



Arrow Textiles Limited

Annual Report
2011-12



Arrow Textiles Limited

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

CONTENTS	Page
Notice.....	1
Directors' Report.....	10
Management Discussion and Analysis Report	16
Corporate Governance Report.....	19
Auditors' Report	35
Balance Sheet.....	38
Profit and Loss Account.....	39
Cash Flow Statement	40
Notes	42
Attendance Slip & Proxy Form.....	63

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 anum.
- 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 anum 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 arised 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

APG Airports Infrastructure Private Limited
APG Constructions and Infra Private Limited
APG Educational Consultants Private Limited (Formerly known as Oneup Mercantile Company Private Limited)
APG Infra Projects Private Limited
APG Infrastructure Private Limited
APG Ports Infrastructure Private Limited
APG Renewable Energy Private Limited
APG Road and Rail Transports Private Limited
APG Roads Infrastructure Private Limited
APG Transformers and Energy Private Limited
Ashok Piramal Enterprises Private Limited
Anjoss Trading Private Limited
Crossroads Shoppertainment Private Limited
Goldlife Mercantile Company Private Limited
Highpoint Agro Star Private Limited
Lifestar Hospitality Private Limited
Lifezone Mercantile Private Limited
Miranda Few Tools Private Limited
Miranda Ultra Tools Private Limited
Morarjee Castiglioni (India) Private Limited
Onestar Trading Company Private Limited
Piramal Airports Infrastructure Private Limited
Piramal Constructions and Infra Private Limited
Piramal Education and Academy Private Limited
Piramal Energy Private Limited
Piramal Infrastructure Private Limited
Piramal Renewable Energy Private Limited
Piramal Road and Rail Transports Private Limited
Piramal Transportation Private Limited
Peninsula SA Realty Private Limited
Peninsula Townships Development Private Limited
PMP Auto Components Private Limited
Pune Sports Club Private Limited
Rockfield Trading Private Limited
Toptech Mercantile Company Private Limited

C Body Corporate

Ashok Piramal Overseas Investment Company Limited
PMP Components (Mauritius) Limited
PMP Components Netherlands Cooperatie UA

ii) Chairman of Board Committees

Camphor & Allied Products Limited – Audit Committee
Camphor & Allied Products Limited – Investors’ Grievance Committee

iii) Member of Board Committees

Camphor & Allied Products Limited – Remuneration Committee

DIRECTORS' REPORT

Your Directors are pleased to present their Fifth Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2012.

Financial Highlights

(₹ in Thousands)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Income for the year	333,334.57	296,647.32
Profit before Interest, Depreciation and Tax	74,910.11	78,729.49
Finance Charges	28,783.31	17,583.91
Profit before Depreciation and Taxes	46,126.80	61,145.58
Depreciation	43,240.61	33,133.11
Provisions for Taxation/ Deferred Tax	5,602.45	14,266.85
Prior Period Items / Extra Ordinary Items	-	-
Net Profit/(Loss) for the Current Year	(2,716.26)	13,745.62
Earlier Years Balance Brought forward	3,729.64	(10,015.98)
Balance carried to Balance Sheet	1,013.38	3,729.64

Dividend

The Directors do not recommend any dividend for the Financial Year ended 31st March, 2012.

Operations

During the year under review, your Company recorded a total income of ₹ 333,334.57/- Thousands. For further information, kindly refer to Management Discussion and Analysis Report, forming part of this Annual report.

Corporate Governance Report

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

Particulars of Employees

In terms of provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the Annexure to the Directors'

Report. However, having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all members of the Company and other entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as required under Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are furnished in the Annexure A to this Report.

Directors

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

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

Your Directors recommend his re-appointment at the ensuing Annual General Meeting.

Directors' Responsibility Statement

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

1. In the preparation of the annual accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs as at 31st March, 2012 and of the loss of the Company for the year under review;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors have prepared the accounts for the financial year ended 31st March, 2012 on 'going concern' basis.

Fixed Deposits

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

Rights Issue

During the year 2010-2011, the Company had issued 54,41,126 Equity Shares of ₹ 10/- each at a premium of ₹ 1/- per share to the existing Equity Shareholders on Rights basis in the ratio of 2 shares for every 5 shares held, on record date.

Consequently, during the year under review, the Company allotted the aforesaid Equity Shares on 6th April, 2011 and these shares were subsequently listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The trading of the aforesaid shares started on BSE and NSE with effect from 11th April, 2011.

Auditors

The Board of Directors recommends to re-appoint M/s. Amit Desai & Co., Chartered Accountants as Statutory Auditors of the Company, who retire at the conclusion of forthcoming Annual General Meeting and are eligible for re-appointment. M/s. Amit Desai & Co. have given their consent to act as auditors, if re-appointed. Members are requested to consider their re-appointment. The auditors comments on the Company's accounts for the year ended on 31st March, 2012 are self explanatory in nature and do not require any explanation as per the provisions of Section 217(3) of the Companies Act, 1956.

Cost Auditor

The Company has come under the purview of Cost Audit for the first time in Financial Year 2011-12. Accordingly, the Board of Directors of your Company has, upon recommendations of the Audit Committee, appointed Shilpa & Co, Cost Accountants as Cost Auditors for conducting an audit of Cost Accounting Records maintained by the Company for the Financial Year 2011-12. As required under the provisions of Section 224(1B) read with Section 233B(2) of the Companies Act, 1956, the Company has obtained a written confirmation from Shilpa & Co to the effect that they are eligible for appointment as Cost Auditors under Section 233B of the Companies Act, 1956. The Audit Committee has also received a certificate from the Cost Auditor certifying their independence and arm's length relationship with the Company. The Cost Auditors shall forward their report to the Central Government, Ministry of Corporate Affairs, New Delhi for the Financial Year 2011-12, within the prescribed time limit.

Acknowledgements

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

By Order of the Board of Directors,

JAYDEV MODY
Chairman

Mumbai, 7th August, 2012

Registered Office:

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

ANNEXURE A

INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31st MARCH, 2012.

A CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company continues its policy of giving priority to energy conservation measures including regular review of energy generation and consumption and effective control on utilization of energy.

The following energy conservation methods were implemented during the year:

- a) Use of energy efficient equipments
- b) Intensified Internal Audit aimed at detecting wastage of electricity.
- c) Campaign based synchronization of utilities with plant operations.

b) Additional investments:

- a) The Company is continuously installing electronic devices to improve quality of power and reduction of energy consumption.
- b) Continuing with energy conservation measures on above lines.
- c) Impact of above measures:

The adoption of energy conservation measures have resulted in savings and increased level of awareness amongst the employees. The energy conservation measures have also resulted in improvement of power factor, consequential tariff benefits.

- d) Total energy consumption and energy consumption per unit of production

As per Form A

B TECHNOLOGY ABSORPTION

As per Form B

FORM - A

Disclosure of particulars with respect to conservation of energy

	2011-12	2010-11
A. Power & Fuel Consumption:		
1. Electricity		
a. Purchased		
Unit: ('000 KWH)	2200.25	2257.98
Total Amount (₹ in lacs)	145.91	122.92
Rate / per unit (KWH)	6.56	5.44
b. Own Generation		
(i) Through diesel generator	NIL	NIL
(ii) Through steam turbine/generator	NIL	NIL
2. Coal	NIL	NIL
3. Furnace Oil, LSHS & L.D. Oil	NIL	NIL
4. Others / Internal Generation	NIL	NIL
B. Consumption per unit of Production:		
1. Electricity		
Narrow Fabrics (per mtr.) :	0.21	0.20
Labels (per piece) :	0.03	0.03
2. Coal	NIL	NIL
3. Furnace Oil, LSHS & L.D. Oil	NIL	NIL
4. Others	NIL	NIL

The consumption of electricity depends upon the product mix used and the nature of the product manufactured. Thus the above indicates an average consumption per unit of production.

FORM - B

Disclosure of particulars with respect to technology absorption etc.:

Research and Development (R&D)

- | | |
|--|---|
| 1. Specific Areas in which R&D has been carried out by the Company | Product Research is carried out on an ongoing basis. |
| 2. Benefits derived as a result of the above R&D | Produced various and lots of nos different products & improved product quality. |
| 3. Future plan of action | To provide variety of improved quality products to the customers. |
| 4. Expenditure on R & D | Not identified separately |

Technology Absorption, Adaptation & Innovation

The Company has developed B2B software through which our customers can see almost all the information they require online 24X7. Using our software, they can create an artwork for multilingual wash-care labels online by punching a few variable information. With help of ERP & B2B software, we have overhauled our entire service approach to exceed our customers growing expectations.

Foreign Exchange Earnings and Outgo:

During the year, the foreign exchange outgo was ₹ 29,515.49 Thousands (L.Y. ₹ 1,15,954.26 Thousands) the foreign exchange earned was ₹ 52,581.81 Thousands (L.Y. ₹ 43,260.22 Thousands).

By Order of the Board of Directors,

JAYDEV MODY
Chairman

Mumbai, 7th August, 2012

Registered Office:

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

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

Introduction

Arrow Textiles Limited (“Arrow Textiles/ The Company”) has been in the business of manufacturing Elastic and Non-Elastic Tapes and Woven and Printed Labels. Company has a state of the art manufacturing plant at MIDC, Satpur, Nasik. Arrow Textiles has an installed capacity as on 31st March 2012, of 19 (Nineteen) woven label looms, 17 (Seventeen) printed label machines and 56 (Fifty Six) woven tapes looms. Arrow Textiles current quality policy ensures supply of woven tapes, woven labels and fabric printed labels according to customer specifications. Arrow Textiles has also acquired an edge over its competitors with quick turnaround of samples and perfect color matching. Arrow Textiles stocks 525 (Five Hundred Twenty Five) polyester yarn shades for woven labels and 110 (One Hundred Ten) polyester/ nylon yarn shades for elastics. Arrow Textiles has the ability to process multiple deliveries daily, offer real-time information and origination of innovative products.

Our Company has been perfecting systems on these very abilities. It is no wonder that we process more than 90 (Ninety) orders a day for customers in and around India and produce more than 10,000 (Ten Thousand) different items.

Industry Structure & Development

Indian Textile Industry has an overwhelming presence in the economic life of the country. The major sub-sectors that comprise the textiles sector include the following :

- Cotton Textiles Mill Industry
- Filament Yarn Industry
- Wool and Woolen Textiles Industry
- Sericulture and Silk Textiles Industry
- Handlooms Textiles Industry
- Handicrafts Textiles Industry
- Jute Textiles Industry

The Indian textile industry is extremely diverse encompassing hand-spun and hand woven sector at one end of the spectrum, and capital intensive, sophisticated mill sector at the other. Decentralized power looms/hosiery and knitting sector form the largest section of the sector. The close linkage of the Industry to agriculture and the ancient culture, and traditions of the country make the Indian textiles sector unique in comparison with the textiles industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to the different market segments, both within and outside the country.

The Ministry of Textiles has taken various policy initiatives in the last few years to improve the competitiveness of the Indian Textile industry. Various schemes such as Technology Upgradation Fund Scheme (TUFS), Scheme for Integrated Textile Parks, Development of Mega Cluster, Integrated Skill Development Scheme, Technology Mission of Technical Textiles, etc. have been launched with the objective of accelerating growth in exports and investment in the textile sector.

However, during the year 2011-12, the industry witnessed a significant slowdown in textiles production due to a combination of factors such as slowdown in demand, high raw material prices, piling up of stocks, etc.

In spite of the significant slowdown during the year, India's textile sector has contributed 4% to the country's gross domestic product (GDP), accounting for 14% of industrial production and 17% to country's export earnings.

Thus, Indian textiles industry plays a pivotal role in contribution to industrial output, export earnings and employment generation of around 35 million people. It is the second largest provider of employment after the agricultural sector and it has a direct bearing on the improvement of the economy of the nation.

Opportunities and Threats

Opportunities

- Replacement of the MFA and full integration of textile industry has resulted in huge opportunities for export
- Increase in consumption pattern across the country along with the rising demand for high quality premium fabrics
- Large and potential domestic and international market
- Promising export potential

Threats

- Pricing pressure due to opening up of quotas
- Enhanced competition from other countries

Productwise Performance

Particulars	Unit	Sales For FY 2011-12	
		Quantity	Value (₹ In Thousands)
ELASTIC TAPE	Mtrs.	17,083	1,04,778
WOVEN LABELS	Nos.	2,23,200	86,525
PRINTED LABELS	Nos.	1,19,630	75,463
EXPORT SALES	Nos.	28,927	52,582
TOTAL	--	--	3,19,348

Outlook

The Company manufactures woven labels, fabric printed labels, elastic & non-elastic tapes (also known as garment trims). These products form a part of garment packaging products and are used for apparels and made-ups such as terry towels and home furnishings.

The Company remains the preferred choice of many leading Indian brands, both for hosiery & outer wear. The Company has an excellent track record when it comes to 'intensity of innovation', with around fifty per cent of our business being based on products developed in the past 3 years. The manufacturing and other core processes are digital.

Internal Control System and Adequacy

The Company has adequate internal control systems and is in process of further strengthening the existing internal control systems. The financial statements are reviewed periodically by the management. The Company has set up an Internal Audit trail whereby deviations, if any, can be brought to the notice of the management quickly and remedial actions are initiated immediately.

Financial and Operational Performance

(₹ in Thousands)

Particulars	Year Ended 31.03.2012	Year Ended 31.03.2011
Income for the year	333,334.57	296,647.32
Profit before Interest, Depreciation and Tax	74,910.11	78,729.49
Finance Charges	28,783.31	17,583.91
Depreciation	43,240.61	33,133.11
Provisions for Taxation/ Deferred Tax	5,602.45	14,266.85
Prior Period Items / Extra Ordinary Items	-	-
Net Profit/(Loss) for the Current Year	(2,716.26)	13,745.62

Human Resources and Industrial Relations

The industrial relations remained cordial throughout the year. The employees of the Company have extended a very productive co-operation in the efforts of the management to carry the Company to greater heights. Continuous training down the line is a normal feature in the Company to upgrade the skills and knowledge of the employees and workmen of the Company.

Cautionary Statement

The statements made above may be construed as Forward Looking Statements within the meaning of the applicable laws and regulations. Actual performance of the Company may vary substantially depending upon the business structure and model from time to time. Important external and internal factors may force a downtrend in the operations of the Company.

CORPORATE GOVERNANCE REPORT

Company's Philosophy on Corporate Governance

The Company fully subscribes to the principles and spirit of Corporate Governance. The Company has adopted transparency, disclosure, accountability and ethics as its business practices. The management believes that these principles will enable it to achieve the long-term objectives and goals. As part of its Corporate Governance philosophy, the Company focuses its energies in safeguarding the interests of its stakeholders and utilising its resources for maximizing the benefits to them.

The Company constantly reviews its Corporate Governance policy to not only comply with the business, legal and social framework in which it operates but also to implement the best international practices in that regard.

A report on compliance with the Code of Corporate Governance as prescribed by the Securities and Exchange Board of India and incorporated in the Listing Agreement with the Stock Exchanges is given below.

Board of Directors

A. Composition of the Board

The Board of Directors consists of professionals drawn from diverse fields, who bring in a wide range of skills and experience to the Board. The majority of the Directors on the Board including the Chairman are Non-Executive Directors. Fifty percent of the Board comprises of Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement, as amended from time to time.

None of the Director of the Company is a member of the Board of more than fifteen Public Companies (including Private Companies which is subsidiary of Public Companies) or a member of more than ten Board level committees or Chairman of more than five such committees.

The Board reviews and approves strategy and oversees the results of management to ensure that the long term objectives of enhancing stakeholder's value are met. The day-to-day management of the Company is conducted by the Managing Director subject to the supervision and control of the Board of Directors.

The brief profile of your Company's Board of Directors is as under:



Mr. Jaydev Mody, 57 years of age, is a well known businessman and has been in business for more than 35 years. He has over 25 years of experience in the field of real estate development and has played a key role in building and developing Crossroads, one of India's first shopping malls of international standards. A graduate in Arts from Mumbai University, Mr. Mody has been instrumental in the development of several large residential complexes, office complexes and retail destinations in and around Mumbai like Peninsula Corporate Park, Ashok Towers, Ashok Gardens, Peninsula I.T. Park to name a few.



Mr. Aditya Mangaldas, 48, is the Chairman and Managing Director of The Victoria Mills Ltd. He has been the Chairman and Managing Director of The Victoria Mills Limited since October, 1999. He has wide experience and has spent approximately 20 years in the textile industry. Mr. Aditya is a Mechanical Engineer from L.D.College of Engineering, Ahmedabad and has an MBA from Babson College, U.S.A. Mr. Aditya is actively involved in an organization involved in housing and caring for children with serious chronic diseases.



Mr. Aurobind Patel, 60, holds a bachelors degree in commerce from Mumbai University and an MFA in design from Southeasten Massachusetts University. He began his career as a designer in New York before moving to India in 1982 to design and act as design consultant to India. Today, a position he occupied till 1987. In 1987 he was appointed Design Director of The Economist, London. He also served as design consultant to leading UK newspapers, The Daily Telegraph and The Times. He is an acknowledged expert in publication design and publishing systems.



Mr. Chand Arora, 59, holds a bachelors degree in science. He is the Managing Director of our Company. Mr. Chand Arora looks after the overall operations of our 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 Textiles Industry.



Mr. Harshvardhan Piramal, 38, has completed his Bachelor of Science (Physics) from the Kings College London, U.K. followed by MBA with specialization in Finance & Strategy from the London Business School, U.K. He 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.

B. Board Procedure

A detailed Agenda folder is sent to each Director in advance of Board and Committee meetings. The Board members, in consultation with the Chairman, may bring up any matter for the consideration of the Board. All major agenda items are backed by comprehensive background notes and other material information to enable the Board to take informed decisions. Agenda papers are circulated at least a week in advance to the Board meeting.

C. Information placed before the Board

Apart from the items that are required under the statutes, to be placed before the Board for its approval, the following are placed before the Board periodically for its review / information in compliance with the Listing Agreement as amended from time to time.

1. Annual operating plans and budgets, Capital budgets and any updates.
2. Quarterly results for the Company.
3. Minutes of meetings of Audit Committee and other Committees of the Board.
4. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
5. Materially important show cause, demand, prosecution notices and penalty notices.
6. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

7. Any material default in financial obligations to and by the Company, or substantial non payment for goods sold by the Company.
8. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the Conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
9. Details of any joint venture or collaboration agreement.
10. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
11. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front.
12. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
13. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
14. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

D. Post - meeting follow - up systems

The Governance system in the Company include an effective post - meeting follow-up, review and reporting process for action taken / pending for decisions of the Board and its Committees.

E. Board Support

The Company Secretary of the Company attends all the meetings of the Board and its Committees and advises / assures the Board and Committee on compliance and governance principles.

F. Code of Conduct

The Board has laid down Code of Conduct for the Board members and for senior Management and Employees of the Company. The same has been posted on the website of the Company. All Board members and Senior Management Personnel have affirmed compliance with this Code.

G. CEO / CFO Certification

As required under Clause 49 (V) of the Listing Agreement with the Stock Exchanges, the Managing Director and the Group C.F.O. of the Company have certified to the Board regarding the Financial Statements for the year ended 31st March, 2012.

H. Details of the Board Meetings held during the financial year

During the financial year ended 31st March, 2012, 4 (four) - meetings of the Board were held, as follows:

No.	Date	Board Strength	No. of Directors present
1	2 nd May, 2011	5	4
2	1 st August, 2011	5	3
3	2 nd November, 2011	5	3
4	1 st February, 2012	5	4

The maximum gap between two Board Meetings was less than four months.

I. Attendance at the Board Meetings and at Annual General Meeting (AGM), no. of Directorship in other Public Companies, no. of Committee positions held in other Public Companies

The current composition of the Board of Directors as on date and attendance of the Directors at the Board Meetings as well as their directorship/membership in Committees of Public Companies as on 31st March, 2012, is as follows:

(Other Directorships do not include Alternate Directorships, Directorships of Private Limited Companies, Unlimited Companies, Section 25 Companies and of Companies incorporated outside India. Chairmanships/ Memberships of Board Committees include only Audit and Shareholders/ Investors Grievance Committees of other Public Companies).

Name of the Director	Category	Number of Board Meetings during the year 2011-2012		Whether attended the last AGM held on 29.09.2011	Number of Directorships in other companies	Number of Committee positions held in other companies	
		Held	Attended			Chairman	Member
Mr. Jaydev Mody (Chairman)	Non-Executive, Promoter	4	3	No	7	2	--
Mr. Chand Arora (Managing Director)	Executive, Non-Independent	4	3	Yes	3	--	--
Mr. Harshvardhan Piramal	Non-Executive, Independent	4	2	Yes	11	2	--
Mr. Aditya Mangaldas	Non-Executive, Independent	4	4	No	3	--	--
Mr. Aurobind Patel	Non-Executive, Independent	4	2	No	--	--	--

Details of the Directors being re - appointed

Mr. Harshvardhan Piramal, Director of the Company, is retiring by rotation at the ensuing Annual General Meeting of the Company. Their detailed profile in line with Clause 49 of the Listing Agreement is forming the part of the Notice of the Annual General Meeting.

Committees of the Board

A. Audit Committee

The Audit Committee acts as a link between Statutory and Internal Auditors and the Board of Directors.

The Audit Committee provides reassurance to the Board regarding the existence of an effective internal control environment that ensures:

- Efficiency and effectiveness of operations.
- Safeguarding of assets and adequacy of provisions for all liabilities.
- Reliability of financial and other management information and adequacy of disclosures.
- Compliance with all relevant statutes.

Powers

The Audit Committee is empowered, pursuant to its terms of reference, to:

- Investigate any activity within its terms of reference.
- Seek any information it requires from any employee.
- Obtain legal or other independent professional advice and
- Secure the attendance of outsiders with relevant experience and expertise, when considered necessary.

Terms of Reference

The terms of reference of Audit Committee are in accordance with Section 292A of the Companies Act, 1956 and the guidelines set out in Clause 49 of the Listing Agreement with the Stock Exchanges. The Audit Committee is entrusted with the responsibility to supervise the Company's financial control and reporting process and inter-alia perform the following functions:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending to the Board the appointment and removal of external auditors, fixation of audit fees and approval of payment of fees for any other services rendered by the auditors;
- Reviewing with the management the quarterly and annual financial statements before submission to the Board for approval ;
- Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing with the management performance of statutory and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- Discussion with internal auditors any significant finding and follow up thereon;
- Reviewing reports of internal audit and discussion with internal auditors on any significant findings and follow-up thereon;
- Reviewing the findings of any internal investigations by the internal auditors and the executive management's response on matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with the statutory auditors, before the audit commences, on nature and scope of audit, as well as after conclusion of the audit, to ascertain any areas of concern and review the comments contained in their management letter;
- Reviewing the Company's financial and risk management policies;
- Looking into the reasons for substantial defaults, if any, in payment to shareholders (in case of non-payment of declared dividends) and creditors;

- Approval of appointment of CFO;
- Considering such other matters as may be required by the Board;
- Reviewing any other areas which may be specified as role of the Audit Committee under the Listing Agreement, Companies Act, 1956 and other statutes, as amended from time to time.

Review of Information

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief internal auditor;
- Financial statements as well as investments made by unlisted subsidiaries.

Composition

The Audit Committee of the Company presently comprises of three Directors i.e. Mr. Harshvardhan Piramal, Mr. Aditya Mangaldas and Mr. Aurobind Patel, all members are Independent Directors. The constitution of the Committee is in line with Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Chairman of the Committee is Mr. Harshvardhan Piramal, who is an Non-Executive and Independent Director.

The Group C.F.O., Internal Auditors and the Statutory Auditors are invitee to the meetings of the Audit Committee. The Secretary of the Company acts as the Secretary to the Committee. All the members of the Committee are financially literate and have accounting and financial management expertise.

Meeting and attendance

During the financial year ended 31st March, 2012, 4 (four) meetings of the Audit Committee were held. The meetings of the Audit Committee were held on 2nd May, 2011, 1st August, 2011, 2nd November, 2011 and 1st February, 2012.

The attendance for Audit Committee meeting is mentioned as below:

No.	Date	Committee Strength	No. of Members present
1.	2 nd May, 2011	3	2
2.	1 st August, 2011	3	2
3.	2 nd November, 2011	3	2
4.	1 st February, 2012	3	2

The maximum gap between any two meetings of the Audit Committee of the Company was not more than four months.

The previous Annual General Meeting of the Company held on Thursday, 29th September, 2011 was attended by Mr. Harshvardhan Piramal, Chairman of the Audit Committee.

B. Remuneration Committee

Terms of reference

- Recommending remuneration including periodic revision, performance bonus, incentives, commission, stock options, other services, perquisites and benefits payable to the executive directors;
- Formulation of the detailed terms and conditions of stock options, granting of administration and superintendence thereof;
- Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend / approve.

Composition

The Remuneration Committee as on date comprises of three members i.e. Mr. Harshvardhan Piramal, Mr. Jaydev Mody, and Mr. Aditya Mangaldas. All of them are Non Executive Directors. The Chairman of the Committee is Mr. Harshvardhan Piramal, who is a Non-Executive and Independent Director.

The Secretary of the Company acts as the Secretary to the Committee.

Meeting and attendance

During the financial year ended 31st March, 2012, 2 (two) meetings of the Remuneration Committee were held on 1st August, 2011 and 30th March, 2012.

The attendance for Remuneration Committee meeting is mentioned as below :

No.	Date	Committee Strength	No. of Members present
1.	1 st August, 2011	3	2
2.	30 th March, 2012	3	2

Remuneration Policy

The remuneration policy of the Company for the Executive Directors is based on the following criteria:

- Performance of the Company and its associate and subsidiary companies;
- Performance of the individual Executive Director;
- External competitive environment.

Service contract, Severance Fee and Notice Period

The Company has appointed Mr. Chand Arora as Managing Director of the Company by way of appointment letter. Mr. Chand Arora is required to give notice of 90 days for cessation of service.

Employee Stock Option Scheme

The Company does not have any Employee Stock Option Scheme.

Details of remuneration paid to Executive and Non Executive Directors for the year ended 31st March, 2012 and their relationship with other directors of the Company

Executive Director

Name	Relationship with other directors	Salary ₹	Benefits, perks and allowances ₹	Commission ₹	Contribution to Provident Fund ₹	Stock Option granted upto 31 st March, 2012
Mr. Chand Arora	None	73,28,161/-	Nil	18,00,000/-	5,50,608/-	Nil

Non- Executive Director

Name	Relationship with other directors	Sitting Fees (₹)	Commission (₹)	Total (₹)
Mr. Jaydev Mody	None	15,000/-	Nil	15,000/-
Mr. Harshvardhan Piramal	None	15,000/-	Nil	15,000/-
Mr. Aditya Mangaldas	None	30,000/-	Nil	30,000/-
Mr. Aurobind Patel	None	15,000/-	Nil	15,000/-

During the financial year ended 31st March, 2012, except payment of sitting fees, the Company do not have any pecuniary relationship or transactions with the Non – Executive Directors.

Shareholding of Non-executive Directors

The Individual shareholding of Non-executive Directors (including shareholding as joint holder) are on 31st March, 2012 are given below:

Name	No. of shares held
Mr. Jaydev Mody	281
Mr. Harshvardhan Piramal	Nil
Mr. Aditya Mangaldas	Nil
Mr. Aurobind Patel	Nil

C. Investors Grievance Committee

Terms of reference

The Committee oversees and reviews all matters connected with transfer of securities and also approves issue of duplicate, split of share certificates, etc. Also the Committee looks into redressal of Shareholders'/ Investors' complaints / grievances pertaining to transfer or credit of shares / transmissions / dematerialisation / rematerialisation / split / issue of duplicate share certificates, non-receipt of annual reports, dividend payments and other miscellaneous complaints. The Committee reviews performance of the Share Transfer Agent and recommends measures for overall improvement in the quality of investor services.

Composition

The Investors Grievance Committee as on date comprises of three members i.e. Mr. Jaydev Mody, Mr. Aditya Mangaldas and Mr. Aurobindo Patel. All of them are Non-Executive Directors. The Chairman of the Committee is Mr. Jaydev Mody.

Meeting and attendance

For the financial year ended 31st March, 2012, 3 (three) meetings of the Investors Grievance Committee meetings were held. The meetings of the Investors Grievance Committee were held on 30th June, 2011, 5th October, 2011 and 9th January, 2012 and the same were attended by all the members of the Committee.

Compliance officer

Ms. Sushama Vesvikar, Company Secretary is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreement with the Stock Exchanges.

Listing fees

The Company has paid the listing fees to all the Stock Exchanges till 31st March, 2012.

Redressal of Investors Grievances

The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent /issued usually within 7-10 days except in case of dispute over facts or other legal impediments.

During the financial year under review, total 7 investors' complaints were received and resolved. No investor complaints were pending as at the end of the financial year.

Details of Annual General Meetings:

Location, date and time of Annual General Meetings held during the last 3 years:

Year	Location	Date	Day	Time	No. of Special Resolutions
2008 – 09	The Gateway Hotel, P-17 MIDC, Ambad, Mumbai Agra Road, Nasik, Pin – 422 010, Maharashtra.	September 30, 2009	Wednesday	1.30 p.m.	0
2009 – 10	The Gateway Hotel, P-17 MIDC, Ambad, Mumbai Agra Road, Nasik, Pin – 422 010, Maharashtra.	September 23, 2010	Thursday	12.30 p.m.	0
2010 – 11	The Gateway Hotel, P-17 MIDC, Ambad, Mumbai Agra Road, Nasik, Pin – 422 010, Maharashtra.	September 29, 2011	Thursday	1.00 p.m.	1

During the last year, no resolution was passed by the postal ballot. At present there is no proposal to pass any resolution by the postal ballot.

Disclosures

- a) During the financial year 2011-2012 there were no materially significant transactions entered into between the Company and its promoters, Directors or the management or relatives etc. that may have potential conflict with the interests of the Company at large.

The Register of Contracts detailing the transactions, in which the Directors are interested, is placed before the Board /Audit Committee regularly. Transactions with related parties are disclosed by way of Notes to the Accounts, which forms part of this Annual Report.

- b) The Company has complied with the requirements of Stock Exchanges, SEBI and all other statutory authorities on all matters related to the capital markets during the last three years. There were no penalty imposed nor did any strictures pass on the Company by Stock Exchanges, SEBI and all other statutory authorities relating to above.
- c) The Company has adopted a Code of Conduct for its Directors and employees. This Code of Conduct has been communicated to each of them. The Code of Conduct has also been put on the Company's website www.arrowtextiles.com.
- d) The Company is fully compliant with the applicable mandatory requirements of Clause 49 of the Listing Agreement. As far as Non-mandatory requirements are concerned, the Company has constituted Remuneration Committee.

The financial statements of the Company are unqualified. The Company has not adopted other non -mandatory requirements.

Means of Communication

Financial Results

Quarterly financial results are regularly submitted to the Stock Exchanges in accordance with the Listing Agreement and published in following newspapers:

- Free Press Journal (English)
- Navshakti (Marathi)

The financial results are displayed on Company's website on www.arrowtextiles.com

The Management Discussion & Analysis Report forms part of this Annual Report.

General Shareholder Information

Annual General Meeting:

Date and Time	Monday, the 24 th day of September, 2012, at 2.00 P.M
Venue	The Gateway Hotel, Ambad, Nasik - 422 010, Maharashtra

As required under Clause 49 (IV) (G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on Monday, the 24th day of September, 2012.

Financial Year : 1st April to 31st March

Dates of Book Closure : From Tuesday, the 18th day of September, 2012 to Monday, the 24th day of September, 2012 (both days inclusive).

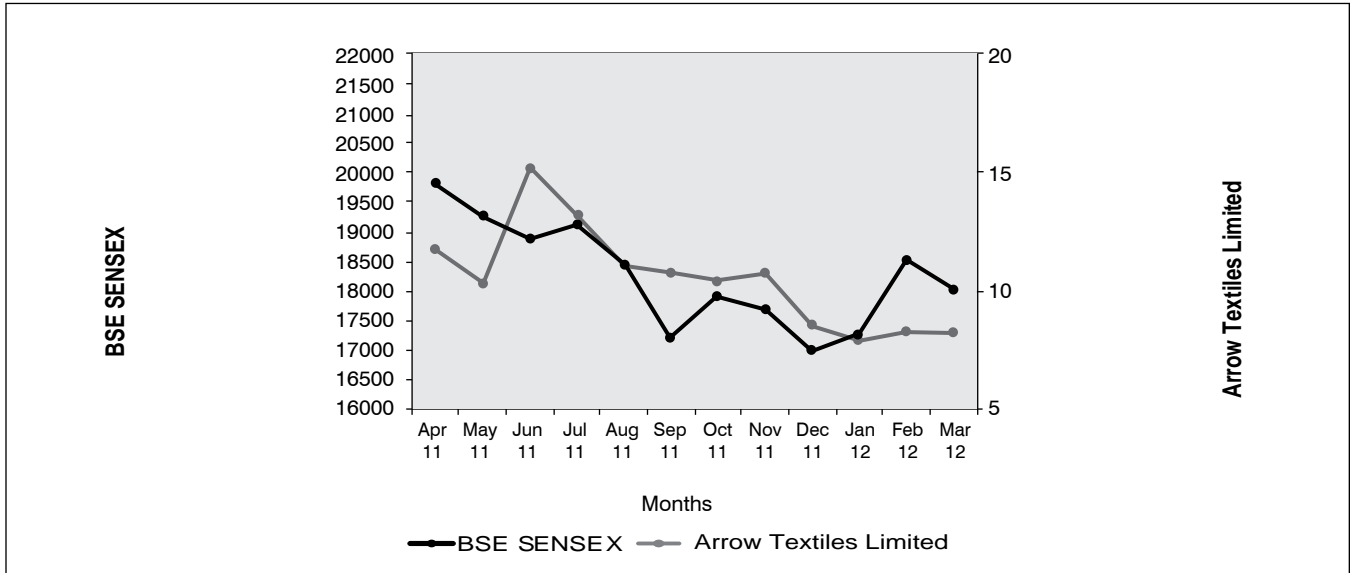
Dividend Payment Date : Not Applicable

Stock Exchange where Company's shares are listed : Bombay Stock Exchange Limited
Phiroz Jeejeebhoy Towers, Dalal Street,
Mumbai 400 001, Maharashtra.
Scrip Code: 533068

National Stock Exchange Of India Limited
Exchange Plaza, Bandra Kurla Complex, Bandra (East),
Mumbai 400 051, Maharashtra.
Scrip Symbol: ARROWTEX

Stock Market Price Data: High / Low during each month for the financial year ended 31st March, 2012

Months	Bombay Stock Exchange Ltd.		National Stock Exchange of India Ltd.	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2011	11.75	9.82	11.70	9.60
May 2011	10.35	8.33	10.90	8.15
June 2011	15.20	8.53	15.00	8.60
July 2011	13.20	10.60	13.30	10.40
August 2011	11.05	8.00	12.45	7.95
September 2011	10.75	8.35	10.75	8.10
October 2011	10.40	8.30	10.45	8.30
November 2011	10.74	6.00	9.90	6.00
December 2011	8.50	5.00	8.45	5.00
January 2012	7.87	5.86	8.00	6.00
February 2012	8.30	6.59	8.00	6.90
March 2012	8.30	5.70	7.90	5.65



Share Transfer Agents

Freedom Registry Limited

Plot No. 101 / 102, 19th Street,
MIDC, Satpur,
Nasik - 422 007, Maharashtra.

Tel: (0253) 2354032, 2363372
Email: support@freedomregistry .in
Fax: (0253) 2351126

Share Transfer Process

Shares in physical form are processed by the Registrar and Share Transfer Agent within 15 days from the date of receipt, if the documents are complete in all respects. Chairman, Managing Director and Company Secretary have been severally empowered to approve transfers. The same shall be ratified by the Investors Grievances Committee.

Distribution of Equity Shareholding according to Numbers as at 31st March, 2012

Category	No. of Shareholders	% to total number of shareholders	No of shares held in that slab	% to total number of shares
1 to 5000	10366	98.39	2722553	14.30
5001 to 10000	85	0.81	616772	3.24
10001 to 20000	45	0.43	622437	3.27
20001 to 30000	11	0.10	260974	1.37
30001 to 40000	5	0.05	182268	0.96
40001 to 50000	8	0.08	369858	1.94
50001 to 100000	8	0.08	536239	2.82
100001 and above	6	0.06	13732838	72.10
TOTAL	10534	100.00	19043939	100.00

Distribution of Equity Shareholding according to categories of Shareholders as at 31st March, 2012

Sr. No.	Category of Shareholder	Number of Share holders	Number of shares	%
(A)	Shareholding of Promoter and Promoter Group	17	12662586	66.49
(B)	Public shareholding			
1	Institutions			
	(a) Mutual Funds/ UTI	0	0	0.00
	(b) Financial Institutions / Banks	1	787	0.00
	(c) Insurance Companies	0	0	0.00
	(d) Foreign Institutional Investors	0	0	0.00
2	Non-Institutions			
	(a) Bodies Corporate	226	1490940	7.83
	(b) Individuals			
	Individuals - (i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	10194	3079156	16.17
	(ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh.	60	1700010	8.93
	(c) Any Other (specify)			
	(i) NRI	36	110460	0.58
	(ii) Clearing Member	0	0	0.00
	Public	10516	6380566	33.51
	Total (B)	10517	6381353	33.51
	TOTAL (A) + (B)	10534	19043939	100.00

Dematerialisation of shares and liquidity

As on 31st March, 2012, 1,85,59,017 Equity Shares (97.45 % of the total number of shares) are in dematerialised form as compared to 1,30,76,008 Equity Shares (96.13% of the total number of shares) as on 31st March, 2011.



Arrow Textiles Limited

Outstanding GDRs/ADRs/Warrants or any convertible instruments

The Company has not issued any GDR's/ADR's /Warrants or any convertible instruments.

Plant location:

Arrow Textiles Limited
Plot No. 101-103,
19th Street, Satpur, MIDC,
Nasik - 422 007,
Maharashtra.

Investor Correspondence

Shareholders can contact the following Official for Secretarial matters of the Company.

Name	Address	Telephone No. / Fax No.	Email id
Ms. Sushama Vesvikar Company Secretary & Compliance Officer	Bayside Mall, 1 st Floor, Opp. Sobo Central Mall, Tardeo Road, Haji Ali, Mumbai-400034, Maharashtra.	(022) 4079 4700 (022) 4079 4777	secretarial@jmgroup.in

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT (Pursuant to Clause 49 of Listing Agreement)

DECLARATION

I, Chand Arora, Managing Director of Arrow Textiles Limited hereby declare that all the members of the Board of Directors and Senior Management Personnel have affirmed Compliance with the Code of Conduct for the year ended 31st March, 2012.

For Arrow Textiles Limited

**CHAND ARORA
Managing Director**

Date: 7th August, 2012



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members,
Arrow Textiles Limited.

We have examined the compliance of conditions of Corporate Governance by Arrow Textiles Limited ("the Company") for the year ended on 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Amit Desai & Co
Chartered Accountants
Firm's Registration No. 130710W

(AMIT DESAI)
Proprietor
Membership No. 032926

Mumbai: 6th August, 2012

AUDITORS' REPORT TO THE MEMBERS OF ARROW TEXTILES LIMITED

We have audited the attached Balance Sheet of Arrow Textiles Limited as at 31st March, 2012, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Act;
 - e) On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956; and
 - f) In our opinion and to the best of information and according to the explanations given to us, the said financial statements, give the information required by the Act, in the manner so required, read together with the notes thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - ii) in case of the Profit & Loss Account, of the loss of the Company for the period ended on that date; and
 - iii) In the case of Cash Flow Statement, of the cash flows for the period ended on that date.

For Amit Desai & Co
Chartered Accountants
Firm's Registration No.130710W

(Amit Desai)
Proprietor

Mumbai: 25th May, 2012

Membership No. 032926

**ANNEXURE TO AUDITORS' REPORT
TO THE MEMBERS OF ARROW TEXTILES LIMITED
(REFERRED TO IN PARAGRAPH I OUR REPORT OF EVEN DATE)**

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) As explained to us, the Company has a policy to carry out a physical verification of fixed assets in a phased manner at regular intervals which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. We are informed that no material discrepancies were noticed on such verification.
- (c) In our opinion, the Company has not disposed off a substantial part of fixed assets during the period and the going concern status of the Company is not affected.
- (ii) (a) The management carried out physical verification of the inventory at reasonable intervals during the year.
- (b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) The Company maintains proper records of inventory. Discrepancies noticed on physical verification of inventory as compared to the book records were not material and these have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the Company has not granted/taken loans to / from parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a),(b),(c),(d),(e),(f) & (g) of the Companies (Auditor's Report) Order, 2003 are not applicable
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, the particulars of contracts or arrangement referred to in Section 301 of the Act, have been entered in the register maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, there are no such transactions made in pursuance of such contracts or arrangements and which exceeds the value of ₹ Five Lacs.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under are applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has prescribed u/s 209(1) (d) read with Companies (Cost Accounting Records), Rules 2011, maintenance of cost records for the Company. We have been informed that the Company is in process of making and maintaining such accounts and records and informed us that the same will be ready before the due date under the relevant regulations.
- (ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other

statutory dues as applicable to it during the period with the appropriate authorities and there were no such outstanding dues as at 31st March, 2012 for a period exceeding six months from the date they became payable.

- (b) According to the information and explanations given to us there were no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited on account of any dispute.
- (x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediate preceding financial year.
- (xi) On the basis of our examination of records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any Bank.
- (xii) In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Clause (xiii) relating to applicability of provisions for special statute applicable to Chit Fund, or relating to Nidhi, Mutual Benefit Funds/Societies, is not applicable to the Company.
- (xiv) In our opinion, the Company is not a dealer or trader, in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and on overall examination, we report that the term loans have been applied for the purpose for which the loans were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not, prima facie, used short term funds for long term purposes or vice versa.
- (xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued debentures during the year.
- (xx) The Company has raised funds by right issue of equity shares. The detail of end use of funds is disclosed by the management in the notes to Financial Statement and the same is verified by us.
- (xxi) To the best of our knowledge and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For Amit Desai & Co
Chartered Accountants
Firm's Registration No.130710W

(Amit Desai)
Proprietor
Membership No. 032926

Mumbai: 25th May, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in '000')

Particulars	Note No.	As at March 31, 2012		As at March 31, 2011	
EQUITY AND LIABILITIES					
Shareholder's Funds					
Share Capital	2	190,439.39		136,028.13	
Reserves and Surplus	3	1,114.72	191,554.11	3,729.64	139,757.77
Non-Current Liabilities					
Long-Term Borrowings	4	88,420.13		100,934.90	
Deferred Tax Liabilities (Net)	5	21,334.55		20,686.70	
Long-Term Provisions	6	1,131.44	110,886.12	965.38	122,586.97
Current Liabilities					
Short-Term Borrowings	7	69,842.11		103,065.91	
Trade Payables	8	15,353.05		13,007.19	
Other Current Liabilities	9	41,142.78		38,905.01	
Short-Term Provisions	10	3,063.49	129,401.43	497.31	155,475.42
TOTAL			431,841.66		417,820.16
ASSETS					
Non-Current Assets					
Fixed Assets					
Tangible Assets					
Tangible Assets	11	234,300.06		245,811.65	
Intangible Assets		14,323.76		28,647.53	
Capital Work-In-Progress		3,493.05		550.29	
		252,116.87		275,009.46	
Long-Term Loans and Advances	12	6,948.18	259,065.05	5,447.26	280,456.72
Current Assets					
Current Investments	13	13,930.38		-	
Inventories	14	49,830.98		43,845.52	
Trade Receivables	15	101,188.54		76,882.43	
Cash and Bank Balance	16	4,493.92		3,558.55	
Short-Term Loans and Advances	17	3,332.79	172,776.61	13,076.94	137,363.44
TOTAL			431,841.66		417,820.16
Significant Accounting Policies and Notes on Financial Statements	1				

As per Our Report of Even Date

For Amit Desai & Co
Chartered Accountants
Firm's Regn. No. 130710W
Amit Desai
Proprietor
Membership No. 032926
Mumbai: May 25, 2012

For Arrow Textiles Limited
Jaydev Mody Chairman
Chand Arora Managing Director
Aurobind Patel Director
Aditya Mangaldas Director
Harshvardhan Piramal Director
Ami Sheth Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	Note No.	For year ended March 31, 2012	For year ended March 31, 2011
Income:			
Revenue From Operations	18	319,348.12	293,140.19
Other Income	19	13,986.45	3,507.13
Total Revenue		333,334.57	296,647.32
Expenses:			
Cost of Materials Consumed	20	138,274.88	125,455.33
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	21	2,199.61	(7,265.14)
Employee Benefits Expense	22	55,299.26	45,873.86
Finance Costs	23	28,783.31	17,583.91
Depreciation and Amortization Expenses	11	43,240.61	33,133.11
Other Expenses	24	62,650.72	53,853.78
Total Expenses		330,448.38	268,634.85
Profit Before Exceptional and Extraordinary Items and Tax		2,886.19	28,012.47
Exceptional Items		-	-
Profit Before Extraordinary Items and Tax		2,886.19	28,012.47
Extraordinary Items		-	-
Profit Before Tax		2,886.19	28,012.47
Tax Expenses			
- Current Year		(4,543.96)	(7,724.92)
- Earlier Year Tax Adjustment		(410.64)	-
- Deferred Tax		(647.84)	(6,541.93)
Total Tax Expenses		(5,602.45)	(14,266.85)
Profit/(Loss) After Tax For The Year		(2,716.26)	13,745.62
Earnings Per Equity Share: (Face Value of ₹ 10/- each)			
Basic & Diluted		(0.14)	1.01
Significant Accounting Policies and Notes on Financial Statements	1		

As per Our Report of Even Date

For Amit Desai & Co
Chartered Accountants
Firm's Regn. No. 130710W
Amit Desai
Proprietor
Membership No. 032926
Mumbai: May 25, 2012

For Arrow Textiles Limited
Jaydev Mody Chairman
Chand Arora Managing Director
Aurobind Patel Director
Aditya Mangaldas Director
Harshvardhan Piramal Director
Ami Sheth Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	For year ended March 31, 2012	For year ended March 31, 2011
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit Before Tax and Extraordinary Items	2,886.19	28,012.47
Adjustments For :		
Depreciation	28,916.84	18,809.34
Provision for Doubtful Debts	5,886.26	2,060.62
(Profit)/Loss on Sales of Fixed Assets	(6,980.65)	(79.75)
Employees Benefits (Gratuity & Leave Encashment)	359.72	980.68
Bad Debts Written Off	299.31	607.62
Goodwill Written Off	14,323.76	14,323.76
Interest Paid	28,783.31	17,583.91
Interest Income	(3,962.35)	(3,100.26)
Dividend Income	(430.38)	-
Operating Profit Before Working Capital Changes	70,082.02	79,198.38
Adjustments For :		
Trade and Other Receivables	(30,491.68)	(9,134.10)
Inventories	(5,985.46)	(13,989.09)
Loans & Advances	8,243.23	3,151.67
Trade Payables	2,345.86	(3,906.99)
Other Liabilities	2237.78	(866.17)
Taxes Paid	(2,582.09)	(8,929.78)
Net Cash Generated from Operating Activities	43,849.66	45,523.92
B. CASHFLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(17,967.85)	(132,345.23)
Purchase of Fixed Assets (Capital Work in Progress)	(3,493.05)	-
Sale of Fixed Assets	8,093.54	110.00
Dividend Income	430.38	-
Interest Income	3,962.35	3,100.26
Purchase of Current Investment	(13,930.38)	-
Net Cash Generated from Investing Activities	(22,905.02)	(129,134.97)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	For year ended March 31, 2012	For year ended March 31, 2011
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Issuance of Share Capital	59,852.39	-
Share Issue Expenses	(5,339.79)	-
Interest Paid	(28,783.31)	(17,583.91)
Proceeds from Long Term Borrowing	(12,514.76)	62,157.62
Proceeds from Short Term Borrowing	(33,223.80)	38,307.27
Net Cash Generated from Financing Activities	(20,009.27)	82,880.98
Increase/ (Decrease) in Cash and Cash Equivalents (A+B+C)	935.37	(730.06)
Cash & Cash Equivalents as at Beginning of Year	3,558.55	4,288.61
Cash & Cash Equivalents as at End of the Year	4,493.92	3,558.55

Notes :

- 1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard - 3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.
- 2) Previous Year's figures have been regrouped / rearranged / reclassified wherever necessary to confirm the current year's classification.

As per Our Report of Even Date

For Amit Desai & Co
Chartered Accountants
Firm's Regn. No. 130710W
Amit Desai
Proprietor
Membership No. 032926
Mumbai: May 25, 2012

For Arrow Textiles Limited

Jaydev Mody Chairman
Chand Arora Managing Director
Aurobind Patel Director
Aditya Mangaldas Director
Harshvardhan Piramal Director
Ami Sheth Company Secretary

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation of Financial Statements

The financial statements are prepared under the historical cost convention, on accrual basis and in accordance with the generally accepted accounting principles in india ("GAAP"), as specified in Companies (Accounting Standard) Rules, 2006 issued by Central Govt. and the applicable relevant provisions of the Companies Act, 1956. The Financial statements are presented in Indian Rupees rounded off to the nearest thousand.

b) Revenue Recognition

- Income from sale of goods is recognized when significant risks and rewards of ownership of goods is passed on to customers or when the full / complete services have been provided. Sales are stated at contractual realizable value and net of goods returned. Sales are stated at contractual realizable value and net of goods returned.
- Full provision is made for any loss in the year in which it is first foreseen.
- Interest income is generally recognized on a time proportion method.
- Claims for price variation/exchange rate variation in case of contracts are accounted for on acceptance.
- Interest refund on loan under 'TUF' scheme is accounted on receipt basis.
- Dividend Income is recognized when the right to receive dividend is established.

c) Goodwill

On the acquisition of an undertaking, the difference between the purchase consideration and the fair value of the net assets acquired is considered as Goodwill. Value of Goodwill is amortized over a period of five years on straight line basis from the year of creation.

d) Fixed Assets

All fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. In case fixed assets are acquired for new projects/expansion, finance cost on borrowings and other related expenses incurred up to the date asset is ready to use, incurred towards acquiring fixed assets are capitalized.

e. Capital Work-In-Progress

Expenses incurred for acquisition of Capital Assets outstanding at each balance sheet date are disclosed under Capital Work-in-Progress. From Current year onwards advances given towards the acquisition of Fixed Assets are shown seperately as Capital Advances under heading Long Term Loans & Advances.

f. Depreciation

Drepreciation on fixed assets is provided as per the straight line method at the rates and in the manner specified in Schedule XIV of Companies Act, 1956. Depreciation on additions / deletions of assets during the year is provided on a pro-rata basis.

g. Inventories

Inventories are valued as follows:

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

1	Raw materials	Cost of Raw Materials is determined on cost basis.
2	Components, Stores and Spares Packing Materials	At cost basis
3	Work-in-Progress	Material at cost basis. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
4	Finished goods	Material at cost basis, includes cost of conversion and other cost incurred.

The cost comprises of cost of purchase, cost of conversion and other cost including manufacturing overheads incurred in bringing them to present location and condition, as the case may be. In accordance with Accounting Standard -2, issued by Institute of Chartered Accountants of India, provision is made of excise duty on closing stock of finished goods.

h. Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Non Current Investment. Carrying amount of the individual investment is determined on the basis of the average carrying amount of the total holding of the investments.

i. Retirement Benefits

Retirement benefit in the form of contribution to Provident Fund is charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. The Company has Gratuity Scheme with Life Insurance Corporation of India. Premium thereof is paid in terms of policy and charged to Profit & Loss Account. Liabilities with regard to Gratuity plan and Leave Encashment are determined by actuarial valuation at each Balance Sheet Date. Short term and Long term employee benefits are recognized as expenses in the Profit and Loss Account.

j. Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Monetary items denominated in foreign currencies, if any at year end are restated at the year end rate. Non monetary foreign currency items are carried at cost. Any gain or loss on account of exchange difference either on settlement or on translation is recognized in the Profit & Loss Account.

k. Borrowing Costs

Borrowing costs that are directly attributable to and incurred on acquiring qualifying assets (assets that necessarily takes a substantial period of time for its intended use) are capitalized. Other borrowing costs are recognized as expenses in the period in which the same are incurred.

l. Accounting for Taxes on Income

Tax expenses are the aggregate of current tax and deferred tax charged or credited in the Statement of Profit & Loss Account for the year.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

Current Tax

The current charge of income tax is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred Tax

Deferred Tax charge or credit reflects the tax effects of timing difference between accounting income and taxable income for the period. The Deferred Tax charge or credit and the corresponding Deferred Tax Liabilities or Assets are recognized using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Where there is unabsorbed depreciation or carry forward losses, Deferred Tax Assets are recognized only if there is virtual certainty of realization of such assets in future. Deferred Tax is reviewed at each Balance Sheet.

m. Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

n. Contingent Assets, Contingent Liabilities and Provisions.

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources and the amount of which can be reliably estimated.

Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Company.

Contingent Assets are neither recognized nor disclosed in the financial statements. Provisions Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet Date.

o. Earning Per Share (EPS)

The earning considered in ascertaining the Company's EPS comprises of the net profit after tax. Basic Earnings Per Share is computed and disclosed using the weighted average number of common shares outstanding during the year. Diluted Earnings Per Share is computed and disclosed using the weighted average number of common and dilutive common equivalent shares outstanding during the year, except when the results would be anti-dilutive.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	As at March 31, 2012		As at March 31, 2011	
	No.	₹	No.	₹
2 SHARE CAPITAL				
Authorised Shares :				
Equity Shares of ₹ 10/- each	<u>2,10,00,000</u>	<u>210,000.00</u>	<u>2,10,00,000</u>	<u>210,000.00</u>
Issued,Subscribed And Fully Paid-Up:				
Equity Shares of ₹10/- each	<u>19,043,939</u>	<u>190,439.39</u>	<u>13,602,813</u>	<u>136,028.13</u>
TOTAL	<u>19,043,939</u>	<u>190,439.39</u>	<u>13,602,813</u>	<u>136,028.13</u>
a) Reconciliation of the Equity Shares at the beginning and end of the reporting period				
Equity Shares				
At the beginning of the year	<u>13,602,813</u>	<u>136,028.13</u>	<u>13,602,813</u>	<u>136,028.13</u>
Issued during the year (Rights Issue)	<u>5,441,126</u>	<u>54,411.26</u>	<u>-</u>	<u>-</u>
Outstanding at the end of the year	<u>19,043,939</u>	<u>190,439.39</u>	<u>13,602,813</u>	<u>136,028.13</u>
b) Details of Shareholders holding more than 5% Shares in the Company	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity Shares				
Aryanish Finance and Investments Private Limited *	<u>4,184,476</u>	<u>21.97</u>	<u>2,442,633</u>	<u>17.96</u>
Bayside Property Developers Private Limited *	<u>4,184,477</u>	<u>21.97</u>	<u>2,442,634</u>	<u>17.96</u>
Delta Real Estate Consultancy Private Limited *	<u>4,184,477</u>	<u>21.97</u>	<u>2,442,634</u>	<u>17.96</u>
IDBI Trusteeship Services Limited (India Advantage Fund III)	<u>862,800</u>	<u>4.53</u>	<u>1,000,000</u>	<u>7.35</u>

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

Note:

*Aryanish Finance and Investments Private Ltd, Bayside Property Developers Private Ltd and Delta Real Estate Consultancy Private Ltd are holding Equity shares in the capacity of trustees for Aarti J Mody Trust, Aditi J Mody Trust and Anjali J. Mody Trust, respectively.

c) Terms & Rights attached to Equity Shares

The Company has only one class of equity shares having a par value of ₹ 10/- per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. This distribution will be in proportion to the number of equity shares held by the shareholders.

d. Aggregate number of Equity Shares issued for consideration received other than cash during the period of five years immediately preceding the reporting date.

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
Equity Shares :					
Fully paid up allotted to the share holders of Delta Corp Ltd pursuant to the scheme of Arrangement without payment being received in cash.	Nil	Nil	Nil	13552813	Nil

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	As at March 31, 2012	As at March 31, 2011
3 RESERVES & SURPLUS		
Security Premium		
Opening balance	-	-
Add : On issue of shares	5,441.13	-
Less : Shares Issue Expenses	5,339.79	-
Closing Balance	101.34	-
Surplus		
Opening balance	3,729.64	(10,015.98)
Add ; Net Profit/(Net Loss) For the current year	(2,716.26)	13,745.62
Closing Balance	1,013.38	3,729.64
TOTAL	1,114.72	3,729.64
4 LONG TERM BORROWINGS		
Secured Term Loan		
From a Bank	86,780.65	98,815.29
(Secured against Immovable Properties, Plant & Machineries, Electrical Installation, Book Debts and Stocks of the Company.)		
i) Term Loan from Axis Bank carries interest @ 14.75% p.a payable in 20 quarterly installment of ₹ 2530 ('000) each from the date of loan.		
ii) Term Loan from Bank of Baroda carries interest @ 14.75% p.a payable in 54 monthly installment of ₹ 1352 ('000) each and 12 monthly installments of ₹ 2250 ('000) each from the date of loan.		
	86,780.65	98,815.29
Unsecured		
Deferred Payment Liabilities	1,639.48	2,119.61
	1,639.48	2,119.61
TOTAL	88,420.13	100,934.90

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	As at March 31, 2012	As at March 31, 2011
5 In accordance with Accounting Standard 22 "Accounting for Tax on Income" issued by the Institute of Chartered Accountants of India, the Company has accounted the deferred tax assets to the extent recognized and Deferred Tax Liabilities as on 31 st March, 2012 are as follows;		
Deferred Tax		
Deferred Tax Liability		
Difference between WDV of Fixed Assets as per Companies Act and Income Tax Act	24,177.53	21,848.43
Deferred Tax Asset		
Expenses disallowed under Income Tax Act	2,842.98	1,161.73
Net Deferred Tax Liability/(Assets)	<u>21,334.55</u>	<u>20,686.70</u>
6 LONG TERM PROVISIONS		
Provision for Employee Benefits		
Leave Encashment (unfunded)	1,131.43	965.38
TOTAL	<u>1,131.43</u>	<u>965.38</u>
7 SHORT TERM BORROWINGS		
Secured		
From Banks	69,842.11	64,176.91
(Secured by charge on Sundry Debtors and Inventories of the Company and carries interest rate @14.75%p.a.)		
	<u>69,842.11</u>	<u>64,176.91</u>
Unsecured		
Loans and advances from related parties	-	38,889.00
	-	38,889.00
TOTAL	<u>69,842.11</u>	<u>103,065.91</u>
8 TRADE PAYABLES		
Micro, Small and Medium Enterprises	-	-
Others	15,353.05	13,007.19
TOTAL	<u>15,353.05</u>	<u>13,007.19</u>

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	As at March 31, 2012	As at March 31, 2011
<p>Details of Dues to Micro and small Enterprises as defined under the MSMED Act,2006,Company has sent letters to suppliers to confirm whether they are covered under Micro,Small and medium Enterprises Development Act 2006 as well as they have file required memorandum with the prescribed authorities.Out of the letters sent to the parties some confirmations have been received till the date of finalization of Balancesheet.Based on the confirmation received the detail of outstanding are as under</p>		
The principal amount remaining unpaid at the end of the year	-	-
The Interest amount remaining unpaid at the end of the year	-	-
The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year	-	-
The amount of further interest remaining due and payable even in the succeeding years,until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006	-	-
9 OTHER CURRENT LIABILITIES		
Current maturities of long-term debt	26,824.13	32,451.06
Interest accrued but not due on borrowings	1,149.15	-
Interest accrued and due on borrowings	400.73	692.87
Advance received (Debtors credit balance)	71.51	265.15
Duties and Taxes		
-TDS Payable	742.30	375.66
-Sales Tax Payable	5,945.18	-
Employees related liabilities	6,009.86	5,119.82
TOTAL	41,142.78	38,905.01
10 SHORT TERM PROVISIONS		
Provision for taxation (Net)	2,481.13	-
Provision for employee benefits leave encashment - (Unfunded)	582.36	497.31
TOTAL	3,063.49	497.31

11 FIXED ASSETS
Current Year

(₹ in '000')

Particulars	Gross Block			Accumulated Depreciation			Net Block		
	Balance as at 1 April 2011	Additions	Disposals	Balance as at 31 March 2012	Balance as at 1 April 2011	Depreciation charge for the year	On 31 March 2012	Balance as at 31 March 2011	Balance as at 31 March 2012
Tangible Assets (Not Under Lease)									
Buildings	31,524.37	1,184.96	-	32,709.33	2,114.42	1,089.96	3,204.38	29,409.95	29,504.95
Plant and Equipment	247,127.54	15,768.02	1,432.61	261,462.95	41,684.62	26,758.47	383.62	205,442.92	193,403.49
Furniture and Fixtures	841.82	91.50	-	933.32	124.37	55.83	-	717.44	753.12
Vehicles	2,256.43	-	-	2,256.43	609.44	214.95	-	1,647.00	1,432.05
Office Equipment	864.96	257.76	43.13	1,079.59	80.13	47.96	5.90	784.82	957.39
Electrical Installation	6,079.25	697.99	19.36	6,757.88	530.95	307.38	4.21	5,548.29	5,923.76
Computers	2,469.50	517.92	26.11	2,961.31	951.08	442.30	14.58	1,518.41	1,582.52
TOTAL (I)	291,163.86	18,518.15	1,521.20	308,160.81	46,095.02	28,916.84	408.32	245,068.84	233,557.26
Tangible Assets (Under Lease)									
Land	742.80	-	-	742.80	-	-	-	742.80	742.80
TOTAL (II)	742.80	-	-	742.80	-	-	-	742.80	742.80
TOTAL (I+II)	291,906.67	18,518.15	1,521.20	308,903.61	46,095.02	28,916.84	408.32	245,811.65	234,300.06
Intangible Assets									
Goodwill	71,618.82	-	-	71,618.82	42,971.29	14,323.76	-	28,647.53	14,323.76
TOTAL	71,618.82	-	-	71,618.82	42,971.29	14,323.76	-	28,647.53	14,323.76
Capital Work In Progress	550.29	2,942.76	-	3,493.05	-	-	-	550.29	3,493.05
TOTAL	550.29	2,942.76	-	3,493.05	-	-	-	550.29	3,493.05
TOTAL	364,075.78	21,460.90	1,521.20	384,015.48	89,066.31	43,240.61	408.32	275,009.46	252,116.87

11 FIXED ASSETS**Previous Year**

Particulars	Gross Block			Accumulated Depreciation			Net Block	
	Balance as at 1 April 2010	Additions	Disposals	Balance as at 31 March 2011	Depreciation charge for the year	On disposals	Balance as at 31 March 2011	Balance as at 31 March 2010
Tangible Assets (Not Under Lease)								
Buildings	21,154.49	10,369.88	-	31,524.37	830.95	-	2,114.42	19,871.02
Plant and Equipment	132,155.16	114,972.39	-	247,127.54	17,127.45	-	41,684.62	107,597.99
Furniture and Fixtures	746.66	95.16	-	841.82	49.05	-	124.37	671.34
Vehicles	2,256.43	-	-	2,256.43	214.36	-	609.44	1,861.36
Office Equipment	642.03	254.26	31.33	864.96	34.59	3.11	80.13	593.38
Electrical Installation	2,859.65	3,222.07	2.47	6,079.25	172.23	0.45	530.95	2,500.47
Computers	2,193.08	276.42	-	2,469.50	380.72	-	951.08	1,622.72
TOTAL (I)	162,007.50	129,190.17	33.81	291,163.86	18,809.34	3.56	46,095.02	134,718.27
Tangible Assets (Under Lease)								
Land	742.80	-	-	742.80	-	-	-	742.80
TOTAL (II)	742.80	-	-	742.80	-	-	-	742.80
TOTAL (I+II)	162,750.30	129,190.17	33.81	291,906.67	18,809.34	3.56	46,095.02	135,461.07
Intangible Assets								
Goodwill	71,618.82	-	-	71,618.82	14,323.76	-	42,971.29	28,647.53
TOTAL	71,618.82	-	-	71,618.82	14,323.76	-	42,971.29	28,647.53
Capital Work In Progress	-	550.29	-	550.29	-	-	-	550.29
TOTAL	-	550.29	-	550.29	-	-	-	550.29
TOTAL	234,369.12	129,740.46	33.81	364,075.78	33,133.11	3.56	89,066.31	178,432.36

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	As at March 31, 2012	As at March 31, 2011
12 LONG TERM LOANS AND ADVANCES		
Unsecured, considered good		
Capital Advances	2,673.35	2,604.77
Security Deposits	1,471.35	1,400.63
Other Advances	2,803.47	1,441.86
TOTAL	6,948.18	5,447.26

Particulars	Current Year No.	Previous Year No.	Face Value ₹	As at March 31, 2012	As at March 31, 2011
13 CURRENT INVESTMENTS					
Investments in Mutual Funds					
JP Morgan India Liquid Fund Retail-Daily Dividend Plan	772,588	-	10.02	7,737.47	-
ICICI Pru.Money Market Fund Cash Option-Daily Dividend Plan	61,922	-	100.01	6,192.91	-
TOTAL				13,930.38	-
Aggregate amount of quoted investments (Market value of NIL (Previous Year NIL))				-	-
Aggregate amount of unquoted investments (Previous Year NIL)				13,930.38	-

14 INVENTORIES

Raw materials	32,883.73	25,421.73
Work-in-progress	2,678.24	3,352.94
Finished goods	8,867.60	10,392.50
Stores and spares	5,009.32	4,378.35
Packing materials	392.10	300.00
TOTAL	49,830.98	43,845.52

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	As at March 31, 2012	As at March 31, 2011
15 TRADE RECEIVABLES		
Unsecured considered good		
Outstanding for a period exceeding six months from the date they are due for payment	2,587.06	3,651.84
Other	98,601.47	73,230.59
	<u>101,188.54</u>	<u>76,882.43</u>
Unsecured considered doubtful	7,946.87	2,060.62
Less: Provision for doubtful debts	(7,946.87)	(2,060.62)
TOTAL	<u>101,188.54</u>	<u>76,882.43</u>
Provision for doubtful debts		
The Company periodically evaluates all customers dues. The need for provisions is assessed based on various factors include collectivity of specific dues, risk perceptions of the industry in which customer operates, general economic factors.		
16 CASH AND BANK BALANCE		
Cash & Cash Equivalent		
Balances with banks in current accounts	4,414.01	3,245.70
Bank deposits	-	222.12
Cash on Hand	79.92	90.73
TOTAL	<u>4,493.92</u>	<u>3,558.55</u>
17 SHORT-TERM LOANS AND ADVANCES		
Unsecured considered good		
Advances to staff	39.00	53.50
Advances to suppliers	1,965.94	6,113.93
Advances to others	1,327.85	6,909.52
TOTAL	<u>3,332.79</u>	<u>13,076.94</u>

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	For the Year ended March 31, 2012	For the Year ended March 31, 2011
18 REVENUE FROM OPERATIONS		
Sale of Products	321,112.90	293,292.51
Less : Excise duty	(1,764.78)	(152.32)
TOTAL	319,348.12	293,140.19
Particulars of Sales during the year		
Elastic Tape	104,778.18	86,387.06
Woven Labels	86,524.82	95,452.29
Printed Labels	75,463.30	68,040.51
Export Sales	52,581.81	43,260.32
TOTAL	319,348.12	293,140.19
19 OTHER INCOME		
Interest Income	3,962.35	3,100.26
Dividend Income on Mutual Funds	430.38	-
Miscellaneous Income Received	53.87	327.11
Foreign Exchange Gain	2,559.20	-
Net Gain on sale / discard of fixed assets	6,980.65	79.75
TOTAL	13,986.45	3,507.13
20 COST OF MATERIALS CONSUMED		
Inventory at the beginning of the year	25,421.73	19,531.09
Add: Material Purchases	140,400.21	126,304.59
Add: Other Direct Costs	5,336.66	5,041.38
	171,158.60	150,877.06
Less: Inventory at the end of the year	(32,883.73)	(25,421.73)
Cost of raw material consumed	138,274.88	125,455.33

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	For the Year ended March 31, 2012	For the Year ended March 31, 2011
21 CHANGES IN INVENTORY OF FINISHED GOODS, WORK IN PROGRESS AND STOCK IN TRADE		
Opening Stocks		
Work in Progress	3,352.94	1,468.13
Finished Goods	10,392.50	5,012.17
	<u>13,745.44</u>	<u>6,480.31</u>
Less: Closing Stock		
Work in Progress	2,678.24	3,352.94
Finished Goods	8,867.60	10,392.50
	<u>11,545.84</u>	<u>13,745.44</u>
Increase / (Decrease) Total	<u>2,199.61</u>	<u>(7,265.14)</u>
22 EMPLOYEE BENEFITS EXPENSE		
Salaries and incentives	50,473.46	40,322.19
Contribution to Provident fund and other funds	4,023.63	3,355.19
Gratuity fund expenses	108.18	1,441.12
Staff welfare expenses	693.99	755.35
TOTAL	<u>55,299.26</u>	<u>45,873.86</u>
23 FINANCE COSTS		
Interest Expenses	27,816.87	16,928.98
Other borrowing cost	966.44	654.93
TOTAL	<u>28,783.31</u>	<u>17,583.91</u>

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in '000')

Particulars	For the Year ended March 31, 2012	For the Year ended March 31, 2011
24 OTHER EXPENSES		
Advertisemets	162.01	142.08
Payment to Auditors	369.81	254.16
Bad debts	299.31	607.62
Cash discount on sales	579.71	135.40
Commission on sales	7,177.39	7,835.89
Consumption of packing materials	3,085.29	2,994.78
Consumption of stores and spare parts	4,544.94	4,449.38
Conveyance	780.46	649.78
Directors sitting fees	75.00	172.50
Freight & forwarding	7,195.01	6,809.80
Labour charges	4,730.28	2,929.61
Miscellaneous expenses	1,807.37	2,044.08
Postage & telegram	361.98	387.78
Power & fuel	14,591.19	12,291.83
Printing & stationery	446.63	439.98
Processing charges	2,573.85	3,132.97
Professional & legal fees	1,349.45	1,001.62
Provision for doubtful debts	5,886.26	2,060.62
Rates and taxes	531.20	409.16
Repairs to building	894.67	569.31
Repairs to other assets	588.89	566.31
Travelling expenses	4,012.67	3,460.41
Vehicle expenses	607.35	508.71
TOTAL	62,650.72	53,853.78

25. NOTES TO ACCOUNTS

- (a) The Company has obtained licenses under the Export Promotion Capital Goods (EPCG) Scheme for importing capital goods at a concessional rates of custom duty against submission of bank guarantee and bonds.

Under the terms of respective schemes, the Company is required to earn foreign exchange value equivalent to, or more than, eight times the CIF value of imports in respect of certain licenses and eight times the duty saved in respect of license where export obligation has been fixed by the order of the Director General Foreign Trade, Ministry of Finance as applicable within a period of eight years from date of import of capital goods. The export Promotion Capital goods schemes, Foreign Trade Policy 2009-14 as issued by the Central Government of India covers both manufacturers, exports and service providers. Accordingly, in accordance with the chapter 5 of Foreign Trade Policy -2009-14, the Company have to full fill export obligation pending for the year ended 31 st March, 2012 of ₹ 21,489.40 ('000) and in USD 452.75 ('000),[(Previous Year ₹ 69,694.37 (,000) and in USD 1,548.76 ('000)]

(b) Segment Reporting

The Company is engaged in the business of manufacturing of textile woven labels, fabric printed labels and elastic tape primarily in India. As the Company primarily operates in a single segment, the reporting requirement of primary and secondary segment disclosures prescribed by Accounting Standard - 17 (Segment Reporting) issued by the Institute of Chartered Accountants of India, have not been provided in these financial statement as it is not applicable.

(c) Auditors Remuneration (including Service Tax):

(₹ in '000')

Particulars	For the Year ended March 31, 2012	For the Year ended March 31, 2011
Audit Fees	272.64	172.90
In Other Capacities for:		
- Tax Audit	56.18	44.12
- Taxation Matters	28.09	27.58
- Reimbursement of Expenses	12.90	9.56
TOTAL	369.81	254.16

(d) Earnings Per Share:

(₹ in '000') except EPS and Share Nominal Value

Particulars	For the Year ended March 31, 2012	For the Year ended March 31, 2011
Numerator used for calculating basic and diluted earnings per share Profit after Prior period Adjustment and Proposed Dividend and Tax	(2,716.26)	13,745.62
Weighted average number of equity shares used as denominator for calculating basic earnings per share	18,969,607	13,602,813
Weighted average number of equity shares used as denominator for calculating diluted earnings per share	18,967,748	13,602,813
Nominal value per equity share (₹)	10	10
Basic Earnings Per Share (₹)	(0.14)	1.01
Diluted Earnings Per Share (₹) *	(0.14)	1.01

* Anti Dilutive EPS

- (e) Debit & Credit balances of various parties are subject to confirmation / reconciliation and consequent adjustments, if any. The Company is of the view that reconciliation(s), if any, arising out of final settlement of accounts with these parties is not likely to have any material impact on the accounts. Current Assets are stated in the Balance Sheet at the value which is reasonably certain to recover in ordinary course of business.

(f) Related Party Disclosures

1) Related parties and transactions with them during the year as identified by the Management are given below:

- (i) Key Management Personnel's and their Relatives:
 - a) Mr. Chand Arora-Managing Director (CA)
 - b) Mrs. Indra Arora- Wife of Managing Director (IA)
- (ii) Individuals owning directly/indirectly an interest in the voting power that gives them significant influence:
 - a) Mr. Jaydev Mody-Chairman (JM)
 - b) Mrs. Zia Mody(ZM)
- (iii) Enterprises over which persons or their relatives mentioned in (i) & (ii) above exercise significant influence
 - a) AZB & Partners (AZB)
 - b) Aarti Management Consultancy Private Limited (AMCPL)
 - c) Aditi Management Consultancy Private Limited (AMCOPL)
 - d) Delta Corp Ltd (DCL)
 - e) Lark Enterprises (LE)
 - f) Freedom Registry Ltd. (FRL)

2) Details of transactions carried out with related parties in the ordinary course of business

(₹ in '000)

Sr. No.	Nature of transactions	Key Management Personal and their Relatives		Enterprises over/ which Individuals/ Directors exercise significant influence and Associates		Total	
		2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
i)	Expenses:						
	Reimbursement of Expenses Paid						
	DCL	-	-	-	1.20	-	1.20
	Professional Fees Paid:						
	AZB	-	-	64.36	104.12	64.36	104.12
	Postage & Folio Charges Paid:						
	FRL	-	-	18.76	18.76	18.76	18.76
	Remuneration Paid:						
	CA	7,878.77	3,853.20	-	-	7,878.77	3,853.20
	Commission Paid:						
	CA	1,800.00	600.00	-	-	1,800.00	600.00
	Director Sitting Fees:						
	JM	15.00	35.00	-	-	15.00	35.00
ii)	Inter Corporate Loan Received						
	AMCPL	-	-	-	60,689.00	-	60,689.00
	AMCOPL	-	-	-	11,200.00	-	11,200.00
iii)	Inter Corporate Loan Repaid						
	AMCPL	-	-	27,689.00	33,000.00	27,689.00	33,000.00
	AMCOPL	-	-	11,200.00	-	11,200.00	-
iv)	Advance Received Back						
	LE	-	100.00	-	-	-	100.00
v)	Outstanding balance as on 31 March, 2012						
	AMCPL	-	-	-	27,689.00	-	27,689.00
	AMCOPL	-	-	-	11,200.00	-	11,200.00

(g) Employee Benefits: -

Disclosure required under Accounting standard-15 (revised 2005) for "employee benefits" are as under:

- (i) The Company has recognized the expected liability out of the compensated absence and Gratuity as at 31st March, 2012 based on actuarial valuation carried out using the Project Credit Method.

- (ii) The below disclosure have been obtained from independent actuary. The other disclosure are made in accordance with AS-15 (revised) pertaining to the Defined Benefit Plan is as given below:

(₹ in '000)

Sr. No.	Particulars	Gratuity (Funded)		Leave Encashment (Unfunded)	
		2011-12	2010-11	2011-12	2010-11
a)	Assumption:				
	Discount Rate	8.50%	8.25%	8.50%	8.25%
	Salary Escalation	5.00%	5.00%	5.00%	5.00%
b)	Change in Benefit Obligation:				
	Net Liability at the beginning of the year	7,168.03	6,144.22	1,462.69	1,102.97
	Interest Cost	591.36	500.11	120.67	113.77
	Current Service Cost	299.86	481.20	160.62	277.27
	Benefit Paid	(435.74)	(1,126.88)	(70.23)	(2.38)
	Actuarial (Gain) Loss obligations	10.81	1,169.37	40.05	(28.95)
	Liability at the end of the year	7,634.33	7,168.03	1,713.79	1,462.29
c)	Amount recognized in the Balance Sheet:				
	Liability at the end of the year	7,634.33	7,168.03	1,713.79	1,462.29
	Fair value of Plant Assets at the end of the year	9,615.63	7,749.66	-	-
	Difference	1,981.31	581.64	(1,713.79)	(1,462.29)
	Amount recognized in the Balance sheet	1,981.31	581.64	(1,713.79)	(1,462.29)
d)	Expenses recognized in the Profit and Loss Account:				
	Current Service Cost	299.86	481.20	160.62	277.27
	Interest Cost	591.36	500.11	21.67	113.77
	Expected return on Plant Assets	(619.98)	(627.29)	-	-
	Actuarial Gain or (Loss)	(163.07)	1,087.09	(40.05)	(28.95)
	Expenses recognized in the Profit and Loss Account	108.18	1,441.12	321.34	362.09
e)	Balance sheet Reconciliation:				
	Net Liability	(581.64)	(1,554.19)	1,462.69	1,102.97
	Expenses as above	108.18	1,441.12	321.34	362.09
	Employer's Contribution	(1,507.85)	(468.57)	(70.23)	(2.38)
	Closing Net Liability	(1,981.31)	(581.64)	1,713.79	1,462.69

iii) Under Define Contribution Plan

(₹ in '000)

Particular	2011-12	2010-11
Contribution to Provident Fund	2,940.60	2,352.54

h) Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

(i) Value of Imported and Indigenous Material Consumed:

Percentage of Total Consumption

(₹ in '000)

Particulars	March 31, 2012		March 31, 2011	
	Amount	Percentage	Amount	Percentage
1] Raw Materials:				
- Imported	31,487.42	22.77	23,070.38	18.39
- Indigenous	106,787.46	77.23	102,384.95	81.61
TOTAL	138,274.88	100.00	125,455.33	100.00
2] Packing Materials: (Indigenous).	3,085.29	100.00	2,994.78	100.00
3] Spare Parts and Components:				
- Imported	1,335.81	29.39	1,647.16	37.02
- Indigenous	3,209.13	70.61	2,802.22	62.98
TOTAL	4,544.94	100.00	4,449.38	100.00

(ii) Value of Imports on CIF Basis:

(₹ in '000)

Particulars	March 31, 2012	March 31, 2011
Raw Material	23,747.20	21,763.44
Components and Spare Parts	1,300.74	1,665.94
Plant and Machinery	3,855.42	92,456.72

(iii) Expenditure in Foreign Currency :

(₹ in '000)

Particulars	March 31, 2012	March 31, 2011
Travelling Expenses	595.05	68.16
Books & Periodicals	12.99	-
Computer Software & Prog.Fees	4.09	-

(iv) Earning in Foreign Currency

(₹ in '000)

Particulars	March 31, 2012	March 31, 2011
Export of Goods calculated on FOB basis	52,581.81	43,260.22

(i) Note on utilization of funds raised through Right Issue of Equity Shares during the year

During the year Company has raised ₹ 59,852.39 ('000) through allotment of 54,41,126 shares of ₹ 10 each at a price of ₹ 11 per equity shares to Promoters Group. The detail of utilization of the above proceeds are as under;

(₹ in '000)

Particulars	
Repayment of Loans	38,889.00
Share issue expenses	5,400.00
Funds utilized for the project assets	2,063.39
Amount lying in Mutual Funds	13,500.00
TOTAL	59,852.39

(j) Details of dues to Micro and Small Enterprises as defined under the MSMED Act,2006. Company has sent letters to suppliers to confirm whether they are covered under Micro, Small and Medium Enterprises Development Act 2006 as well as they have file required memorandum with the prescribed authorities. Out of the letters sent to the parties, some confirmations have been received till the date of finalization of Balance Sheet. Based on the confirmation received the detail of outstanding are furnished in the Notes.

(k) Previous Year Comparatives

As notified by Ministry of Corporate Affairs, Revised Schedule VI under the Companies Act, 1956 is applicable to the Financial Statements for the financial year commencing on or after 1st April, 2011. Accordingly, the financial statements for the year ended March 31, 2012 are prepared in accordance with the Revised Schedule VI. The amounts and disclosures included in the financial statements of the previous year have been reclassified to conform to the requirements of Revised Schedule VI.

For Arrow Textiles Limited

Jaydev Mody	Chairman
Chand Arora	Managing Director
Aurobind Patel	Director
Aditya Mangaldas	Director
Harshvardhan Piramal	Director
Ami Sheth	Company Secretary

Mumbai: May 25, 2012



ATTENDANCE SLIP

Arrow Textiles Limited

Registered office : Plot No. 101-103, 19th Street, MIDC, Satpur, Nasik - 422 007, Maharashtra.
Share Transfer Agent : Freedom Registry Limited
Plot No. 101/102, MIDC, 19th Street, Satpur, Nasik - 422 007, Maharashtra.

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL

I/We hereby record my/our presence at the 5th Annual General Meeting of the Company to be held on **Monday, 24th September, 2012**, at 2.00 p.m., at The Gateway Hotel, Ambad, Nasik - 422 010, Maharashtra.

Name and Address of the Shareholder(s)

If Shareholder(s), please sign here

If Proxy, please mention name and sign here

Signature _____

Name & Signature _____



FORM OF PROXY

Arrow Textiles Limited

Registered office : Plot No. 101-103, 19th Street, MIDC, Satpur, Nasik - 422 007, Maharashtra.
Share Transfer Agent : Freedom Registry Limited
Plot No. 101/102, MIDC, 19th Street, Satpur, Nasik - 422 007, Maharashtra.

Members are requested to advise the change of their address, if any, to Freedom Registry Limited at the above address.

DP ID No. *

L. F. No.

Client ID No.*

No. of shares held

I/We of being a Member / Members of the above named Company hereby appoint
of..... or failing him/her

of..... as my/our proxy/proxies to vote for me/us on my/our behalf at the 5th Annual General Meeting of the Company to be held on **Monday, 24th September, 2012**, at 2.00 p.m., at The Gateway Hotel, Ambad, Nasik - 422 010, Maharashtra, and at any adjournment thereof.

Dated this day of2012.

Signature

Affix a
15 paise
Revenue
Stamp

Notes :

1. If you intend to appoint a proxy to attend the Meeting instead of yourself, the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.
2. A proxy need not be a Member.

* Applicable for Investors holding shares in electronic form.



Book - Post

Under Certificate of Posting

If Undelivered, please return to:

Freedom Registry Limited
Unit: Arrow Textiles Limited
Plot No. 101/102, 19th Street,
MIDC, Satpur,
Nasik - 422 007,
Maharashtra.