorship of the Company during the year under review.

Shri Nishant Kumar and Shri Kirit Patel 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 judgement 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 31st March, 2011 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 31st March, 2011 is NIL.

CORPORATE GOVERNANCE:

Our Board with well qualified independent Directors' guidance and team work and various committees constituted under corporate governance, the Company is in a position to excel in its activities with complete fair and transparent practices. The Board committees regularly scrutinize the policies and proposals made by the operating management and also provide an unbiased independent assessment of the business procedures.

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

A certificate from the Statutory Auditors of the Company regarding compliance by the Company of the conditions stipulated under Clause 49 of the Listing Agreement is attached to this Report.

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

DEMATERIALISATION:

The Equity 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 31st March, 2011, 5200221 nos. of equity shares forming 94.24% 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 nationwide 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 2011-12 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. Talati & Talati, 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 ceiling 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. Talati & Talati, Chartered Accountants, as the Statutory Auditors of the Company 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 Bankers of the Company, Government Agencies and Shareholders for their co-operation.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 7th May, 2011

Jamna Prasad Maheshwari
Managing Director

Declaration:

The Board of Directors of the Company has 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 during the year.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 7th May, 2011

Jamna Prasad Maheshwari
Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Indian Industry Overview

Indian Paper Industry is more than 140 years old with the first mill having been commissioned in 1867. Today almost every person uses paper in one form or the other. Paper manufacturers use a variety of raw materials like hardwoods, bamboo, recycled fibre, bagasse, wheat straw and rice straw.

Estimated annual turnover of the industry is 29,600 crore approximately and its contribution to the exchequer is around 2,900 crore. The industry provides employment to more than 1,20,000 people directly and to 3,40,000 indirectly.

Demand for paper and paperboard closely follow the economic growth of a country and have a positive co-relation to the prevailing economic trends. In India, the demand drivers and growth triggers have come from a combination of factors:

- the rising level of national income;
- the growing per capita income;
- rising aspiration levels of the people;
- increasing size of the population;
- increasing size of the service industry;
- spread of education and literacy throughout the country;
- government focus on education;
- introduction of computers in rural areas; and,
- higher level of industrial activity and corporate spending.

Globally India ranks 15th among the paper producing countries. The industry is highly fragmented with about 700 units spread across the country with capacity ranging from 3 tpd to over 700 tpd.

The product segments in the paper industry can be broadly classified as below:

- Newsprint, Printing & Writing Paper,
- Industrial Paper and other paper.

Of the total consumption in India, Printing and Writing paper accounts for about 35%, Newsprint 20% and Industrial and Speciality Papers 45%. Per capita annual consumption is 8.5 Kg. against the world average of 55 kg. and Asian average of 45 kg. of the total capacity, 39% is wood based, 31% Agro based and the balance 30% waste paper (recycled fibre) based. 35% of the capacity is in North, 30% in West, 30% in South and 5% in East.

Risk and concerns

Risk may be defined as the possibility that an event (anticipated or unanticipated) can adversely affect business objectives and goals. At Arms, risk governance reconciles estimation, control and quantification through an institutionalized approach, which includes consistent implementation and monitoring, supplemented by audits. The management conducts regular reviews to arrest abnormalities.

All the risks are discussed in the Senior Management meetings periodically to ensure that the risk mitigation plans are implemented and adverse impact of risks is avoided or kept within manageable proportions.

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

Pursuant to Clause 49 of the Listing Agreement entered into with Bombay Stock Exchange Limited, a report on Corporate Governance for the year under review is given below:-

1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance has several claimants viz. Shareholders and other stakeholders which include suppliers, customers, creditors, bankers, the employees of the Company, the Government and the society at large. The three key aspects of Corporate Governance are accountability, transparency and equality of treatment for all stakeholders. The fundamental objective of Corporate Governance is the "enhancement of Shareholder Value keeping in view the interest of other stakeholders." In the above context, the Company's Philosophy on Corporate Governance is:

- To have systems in place which will allow sufficient freedom to the Board of Directors and Management to take decision towards the progress of the Company and to innovate while remaining within a framework of effective accountability.
- To provide transparent corporate disclosures and adopt high quality accounting practices.

- Timely and proper dissemination of material price sensitive information and ensure insiders do not transact in securities of the Company till such information is made public.
- To adopt good Corporate Governance policies that will contribute to the efficiency of the enterprise, creation of wealth for the Shareholders and country's economy.

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 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 adding value in the decision making process. None of the Independent Directors have any pecuniary relationship with the Company and none of the directors is related to each director.

The details of all directors of the 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 Jamna Prasad Maheshwari	Chairman & Managing Director	Nil	Member –Shareholder's /Investor's Grievance Committee
2	Shri Hemant Mehta	Director	Nil	Chairman– Audit Committee Member – 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 Member – Remuneration Committee
5	Shri Nishant Kumar	Independent Director	Nil	Member – Audit Committee and Remuneration Committee
6	Shri Kirit Patel	Independent Director	Nil	Chairman – Remuneration Committee 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 six times on 10th April, 2010; 27th May, 2010; 10th August, 2010; 27th October, 2010; 1st December, 2010 and 12th January, 2011. The

maximum gap between two Board Meetings did 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.

(c) Attendance at Board Meetings and Annual General Meeting of the Company:

The attendance of the Directors at the board meetings held during the year under review and at the last Annual General Meeting held on 5th August, 2010 are as under:-

Sr. No.	Name of Director	Number of Board Meeting Attended	Attendance at last AGM
1	Shri Jamna Prasad Maheshwari	6	Yes
2	Shri Hemant Mehta	6	Yes
3	Shri Arvind Baldwa	5	Yes
4	Shri Nikhil Rajpuria	2	Yes
5	Shri Nishant Kumar	6	Yes
6	Shri Kirit Patel	5	Yes

(d) Code of conduct

The Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. All Board Members and Senior Management Personnel are strictly complying with the Code of Conduct. A declaration signed by the Managing Director is attached and forms part of the Annual Report of the Company.

(A) Audit Committee

(i) Constitution of Committee

- The composition of the Committee is in conformity with Clause 49(II) (A) of the Listing Agreement.
- Shri Nishant Kumar, Chairman of the Audit Committee was present at the Annual General Meeting held on 5th August, 2010 to reply the shareholders' queries.
- The Audit Committee provides an overview on the reporting process of the Company's financial and accounting mechanism and ensures that disclosures in its financial statements are correct, sufficient and credible.
- The Committee reviews the efficacy of the internal control mechanism and monitors the risk management policies adopted by the Company. The Committee also reviews the report furnished by the internal and statutory auditors and ensures that suitable follow-up actions are taken. Besides, the Committee also examines accounting, taxation and disclosure aspects of all significant transactions.

3) COMMITTEES OF THE BOARD

The following committees have been constituted by the Board of Directors:

(A) Audit Committee

(B) Remuneration Committee

(C) Shareholders'/Investors' Grievances Committee

All decisions pertaining to the constitution of the committees, appointment of members and fixing of terms of service for committee members are taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided below:-