



29th annual report
2011-12

COMPANY INFORMATION

BOARD OF DIRECTORS

JAMNA PRASAD MAHESHWARI - (Managing Director)

HEMANT MEHTA

ARVIND BALDWA

NIKHIL RAJPURIA

NISHANT KUMAR

COMPANY SECRETARY

ALPESH GANDHI

BANKERS

- INDIAN OVERSEAS 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

AUDITORS

M/S. TALATI & TALATI

Chartered Accountants,
Ahmedabad.

REGISTRAR & SHARE TRANSFER AGENTS

SHAREPRO SERVICES (INDIA) PVT. LTD.,

416-420, 4th Floor, Devnandan Mall,
Opp. Sanyas Ashram, Ellisbridge,
Ahmedabad - 380009
Phone No: [079] 26582381/84

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NOTICE

NOTICE is hereby given that the **TWENTY-NINTH** Annual General Meeting of the Members of M/S. ARMS PAPER LIMITED will be held on Thursday, the 26th day of July, 2012 at 3:00 p.m. at 604, Avdhesh House, Opp. Shri Guru Govind Gurudwara, Sarkhej - Gandhinagar Highway, Thaltej, Ahmedabad- 380 054 to transact the following businesses:-

ORDINARY BUSINESS :

- 1] To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2012 and Statement of 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 Nikhil Rajpuria, who retires by rotation and being eligible, offers himself for re-appointment.
- 3] To appoint a Director in place of Shri Hemant Mehta, 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 re-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."

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 29th May, 2012

Alpesh Gandhi
Company Secretary

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 LODGED 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 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 20th July, 2012 to 26th July, 2012 (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 DPs.
- 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.
- 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.

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- 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] Members are requested to bring the copy of the Annual Report at the meeting.
- 13] 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 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 Nikhil Rajpuria	10.11.1980	11.10.2007	MBA(USA)	9 years as finance professional	Chairman : Shareholders' / Investors' Grievance Committee Member : Audit Committee Remuneration Committee
2.	Shri Hemant Mehta	09.06.1951	11.10.2007	MBA(USA)	18 years as Industrialist	Chairman : Remuneration Committee Audit Committee Member : Shareholders' / Investors' Grievance Committee

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 and Members who hold shares in physical form are requested to send their requests to the Registrar : M/s. Sharepro Services (India) Pvt. Ltd., at their office situated at 416-420, 4th floor, Devnandan Mall, Opp. Sanyas Ashram, Ellisbridge, Ahmedabad.

DIRECTORS' REPORT

To,
The Members,
ARMS PAPER LIMITED,
AHMEDABAD

Your Directors have pleasure in presenting the 29th Annual Report on the business and operations of the Company together with Audited Accounts for the year ended 31st March, 2012.

FINANCIAL RESULTS:

Your company's performance for the financial year 2011-2012 is summarized below:

	2011-12 (₹ in lacs)	2010-11 (₹ in lacs)
Total Revenue	982.95	1332.60
Total Expenses	952.60	1279.59
Profit/ (Loss) Before Taxes	30.35	53.01
Net Tax Expense	(9.33)	(0.05)
Profit/ (Loss) for the period(After Tax)	21.02	52.96

OPERATIONS:

Your Company has earned a total revenue of ₹ 982.95 Lacs as compared to ₹ 1332.60 Lacs in the previous year. The total expenditure incurred during the year was ₹ 952.60 Lacs as compared to ₹ 1279.59 Lacs in the previous year. The Net Profit after taxation during the year under review is ₹ 21.02 Lacs as compared to ₹ 52.96 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, 2012.

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 | : Member |
| 3. Shri Nikhil Rajpuria | : Member |

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:

During the year under review, Shri Kirit Patel, Director of the Company resigned from the directorship of the Company w.e.f. 1st March, 2012, on account of his pre-occupation. The Board places on record appreciation for the services rendered by Shri Kirit Patel during his tenure as Director of the Company.

Shri Nikhil Rajpuria and Shri Hemant Mehta 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, 2012 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

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forming part of the Directors' Report for the year ended 31st March, 2012 is NIL.

CORPORATE GOVERNANCE:

Our Board with well qualified independent Directors' guidance and team work and various committees constituted under corporate governance, 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 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, 2012, 5201821 nos. of equity shares forming 94.27% 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 nation wide Stock Exchange.

Your Company has paid annual listing fees for financial year 2012-13 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 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. Talati & Talati, 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 Bankers of the Company, Government Agencies and Shareholders for their co-operation.

For and on behalf of the Board of Directors

Place : Ahmedabad Jamna Prasad Maheshwari
Date : 29th May, 2012 Chairman & 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 during the year.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 29th May, 2012

Jamna Prasad Maheshwari
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Global scenario of Paper Industry:

Paper industry plays a very prominent role in World economy. Annual revenue from this sector exceeds USD 500 Bn. World Consumption of Paper and Boards grew from 169 Mn tonnes in 1981, to 250 Mn tonnes in 1993, to 352 Mn tonnes in 2005 and to 390 Mn tonnes currently.

Global Paper manufacturing industry is largely dominated by North America, Western Europe and Asia. Over 100 Mn tonnes of paper and board are consumed by North America, Asia (incl. Japan) accounts for 140 Mn tonnes and Europe's share is around 102 Mn tonnes per annum. The robust growth in Asian economies resulted in large capacity additions in China and India. Additionally, the rising levels of literacy in the region and the sustained thrust on increasing the spread of education are expected to provide the background for sustained demand for paper in this geography.

The following factors can be considered as generic demand drivers for paper, globally:

- Wide scope of application: Paper is used for diverse purpose viz. writing, printing, decorating, tissues, etc. Additionally, it enjoys a wide consumer base i.e., across age groups and socio-economic strata.
- Short lifecycle: The consumable nature of paper results in short lifespan of paper thereby generating immediate replacement demand.
- Absence of substitute: Although polymeric and alternative replacements have been designed to substitute paper, the same are prohibitively expensive.

Indian Paper Industry

The Indian Paper Industry has 642 mills with a rated capacity of 9Mn MTPA and operates with a capacity utilisation factor (CUF) of 82%. The demand for Paper is expected to increase from 9Kg per capita to 14 Kg per capita by FY 14. The average size of Indian Paper Mills is 38,000 MTPA compared to Global average of 400,000 MTPA. The sector remains fragmented, with a significant amount of capacity concentrated amongst the smaller players with capacities of less than 7,500 MTPA. The domestic paper industry ranks 15th in terms of capacity globally at 9Mn MTPA, with estimated sales of INR 321bn.

With regards to India, specific factors contributing to the increasing demand for paper are as follows:

- The ongoing phase of economic growth is a major factor boosting consumption of paper and paperboard. This is most evident from the growth of FMCG and printing sector which are the end users for this product.
- Increase in government spendings on education and rising levels of literacy are contributing to the enhancement of consumption of paper in the form of increasing demand for textbooks, newspapers, magazines, etc.
- The historically low levels of per capita consumption in the country coupled with the growth in population are also resulting in an upward trend in paper demand.

Paper Industry Segments snapshot:

Type	Variety	End uses	Demand drivers
W & P	- Creamwove	- Computer stationery, Textbooks, Notebooks	- Govt. spend on education, Printing industry
	- Maplitho	- Premium notebooks, Annual Reports, Diaries, Calendars	- Corporate usage, Printing industry
	- Coated Paper	- Publicity material, Playing cards, labels, magazines	- Business activity, economic growth
Paperboard / Industrials	- Kraft Paper	- Corrugated boxes, bags	- Growth in Consumables Durables, FMCG
	- Duplex Board	- Packaging, small cartons in retail / pharma	- Growth in retail, pharma
Newsprint		Newspaper circulation	- Literacy rate

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 and maintained adequate internal controls over the financial reporting. Internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted (GAAP) in India. The Company has an internal control system commensurate with the size and nature of the business. The Audit Committee of the Company provides reassurance to the Board on the existence of an effective internal control environment.

The internal control includes policies and procedures that:

- ❖ pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflects the transactions and dispositions of assets;
- ❖ Provide reasonable assurance that transactions are recorded as necessary to allow for the preparation of financial statements in accordance with GAAP and that receipts and expenditures are being made only in accordance with authorizations of the management;
- ❖ Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or

disposal of assets that could have a material effect on financial statements; and

- ❖ Provide reasonable assurance as to the detection of fraud.

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 Directors' Report & Management Discussion and Analysis describes the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company's operations include raw material 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 in which the Company conducts business and other incidental factors.

REPORT ON CORPORATE GOVERNANCE

In the fast changing business scenario, good Corporate Governance helps in achieving long term corporate goals of enhancing Stakeholders' value. Corporate Governance focuses on commitment to values adhering to ethical business practices. This includes corporate structures, culture, policies and the manner in which the Corporate entity deals with various stakeholders, with transparency being the key word. Accordingly, timely, adequate and accurate disclosure of information on the performance and ownership forms the cornerstone of Corporate Governance.

1) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The Company's Corporate Governance philosophy rests on the pillars of integrity, accountability, equity, transparency and environmental responsibility that conform fully with laws, regulations and guidelines. The Company's Philosophy on Corporate Governance is to achieve business excellence and maximizing shareholder value through ethical business conduct. The Company's Philosophy also includes building partnership with all stakeholder- employees, customers, vendors, service providers, local communities and Government. The Company has always set high targets for the growth, profitability, customer satisfaction, safety and environmental performance and continues its commitment to high standards of corporate governance practices. During the year under review, the Board

continued its pursuit of achieving its objectives through the adoption and monitoring of corporate strategies and prudent business plans.

The Company is in compliance with the requirements of corporate governance code as per clause 49 of the Listing Agreement with the Stock Exchanges.

2) BOARD OF DIRECTORS :

The Board of Directors provides strategic direction and thrust to the operations of the Company, thereby enhancing the value of the stakeholders.

(a) Composition of Board of Directors :

The Board of Directors of the Company comprises of five directors having an optimum combination of Executive and Non-executive Directors. The Board of the Company consists of one Managing Director and four other directors. All the directors on the Board are well experienced, competent and highly prominent persons in 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 details of all directors of the Company along with the number of directorships and committees membership held by them in other companies are as under:

Sr. No.	Name of Director	Category of Directorship	Number of Directorship(s) in other Public Limited Company	Number of Membership(s) / Chairmanship(s) of Board Committees in other Companies
1	Shri Jamna Prasad Maheshwari	Chairman & Managing Director	Nil	Nil
2	Shri Hemant Mehta	Independent Director	Nil	Nil
3	Shri Nikhil Rajpuria	Independent Director	Nil	Nil
4	Shri Nishant Kumar	Independent Director	Nil	Nil
5	Shri Arvind Baldwa	Independent Director	Nil	Nil
6	Shri Kirit Patel (Up to 01/03/2012)	Independent Director	Nil	Nil

Note :

As provided in Clause 49 of the Listing Agreement, none of the directors is member of more than ten Committees or Companies or Chairman of more than five Committees in any public limited companies.

(b) Number of Board Meetings:

During the year under review, the Board of Directors met eight times on 1st April, 2011, 7th May, 2011, 18th June, 2011, 25th July, 2011, 17th October, 2011, 27th December, 2011, 1st February, 2012 and 1st March, 2012. 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 Meetings 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 18th July, 2011 are as under:-

Sr. No.	Name of Director	Number of Board Meetings Attended	Attendance at last AGM
1	Shri Jamna Prasad Maheshwari	8 out of 8	Yes
2	Shri Hemant Mehta	8 out of 8	Yes
3	Shri Arvind Baldwa	5 out of 8	Yes
4	Shri Nikhil Rajpuria	7 out of 8	No
5	Shri Nishant Kumar	5 out of 8	No
6	Shri Kirit Patel	6 out of 8	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.

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:-

(A) Audit Committee

(i) Constitution of Committee

- The composition of the Committee is in conformity with clause 49(II) (A) of the Listing Agreement.
- 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.

(ii) Composition of the Committee

The Audit Committee comprises of three Directors viz.:-

Sr. No.	Name of Director	Position held in the Committee
1.	Shri Hemant Mehta	Chairman (Independent Director)
2.	Shri Nishant Kumar	Member (Independent Director)
3.	Shri Nikhil Rajpuria (w.e.f. 01/03/2012)	Member (Independent Director)
4.	Shri Kirit Patel (up to 01/03/2012)	Member (Independent Director)