



19th Annual Report 2010-2011

Innovative Eco - friendly Solutions

BOARD OF DIRECTORS :

- Mr. Shilpan P. Patel
- Mr. Vijay Dhar
- Mr. Haresh Mehta
- Mr. Faredun Taraporwala
- Mr. Bruce Drew
- Dr. Anil Saxena

Chairman & Managing Director Director Director Director Director (upto 02-08-2010) Director (w.e.f. 21-01-2011)

BANKERS:

IndusInd Bank

AUDITORS :

J. A. Rajani & Co. Chartered Accountants Mumbai

REGISTERED OFFICE :

5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053

REGISTRARS & SHARE TRANSFER AGENT :

System Support Services 209, Shivai Industrial Estate, Near Park Davis, 89-Andheri Kurla Road, Sakinaka, Mumbai - 400 072

WORKS :

5310, GIDC, ANKLESHWAR - 393 002

Dear Sir / Madam,

The Ministry of Corporate Affairs, vide its Circular nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 has taken a "Green Initiative" by allowing paperless compliances by the companies to serve the requisite documents to its members vide e-mode, in pursuance to Section 53 of the Companies Act, 1956. Accordingly, the Company shall be required to update its database by incorporating your designated e-mail ID in its records.

You are thus requested to kindly submit your e-mail ID vide the e-mail updation form attached with this note. The same could be done by filling up and signing at the appropriate place in the said form and by returning this letter by post or by sending scan copy through e-mail at sandhya@arrowcoated.com.

The e-mail ID provided shall be updated subject to successful verification of your signatures as per record available with the RTA of the Company.

Thanking you,

Yours faithfully,

For Arrow Coated Products Limited

Shilpan P. Patel

Chairman & Managing Director

Chairman's Statement

Friends and Partners,

My heartfelt Greetings to all my valued Customers, Shareholders, and Employees. As you all are aware of the fact that your company believes in certain ethos and values. Since 17 years of business, driven by these values and ethics, we have steadfastly remained consistent of the same principles. Your company follows the ethos of producing and marketing products which satisfy the needs of the planet Earth as also all of us living-beings privileged to settle on it.

Last two years have - been very challenging for your company in the context on the top-line and bottom lines. However, looking at the positive side, our business as strategised, has gone up, in our core segment, and we are now a force to be reckoned with, in the field of water soluble films and non soluble bio compostible films. Since we abandoned the path of doing more business of high valued Digital Printers, we have focused on our manufacturing and marketing of our own products, which in the long term will greatly benefit the company.

We have commissioned one of the world's widest and largest cast water soluble film machines, which utilises our patented processes of manufacturing high value water soluble films and it's up stream products. This is a great achievement and my heart goes to the unflinching support and conviction of Team Arrow, and in particular the engineering prowess of our factory.

This year also saw some good business in Bio Compostible inquiries due to an unprecedented ruling by Supreme Court, banning plastic pouches for gutka and tobacco products. The positive effects are likely to come during the course of this forthcoming years.

This year, due to good monsoons, we expect to get even better business during the forthcoming wheat growing season. New molecules are being brought under the regime of compulsory packaging in Water Soluble films (WSF). There are several molecules in the pesticides industry which must be packed in WSF packaging, this means that when the Indian pesticides and vector control industries get orders for their products, they have to source the WSF from us, as we are the only Indian manufacturer of WSF in the organised sector.

Patents and IP SBU

This year we received several National and International Grants for our patents filed in the past several years. We intend to leverage our manufacturing skills and our marketing network to exploit these patents to ensure that we have better market share. We are also in negotiations with some companies for outlicensing our patents.

NASC SBU: Nagra Arrow Secure Cards Pvt Ltd, which is a JV company with our Swiss partners seemed to be dormant since quite some years. However, since RBI has given a time line to all Banks to convert to EMV or more secure system of Credit cards management, this subsidiary seems to have woken out of slumber. NagraID, our Swiss partners, have a unique solution in form of a patented display card, which houses the one time password (OTP), onboard the card itself. We have tied up with a Software company to develop a custom based software for these smart cards, based on NID technology and NASC proprietary software. This will ensure that the POS architecture of Banks will not have to be changed and yet it will ensure secure banking. I am happy to inform you that several banks have shown interest in this system

Going forward we intend to focus on business which are totally in our control and are protected by various patents. We intend to focus on businesses of our JV partners and market products which are laced with heavy technology. However, our mission will remain the same, we will focus and deal in businesses which help Planet Earth, and secure the lives of teaming millions.

Team-Arrow will focus on their respective SBUs, which were formed during the past years. We are fortifying these SBUs, with further proficient human assets, and technical support.

Looking forward, and having conviction in the strong fundamentals of our business, we feel that from hereon, the future looks bright.

Arrow Pharma Foray : Taking advantage of the patented technology, your company is in the process of securing partner(s) in the field of Pharmaceuticals and Nutraceuticals for entering into this highly lucrative and IPR sensitive field. Revenue streams include licensing and royalty earnings.

Arrow Agri-care Foray : Arrow proposes to enter crop protection business using a different version of this patented process and patented product. Patents to exploit this technology is secured in India, Europe and UK. We intend to work with one of the leading pesticides and micronutrients company to deliver precise dosage of agro-chemicals to the desired location.

Arrow PVS Capsule unit: Using our capsule packaging know-how, we intend to leverage our custom made grades of WSF, to enter into strategic alliances with the big players of Agro-chemical and detergent industry. These are long term revenue generating areas that your company is targeting, using our patents and knowledge acquired over the years.

Both these ventures will mean additional Capital expenditure and your company is planning this ahead of time.

IP SBU I am pleased to inform you that the IPR cell formed under my guidence within your company has got enviable success during the past year, and this has buoyed us for looking for newer, wider business. Till last year we have been granted 20 patents by Indian Patent office, EU Patent Office, Eurasia Patent Office, South African Patent office and Australian Patents Offices. These are in various fields, including Personal Health Care, Pharma, Bio Compositible composites, Security Paper etc. This will mean going forward more revenues to your company in form of royalties, Exclusive Marketing Rights (EMR), Exclusive Production Rights (EPR) etc.

We also recognize the urgent need to develop a global cadre of managers to enable us to place our footprints in the global market as a manufacturing base. I assure all stake holders that we are moving in this direction slowly but steadily.

I would also like to thank my wonderful and committed team. I would like to thank my partners for their relentless faith in the company.

Shilpan P. Patel

Chairman & Managing Director

NOTICE

Notice is hereby given that the 19th Annual General Meeting of Arrow Coated Products Limited will be held on Thursday, the 29th September 2011 at 10.30 a.m. at Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400 095 to transact the following business:

ORDINARY BUSINESS

- To receive, consider and adopt Audited Balance Sheet as on 31st March 2011 and Profit and Loss Account for the year ended 31st March 2011 together with the Directors' Report and Auditors' Report thereon.
- 2. To appoint a director in place of Mr. Haresh Mehta, who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.
- 3. To appoint Auditors to hold office from conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

"**RESOLVED THAT** Dr. Anil Saxena, who was appointed as an Additional Director of the Company w.e.f. 21st January 2011 pursuant to the Articles of Association of the Company and pursuant to the provisions of Sections 260 of the Companies Act, 1956 holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956 in writing alongwith necessary deposit, proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, who shall be liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended as follows :

(I) by insertion of the following Articles as Article Nos. 19A to 19S after the existing Article No. 19

19A	Notwithstanding anything contained in these Articles, the Company shall be en- titled to dematerialise its existing securities, rematerialise its securities held in the Depositories and / or offer its fresh securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.	Dematerialisation of Securities		
19B	Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository.	Option to receive Securities cer- tificates or hold Securities with		
19C	If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its records the name of the allottees as the Beneficial Owner of the security.	Depository		
19D	All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owner.	Securities in Depositories		
19E	Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner.	Rights of Depositories and Beneficial Owners		
19F	Save as otherwise provided here in above, the Depository, as the registered owner of the securities, shall not have any voting rights or any other rights in respect of the security held by it.			
19G	Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a Depository.			

19H	Except as ordered by a Court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.	Beneficial Owner deemed as absolute owner
191	Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.	Depository to furnish information
19J	Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Deposi- tory accordingly	Cancellation of certificates upon surrender by a person
19K	If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly.	Option to opt out in respect of any security
19L	The Depository shall, on receipt of information as above, make appropriate entries in its records and subsequently inform the Company.	
19M	The Company shall within thirty (30) days of the receipt of the intimation from the Depository and on fulfillment of such conditions and payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.	
19N	Notwithstanding anything in the Act, or these Articles to the contrary, where secu- rities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.	Service of Documents
190	Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares in physical form subject to the provisions of the Depository Act.	Allotment of Securities dealt with in a Depository
19P	Notwithstanding anything in the Act, or these Articles where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.	Allotment of Securities dealt with in a Depository
19Q	The shares in the capital shall be numbered progressively according to their sev- eral denominations provided, however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Ev- ery forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.	Distinctive number of securities held in a Depository
19R	The Company shall cause to keep a Register and Index of Members and a Regis- ter and Index of Debenture holders in accordance with Section 151 and 152 of the Act, respectively, and the Depositories Act, with details of shares and debentures held in material/physical and dematerialised form in any media as may be permit- ted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Deposito- ries Act, 1996 shall be deemed to be Register and Index of Members and Register and Index of Debenture holders, as the case may be, for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country.	Register and Index of Beneficial Owners

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19S	The Company shall keep a Register of Transfers and shall have recorded therein	
	fairly and distinctly particulars of every transfer or transmission of any share held in material form.	
(11)	by inserting following para at the end of the existing Article No. 92 (1):	
92 (1)	Notice and other documents of General meeting of the company can be given to shareholders even by email provided every shareholder should be given advanced opportunity to register their email address and changes therein from time to time with the company. In case any member has not registered his email address with the company, the service of notice and documents should be in accordance with the provisions of section 53 of the Companies Act, 1956. The Notice of the General Meeting must inform the shareholders regarding availability of participation in the meeting through Video Conferencing and must provide necessary information to shareholders to access the available facility of video conferencing.	Notice of Meeting
(111)	by inserting following para at the end of the existing Article No. 96:	
96	Members attending the meeting through the Video conferencing will not be counted for the purpose of ascertaining the quorum of the meeting.	Quorum for the General Meeting
(IV)	by inserting following para as 109 (1), (2) and (3) at the end of the existing Article 109:	
109 (1)	Company being a listed company will pass some of the Resolution as mentioned in rules called the Companies (passing of resolution by postal ballot) Rules, 2011 by way of postal ballot.	Resolutions to be passed by postal ballot
(2)	The Company will issue notice either under the Registered post acknowledgement due or through any other secured mode of posting provided by Department of post or through electronic mail provided the company has obtained the email address of its members for sending the notice through email. The Shareholders will be given prior opportunity to register his email address and changes there in from time to time. The Notice must clearly state that whether company will provide voting through the postal ballot or by an electronic mode. If the company is opting for electronic mode than the process and manner of the voting must be specified in Notice.	Notice of passing the resolution by way of postal ballot
(3)	The company will follow the procedure for conducting the postal ballot as per the rules called the Companies (passing of resolution by postal ballot) Rules, 2011 by way of postal ballot.	Procedure for conducting postal ballot
(V)	by substituting the existing Article no. 163 with the following new Article No. 163:	
163	The Directors may meet either in person or through video conferencing, capable of recording and recognizing the participation of the directors, for the dispatch of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings, as they think fit. The provisions relating to notice, agenda, quorum and minutes stated hereinafter	Meeting of Directors
<u> </u>	shall mutates mutandis apply to the meetings held through such video conferencing.	
(VI)	by substituting the existing Article no. 164 with the following new Article No. 164 :	
164	Notice of every meeting of the Board shall be given in writing to every Director whether in or outside India or through written communication sent electronically, and otherwise regulate their meetings, as they think fit. Notice of the Board Meeting must inform directors regarding availability of participation through video conferencing and should also provide necessary information to enable the directors to access the available facility of Video conferencing. Notice of the meeting shall also seek confirmation from the Director as to whether he will attend the meeting physically or through electronic mode and shall also contain contact number (s), email addresses of the Secretary / designated officer to whom the director shall confirm in this regard.	Notice of the Meeting

(VII) by substituting the existing Article no. 165 (1) with the following new Article No. 165 (1) :

165(1)	third of its total strength (any fraction contained in that one third being rounded off as one) or two directors, present in person or attending through video-conferencing, whichever is higher, provided that where at any time the number of interested direc- tors exceeds or is equal to two thirds of the total strength the number of the remain- ing director that is to say, the number of directors who are not interested shall be the quorum during such time provided such number is not less than two. Provided that any Director participating through video conferencing shall attend in person at least	
	one Board Meeting held every year.	

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts and deeds as may be necessary to give effect to be above resolution."

By order of the Board of Directors For **Arrow Coated Products Limited**

Place: Mumbai Date : 8th August 2011 Shilpan P. Patel Chairman & Managing Director

NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND IN CASE OF POLL ONLY, VOTE INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- 2. Proxies in order to be effective must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
- 3. Member / Proxy should bring the attendance slip duly filled in for attending the meeting.
- The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 21st September 2011 to Thursday, the 29st September 2011 (both days inclusive).
- 5. Members desirous of seeking information relating to the accounts and operations of the Company are requested to address their queries to the Company at least 7 days in advance of the meeting, to enable the company to keep the information ready.
- 6. Shareholders are requested to bring their copies of Annual Report to the meeting.
- 7. The unclaimed dividend up to the financial year 2003 2004 is due for transfer to the Investor Education and Protection Fund (IEPF) as required under section 205-A and 205-C of the Companies Act, 1956 administered by the Central Government during the month of October 2011. The Shareholders whose dividend is unclaimed for the aforesaid financial year are requested to claim it immediately from the company. Further Shareholders are requested to note that no claim shall lie against the said fund or the Company in respect of any amounts which remain unclaimed for period of seven years from the date that these became first due for payment and no payment shall be made in respect of any such claim.
- 8. Members whose shareholding is in the electronic mode are requested to intimate any change in their address to their respective Depository Participants.
- 9. Members are requested to address all correspondences to the Registrar and Share Transfer Agents.

Brief resume of directors being appointed /reappointed (pursuant to Clause 49 of the Listing Agreement):

Mr. Haresh Mehta, aged 58 years, is a science graduate. He has vast experience in packaging industry. He is also director in Janya Packaging Pvt. Ltd. He is Chairman of Shareholders / Investors Grievance Committee and member of Audit Committee of the Company. As on 31st March 2011, he held 19666 equity shares of the Company.

Dr. Anil Saxena, aged 56 years, is MBBS & M.D. He has vast experience in Television Production. He is also director in Sagar Barseria Motion Films Pvt. Ltd. & Katha Mediatix India Ltd. As on 31st March 2011, he held 1500 equity shares of the Company.

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956:

Item No. 5:

The Board of Directors of the Company appointed Dr. Anil Saxena as an Additional Director of the Company w.e.f. 21st January 2011. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Dr. Anil Saxena holds office up to the date of the forthcoming Annual General Meeting of the Company. The Company has received a notice under Section 257 of the Companies Act, 1956 alongwith requisite deposit proposing his candidature for the office of Director of the Company at the ensuing Annual General Meeting.

The Board recommends the passing of the Ordinary Resolution as set at item No. 5 of the Notice.

None of the Directors except Dr. Anil Saxena is interested or concerned in the resolution.

Item No. 6

In view of availing following facilities, it is necessary to me suitable alternations in the existing provisions of the Articles of Association of the company.

- (I) To have provisions in Articles of Association of the Company in tendum with applicable provisions regarding holding of shares of the Company in dematerialized form, it is proposed to insert new Articles 19A to 19S after the existing Article 19 of the Articles of Association of the Company.
- (II) & (III) The Ministry of Corporate Affairs, as a matter of Green Initiative has come out with the General Circular No. 27/2011 dated May 20, 2011 whereby participation by shareholders in general meeting under the Companies Act, 1956 is allowed through electronic mode. In view of availing the said facilities it is necessary to make the suitable alteration in the existing provisions of the Articles of Association of the Company.

Therefore it is propose to insert the suitable para after the existing Article 92 (1) & 96, as set out at Item No. 6(II) & 6(III), to enable the Company to hold shareholders meeting and sending the requisite documents through e-mode.

(IV) To have provisions in Articles of associations of the company. Intendum with applicable provisions of section 192A. Of the company's Act., 1956, read with the companies (Passing of resolution by postal Ballot). Rules, 2011 by way of postal ballot regarding the passing of resolution by postal ballot, it is proposed to insert new article 109(1),(2) and (3) after existing article 109 of the Articles of Association of the Company

Therfore it is proposed to insert new Article no. 109, 1, 2 & 3 after existing Article no. 109, set out at item no.6(IV).

(V), (VI) & (VII) The Ministry of Corporate Affairs, as a matter of Green Initiative has come out with the another General Circular No. 28/ 2011 dated May 20, 2011 whereby participation by directors in meeting of Board / Committee of directors under the Companies Act, 1956 is also allowed through electronic mode. In view of availing the said facility it is necessary to make the suitable alteration in the existing provisions of the Articles of Association of the Company.

Therefore it is propose to substitute existing Article 163, Article 164 and Article 165 with the new Article 163, Article 164 & Article 165 (1) respectively, as Set out at Item No. 6(V), 6(VII), to enable the Company to hold directors meeting through electronic mode.

Consent of the Members by way of Special Resolution is required to carry out the proposed alterations in the Articles of Association of the Company.

Your Directors recommend to pass the Special Resolution as set out in Item No. 6 of the Notice.

None of the directors of the Company are concerned or interested in the above said resolution.

A copy of the Articles of Association of the Company together with the proposed alterations would be available for inspection by the member at the Registered Office of the Company during business hours on any working days between 11 am to 6 pm and at Annual General Meeting.

By order of the Board of Directors For **Arrow Coated Products Limited**

Place: Mumbai Date : 8th August 2011 Shilpan P. Patel Chairman & Managing Director

DIRECTORS' REPORT

To,

The Members,

The Directors of Arrow Coated Products Limited present the 19th Annual Report on the operations of the Company together with the Audited Accounts for the year ended 31st March 2011.

(Rupees In 000)

Financial Results

Particulars	2010-2011	2009-2010
Total income	35284	21765
Profit (Loss) before Interest, Depreciation & Tax	4845	(2204)
Less : Interest	3437	3287
Less : Depreciation	2452	2538
Less : Prior period expenses	-	31
Less: Exceptional items	260	-
Profit before Tax	(1303)	(8060)
Less : Provision for Taxation		
- Current Tax	-	-
- Deferred Tax	85	696
- Fringe Benefit Tax	-	-
Profit After Tax	(1388)	(8756)
Add : Balance brought forward	15407	24163
Less : Tax & Dividend Adjustment	(183)	-
Amount available for appropriation	14202	15407
Less : Proposed Dividend	-	-
Less : Tax on Dividend	-	-
Balance carried to Balance Sheet	14202	15407

Operations:

The total income from operations including other income for the financial year under review amounted to Rs. 352.84 Lacs as compared to Rs. 217.64 Lacs in the previous year. The Company has incurred net loss of Rs. 13.88 Lacs under review after providing for depreciation of Rs. 24.52 Lacs and taxation of Rs. 0.85 Lacs. After adjustment of brought forward balance of Rs. 154.07 Lacs from previous year and after providing for the tax adjustment, Rs. 142.02 Lacs has been carried to the Balance Sheet.

Business outlook and future prospects

Business outlook and future prospects of the Company is discussed in detail in Management Discussion and Analysis Report attached herewith.

Dividend

In view of the loss during the year, your Directors do not recommend any dividend for the year ended 31st March 2011.

Right Issue

The Company in 17th Annual General Meeting held on 29th September 2009 approved the proposal of issue of shares of Rights basis. The Company has filled the Draft Letter of Offer (DLOO) for issue of shares on Rights basis with SEBI on 20th August 2010.

The Company is in process of updating the Draft Letter of Offer (DLOO) through the Lead Manager viz. Aryaman Financial Services Ltd. as per the final observations received from SEBI vide its letter no. CFD/ISSUES/SIL/SKMS/OW/6590/2011 dated 25th February 2011 and waiting for the final approval for opening the Issue.

Public Deposits

During the year under review, the Company has not accepted/renewed any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956.

Directors

Mr. Bruce Drew resigned from the directorship of the Company on 2nd August 2010. The Board places its gratitude towards him for valuable guidelines extended by him during his tenure as Director of the Company.

Dr. Anil Saxena was appointed as an Additional Director of the Company w.e.f. 21st January 2011, and pursuant to the provisions of Section 260 of the Companies Act, 1956 hold office upto ensuing Annual General Meeting of the Company. The Company has received a notice pursuant to Section 257 of the Companies Act, 1956 in writing alongwith necessary deposit, proposing his candidature for the office of Director of the Company.

Mr. Haresh Mehta, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment. Your Board recommends the appointment of Dr. Anil Saxena and re-appointment Mr. Haresh Mehta as directors of the Company.

Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable Accounting Standards (except AS-24 regarding discontinuance of operations) had been followed along with proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are responsible and prudent so as to give a true and fair view of the state of affairs of the Company for the financial year ended on 31st March 2011 and of the loss of the company for that year;
- iii) the directors had taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the directors had prepared the accounts on a going concern basis.

Corporate Governance

Management Discussion and Analysis Report and Report on Corporate Governance alongwith a certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance, as stipulated under clause 49 of the Listing Agreement with the Stock Exchange, are attached and form part of this Report.

Auditors

M/s. J. A. Rajani & Co., Chartered Accountants, Statutory Auditors of the Company holds office upto the conclusion of ensuring Annual General Meeting and being eligible offered for re-appointment. The Company has received a letter from them to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Members are requested to consider the re-appointment of the Statutory Auditors and fix their remuneration.

Auditors' Report

In respect to observations made by the Auditors in their report, your Directors would like to state as under:

- The company has discontinued trading activities in Digital Printing Machine and Digital Signang Cutting Machine and the Management of the Company is of opinion that all the assets related Machine Division will be realised at a value at which they appear in the books of account in aggregate.
- Regarding over due debts aggregating Rs. 449.05 Lacs and advances aggregating Rs. 84 Lacs, the Company is hopeful of total realisation and hence no provision for the same is made.
- 3) Regarding payment of undisputed statutory due, we state that the company is in process of payment of the same with appropriate authorites.
- 4) Regarding non payment of income tax of Rs. 5.33 lacs pertaining to Assessment Year 2006-07, we state that the company has appealed before the Income Tax Appellate Tribunal, Mumbai to challenge the demand.

Audit Committee

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has constituted an Audit Committee comprising of Mr. Faredun H. Taraporwala, Mr. Vijay Dhar, Dr. Anil Saxena and Mr. Haresh Mehta. Mr. Faredun H. Taraporwala is Chairman of the Audit Committee.

Particulars of Employees as per Section 217(2A) of Companies Act, 1956

During the year under review, none of the employees of the Company was in receipt of remuneration equal to or exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956 and Rules made thereunder.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

(a) Conservation of Energy and Technology Absorption

- (i) The Company has paid special attention to the conservation of energy as a matter of principal and policy. This has been reflected in the selection of equipment at the project stage. The cost of power has kept to the minimum by optimum operation. Regular preventive maintenance has helped to operate unit efficiently.
- (ii) Additional investment and proposals, if any, are being implemented for reduction of Conservation of Energy.

(iii) Impact of the measures at (i) and (ii) above for reduction of energy consumption and consequent impact on the cost of production of goods : Not ascertainable.

(b) Foreign Exchange earning and outgo

Foreign Exchange earnings - Rs. 82.30 Lacs (previous year Rs. 17.52 Lacs)

Foreign Exchange outgo – Rs. 4.91 Lacs (previous year Rs. 6.87 Lacs)

Employees' Stock Options :

Details as required under Clause 12 of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, are given in annexure attached to this report.

Subsidiary Companies:

Arrow Coated Products (UK) Ltd. and NagraID Arrow Secure Cards Pvt. Ltd. are subsidiary companies of the Company. Advance IP Technologies Ltd., subsidiary of Arrow Coated Products (UK) Ltd., is step-down subsidiary of the Company.

The Ministry of Corporate Affairs (MCA) vide general circular No. 2/2011 No. 51/12/2007-CL-III dated 8th February 2011, read with general circular No. 3/2011 No. 5/12/2007-CL -III dated 21st February 2011 has granted a general exemption from attaching the balance sheet of subsidiary companies with holding company's balance sheet, if the holding company presents in its Annual Report the consolidated financial statements duly audited by its statutory auditors.

Therefore as per the provisions of Section 212 of the Companies Act, 1956, and in terms General Circular No. 2/2011, No. 51/12/2007-CL-III dated 8th February 2011 issued by the Ministry of Corporate Affairs, a statement of financial information of the Subsidiary Companies, is attached with the Annual Report of the Company for the year ended on 31st March 2011 and the Company is not attaching the Balance Sheet of its subsidiary companies for the financial year ended on 31st March 2011 with the Company's Balance Sheet.

The Annual Accounts of the subsidiary companies are available on the company's website www.arrowcoated.com and shall also be made available to the share holders on request and will also be kept for inspection at the Registered Office of the company and of the subsidiary companies during the office hours on all working days.

As required by under Accounting Standard 21, the Audited Consolidated Financial Statements for the above referred subsidiary companies are attached herewith and form part of the Annual Report.

Acknowledgements:

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institution, Banks, Government Authorities, Vendors and Shareholders and all organizations connected with its business during the year under review. Your Directors also wish to place a record their deep sense of appreciation for the committed services of executives, staff and workers of the Company.

For and on behalf of the Board of Directors

Place: Mumbai Date : 8th August 2011 Shilpan P. Patel Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Development

A. Water Soluble Film (WSF)

Industry is now waking up to the need of water-soluble film and its packaging advantages. Various NGOs and our own efforts for propagating the use of WSF in packaging of hazardous chemicals like Fungicides, Herbicides and Weedicides which are exceptionally potent pesticides and the proper disposal of packaging materials, after the chemicals are dispensed with. The failure would result in serious health problems to flora, fauna, animals and human beings is now being acknowledged by this Industry. This has also led to the realization to follow international rules of packaging these chemicals in WSF in future.

B. Bio-Compostable Products

Arrow has been propagating Bio-Compostable plastics and other composites as an alternative to petro-plastics. Arrow has succeeded in developing a low cost Bio-Compostable plastic which can be used for daily uses like shopping bags and garbage bags. We have started trial of commercial production of non soluble Bio-Compostable plastics made from Potato starch. This technology is in collaboration with Sphere S.A., France.

C. Oxy Fresh

Agriculture is the backbone of Indian Economy & more than 60% of population is directly or indirectly dependent on agriculture for livelihood. India is second largest producers of fruits & vegetables in the world with more than 325 million tones of production every year.

Arrow Coated Products Ltd. introduces a revolutionary packaging technology called OXY- Fresh films - a post harvest packaging solution. A unique technology aimed at reducing wastage in vegetables, fruits & flowers caused by deterioration. This technology not only increases the shelf life of vegetables & fruits but also helps to maintain their moisture level by naturally controlling the respiratory mechanism of vegetables & fruits.

D. Mouth Melting Strip

This technology is a relatively new development, which allows small quantities of active ingredients to be delivered in a user-friendly format. Adapting existing products such as oral sprays, liquids or tablets, or exploiting entirely new opportunities, Arrow MMS works closely with clients to create the most effective thin film product and process solutions.

E. Digital Technology Enabled Products

Arrow moved forward to sign a Term Sheet to form a Joint Venture Company owned jointly by NagralD Switzerland and Arrow. NagralD is the world leader in Smart Cards and has several patents in this field. Nagra Smart Display card is a rage in the credit card market as one of the most secure credit cards in the world. This technology was introduced at the French show Cartes IT.Our joint venture is aimed towards National ID card project, which is yet to take off, while Driver's License and E-Governance projects have moved ahead in several states in India. This will create demand for Smart Cards, NagralD, is part of Kudelski Group, which is a Blue Chip Company on Swiss Stock Exchange (SWX).

F. Security Products

Arrow has been in the business of security documents and its components. This year Arrow intends to enter into a more volume business phase of brand protection. Taking cue from our experience in designing security products for high end security, this SBU has been divided into two separate divisions. Brand protection division shall handle medium end security products and Govt. Business division shall handle high end security products. As IPR becomes important, brand protection will gain importance and Arrow will have to be in the forefront to offer sharp solutions. Arrow has several patents in this security cluster and intends to create revenues in the coming years.

G. Patents and IPR SBU

IPR is an important revenue stream for any company. Arrow has spent reasonably heavy amounts of money in RND and filing of patents in the last 5 years. This will pay dividends in many years to come. It gives me great pleasure to inform our share holders that we have been granted two more patents in India. We have also filed 18 patents Nationally and Internationally. Some of these patents shall change the way many Detergents, Pharma and Agro chemical products are being packaged and delivered. We intend to license some of this technology to various companies.

Intellectual proper is one of the things that sets the company apart, with protected core technology in the form of patents one has nuggets of wealth at the centre of the business. The patents are value creators for the companies as they can be licensed, sold, mortgaged, assigned or cross licensed so having a strong patent portfolio enables a company to be royalty earner than royalty payer.

The patent rights are territorial in nature, so one has to file and seek patent grant in all the countries separately where one wants to protect his invention. The filling of patent applications all over the world is an expensive task but once the patent is granted and various revenue generation streams come in to effect, it's a WIN-WIN situation for the company.

H. Arrow UK Activities

Arrow UK purchased stake in Advance IP Technologies Limited, a UK based Company. This Company is jointly owned by Arrow and Israel based promoters. Advance IP specializes in generating revenues from various IPR (Patent) created by both the partners. Arrow is a Joint Patent holder of a block buster Patent in health and hygiene and the same has been assigned to Advance IP. This Patent has been granted in UK and is being examined in Europe, USA, Australia, China and India.

I. Export Division SBU

Exports of our products have increased but there is an unlimited and untapped potential world wide. There are only 3 major players in cast water soluble films, and Arrow is one of them. All of us have unique methods of production of these films and have earned patent protection. Arrow UK has generated excellent inquiries and all this need special care. This year we segregated a new division specially to address to Arrow UK and other export markets. This should give a positive impetus to our export sales this year.

J. Arrow Pharma Foray

Taking advantage of the patented technology, our company is in the process of securing partner(s) in the field of Pharmaceuticals and Nutraceuticals for entering into this highly lucrative and IPR sensitive field of saving human and animal lives. In future, Arrow would like to enter crop protection using a different version of this patented process and patented product. As India starts it's foray into providing food grains for the world population, the need for low pesticides residue will be very important. These are long term revenue generating fields that your company is targeting using our Patents and knowledge aquired over the years. Both these ventures will mean additional Capital expenditures and your company is planning this ahead of time. Arrow's Pharma foray will be limited to the use of its Patented drug (Active) delivery system, using edible Water Soluble Film.

2. Opportunities and Threats

The report of Intergovernmental Panel on Climate change, released recently in Spain, is a grim warning of the state of our planet. IPCC has articulated the threat to environment due to greenhouse gas emissions in much less uncertain terms than it ever did previously. It said that the earth may turn unliveable far sooner than we presumed, unless the carbon emissions are controlled and rationalized. About India, the report said that the country would become the third largest carbon emitter in the world by 2015. That would be a major slippage from its present slot of the sixth largest. One thing is clear, despite the fact that the developed world has conventionally been much more serious offender in polluting the planet, countries like China and India cannot wish away the unpleasant reality coming out of such reports.

A recent Accenture survey found out that 90% consumers worldwide would switch to energy products and services with lower greenhouse

gas emissions. In fact 97% of respondents in emerging countries, including in India, favour such buying practices compared to 73% of respondents in Europe.

Consumers are even prepared to reward the providers of green products and services by paying a higher price to benefit from products and services that help reduce the level of carbon emissions. 64% of the respondents said they would be willing to pay a higher price – a premium of 11%, on an average-for products and services that produce lower greenhouse gas emissions.

Need for non-soluble Bio Compostable Plastics is gaining attention now. The threat of flooding has resulted in the realization that Bio-Compostable Films as preferred material to save the cities from flooding. The need for Bio-Compostable film and Bio-Degradable film to save the environment is now present universally and environmentally conscious people of planet earth are looking at various ways to improve the quality of life.

With new restrictions of maximum ceiling on exports of garments on China being imposed by EU and USA, along with anti dumping duties this business is bound to come to India and neighboring countries. India meanwhile has built huge capacities in composite garment manufacturing units, and the demand for our Embroidery film will show an uptrend in the future. Distribution channels for exports have been further widened by appointment of agents in Sri Lanka, Bangladesh, Thailand, Malaysia, Indonesia, Cambodia, Vietnam and Myanmar. These are the emerging garment business hubs along with traditional markets like Africa, Pakistan, and Turkey. Arrow's embroidery specific Water Soluble Films save time, money and environment.

Introduction of Schiffli embroidery film will replace the chemical lace fabrics (which are environmentally harmful) and will result in more demand for our WSF.

Threats include non-specified materials (like blown films) from China, compelling us to keep our prices low and resulting in inability to make higher margins.

A. Bio Compostable Products :

Increase in oil prices, has naturally resulted in acceptance of our Bio compostable materials are made from renewable resources like potatoes.

100% Compostable, 100 % Degradable & 100% Eco Friendly

Arrow has offered the environmentally responsible packaging solution to eradicate the toxic waste of plastics. Arrow products are high performance, completely degradable with unparallelled performance characteristics. Conventional plastic has brought convenience to human life for decades; however, that convenience has come at grave cost to our environment, pollution and toxic emissions, and a depletion of our natural resources. Our products are manufactured from potato starch. If our products are placed in an open or turned landfill they will decompose at the rate similar to the other biodegradable materials in the same manner. The sewages and pipelines which were clogged due to Petro Plastic films will get composted and breakdown due to action of the organisms present in the sewarages.

Overview of the products :

- Certified Compostable material.
- Once discarded in the soil or compost, it will decompose 100% in few months.
- □ Arrow films have no adverse effect on human health or plant life.
- □ It has resistance to high and low temperatures and superior strength.
- L It is certified by the international Standards such as EN 13432, DIN V 54900. ASTM D 6400- 99.
- Can be coloured with master batches.
- D Printable: Graphic imprint to present your design and message.
- Arrow Bio Compostable Products for General Applications
- □ Short life bio degradable products for single use disposable fast food packaging.
- □ Thermoformed products are also made like trays, bowls etc.
- Agriculture Products
- Packaging
- Shopping bags

B. Oxy Fresh

Approximately 25 - 35% of the fruit and vegetable production in India goes to waste due to poor post harvest systems.

OXY Fresh Film has been incorporated with Nano-particles that create micro cracks which allow the exchange of gases. These micro cracks respond to the environment within the pack. For instance if the temperature rises slightly the respiration rate of the product goes up and so more gas and vapor are produced. This produces a slight pressure differential causing the film to expand and the cracks to increase in size and hence increasing permeability. The internal pressure will reduce, and again form equilibrium.

The basic concept of OxyFresh Films extended freshness packaging, uses the ability of fresh produce to adjust its respiration rate via its biofeedback mechanism. In sense the produce does the work so as to ramp its metabolism down from high rate at packing to much lower, steady rate in storage and distribution.

Arrow OxyFresh Films provides higher gas permeability so as to allow greater inflow of oxygen and greater outflow of carbon dioxide from the packaging surrounding the produce, thereby allowing the produce enough flexibility to modify its surrounding air so as to survive in a state of reduced metabolic activity i.e. suspended animation.

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The standard Arrow OxyFresh Films covers most produce over their normal packing, storage and distribution temperature ranges with the one formulation. Problems generally only occur when storage protocols are violated, as would happen with any other life extension packaging, particularly with increased storage which greatly increases the produce's mechanism.

It maintains firmness, acidity and sugar content of the fruit. It also maintains original colour of fruits and vegetables reduces the loss of chlorophyll, decreases the respiration rate of fruit and vegetables, there by reducing weight loss and shriveling of the skin.

C. Mouth Melting Strip

Arrow's fast dissolving and absorbable film delivery mechanism not only facilitates the development of innovative new products, but also represents a significant opportunity for our commercial partners to extend their existing brand products using our film technology.

D. RFID and Smart Card Products, Services And Technologies

Nagra Arrow collaboration in production and marketing of Smart Cards for various enduses, including National ID cards, Logistics, Bank Credit Cards will be products for future revenues for our company.

NagraID Arrow Secure Cards Pvt. Ltd, (NASC) is a joint venture between Arrow Coated Products Ltd, India and Nagra ID, Switzerland. NASC is based in Mumbai and focuses on RFID and smart card products, services and technologies.

NASC is presently involved in marketing sophisticated security smart cards for several applications, including Government sector applications and Banking.

NASC is an active member of the Smart Card Forum of India (SCAFI).

Business Strategies:

The primary business strategy of the company is focused on enabling its customer organizations to leverage smart cards and RFID technology for significant business and operational advantage and thereby become more profitable. The principal elements of this strategy are –

Growing the business organically and through select strategic partnerships:

The aim of the company is to be among the top 3 players in the smart card industry in India. In addition to organic growth, the company will evaluate potential strategic partnerships with leading government agencies or overseas manufacturers and distributors of similar products that offer the opportunity to grow business or expand its capabilities.

Market focused Growth Strategy to Drive Revenue and Margin Expansion

NASC's growth strategy seeks to leverage its solutions, technologies, and high end products to expand its share in the highpotential government sectors, and commercial sector markets. Applications of RFID and thus NASC's products cover increasing number of areas such as supply chain management, secure banking applications, food and animal tracking, fashion, pharma, retail and asset management.

The company plans to work with its customers to take their smart card / RFID projects from conception to completion, so as to improve flexibility, yield and profits.

Expanding into new growth products and markets.

The company will continue to expand its product range with new and innovative products in the area of RFID, such as smart loyalty cards, smart tickets, and secure financial cards.

Marketing and Promotional Activities:

The company has been actively participating in major RFID trade shows, expos and conferences to acquire new customers thereby expanding its customer base, and consolidating its position in the market.

Revenues from Patents and exploiting of our patented products have also a bright future for our company.

Expansion programme includes production of edible films, using our patented technology to enter new fields of Pharma sector and other personal hygiene sectors, is being planned. This is a mid term plan of our company and effects of fruition should be felt during the coming years.

E. Patents

Acquisition of Shares of Advance IP Technologies Limited (UK) by Arrow Group.

Arrow Coated Products (UK) Limited, a Wholly owned subsidiary of Arrow Coated Products Limited has acquired 51% Equity Share Capital of Advance IP Technologies Limited (UK) and this acquisition shall facilitate the marketing of various patents granted to the company. Revenues from these Patents and exploiting of our patented products have also a bright future for our company.

3. Future Outlook

A. WSF and Biodegradable SBU

The future is very bright for this product as new grades and products are being patented and formulated. As the world becomes conscious of it's responsibilities and vagaries of monsoons keeps reminding us about the need to be eco friendly, this division will continue to grow at very high rates.

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B. Oxy Fresh

India has the potential to be food basket of the world & Global retail giants like Walmart, Tesco are entering Indian market to take advantage of the same.

Oxy fresh films are designed to increase the profit margins of retailers, distributors and producer's by preventing wastage, retaining freshness, extending self life and enhancing product appearance.

C. Mouth Melting Strip

It has never been seen on Indian market & gives stiffer competition to competitors using sugar based candies in these segments.

D. Digital Technologies

- i. Digital technology in infrastructure projects: Though new to the business the concept is well known to Arrow. As airports and private retail sector will open up, the need for paid parking space will increase. Arrow has the right solution to this problem by enabling their skills in digital technology. Example: Remote Controlled V. H. F., RFID active labels etc.
- ii. Logistics: As supply chain management will get more and more sophisticated the RFID solution with software enabled by digital technologies will get importance. Arrow will gain as suppliers of Arrow RFID tags, cards and readers.
- iii. In the Digital field we intend to start production of secure ID cards and access control cards to cater to the anticipated demand. For this we will need to build a secure and dust free, class 10,000 factories. This will be part of our expansion programme. Exploring new markets like Vietnam, Malaysia, Bangladesh, Pakistan, UAE, Turkey, Thailand, Spain, Switzerland, Germany etc shall mean catering to the needs of embroidery and garment manufacturers.

E. Security SBU

This SBU will handle the National ID card project. This project has now been proclaimed as a priority project and pilot project is likely to be completed shortly.

F. Expansion Programme

We intend to expand into the above mentioned skills as majority stake holders in our subsidiary companies viz SP Arrow Bio-Plast Private Limited and NagraID Arrow Secure Cards Private Limited.

G. R&D & Patents

Research and Development is an ongoing process at our company. This year we are concentrating on manufacturing and marketing products based on our patented process (es). We have filed 19 patents, which includes 2 joint patents filed with our partners in UK and Israel.

We are also looking at increasing our revenues through our UK offices and partners by doing RND and compatibility tests of materials packaged in WSF, thus increasing revenues and avenues for our marketing department.

R& D is also being done on barrier coatings primarily on WSF as well as on other substrates. Incorporating our experience in security field to WSF will add to our product variants and will add to our revenue steams.

Arrow received grants for three of its Patents in the field Barrier Coated Films, Active embedded Water Soluble Film and Digital Printing.

4. Internal control system and their adequacy:

Our Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from misuse or disposition and that transaction are authorized, recorded and reported correctly.

Audit Committee continuously reviews the adequacy and efficacy of the internal controls. The internal control is designed to ensure that the financial and other records are reliable for preparing financial statements and other data, and for maintaining accountability of assets.

5. Material developments in human resources/industrial relations front, including number of people employed:

It is envisioned that human resources will play a very important part in the growth of the Company as all the products, patents and product application are Niche in themselves. Therefore the quest for building a dedicated team is on which will foster the growth of the Company at an exponential rate. The human resources required are not readily available for the basket of niche products of the Company and hence they need to be moulded overtime so that not only the individuals grow but it is profitable to the business. The Company is now in the process of positioning Business Managers who will grow individual product lines while growing themselves.

6. Cautionary statement

This analytical report contains forward-looking statements. Arrow may also make forward-looking statements in our periodic reports to the Bombay Stock Exchange as per prevalent rules and in its annual report to shareholders, in its proxy statements, in its offering circulars and prospectuses, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Arrow assumes no obligation to update the forward-looking statements in this release and elsewhere. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

Annexure A to the Directors' Report

Disclosure pursuant to the provisions of Clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as on 31st March, 2011 are given as follows:

a.	Options granted	300000		
b.	The pricing formula	At par i.e. Rs. 10/- per share		
c.	Options vested as on 31 st March 2011	145300		
d.	Options exercised during the year	Nil		
e.	The total number of shares arising as a result of exercise of option	Nil		
f.	Options lapsed during the year	28000		
g.	Variation of terms of options	Reduced options from 672750 to 300000, out of tha 94100 options lapsed		
h.	Money realized by exercise of options	Nil		
i.	Total number of options in force as at 31st March 2011	145300		
j.	Employee wise details of options granted to:			
	i) senior managerial personnel during the year	Nil		
	 any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year 	Nil		
	 iii) identified employees who were granted option, during any one year , equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant 	Nil		
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculate in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	Rs. (0.26)		
I.	i) Where the company has calculated the employee Compensation Cost using intrinsic value of stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	The Company calculates the employee compensation cost using the intrinsic value of the stock options. However, no options were exercised during the year.		
	 Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options 	N.A.		
	iii) The impact of this difference on profits and on EPS of the Company	N.A.		
m.	Weighted average exercise price and Weighted average fair value of options whose exercise price either equals or exceeds or is less than the market price of the stock.	None of options have been exercised till date, hence weighted average exercise price and weighted average fair value of optioned have not been calculated.		
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information:	The Company has used Black Scholes Model for estimating the fair value of the options.		
	(i) Risk free interest rate	6%		
	(ii) Expected life of options	3 years		
	(iii) Expected volatility	Weighted Average of expected volatility : 30%		
	(iv) Expected dividends	Nil		
	(v) The price of the underlying share in market at the time of option grant	Rs. 36.60		

Information as required under General Circular No.2/2011 No. 51/12/2007-CL-III dated 8th February 2011 issued by the Ministry of Corporate Affairs (MCA) relating to Subsidiary Companies for the year ended 31st March, 2011 under Section 212 of the Companies Act, 1956.

			(Rs. In 00
Particulars	NagralD Arrow Secure Cards (P) Ltd.	Arrow Coated Products (UK) Ltd.	Advance IP Technologies Ltd.
Share Capital	1989.75	1602	80
Reserves	(2344.54)	(658)	(1270)
Total Assets	1243.15	4745	563
Total Liabilities	1597.94	3801	1753
Investments (except in subsidiary company)	Nil	Nil	Nil
Turnover	Nil	Nil	Nil
Profit/(Loss) before Taxation	(961.52)	(307)	(257)
Provision for Taxation	Nil	Nil	Nil
Profit /(Loss) after Taxation	(961.52)	(307)	(257)
Proposed Dividend	Nil	Nil	Nil

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate governance helps to serve corporate purposes by providing a framework within which stakeholders can pursue the objectives of the organization most effectively.

The Company's philosophy on Corporate Governance is aimed at strengthening the confidence of the shareholders in the Company and building a long term relationship of trust with them by maintaining transparency and periodical disclosures. The Company believes in maintaining high standards of quality and ethical conduct in its operations.

2. BOARD OF DIRECTORS

a) Composition

The Board of Directors provides strategic direction and thrust to the operations of the Company. As on 31st March 2011, the Board comprised of total 5 directors, which includes 1 Executive Director and 3 Independent Directors and 1 Non Independent Non Executive Director. Chairman of the Company is Executive Director. The Company complies with the revised norms for Independent Directors.

b) Board Procedure

The agenda is prepared in consultation with the Chairman of the Board of Directors and the Chairmen of other Committees. The agenda for the meetings of the Board and its committees, together with the appropriate supporting documents are circulated well in advance of the meeting.

Matters discussed at Board meetings generally relate to Company's business operations, quarterly results of the Company, review of the reports of the Audit Committee and compliance with their recommendation, suggestion, non compliance of any regulatory, statutory or listing requirements etc.

c) Attendance at Meetings

During the year ended 31st March 2011, the Board met 10 times, 25th April 2010, 29th May 2010, 29th June 2010, 2nd August 2010, 12th August 2010, 8th October 2010, 27th October 2010, 29th November 2010, 5th January 2011 and 21st January 2011. As stipulated, the gap between two board meetings did not exceed four calendar months.

Details of composition and category of Directors, their attendance at each Board meeting held during the financial year 2010-11 and at the last Annual General Meeting, their directorships in other companies and membership / chairmanship in committees are as follows:

Director	Category	No. of Board meetings		meetings		Attendance at last AGM held on 14 th September 2010	No. of director-ship held in other public companies	Committee Position in other companies	
		Held	Attended		•••••	Member	Chairman		
Mr. Shilpan Patel	Managing Director	10	10	Present	-	-	-		
Mr. Haresh Mehta	Non Executive	10	10	Present	-	-	-		
Mr. Vijay Dhar	Independent	10	6	Absent	2	1	-		
Mr. Faredun H. Taraporwala	Independent	10	5	Present	-	-	-		
Mr. Bruce Drew (upto 02.08.2010)	Independent	3	0	-	-	-	-		
Dr. Anil Saxena (w.e.f. 21.01.2011)	Independent	1	1	-	1	-	-		

None of the directors hold directorships in more than 15 public limited companies, membership in more than 10 committees and chairmanship in more than 5 committees.

3. BOARD COMMITTEES

a) Audit Committee

The Committee comprises of three independent directors and one non executive non independent director having financial background and knowledge in the areas of business of the Company. The Committee comprises of Mr. Faredun H. Taraporwala (Chairman of the Committee), Mr. Vijay Dhar, Mr. Haresh Mehta and Dr. Anil Saxena.

Ms. Sandhya Jadhav, Compliance Officer of the Company acts as secretary to the Committee.

During the year under review, 4 meetings of the Audit Committee were held on 29th May 2010, 2nd August 2010, 27th October 2010 and 21st January 2011.

The number of meetings attended by each member during the year ended 31st March 2011 is as under:

Name of the Director	Designation	No. of N	leetings
		Held	Attended
Mr. Faredun H. Taraporwala	Chairman	4	4
Mr. Vijay Dhar	Member	4	4
Mr. Haresh Mehta	Member	4	4
Dr. Anil Saxena (w.e.f. 21 st January 2011)	Member	-	-

The terms of reference of the Committee are wide. The members have access to all the required information from the Company. The brief descriptions of terms of reference are as follows:

- Reviewing the performance of the Company as reflected in the financial statements, as also compliance with accounting policies and practices, regulatory requirements concerning the said financial statements.
- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment/removal of statutory auditors, fixation of audit fees and also approval of payments for any other services.
- Review with management the quarterly/half yearly and annul financial statements with the primary focus on accounting policies and practices, compliances with accounting standards and with the stock exchange and legal requirements concerning the financial statements.
- Reviewing with management, Statutory and internal auditors about adequacy of the internal control systems in the Company.
- Discussing with internal and statutory auditors of any significant findings and follow-up thereon and reviewing the reports furnished by them.
- **Q** Reviewing the Company's financial and risk management policies.

b) Shareholders / Investors Grievance Committee

The composition of the committee and details of meetings held by members are as under:

Name of the Director	Designation	No. of Meetings		
		Held	Attended	
Mr. Haresh Mehta	Chairman	4	4	
Mr. Vijay Dhar	Member	4	4	
Mr. Faredun H. Taraporwala (upto 21st January 2011)	Member	4	4	
Dr. Anil Saxena (w.e.f. 21 st January 2011)	Member	-	-	

The Committee meets as and when required to deal with the matters relating to transfer/ transmission of shares and monitors redressal of complaints from shareholders relating to transfer, non receipt of balance sheet, dematerialization of shares, etc.

During the year, two complaints were received from the shareholder and the same was resolved. No complaint was pending at the beginning or end of the year.

Mrs. Sandhya Jadhav is Compliance Officer of the Company.

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Name of directors	Designation	Category
Mr. Faredun H. Taraporwala	Chairman	Independent
Mr. Vijay Dhar	Member	Independent
Mr. Bruce Drew(upto 2 nd August 2010)	Member	Independent
Dr. Anil Saxena (w.e.f. 21st January 2011)	Member	Independent

The details of remuneration paid to the directors during the year ended 31st March 2011 and their shareholding is as follows:

							(Amount in Rs.)
Name of the Directors granted	Salary & Perquisites		Commission	Sitting Fees	Total	No. of Shares held	No. of Stock option granted
Mr. Shilpan Patel	-	-	-	-	-	1373405	-
Mr. Haresh Mehta	-	-	-	-	-	19666	-
Mr. Vijay Dhar	-	-	-	-	-	40000	-
Mr. Faredun H. Taraporwala	-	-	-	-	-	-	-
Dr. Anil Saxena	-	-	-	-	-	1500	-

No remuneration is paid to non-executive directors.

4. GENERAL BODY MEETINGS

Details of location, date and time where last three Annual General Meetings were held are as follows:

Financial Year	Date	Time	Venue
2009 -2010	14.09.2010		Bageecha Restaurant,
2008 – 09	29.09.2009	10.00 a.m.	Bageecha Complex, Marve Road, Malad (West),
2007 – 08	30.09.2008		Mumbai – 400 095

Special Resolutions passed in last 3 Extra Ordinary / Annual General Meetings:

Date of A.G.M. / E.O.G.M.	Particulars of Special Resolution
14.09.2010	For appointment of Mr. Neil Petal, relative of Director of the Company, as Vice President – Marketing.
29.09.2009	 Issue of Shares and Detachable Warrants on Rights Basis. For alteration of Articles of Association for increase in authorized share capital of the Company from Rs. 10 Crore to Rs. 12 Crore.
30.09.2008	For reduction of share capital.

No Special Resolution was passed through postal ballot during the financial year 2010-11 and no Special Resolution is proposed to be passed through postal ballot at the ensuing Annual General Meeting.

5. DISCLOSURES

a) Related party transactions:

During the year under review, besides the transactions reported in Notes to Accounts to the Balance Sheet as at 31st March 2011, there were no other related party transactions with its promoters, directors and management that had a potential conflict of interest of the Company at large.

b) Code of Conduct:

The Board of Directors has adopted a Code of Conduct for the Board of Directors and Senior Management Personnel of the Company. All Board members have affirmed their compliance with the Code of Conduct. A declaration by the Managing Director of the Company affirming the compliance of the same in respect of the financial year ended on March 31, 2011 by the members of the Board, as applicable to them, is also annexed separately in this Annual Report.

c) Compliance by the Company

There is no non-compliance by the Company or any penalties, strictures imposed by the Stock Exchange, SEBI or any other statu-

tory authority on any matter related to capital markets, during the last three years/period. However, listing fees for the Delhi Stock Exchange Association Limited is outstanding. The Company has already filed the application for de-listing with the said Stock Exchange.

d) Disclosure of Accounting Treatment

In the preparation of the financial statements, the Company has followed the Accounting Standards except AS-24 regarding discontinuance of operations, issued by the Institute of Chartered Accountants of India to the extent possible.

e) Disclosures of Risk Management

The Board discussed the risk assessment procedure and the same has been laid before the Board from time to time.

f) CEO / CFO Certification

A certification in the terms of Clause 49(v) of the listing agreement from Mr. Shilpan P. Patel, Chairman & Managing Director of the Company, in respect of financial year ended 31st March 2011 was placed before the Board.

g) Review of Directors Responsibility Statement

The Board in its report has confirmed that the annual accounts for the year ended 31st March 2011 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

h) Whistler Blower Policy

The Company has not adopted any formal Whistler Blower Policy. However, the Company has not denied access to any personnel to approach the Audit Committee.

i) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause.

Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. The details of these compliances along with the non-mandatory requirements adopted by the Company have been given in the relevant sections of this report.

6. MEANS OF COMMUNICATION

- a) At present half yearly report on accounts is not being sent to each household of shareholders.
- b) The quarterly, half-yearly and full year results are published in Free Press Journal and Navshakti.
- c) At present, the Company does not make presentation to institutional investors and Analysts.
- d) The Company has its own website www.arrowcoated.com.
- e) The Management Discussion and Analysis is given separately in this Annual Report.

7. GENERAL INFORMATION FOR SHAREHOLDERS

a) Annual General Meeting

- Time : 10.30 A.M.
- Date : 29th September 2011

Venue : Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai – 400 095

b) Financial Calendar : (2011-2012)

		,			
	Result for the quarter ending	June 30 th	2011	_	by August 14 th 2011
	Result for the quarter ending	Septemb	er 2011	_	by November 14 th 2011
	Result for the quarter ending	Decembe	er 2011	_	by February 14 th 2012
	Audited Result for the year e	nding Mar	ch 31, 2012	_	by May 30 th 2012.
c)	Date of Book Closure	:	21st September 20	11	to 29 th September 2011 (both days inclusive)
d)	Dividend Payment Date	:	Not Applicable		
e)	Listing on Stock Exchanges	:	Bombay Stock Exc	cha	nge Ltd.

*The Delhi Stock Exchange Association Ltd. (*applied for delisting)

The Company has paid the necessary listing fees of the Bombay Stock Exchange Limited for the year 2011–2012.

- f) Stock Code : BSE : 516064
- g) ISIN for NSDL & CDSL : INE570D01018
- h) Market Price Data & comparison with BSE Sensex: The monthly high and low quotations of shares traded on the Bombay Stock

Month		Company's Shares price at BSE* (Rs.)		BSE Sensex*(points)	
	High	Low	High	Low	
April 2010	12.23	8.50	18047.86	17276.80	
May 2010	14.59	10.60	17536.86	15960.1	
June 2010	20.81	13.40	17919.62	16318.3	
July 2010	18.10	12.15	18237.56	17395.5	
August 2010	17.97	12.20	18475.27	17819.9	
September 2010	14.70	11.88	20267.98	18027.1	
October 2010	14.40	10.00	20854.55	19768.9	
November 2010	11.44	9.40	21108.64	18954.8	
December 2010	12.11	8.65	20552.03	19074.5	
January 2011	11.29	8.18	20664.80	18038.4	
February 2011	10.61	7.36	18690.97	17295.6	
March 2011	12.00	7.13	19575.16	17792.1	

* Source: www.bseindia.com

Share Transfer System: j)

All shares sent for transfer in physical form are registered by the Company's Registrar and Share Transfer Agents within a maximum period of 30 days of the lodgment, if documents, are found in order. Shares under objection are returned within two weeks. All requests for dematerialization of shares are promptly processed and confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CSDL) within 21 days.

k) Shareholding pattern as at 31st March 2011:

Sr. No	Category of Holders	No. of Shares held	% of Shares held
1.	Promoter and Promoter group	2705715	50.57
2.	Mutual Funds/UTI	20900	0.39
3.	Banks/Financial Institutions/ Insurance Companies (Central/		
	State Govt. Institutions/ Non Govt. Institutions)	0	0
4.	Venture Capital Funds	0	0
5.	FIIs	0	0
6.	Bodies Corporate	250895	4.69
7.	Individuals		
	< Rs. 1 Lac	1386527	25.92
	> Rs. 1 Lac	903145	16.88
8.	Clearing Member	0	0
9.	NRI/OCBs	83016	1.55
10.	Trust	0	0
11.	Foreign Corporate Bodies	0	0
	TOTAL	5350198	100.00

I) The Distribution of Shareholding as at 31.03.2011:

Slab of S	Shares Holding	ShareHolders	%	Amount Rs.	%
1	- 500	1351	69.070	3034870	5.672
501	- 1000	258	13.190	2264040	4.232
1001	- 2000	133	6.800	2106240	3.937
2001	- 3000	55	2.812	1418400	2.651
3001	- 4000	35	1.789	1230320	2.300
4001	- 5000	29	1.483	1333740	2.493
5001	- 10,000	50	2.556	3680180	6.879
1,0001	and above	45	2.301	38434190	71.837
	Total	1956	100.00	53501980	100.00

m) Dematerialization of shares and liquidity:

As on 31st March 2011 about 67.38 % of the Company's Equity Shares have been dematerialized. The equity shares of the Company are actively traded on the Bombay Stock Exchange Ltd., Mumbai.

n) Outstanding ADRS, GDRS, Warrants or any convertible instruments, conversion date and impact on Equity:

As on 31st March 2011, no warrants are outstanding for conversion into equity shares.

The Company has issued 300000 options under ESOP Scheme. As on 31st March 2011, 145300 options are outstanding.

o) Registrar and Share Transfer Agents:

System Support Services

209, Shivai Industrial Estate, Andheri (E). Near Parke Davis, Andheri Kurla Road, Sakinaka, Mumbai – 400 072 Tel No. : 022 - 2850 0835 Fax No. : 022 – 2850 1438

p) Plant location:

Plot No. 5310, GIDC, Ankleshwar - 393 002 (Gujarat)

q) Address for Investor Correspondence :

For any assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or any address, non-receipt of dividend or any other query relating to shares, please write to:

System Support Services

209, Shivai Industrial Estate, Near Parke Davis, Andheri Kurla Road, Sakinaka, Mumbai – 400 072 Tel No. : 022 - 2850 0835 Fax No. : 022 – 2850 1438 E-mail : sysss72@yahoo.com

For general correspondence:

Compliance Officer Mrs. Sandhya Jadhav Arrow Coated Products Ltd. 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053 Tel No. : 022 - 4074 9000 Fax No. : 022 - 4074 9099 E-mail: sandhya@arrowcoated.com

DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT

I, Shilpan P. Patel, Chairman & Managing Director of the Company confirm that all the Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct during the year ended on 31st March 2011.

For Arrow Coated Products Ltd.

Place : Mumbai Date : 8th August 2011 Shilpan P. Patel Chairman & Managing Director

CERTIFICATE OF COMPLIANCE FROM THE AUDITORS OF THE COMPANY

To the members of Arrow Coated Products Ltd.

We have examined the Compliance of the conditions of Corporate Governance by **Arrow Coated Products Ltd.** for the year ended 31st March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said company with the Bombay Stock Exchange Ltd.

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

In our opinion and to the best of our information and explanations given to us and the representations made by management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing agreement.

We state that in respect of Investor Grievances received, generally no investor grievances are pending for a period exceeding one month against the company as per records maintained by the Investors Grievance committee.

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 M/s. J. A. Rajani & Co. Chartered Accountants

P. J. Rajani Proprietor Membership No. : 116740

Place : Mumbai Date : 8th August 2011

AUDITORS' REPORT

TO THE MEMBERS OF ARROW COATED PRODUCTS LIMITED.

- 1. We have audited the attached Balance Sheet of **ARROW COATED PRODUCTS LIMITED** as at 31st March 2011 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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.
- 2. We have 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 misstatement. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in term of Section 227(4A) of the Companies Act, 1956(The Act) and on the basis of such examination of the books and records of the Company as we consider proper and the information and explanation given to us during the course of our audit, we annex a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4. Further to our comments in the annexure referred to above, we state that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of the books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the Accounting standard except Accounting Standard 24 Discontinuing Operations (refer note no 17) referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representation received from directors of the company as at March 31,2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as director of the company in terms of clause (g) of sub-section (1) of section 274 of companies Act, 1956;
 - f) The company has not made provisions for overdue debts aggregating to Rs. 449.05 lacs and advances aggregating to Rs 84 lacs. Had this observation made by us been considered Loss after Tax would have been Rs. 546.99 Lacs (as against the reported figure of Loss of Rs.13.88 lacs); reserves and surplus would have been Rs. (57.62) lacs (as against the reported figure of Rs. 475.50 lacs):sundry debtors would have been Rs.63.79 lacs (as against the reported figure of Rs.512.81 lacs): loans and advances would have been Rs.741.55 lacs (as against reported figure of Rs.825.65 lacs),
 - g) In our opinion, and to the best of our information and according to the explanation given to us the said accounts subject to para d and f above and read together with the Significant Accounting Policies and Notes on Accounts Schedule 21 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted principle in India:
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;
 - ii) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **J.A. Rajani & Co.** Chartered Accountants

Place: Mumbai Date :19th May 2011. P.J.Rajani Proprietor Mem. No. 116740 Firm Reg. No.108331W

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

i) In respect of it's Fixed Assets :

The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

Some of the Fixed Assets were physically verified during the period by the management in accordance with a program of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. The reconciliation work with the available records is in progress and necessary entries will be passed in the accounts to give to material discrepancies if any, observed on such reconciliation.

In our opinion and according to the information and explanations given to us, the company has not made any substantial disposal of Fixed Assets during the period.

ii) In respect of it's Inventories :

As explained to us, inventories were been physically verified during the period by the management at reasonable intervals

In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to size of the company and the nature of its business.

In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.

iii) According to the information and explanation given to us:

The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in register maintained u/s 301 of the Companies Act 1956.

During the period company has taken loan from six parties aggregating to Rs 8232/- (in '000) and the balance of loan taken from such six parties was Rs.58301/- (in '000).

In our opinion, the rate of interest and other terms and condition on which loan has been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.

The company has taken loans from parties covered under section 301 of the Companies Act, 1956 that are interest free and no due date for repayment are stipulated. Hence, commenting on regularity of repayment of principal / interest does not arise.

- iv) In our opinion and according to the information and explanation given to us, the company has internal control system commensurate with the size of the company and the nature of its business with regards to purchase of inventories, fixed assets and with regards to the sale of the goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal controls system.
- v) To the best of our knowledge and belief and according to the information and explanation given to us particulars of contracts or arrangements referred to in section 301 that need to be entered in the register have been so entered.

In our opinion and according to the information and explanation given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

- vi) In our opinion and according to the information and explanation given to us, the company has not accepted any deposits from the public as such within the meaning of Section 58A and 58AA or any other relevant provision of the Act and Rules framed there under. We have been informed that no order has been passed by the Company Law Board or National Company Law Board Tribunal or Reserve Bank of India or any other Tribunal in India.
- vii) In our opinion, there is a scope of strengthening the internal audit system, commensurate with the size and nature of its business.
- viii) To the best of our knowledge and explanation given to us the maintenance of Cost records under section 209(1) d of the Companies Act 1956 has not been prescribed by Central Government for any of the products of the Company for the period under review.
- ix) According to the record of the company, the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other statutory dues applicable to it with appropriate authorities *though there has been delay in few cases*.

According to the information and explanations given to us, except for the cases stated below, there are no undisputed amount payable in respect of income tax, wealth tax, custom duty, excise duty and cess which were outstanding, at the end for the period of more than six months from the date they became payable:-

Nature of the Dues	Amount (Rs in '000)
Local Sales Tax	231.58
Income Tax	138.48
Provident Fund	22.80
Service Tax	109.64

According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute except for :-

Nature of the Dues	Amount	Period	Authority Before which in Appeal	
	(Rs in '000)			
Local Sales Tax	2888.79	F.Y.2003-04	Assistant Commissioner of Sales Tax, Mumbai	
Central Sales Tax	491.87	F.Y.2003-04	Assistant Commissioner of Sales Tax, Mumbai	
Local Sales Tax	3727.77	F.Y.2004-05	Assistant Commissioner of Sales Tax, Mumbai	
Central Sales Tax	3720.70	F.Y.2004-05	Assistant Commissioner of Sales Tax, Mumbai	
Income Tax	533.43	A.Y.2006-07	Income Tax Appellate Tribunal, Mumbai	

- Accumulated losses of the company are less then fifty per cent of the company's net worth. Company incurred cash loss of Rs. 52247.60('000) during the period covered by our audit. In the immediately preceding financial year, the company had made cash loss of Rs. 52335('000).
- xi) According to the information and explanations given to us, the company has defaulted in repayment of principal amount due to Indusind Bank Ltd. amounting to Rs 22500('000) and interest of Rs 632('000). There is a default in repayment of three principal instalment of Rs. 7500('000) each due on the 1st November 2010,1st December 2010 and 1st January 2011 and interest for two months Rs 6.32 ('000). The total overdue amount as at year end is Rs. 23132('000).
- xii) According to the information and explanation given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) Clause (xiii) of the order is not applicable to the Company, as the Company is not chit fund Company or Nidhi / Mutual benefit fund / Society.
- xiv) In our opinion the company is not dealing in or trading in shares, securities, debentures and other investment, accordingly clause (xiv) of the order is not applicable.
- xv) According to information and explanation given to us the company has not given guarantees for loan taken by others from banks or financial institutions.
- xvi) The company has not taken any term loan during the year.
- 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 no funds raised on short-term basis have been used for long-term investment.
- xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act 1956.
- xix) According to information and explanation given to us Debentures have not been issued by the company during the year.
- xx) During the year the company has not raised money by public issue.
- xxi) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **J.A. Rajani & Co.** Chartered Accountants

> P.J.Rajani Proprietor

Proprietor Mem. No. 116740 Firm Reg. No.108331W

Place: Mumbai Date :19th May 2011.

Annual Report 2010-2011

	0		10.17
	Sch.	AS AT 31.03.2011	AS AT 31.03.2010
		(Rs. in '000)	(Rs. in '000)
OURCES OF FUND			
Shareholders' Fund			
Share Capital	1	53502	52896
Share Application Money		4269	4269
Employee Stock Option Outstanding		3865	6222
Reserves & Surplus	2	47550	47143
	-	109186	110530
oan Funds			
Secured Loans	3	23132	22888
Jnsecured Loans	4	62177	54449
		85309	77337
Deffered Tax Liability		336	251
TOTAL		194831	188118
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	58959	54667
Less Depreciation		41886	39909
Vet Block		17073	14758
Patents Applications		12563	11891
Capital Work in Progress		-	822
nvestment : (At Cost)	6	2876	2676
Current Assets, Loans & Advances			
nventories	7	43215	38975
Sundry Debtors	8	51281	72239
Cash & Bank Balances	o 9	51201	1842
oans & Advances	9 10	82565	68872
	10	182217	181928
ess: Current Liabilities & Provisions	11	20682	24465
less. Current Liabilities & Provisions	11		24403
Net Current Assets		161535	157463
Deffered Revenue Expenses		784	508
TOTAL		194831	188118
Notes to Accounts & Significant Accounting Policies	21		
As Per our report of even date.			
For J. A. Rajani & Co.		For and on behalf o	f the Board of Direct
Chartered Accountants			
P. J. Rajani Place:Mumbai		Shilpan P. Patel Managing Director	Anil Saxena Director

Place:Mumbai Proprietor Date :19th May 2011 Managing Director

Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2011

	Sch.	Year Ended 31.03.2011 (Rs. in '000)	Year Ended 31.03.2010 (Rs. in '000)
INCOME			
Sales & Service	12	33433	20120
nterest Received	13	1194	250
Other Income	14	658	1395
Total		35284	21764
EXPENDITURE			
Aaterial Cost & Inventory Adjustments	15	9540	8739
Salary & Other Employee Expenses	16	4872	3825
Manufacturing Expenses	17	8181	5873
Selling Expenses	18	479	679
Financial Expenses	19	3437	3287
Other Administrative Expenses	20	7367	4855
Tota	I	33875	27257
Profit Before Depreciation		1409	(5491)
Less : Depreciation & Amortisation		2452	2538
Profit Before Prior Period Items		(1043)	(8029)
less : Prior Period Expenses			31
Profit Befoe Exceptional Items		(1043)	(8060)
ess : Exceptional Items		260	
Profit before Tax		(1303)	(8060)
Current tax Deferred Tax		- 85	696
Profit After Tax		(1388)	(8756)
Balance Brought Forward		15407	24163
ax Adjustment		(183)	
Balance carried to Balance sheet		14202	15407
Earning Per Share (Basic) Rs.		(0.26)	(1.65)
Earning Per Share (Diluted) Rs.		(0.26)	(1.65)
Notes to Accounts & Significant Accounting Policies	21		

As Per our report of even date.

For J. A. Rajani & Co.

Chartered Accountants

P. J. Rajani Place:Mumbai Proprietor Date :19th May 2011 For and on behalf of the Board of Directors

Shilpan P. Patel Managing Director Anil Saxena Director

Annual Report 2010-2011

	31.03.2011	(Rs. in '000) 31.03.2010
Cash Flow from Operating Activities		
Net Profit before Tax & Prior Period Items	(1303)	(8029)
Adjustment for	0450	0500
Depreciation Pofit / Loss on sale of Fixed Asset	2452	2538 181
ESOP Amortisation	(17) (745)	73
Other Income	(640)	(1394
Interest Income	(1194)	(1394
Dividend Income	(1134)	(230)
Interest Expenses	3437	3287
Bad debts	0	88
Extra Ordinary Items	260	(31)
Operating Profit before Working Capital Changes	2249	(3538)
Adjustment for		(,
Trade & Other Receivables	20958	35868
Inventories	(4240)	808
Loans & Advances	(13693)	(28915
Trade Payables	(3219)	(4253)
Cash Generated from operations	2055	(30)
Interest Paid	0	(
Net Cash used in Operation	2055	(30)
Cash Flow from Investing Activities		
Purchase of Fixed Assets/Patent Application	(4692)	(2655)
Sale of Fixed Assets	90	2
Investment	(200)	(
Interest & Dividend Income	1195	251
Net Cash from Investing Activities	(3607)	(2402)
Cash Flow from Financing Activities		
Loans	7972	1960
Increase in Share Capital & Premium	606	(204
Interest Paid & Finance cost	(3437)	(3287
Dividend Paid	0	(1)
Rights Issue Expenses Net Cash from Financing Activities	(276) 4866	(508)
Net Cash from Financing Activities	4000	(2040)
Net Increase in Cash & Cash Equivalents	3314	(4472)
Opening Balance of Cash & Cash Equivalents	1843	6315
Closing Balance of Cash & Cash Equivalents	5157	1843

D 24ST MADOLL 2044

As Per our report of even date.

For J. A. Rajani & Co.

Chartered Accountants

P. J. Rajani Place:Mumbai Proprietor Date :19th May 2011 For and on behalf of the Board of Directors

Shilpan P. Patel Managing Director Anil Saxena Director

SCHEDULES TO THE BALANCE SHEET

		AS AT 31.03.2011 (Rs. in '000)	AS AT 31.03.2010 (Rs. in '000)
SCHEDULE '1'			
SHARE CAPITAL			
Authorised Capital :			
1,20,00,000(P.Y. 1,20,00,000) Equity Shares of Rs.10/- each		120000	120000
ssued, Subscribed & Paidup Capital			
53,50,198(P. Y. 52,89,598 Equity Shares) of Rs. 10/- each Refer Note No. 23)		53502	52896
		53502	52896
SCHEDULE '2'			
RESERVES & SURPLUS			
General Reserve		200	200
Profit & Loss account		14202	15407
Capital Reserve		3949	3949
Share Premium			
Balance at the beginning of the years	27587		28247
Less : Share Premium on Capital Reduction			(660)
Add : Share Premium on ESOPs	1612		-
Refer Note No. 22 & 23)		29199	27587
		47550	47143
SCHEDULE '3'			
SECURED LOANS :			
Ferm Ioan From Indusind Bank, Mumbai Main Branch		23132	-
Refer to Note no 4.			
Cash Credit Indusind Bank		-	22888
Refer to Note no 4.			
		23132	22888
SCHEDULE '4'			
JNSECURED LOANS:			
From Directors		15200	14650
From Others		46977	39799
			F 4.440
		62177	54449

SCHEDULES TO THE BALANCE SHEET

SCHEDULE ' 5' FIXED ASSETS

										(Rs. in '000)
Particulars		Gross Block	ock			Depreciation/Amortisation	Amortisatior	_	Net	Net Block
Particulars	As At 01.04.2010	Addtions	Sale/ /Transfer	As At 31.03.2011	As At 01.04.2010	For the period	Deduction	As At 31.03.2011	As At 31.03.2011	As At 31.03.2010
Factory Land	194	-		194		0	I	1	194	194
Factory Building	3691		ı	3691	2207	148	1	2355	1336	1484
Office Building	134		I	134	71	3	I	74	60	63
Plant & Machinery	31617	715	I	32332	22357	1340	1	23697	8635	9260
Furniture & Fixture	3664	(0)	ı	3664	3047	112	1	3159	505	618
Office Equipment	7272	276	I	7548	5974	338	I	6312	1237	1298
Lab. Equipment	580		ı	580	359	31	ı	390	190	221
Electric Installation	1225		-	1225	854	55	ı	606	316	371
Motor Car	5776	0	549	5227	5029	188	476	4741	486	747
Patent	513	3850		- 4363	12	237		249	4114	501
TOTAL	54667	4841	550	58959	39910	2452	476	41886	17073	14758
Previous Year	54942	657	933	54667	37954	2538	583	39909	14758	

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	AS AT 31.03.2011 (Rs. in '000)	AS AT 31.03.2010 (Rs. in '000)
SCHEDULE '6'		
NVESTMENT AT COST (Non Trade)		
Inquoted Govt. Securities		
lational Saving Certificates	5	5
equity Share (Fully Paid)		
Shamrao Vithal Co op Bank	9	g
00 Equity Shares of Rs. 25/- each		
00 Equity Shares of Rs. 10/- each		
quity Share (Fully Paid)	1602	1602
rrow Coated Products (UK) Ltd 20099 Equity Shares of £1.00 each		
lagraID Arrow Secure Cards (P) Ltd 101377 share of Rs 10 each	1014	1014
Share Application money in NagraID Arrow Secure Cards (P) Ltd	200	-
P Arrow Bio-Plast (P) LTd 4600 Sh @ Rs10 Each	46	46
	2876	2676
SCHEDULE '7'		
NVENTORIES		
As taken, valued and certified by Management)		
Stock in Trade		
At cost or net realisable value which ever is lower)		
inished Goods	37198	35228
Raw Material	6016	3747
	43215	38975
CHEDULE '8' SUNDRY DEBTORS:		
Unsecured Considered Good)		
Debts Outstanding for More than Six months	46952	68990
i) Others debts	40952	3249
I) Others debts	51281	72239
CHEDULE '9'		
CASH & BANK BALANCES:		
Cash on Hand	910	344
Balances with Scheduled Banks:		
On Current Account	2349	83
Dn Fixed Deposit	1899	1415
Rs. 17.32 Lacs(Prv Yr Nil) for Bank Guarantee)		

SCHEDULES TO THE BALANCE SHEET AS AT 31st MARCH 2011

	AS AT 31.03.2011 (Rs. in '000)	AS AT 31.03.2010 (Rs. in '000)
CHEDULE '10'		
OANS & ADVANCES:		
Jnsecured considered good)		
Advances recoverable in cash or in kind or for value to be received.	75997	55375
eposits	1802 4609	1564 11788
dvance payment of Income Tax repaid Expenses	4609 84	67
iterest Accrued	73	78
	82565	68872
		00072
CHEDULE '11'		
URRENT LIABILITIES AND PROVISIONS		
urrent Liabilities		
undry Creditors for Goods	6517	5157
undry Creditors for Expenses & Others	5130	3327
utstanding Payable	3093	3219
dvance from Customers	2295	1552
nclaimed/Unpaid Dividend rovisions	425	425
rovision for Income Tax	3223	10785
	20682	24465

SCHEDULES TO THE BALANCE SHEET AS AT 31ST MARCH 2011

SCHEDULES TO THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011 Year Ended Year Ended 31.03.2011 31.03.2010 (Rs. in '000) (Rs. in '000) **SCHEDULE - 12 SALES & SERVICE** Sales 29239 21329 Less:Excise Duty 2397 1209 **Consultancy Fees** 6590 33433 20120 **SCHEDULE - 13 INTEREST RECEIVED** 1194 250 1194 250 Other Interest Received (TDS Rs 115.66 (P.Y. Rs 34.82)) **SCHEDULE - 14 OTHER INCOME** Excess Liabilities writen back 389 1394 Other Income 269 1 1395 658 **SCHEDULE - 15** MATERIAL COST AND INVENTORY ADJUSTMENT Cost of Raw Materials consumed 4669 Opening stock 3747 Add: Purchases 12137 7931 Less:Closing Stock 6016 3747 9867 8853 **Finished Goods Purchase** 1643 11510 8853 **Inventory Adjustment:** Stock at close 37198 35228 35114 Stock at commencement 35228 (1970) (114) Material Consumed 9540 8739 SCHEDULE - 16 **SALARY & OTHER EMPLOYEE EXPENSES** Staff Salaries & Bonus 4760 3361 Staff welfare expenses 560 182 Provident Fund, ESIC & Gratuity 296 210 ESOP compensation cost (745)73 4872 3826

	Year Ended 31.03.2011 (Rs. in '000)	Year Ended 31.03.2010 (Rs. in '000)
SCHEDULE - 17		
MANUFACTURING EXPENSES		
actory Expenses	1110	1013
Vorkman Wages	2018	979
Electricity, Fuel & Water Charges	4567	3544
Repair & Maintenance	278	235
reight Inward	207	101
	8181	5872
CHEDULE - 18		
SELLING EXPENSES		
īransport Charges	32	6
Packing Charges	376	346
Commission on Sales		25
Aarketing & Advertisement Expenses	71	214
ad Debts	<u> </u>	88
	479	679
SCHEDULE - 19		
INANCIAL EXPENSES		
Bank Charges	226	57
nterest Charges	3210	3230
	3437	3287
CHEDULE - 20		
THER ADMINISTRATIVE EXPENSES		
Electricity Charges	143	223
egal & Professional Charges	2323	1433
atent Charges	310	152
udit Fees (Including Tax Audit)	237	237
epairs to others	259	130
nsurance Charges	97	134
ostage & Telephone	925	732
rinting & Stationery conveyance & Travelling Exp.	253 1678	163 1579
orreign Exchange Gain / (Loss)	256	(177)
liscellaneous Expenses	885	249
	7367	4855

SCHEDULE : 21

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH-2011.

A) SIGNIFICANT ACCOUNTING POLICIES:

I. Basis Of Accounting:

The financial statement have been prepared on the basis of going concern, under historic cost convention, to comply in all material aspect with applicable accounting principles in India, the Accounting standards issued by the ICAI (except as other wise stated) and the relevant provision of Companies Act, 1956.

The preparation of financial statements in conformity with accounting standards requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

II. Fixed Assets, Depreciation And Impairment Loss:

Fixed Assets are stated at cost net of accumulated depreciation. Cost includes expenses related to acquisition and financing cost on borrowing during construction period. Assets acquired on Hire purchase are capitalised to the extent of Principal Value.

Depreciation on Fixed Assets has been provided on written down value basis and manner provided in Schedule XIV to The Companies Act 1956. Additions during the Year are depreciated on pro-rata basis. Leasehold land is shown at cost and no write offs are made in respect thereof.

Costs relating to Patents are written off over the remaining useful life from the day of Grant.

In case, the recoverable amount of fixed assets is lower than its carrying amount, a provision is made for the impairment loss.

III. Investments:

Long-term investments other than trade are stated at cost of acquisition less provision for diminution in value other than temporary, if any. Holding of investment in subsidiaries and Associated Companies are of strategic importance to the company and therefore the company does not consider it necessary to provide decrease in the book value of such investment, till such relationship continues with the investee company

IV. Prior Period Adjustments:

All items of Income/Expenditure pertaining to prior period (except those not exceeding Rupees One Thousand in each case which is accounted through respective revenue accounts) are accounted through Prior Period Adjustment account.

V. Inventories:

Raw Materials are valued at cost. Finished Goods are valued at lower of cost or net realizable value.

VI. Revenue Recognition:

Sales: Sales excludes Sales Tax and other charges such as freight, insurance and other Incidental charges.

Dividend: Dividend from investments in the shares is accounted for on the basis of the date of declaration of dividend falling within the accounting year.

VII. Deferred Revenue Expenditure:

Preliminary Expenses and Shares Issue Expenses are amortised over a period of 10 years.

VIII. Retirement Benefits:

The company makes monthly contribution as per the applicable statute for Provident Fund and charges off the same to the Profit and Loss account.

Provision for leave entitlement is accrued and provided for at the end of the financial year.

The Company has created an Employees' Group Gratuity Fund, which has taken a Group Gratuity cum Life Insurance Policy from the Life Insurance Corporation of India. Gratuity is provided on the basis of premium paid on the above policy as intimated by Life Insurance Corporation of India. The adequacy of the fund along with the provision is as per the actuarial valuation.

IX. Borrowing Cost:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which this are incurred.

X. Foreign Currency Transactions:

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. At the yearend monetary items denominated in foreign currencies are converted into rupee equivalent at the year-end exchange rates. All exchange

differences arising on settlement and conversion on foreign currency transaction are dealt with in profit and loss account; Investments in shares of foreign subsidiary companies are expressed in Indian currency at the rates of exchange prevailing at the time when the original investments were made.

XI. Accounting for Taxes on Income:

The provision for current income tax and fringe benefit tax has been made in accordance with the Income Tax Law prevailing for the relevant assessment year after considering various admissible relief's.

Deferred tax for the year is recognised, on timing differences being the difference between the taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax asset and liabilities are measured using the tax rates and tax rules that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset are recognized and carried forward only if there is reasonable / virtual certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation.

XII. Expenditure During Construction And On New Projects:

In case of new Industrial units and substantial expansion of existing units, all pre- operating expenditure specifically for the project, incurred up to the date of installation, is capitalised and added pro rata to the cost of fixed assets.

XIII. Provisions, Contingent Liabilities and Contingent Assets:

A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent Liabilities, if material, are disclosed by way of notes to accounts. Contingent Assets are not recognised or disclosed in the financial statements.

NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011. B)

- Estimated amount of contracts remaining to be executed on Capital Accounts for Rs. NIL (Previous Year Rs. 10.00 Lacs). 1)
- 2) Balances of Sundry Debtors, Sundry Creditors, Deposits, Loans and Advances are subjected to reconciliation and confirmation, necessary adjustment if required, will be made after reconciliation. The management does not expect any material difference affecting the current year's financial statements.
- 3) Contingent liabilities not provided for are:

Sales Tax amounting to Rs. 108.29 lacs (Prev.yr. Rs 35.75 Lacs) Income Tax Rs. 9.83 lacs (Prev.yr. Rs.9.83 Lacs) Buy back of Machine Rs. 189.28 Lacs (Prev.yr. Rs 296.06 Lacs)

- During previous year Cash Credit from Indusind Bank of Rs. 228.88 Lacs was secured by hypothecation of inventory, book Debts and 4) other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleshwar and other Fixed Asset of Company at various location and office premises in Mumbai of Arrow Convertors Pvt Ltd and during current year it was converted into term loan of Rs. 231.32 Lacs with additional corporate guarantee of M/s Arrow Convertors Pvt Ltd and also personal guarantee of Mr. Shilpan Patel.
- During the year Board of Directors have decided to surrender the proposed Unit at Sachin, Surat (SEZ unit) for which company had 5) received a sum of Rs 4.84 lacs against the deposit towards land & Building (capital work in progress) and a sum of Rs 2.60 lacs which was incurred for factory building & maintainance was not recoverable.
- 6) In the opinion of the Board and to the best of their knowledge and belief all the Current Assets, Loans and Advances have value on realisation at least of an amount at which they are stated in Balance Sheet.
- The Company does not possess information as to which of its suppliers are covered under micro, small and medium Enterprise Develop-7) ment Act, 2006. However, the company is regular in making payment to its suppliers and has not received any claim in respect of interest for delayed payment.
- Advances recoverable in cash or in kind or value to be received (Schedule 10) include 8)
 - a) Due from subsidiary company Rs. 0.70 Lacs (prev. yr. Rs. Nil) to NagraID Arrow Secure Cards Pvt Ltd b)
 - Due from the associate company -Rs. 8.49 Lacs (prev. yr Rs.10.89 Lacs) to SP Arrow Bio-Plast Pvt. Ltd
- 9) Sundry Debtors include
 - Due from subsidiary company Rs. NIL Lacs (prev. yr. Rs. 2.07 Lacs) Arrow Coated Products (UK) Ltd a)
 - Due from the company where director/relative is interested Rs. NIL (prev. yr. Rs 0.03 Lacs) Arrow Digital Pvt. Ltd. b)
 - Due from the associate company Rs. (0.08) Lacs (prev yr Rs 0.15lacs) SP Arrow Bio-Plast Pvt Ltd c)
- 10) For the purpose of distribution of dividend, separate bank account for each year is opened. The balance in this bank account represents the unclaimed /unpaid dividend warrants of the respective years. Unpaid dividends are subject to reconciliation.
- As the company's business activity, in the opinion of the management, falls within single primary segment printing products and packag-11) ing material, which are subject to the same risks and returns, the disclosure requirement of Accounting Standard (AS)-17 "Segment Reporting" issued by the Institute Of Chartered Accountant of India are, in the opinion of the management, not applicable.

12) Related Party Disclosure as required by Accounting Standard 18 of the Institute of Chartered Accountants of India. Related parties as defined under clause 3 of the Accounting standard have been identified on the basis of representation made by management.

A. List of related parties:

- Entities where control exists: Arrow Coated Products (UK) Ltd. (Subsidiary Company) NagraID Arrow Secure Cards Pvt. Ltd. (Subsidiary Company) SP Arrow Bio-Plast Pvt. Ltd. (Associate Company)
- II) Key Management Personnel: Mr. Shilpan P. Patel Chairman / Managing Director
- III) Relatives of Directors: Mr.Rishil S Patel Mrs. Jigisha S Patel Mr. Neil S Patel
- IV) Entities in which Directors or Their Relatives Have Control/ Significant Influence: Arrow Convertors Pvt. Ltd. Grace Paper Industries Private Limited. Jayna Packaging Private Limited. Arrow Digital Private Limited. Arrow Agri -Tech Private Limited Avery Bio -Tech Private Limited
- B. Transaction with Related Parties & Outstanding Balance as on 31.03.2011

(Rs. in Lacs)

			(
TRANSACTION DURING THE YEAR	ENTITIES WHERE CONTROL EXIST	KEY MANAGERIAL PERSONNEL	ENTITIES WHERE SIGNIFICANT INFLUENCE
PURCHASE	0.23 (-)	- (-)	0.93 (1.06)
SALE	- (-)	- (-)	- (0.04)
SHARE APPLICATION MONEY PAID	2.00	- (-)	- (-)
ADVANCE / LOAN GIVEN	0.80 (0.75)	- (-)	14.37 (-)
ADVANCE / LOAN GIVEN REPAID	2.50 (2.50)	- (-)	0.02 (-)
ADVANCE / LOAN RECEIVED	- (-)	10.14 (0.54)	72.18 (82.47)
ADVANCE / LOAN RECEIVED REPAID	- (-)	4.64 (5.70)	0.40 (25.00)
BALANCE—RECEIVABLE	9.19 (13.11)	- (1.73)	14.35 (0.04)
BALANCE—PAYABLE	0.08 (-)	162.07 (156.57)	433.12 (361.80)

13) As required by Accounting Standard 20 on Earning per Share issued by the Institute of Chartered Accountant of India (ICAI), basic earning per share has been calculated by dividing net profit after tax by the weighted average number of equity shares outstanding during the year as per detail given below:

	31.03.2011	31.03.2010
Profit as per profit & loss Account(After tax & extraordinary items) (Rs. in Lacs)	(13.88)	(87.56)
Weighted average number of shares used incomputing earning per equity share For Basic EPS For Diluted EPS	5308208 5308208	5303973 5303973
Basic earning per share (Rs.) Diluted earning per share (Rs.) (on nominal value of Rs.10/- per share)	(0.26) (0.26)	(1.65) (1.65)

14) Accounting For Tax On Income:

Deferred tax Asset \ (Liability) at the year-end comprise timing difference on account of following:

		(Rs. in Lacs)
	31.03.2011	31.03.2010
Disallowance u/s 43B	1.20	0.69
Depreciation	(4.57)	(3.21)
Net Deferred Tax Assets/(Liability)	(3.36)	(2.52)

15) Some Assets of which the company is the beneficial owner are pending for transfer in the name of the company.

- 16) During the previous year the company has a full time company secretary since 16th September 2010 as per section 383A of the Companies Act, 1956.
- 17) The Company had decided in the year 2008-09 to discontinue the Trading activities in Digital Printing machines and digital signage cutting machines and the management is of the opinion that all the assets relatable to the machine division will realize at a value at which they appear in the books of accounts in aggregate.
- 18) As stipulated in Accounting Standard 28, the company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.
- 19) Auditors Remuneration:

			(Rs. in Lacs)
	31.03.20	11	31.03.2010
Audit Fees	1.	65	1.65
Tax Audit Fees	0.	72	0.72
Taxation Matters	0.	39	0.39
Certification & Other Matters	0.	33	0.71
Total	3.)9	3.47

20) The company based on its accounting policies followed, does not consider it necessary to provide for diminution in value of investment in subsidiary company.

- 21) A sum of Rs 36.94 lacs is being carried as share application money, received as subscription money for allotment of shares upon conversion of warrants, but inadvertently, shares not allotted pertaining to financial year 2008-2009.
- 22) The Honorable High Court of Bombay has sanctioned for reduction of share capital under sec 100 to 103 vide its order dtd. 18th January 2010 and for which company has received confirmation from registrar of companies Dated 19th day of June 2010 Pursuant to the said order, the Equity Share Capital of the Company as at 31st March 2009 of Rs. 5,30,60,980 divided into 53,06,098 equity shares of Rs 10 each reduced by Rs. 1,65,000 divided into 16,500 equity shares of Rs.10 each to Rs. 5,28,95,980 divided into 52,89,598 equity shares of Rs 10 each as at 31st March 2010 and the Share Premium of Rs.6,60,000/- for the previous year has been reduced on 16500 equity shares at the rate of Rs. 40 per equity share. Honorable High court has directed the Company to repay the amount of Share Capital along with Share Premium.
- 23) The Employee Stock Options outstanding as at 31st March 2011 were 1,45,300 (prev. yr. 2, 33,900).During the year 28000 options have lapsed and also during the year 60600 options have been exercise @ Rs.10 per Share as per the weighted-average exercise price is Rs.10/- & weighted average fair value of options is Rs. 2.67/-
- 24) The company has not furnished additional information except given here under

Pursuant to part II of schedule VI to the companies' act 1956.

		(Rs. in Lacs)
	31.03.2011	31.03.2010
Earning in Foreign Currency		
Export sales (FOB)	16.40	17.52
Consultancy Fees	65.90	-
Expenditure in Foreign Currency		
Foreign Currency Spent (Import CIF Value)	0.83	-
Travelling Expenses	2.92	5.43
Patent Fees	1.16	1.44

25) Disclosures of Loans /Advances to Subsidiaries, Associate Companies Etc.

(As required by clause 32 of the Listing agreement with Bombay Stock Exchange Ltd.)

(Rs. In Lacs)

			(
Name of Company / Firms	Relationship	Amount Outstanding	Max. Amount Outstanding
NagraID Arrow Secure Cards Pvt Ltd	Subsidiary	Rs. 0.69	Rs. 0.69
(Previous y	/ear)	Rs. Nil	Rs. Nil
SP Arrow Bio–Plast Pvt. Ltd	Associate	Rs.08.49	Rs.10.89
(Previous y	/ear)	Rs.10.89	Rs.13.39

26) Previous years figures have been regrouped, rearranged wherever necessary to Confirm to current year classification.

For J. A. Rajani & Co.

Chartered Accountants

P. J. Rajani Proprietor Place:Mumbai Date :19th May 2011 For and on behalf of the Board of Directors

Shilpan P. Patel Managing Director Anil Saxena Director

	llance Sheet Abstract a s per Schedule VI of the			iness Profile	
I	Registration Detail				
-		Registration No.		State Code	
		69281		11	
		Balance Sheet Date			
		31.03.2011			
П	Capital Raised during the year	ar (Amount Rs. in Thousand)		
		Public Issue		Right Issue	
		NIL		NIL	
		Bonus Issue		Private Placement	
		NIL		606	
ш	Position of Mobilization and	Development of Funds (Am	ount Rs. i	n Thousand)	
		Total Liabilities		Total Assets	
		194831		194831	
		Sources of Funds			
		Paid-up Capital		Reserves & Surplus	
		57771 Secured Loans		51751	
		23132		Unsecured Loans 62177	
		Application of Funds		02177	
		Net Fixed Assets		Investment	
		29636		2876	
		Net Current Assets		Misc. Expenditure	
		161535		NIL	
		Accumulated Losses			
		NIL			
IV	Performance of Company				
		Turnover		Total Expenditure	
		33433		33875	
		Profit before Tax		Profit After Tax	
		(1303)		(1388)	
		Earning Per Share		Dividend Rate	
		(0.26)		NIL	
v	Generic Names of Three Prin Item Code No. (ITC Code) Product Discription Item Code No. (ITC Code) Product Discription	cipal Product of Company (as per mo	onetary terms) 3919 Water Soluble Film Others 3212000 Stamping Foils	
Ch	r J. A. Rajani & Co. lartered Accountants			For and on behalf of the E Shilpan P. Patel	Anil Saxena
Pr Pla	J. Rajani oprietor ace:Mumbai ite :19 th May 2011		42	Managing Director	Director
			42		

Auditors Report To The Board Of Directors Of Arrow Coated Products Limited On The Consolidated Financial Statements of Arrow Coated Products Limited, its Subsidiaries and Associate (Arrow Group)

- 1. We have audited the attached consolidated Balance Sheet of Arrow Group as at 31st March, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the management of Arrow Coated Products Limited. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements. We believe that our audit provides a reasonable basis for our opinion.
- 3. We have relied on the unaudited financial statements of one subsidiary whose financial statements reflect total assets of Rs 47,30,772/- as at 31st March 2011 and total revenues of Rs nil and the Loss of Rs 2,13,234/- for the year ended. These unaudited financial statements as approved by the Board of Directors have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on such approved unaudited financial statements.
- 4. We have relied on the unaudited financial statements of step subsidiary whose financial statements reflect total assets of Rs5,62,403as at 31st March 2011 and total revenues of Rs nil and the Loss of Rs 2,56,584/-. These unaudited financial statements as approved by the Board of Directors have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries, is based solely on such approved unaudited financial statements.
- 5. We report that in case of financial statements of Arrow Coated Products Limited has not complied with Accounting Standard 24 Discontinuing Operations issued by the Institute of Chartered Accountants of India.
- 6. The Parent Company has not made provisions for overdue debts aggregating Rs. 449.02 Lacs and advances aggregating Rs. 84.10 Lacs. Had this observations made by us been considered, Consolidated Loss after tax would have been Rs. 560.18 Lacs [as against the reported Consolidated Loss of Rs. 27.06 Lacs]; Consolidated Reserves and Surplus would have been debit balance of Rs. 91.14 Lacs [as against the reported Consolidated Reserves and Surplus of credit balance Rs. 441.98 Lacs]; Consolidated Sundry debtors would have been Rs. 63.79 Lacs [as against the reported Consolidated Consolidated Sundry debtors of Rs. 512.81 Lacs] and Consolidated Loans and Advances would have been 757.03 lacs [as against reported Consolidated Loans and Advances of Rs 841.14 lacs].
- 7. We report that the Consolidated Financial Statements have been prepared by the Management of Arrow Coated Products Limited in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, and Accounting Standard (AS) 23, Accounting for Investment in Associates, as notified under the Companies (Accounting Standards),Rules 2006 and on the basis of the separate audited financial statements of Arrow Coated Products Limited ,its subsidiaries and associate included in the consolidated financial statements.
- 8. On the basis of the information and explanation given to us and on consideration of the other financial information of the components and accounts approved by the Board of Directors as explained in paragraph 3 & 4 above and audit report on the individual financial statements of the Arrow Coated Products Limited ,its subsidiaries and its associate, in our opinion, subject to paragraph 5 and 6 above the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:
 - i) In the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the Arrow Group as at 31st March,2011;
 - ii) In the case of the Consolidated Profit and Loss Account, of the Loss of Arrow Group for the year ended on that date; and
 - iii) In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Arrow Group for the year ended on that date.

For J.A. Rajani & Co.

Chartered Accountants

P.J.Rajani Proprietor Mem. No. 116740 Firm Reg. No.108331W

Place: Mumbai Date :19th May,2011

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CONSOLIDATED BALANCE SHEET **AS AT 31ST MARCH 2011**

	Sch.	AS AT	AS AT
		31.03.2011	31.03.2010
		(Rs. in '000)	(Rs. in '000)
SOURCES OF FUND			
Shareholders' Fund			
Share Capital	1	53502	52896
Share Application Money Employee Stock Option Outstanding		5408 3865	4269
Reserves & Surplus	2	44198	45117
	_		
Loan Funds		106972	108504
Secured Loans	3	23132	22888
Unsecured Loans	4	66576	58491
		89708	81379
Minority Interest		(762)	(165)
Deferred Tax Liability		336	251
TOTAL		196255	189969
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	59454	54984
Less Depreciation		41972	39985
Net Block		17481	14999
Patents Applications		12577	11906
Goodwill on consolidation		1146	1146
Capital Work in Progress		-	822
Investment : (At Cost)	6	(461)	168
Current Assets Loans & Advances			
Inventories	7	43689	39418
Sundry Debtors	8	51281	72033
	9	6551	5492
Cash & Bank Balances		84114	67969
Cash & Bank Balances Loans & Advances	10		
	10	185634	184912
	10 11	185634 21051	184912 24662
Loans & Advances			24662
Loans & Advances Less: Current Liabilities & Provisions		21051	

As Per our report of even date.

For J. A. Rajani & Co. Chartered Accountants For and on behalf of the Board of Directors

Shilpan P. Patel Managing Director

P. J. Rajani Proprietor Place:Mumbai Date :19th May 2011

Anil Saxena Director

CONSOLIDATED PROFIT & LOSS ACCOUNT THE YEAR ENDED 31ST MARCH 2011

	Sch.	Year Ended 31.03.2011 (Rs. in '000)	Year Ended 31.03.2010 (Rs. in '000)
INCOME			
Sales & Service	12	33432	20247
Interest Received	13	1213	311
Other Income	14	666	1395
Total		35312	21953
EXPENDITURE			
Material Cost & Inventory			
Adjustments	15	9551	8780
Salary & Other Employee			
Expenses	16	5392	4467
Manufacturing Expenses	17	8181	5872
Selling Expenses Managerial Remuneration	18	479	692
Financial Charges	19	- 3448	3299
Other Administrative Expenses	20	8343	5315
Preliminary exps w/off		24	24
Total		35418	28450
Profit Before Depreciation Less : Depreciation		(107) 2462	(6497) 2550
Profit Before Prior Period Items Less : Prior Period Expenses	5	(2569)	(9047) 47
Profit Before Exceptional Items		(2569)	(9094)
Less : Exceptional Items		260	
Profit before Tax		(2829)	(9094)
Current tax Deferred Tax		-	-
Profit After Tax		(2914)	<u> </u>
		× ,	· · · · ·
Add: Share of Loss in Associat	es	(389)	(153)
Less : Share of Minorities		(597)	(391)
		(2706)	(9552)
Balance Brought Forward		13178	22730
Tax & Dividend Adjustment		(183)	-
Amount Available For Appropri	ation	10654	13178
Balance carried to Balance sheet		10654	13178
Earning Per Share (Basic) Rs.		(0.51)	(1.80)
Earning Per Share (Diluted) Rs.		(0.51)	(1.80)
Notes to Accounts & Significant	_ .		
Accounting Policies	21		

As Per our report of even date.

For J. A. Rajani & Co. Chartered Accountants For and on behalf of the Board of Directors

Shilpan P. Patel

P. J. Rajani Proprietor Place:Mumbai Date :19th May 2011

Managing Director

Anil Saxena

Director

			(Rs. in '000)
		31.03.2011	31.03.2010
1	Cash Flow from Operating Activities		
	Net Profit before Tax & Prior Period Items	(2829)	(9047
	Adjustment for		
	Depreciation	2462	2550
	Pofit / Loss on sale of Fixed Asset	(17)	18 ⁻
	Bad Debts / Balance	-	95
	ESOP Amortisation & other	(721)	97
	Other Income	(648)	(1394
	Interest Income	(1213)	(311
	Dividend Income	(1)	(1
	Interest Expenses	3448	3299
	Exceptional item	260	(47
	Operating Profit before Working Capital Changes	742	(4577
	Adjustment for		
	Trade & Other Receivables	20752	36083
	Inventories	(4271)	849
	Loans & Advances	(16146)	(29249
	Trade Payables	(2947)	(6144
	Net Cash used in Operation	(1870)	(3038
3	Cash Flow from Investing Activities		
	Purchase of Fixed Assets/Patent	(4777)	(4000
	Investment	150	(415
	Interest Income	1213	311
	Net Cash from Investing Activities	(3414)	(4104
2	Cash Flow from Financing Activities		
	Loans	8329	6002
	Increase in Share Capital	1744	(204
	Currency Fluctuation Reserve	(7)	83
	Interest and Finance cost	(3448)	(3299
	Dividend Paid	0	(1
	Rights Isue Expenses	(276)	508
	Net Cash from Financing Activities	6342	3089
	Net Increase in Cash & Cash Equivalents	1058	(4052
	Opening Balance of Cash & Cash Equivalents	5492	9545
	Closing Balance of Cash & Cash Equivalents	6551	5492

For J. A. Rajani & Co.

Chartered Accountants

P. J. Rajani Place:Mumbai Proprietor Date :19th May 2011 For and on behalf of the Board of Directors

Shilpan P. Patel Managing Director Anil Saxena Director

Annual Report 2010-2011

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	AS AT	AS AT
	31.03.2011 (Rs. in '000)	31.03.2010 (Rs. in '000)
SCHEDULE '1'	(RS. III 000)	(13.111.000)
SHARE CAPITAL Authorised Capital : 12000000(P.Y. 12000000) Equity Shares of Rs.10/- each	120000	120000
Issued & Subscribed Capital		
5350198 (P. Y. 5289598 Equity Shares) of Rs. 10/- each	53502	52896
(Refer note no.20)		
Fully paid up	53502	52896
SCHEDULE '2'		
RESERVES & SURPLUS		
General Reserve	200	200
Profit & Loss account	10654	13178
Curency Fluctuation reserve on consolidation	196	203
Capital Reserve	3949	3949
Share Premium		
Balance at beginning of the year 27587		28247
Less: Share Premium on - Capital Reduction		(660)
Add: Share premium on ESOPs <u>1612</u>		
	29199	27587
	44198	45117

	AS AT	AS AT
	31.03.2011	31.03.2010
	(Rs. in '000)	(Rs. in '000)
SCHEDULE '3'		
SECURED LOANS:		
Term Loan Indusind Bank Mumbai Main Branch	23132	
Cash Credit Indusind Bank	20102	22888
Refer Note No 4		22000
	23132	22888
SCHEDULE '4'		
UNSECURED LOANS:		
From Directors	15853	15193
From Others	50723	43298
	66576	58491

SCHEDULE ' 5'

SCHEDULES TO THE BALANCE SHEET

FIXED ASSETS

										(Rs.in ' 000)
		Gross	Block			Depre	eciation		Net	Block
Particulars	As At 01.04.2010	Addtions	Sale/ Transfer	As At 31.03.2010	As At 1.04.2010	For the year	Deduction	As At 31.03.2011	As At 31.03.2011	As At 31.3.2010
Factory Land	194	-	-	194	-	-	-	-	194	194
Factory Building	3691	-	-	3691	2207	148.00	-	2355	1336	1484
Office Building	134	-	-	134	71	3.00	-	74	60	62
Plant & Machinery	31617	715	-	32332	22357	1340.00	-	23697	8635	9260
Furniture & Fixture	3664	-	-	3664	3047	112.00	-	3159	505	618
Office Equipment	7404	276	-	7680	6049	348.05	-	6397	1283	1355
Lab. Equipment	579	-	-	579	359	31.00	-	390	189	220
Electric Installation	1225	-	1	1225	854	55.00	-	909	316	371
Motor Car	5776	-	549	5227	5029	188.00	476	4741	486	747
Patent	699	4027	-	4726	12	237.00	-	249	4477	687
TOTAL	54984	5018	550	59454	39985	2462.05	476	41972	17482	15000
Previous Year	55073	844	933	54985	38017	2550.14	583	39985	15000	-

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As At 31.03.2011 (Rs. in '000)	As At 31.03.2010 (Rs. in '000)
CHEDULE '6'		
NVESTMENT At COST (Non Trade) Inquoted Govt. Securities lational Saving Certificates	5	5
quity Share (Fully Paid)		
hamrao Vithal Co op Bank		
00 Equity Shares of Rs. 25/- each	9	9
nvestment in Associate		
P Arrow Bio-Plast (P) Ltd 4600 Share @ Rs10 Each	46	46
arrying amount of investment		
dvance to Associate	849	1089
ccumulated Share of Profit/(Loss)	(1370)	(981)
	(461)	168
CHEDULE '7' NVENTORIES		
As taken, valued and certified by lanagement)		
tock in Trade		
At cost or net realisable value which ver is lower)		
inished Goods	37673	35671
aw Material	6016 43,689	3747 39418
CHEDULE '8' CUNDRY DEBTORS: Jnsecured Considered Good)) Debts Outstanding for More than ix months	46952	68784
i) Others debts	4328	3249
	51281	72033
CHEDULE '9' ASH & BANK BALANCES: cash on Hand	1015	442
alances with Scheduled Banks: In Current Account	2704	3251
In Fixed Deposit	2832	1799
Rs.17.32 Lacs (Prev Yr Rs. Nil) or Bank Gaurantee)		
CHEDULE '10' OANS & ADVANCES: Jnsecured considered good) dvances recoverable in cash or in ind or for value to be received.	<u>6551</u> 77480	<u>5492</u> 54422
eposits	1826	1587
dvance payment of Income Tax	4639	11814
repaid Expenses	84	67
nterest Accrued	84	78
	84114	67968

SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

	As At 31.03.2011 (Rs. in '000)	As At 31.03.2010 (Rs. in '000)
SCHEDULE '11'		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors for Goods	6517	5157
Sundry Creditors for Expenses & Others	5491	3523
Outstanding Payable	3100	3219
Advance from Customers	2295	1552
Unclaimed/Unpaid Dividend	425	425
Provisions		
Provision for Income Tax	3224	10786
	21051	24662

SCHEDULE TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON $31^{\rm st}$ MARCH 2011

	Year Ended 31.03.2011 (Rs. in '000)	Year Ended 31.03.2010 (Rs. in '000)
SCHEDULE - 12 SALES & SERVICE		
Sales	29239	21456
Less: Excise Duty Consultancy Fees	2397 6590	1209
-	33432	20247.00
SCHEDULE - 13 INTEREST RECEIVED Other Interest Received	1213	311
(TDS Rs 122.05 (P.Y. Rs 61.62))	1213	311
SCHEDULE - 14		
OTHER INCOME		
Miscellaneous Income	277	1
Balance Written Off	389	1394
	666	1395
SCHEDULE - 15		
MATERIAL COST AND INVENTORY ADJUSTMENT Cost of Raw Materials consumed		
Opening stock	3747	4669
Add: Purchases	12137	7931
Less:Closing Stock	6016	3747
	9868	8853
Finished Goods Purchase	1643	
Inventory Adjustment:	11511	8853
mentory Aujustinent.		
Stock at close	37672	35671
Stock at commencement	35712	35598
	(1960)	(73)
Material Consumed	9551	8780

SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011

	Year Ended	Year Ended
	31.03.2011	31.03.2010
	(Rs. in '000)	(Rs. in '000)
SCHEDULE - 16 SALARY & OTHER EMPLOYEE EXPENSES		
Staff Salaries & Bonus	5278	4001
Staff welfare expenses	563	183
Provident Fund, ESIC & Gratuity	296	210
ESOP compensation cost	(745)	73
	5392	4467
SCHEDULE - 17 MANUFACTURING EXPENSES		
Factory Expenses	1110	1013
Workman Wages	2018	979
Electricity, Fuel & Water Charges	4567	3544
Repair & Maintenance	278	235
Freight Inward	207	101
	8181	5872
SCHEDULE - 18 SELLING EXPENSES		
Transport & Forwarding Charges	32	6
Packing Charges	376	346
Commission on Sales	0	25
Marketing & Advertisement Expenses	71	220
Bad Debts		95
	479	692
SCHEDULE - 19 FINANCIAL EXPENSES		
Bank Charges	238	69
Interest Charges	3210	3230
	3448	3299
SCHEDULE - 20		
OTHER ADMINISTRATIVE EXPENSES	143	223
Rent,Rates & Taxes	145	154
Legal & Professional Charges	2538	1547
Patent Charges	501	261
Audit Fees (Including Tax Audit)	245	245
Repairs to others	259	130
Insurance Charges	97	134
Postage & Telephone	938	738
Printing & Stationery	276	172
Conveyance & Trevelling Exp.	1956	1638
Foreign Exchange Gain / (Loss)	270	(177)
Advertising	81	-
Miscellaneous Expenses	895	250
	8343	5315

SCHEDULE : 21

NOTES ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31^{ST} MARCH -2011.

Basis of Consolidation :

The consolidated financial statement relates to the Arrow Coated Products Ltd., the holding company, its subsidiary Arrow Coated Products (UK) Ltd incorporated in UK, Step Subsidiary Advance IP Technologies Limited (Subsidiary of Arrow Coated Products (UK) Ltd.) And NagraID Arrow Secure Cards Pvt. Ltd. and its Associate SP Arrow Bio-Plast Pvt. Ltd.

The consolidation of the financial statements of the company with its subsidiary has been prepared in accordance with the requirements of accounting standard (AS) 21"Consolidated Financial Statements".

The financial statement of the parent and its subsidiary are combined on a line-by-line basis and intra-group balances, intra-group transactions and unrealized profits or losses are fully eliminated in accordance with Accounting Standard (AS-21)"Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India .

Goodwill represents the difference between the company's share in the net worth of subsidiaries and the cost of acquisition at time of making the investment in the subsidiaries. For this purpose the company's share of net worth is determined on the basis of latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. The goodwill recorded in these consolidated financial statements has not been amortized, but instead evaluated for impairment whenever events or changes in circumstances indicate that its carrying amount may be impaired

In case of associates where the company directly or indirectly through subsidiaries hold more than 20% of equity or the company exercises significant influence through representation of the Board of directors of the other Companies, Investment are accounted for using Equity Method in accordance with Accounting Standard (AS-23)"Accounting for Investments in Associates in Consolidated financial statements issued by the Institute of Chartered Accountants of India.

The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as that of the company.

A) SIGNIFICANT ACCOUNTING POLICIES:

I. Basis Of Accounting:

The financial statement have been prepared on the basis of going concern, under historic cost convention, to comply in all material aspect with applicable accounting principles in India, the Accounting standards issued by the ICAI (except as other wise stated) and the relevant provision of Companies Act, 1956.

The preparation of financial statements in conformity with accounting standards requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities at the date of financial statement, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

II. Fixed Assets, Depreciation And Impairment Loss:

Fixed Assets are stated at cost net of accumulated depreciation. Cost includes expenses related to acquisition and financing cost on borrowing during construction period. Assets acquired on Hire purchase are capitalised to the extent of Principal Value.

Depreciation on Fixed Assets has been provided on written down value basis and manner provided in Schedule XIV of Companies Act 1956. Additions during the Year are depreciated on prorata basis. Leasehold land is shown at cost and no write offs are made in respect thereof.

Cost relating to Patents is written off over the remaining useful life from the day of

Grant, except in case of Advance IP Technologies limited where cost of Patents has not been written off.

In case, the recoverable amount of fixed assets is lower than its carrying amount, a provision is made for the impairment loss.

III. Investments:

Long-term investments other than trade are stated at cost of acquisition less provision for diminution in value other than temporary, if any.

Holding of investment in subsidiaries and Associated Companies are of strategic importance to the company and therefore the company does not consider it necessary to provide decrease in the book value of such investment, till such relationship continues with the investee company

IV. Prior Period Adjustments:

All items of Income/Expenditure pertaining to prior period (except those not exceeding Rupees One Thousand in each case which are accounted through respective revenue accounts) are accounted through Prior Period Adjustment account.

V. Inventories:

Raw Materials are valued at cost. Finished Goods are valued at lower of cost or net realizable value.

VI. Revenue Recognition:

Sales: Sales excludes Sales Tax and Other Charges such as freight, insurance and other incidental charges

Dividend: Dividend from investments in the shares is accounted for on the basis of the date of declaration of dividend falling within the accounting year.

VII. Deferred Revenue Expenditure:

Preliminary Expenses and Shares Issue Expenses are amortised over a period of 10 years.

VIII. Retirement Benefits:

The company makes monthly contribution as per the applicable statute for Provident Fund and charges off the same to the Profit and Loss account.

Provision for leave entitlement is accrued and provided for at the end of the financial year.

The Company has created an Employees' Group Gratuity Fund, which has taken a Group Gratuity cum Life Insurance Policy from the Life Insurance Corporation of India. Gratuity is provided on the basis of premium paid on the above policy as intimated by Life Insurance Corporation of India. The adequacy of the fund along with the provision is as per the actuarial valuation.

IX. Borrowing Cost:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which this are incurred.

X. Foreign Currency Transactions:

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. At the year-end monetary items denominated in foreign currencies are converted into rupee equivalent at the year-end exchange rates. All exchange differences arising on settlement and conversion on foreign currency transaction are shown in the Balance sheet as Foreign Currency Fluctuation Reserve, except in cases where they relate to acquisition of fixed assets, in which they are adjusted in the cost of corresponding assets.

Investments in shares of foreign subsidiary companies are expressed in Indian currency at the rates of exchange prevailing at the time when the original investments were made.

XI. Accounting For Taxes On Income:

The provision for current income tax and fringe benefit tax has been made in accordance with the Income Tax Law prevailing for the relevant assessment year after considering various admissible relief's'.

Deferred tax for the year is recognised, on timing differences being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax asset and liabilities are measured using the tax rates and tax rules that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax asset are recognized and carried forward only if there is reasonable / virtual certainty of its realisation. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation.

XII. Expenditure During Construction And On New Projects:

In case of new Industrial units and substantial expansion of existing units, all pre- operating expenditure specifically for the project, incurred up to the date of installation, is capitalised and added pro rata to the cost of fixed assets.

XIII. Provisions, Contingent Liabilities and Contingent Assets:

A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent Liabilities, if material, are disclosed by way of notes to accounts. Contingent Assets are not recognised or disclosed in the financial statements.

B) NOTES ANNEXED TO AND FORMING PART OF CONSOLI-DATED ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011.

The Subsidiary company Arrow Coated Products (UK) Ltd. has taken a stake of 51% in the Advance IP Technologies Limited. (Step Subsidiary company) on 29thJanuary 2010. For the purpose of consolidation, effect of goodwill /capital reserve is determined on the basis of financial statements as on 31st May 2009 after making necessary adjustments for material events between the date of such financial statements and the date of acquisition. During the year ended 31st March 2010 the company incurred the cost of GBP 9250 (Rs. 6.27 Lacs). The acquisition has resulted in goodwill of Rs.11.45 Lacs

- Estimated amount of contracts remaining to be executed on Capital Accounts for Rs. NIL (Previous Year Rs. 10.00Lacs).
- 2) Balances of Sundry Debtors, Sundry Creditors, Deposits, Loans and Advances are subjected to reconciliation and confirmation, necessary adjustment if required, will be made after reconciliation. The management does not expect any material difference affecting the current year's financial statements.
- 3) Contingent liabilities not provided for are:

Sales Tax amounting to Rs.108.29 Lacs (Prev. yr.Rs 35.75 Lacs)

Income Tax Rs. 9.83 Lacs (Prev. Yr. Rs. 9.83 Lacs)

Buy back of Machine Rs. 189.28 Lacs (Prev yr Rs 296.06 Lacs)

- 4) During previous year Cash Credit from Indusind Bank of Rs. 228.88 Lacs was secured by hypothecation of inventory, book Debts and other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleshwar and other Fixed Asset of Company at various location and office premises in Mumbai of Arrow Convertors Pvt Ltd and during current year it was converted into term loan of Rs. 231.32 Lacs with additional corporate guarantee of M/s Arrow Convertors Pvt Ltd and also personal guarantee of Mr. Shilpan Patel.
- 5) During the year Board of Directors have decided to surrender the proposed Unit at Sachin, Surat (SEZ unit) for which company had received a sum of Rs 4.84 lacs against the deposit towards land & Building (capital work in progress) and a sum of Rs 2.60 lacs which was incurred for factory building & maintenance was not recoverable.
- 6) In the opinion of the Board and to the best of their knowledge and belief all the Current Assets, Loans and Advances have value on realisation at least of an amount at which they are stated in Balance Sheet.
- 7) The Company does not possess information as to which of its suppliers are covered under micro, small and medium Enterprise Development Act, 2006.However, the company is regular in making payment to its suppliers and has not received any claim in respect of interest for delayed payment.
- Advances recoverable in cash or in kind or value to be received (Schedule 10) include Rs. 8.49 Lacs .(prev. yr. Rs 10.89 Lacs) to SP. Arrow Bio-Plast Ltd. - Associate Company
- Sundry Debtors include due from the company where director/ relative is interested.
 - a) Arrow Digital pvt. Ltd. Rs. Nil (prev. yr. Rs. 0.03 Lacs)
 - b) Due from the associate company-

SP Arrow Bio -Plast Pvt. Ltd. (0.08) Lacs (prev yr Rs. 0.15 Lacs)

- 10) For the purpose of distribution of dividend, separate bank account for each year is opened. The balance in this bank account represents the unclaimed /unpaid dividend warrants of the respective years. Unpaid dividends are subject to reconciliation.
- 11) As the company's business activity, in the opinion of the management, falls within single primary segment printing products and packaging material, which are subject to the same risks and returns, the disclosure requirement of Accounting Standard

(AS)-17 "Segment Reporting" issued by the Institute Of Chartered Accountant of India are, in the opinion of the management, not applicable.

- 12) Related Party Disclosure as required by Accounting Standard 18 of the Institute of Chartered Accountants of India. Related parties as defined under clause 3 of the Accounting standard have been identified on the basis of representation made by management.
 - A. List of related parties:
 - I) Entities where control exist: SP Arrow Bio-Plast Pvt. Ltd
 - II) Key Management Personnel :

Mr. Shilpan Patel Chairman / Managing Director Mr. B. M. Drew Non-Executive Director

III) Relatives of Directors:

Mr. Rishil S Patel

Mrs. Jigisha S Patel

Mr. Neil S Patel

IV) Entities in which Directors or Their relatives Have Control / Significant Influence:

Arrow Converters Pvt. Ltd. Grace Paper Industries Pvt. Ltd. Jayna Packaging Private Limited Arrow Digital Private Limited. Aquavista limited Avery Bio–Tech Private Limited Arrow Agri–Tech Private Limited

B. Transaction with Related Parties & Outstanding Balance as on 31.03.2011.

			(Rs. in Lacs)
	NTITIES WHERE CONTROL EXIST PERSONNEL	KEY MANAGERIAL PERSONEL	ENTITIES WHERE SIGNIFICANT INFLUENCE
PURCHASES / SERVICES	0.23	-	0.93
	(-)	(-)	(2.22)
SALE	-	-	-
	(-)	(-)	(0.04)
ADVANCE / LOAN GIVEN	0.10	-	14.37
	(0.75)	(-)	(-)
ADVANCE / LOAN	. ,	.,	
GIVEN REPAID	2.50	-	0.02
	(2.50)	(-)	(-)
ADVANCE / LOAN RECEIV	ED -	10.14	72.91
	(-)	(5.96)	(113.10)
ADVANCE / LOAN		()	()
RECEIVED REPAID	-	4.64	0.40
	(-)	(5.70)	(25.00)
BALANCE-RECEIVABLE	8.49	-	14.35
	(11.04)	(1.73)	(0.04)
BALANCE—PAYABLE	0.08	167.88	471.31
	(-)	(161.99)	(393.91)

(Previous Year Figures are in Bracket)

13) As required by Accounting Standard 20 on Earning per Share is sued by the Institute of Chartered Accountant of India (ICAI), basic earning per share has been calculated by dividing net profit after tax by the weighted average number of equity shares outstanding during the nine months as per detail given below:

(Rs in Lacs)

		(13.111 Lacs)
	31.03.2011	31.03.2010
Profit / (Loss) as per profit & loss Account(After tax & extraordinary items)	(27.06)	(95.52)
Weighted average number of shares used incomputing earning per equity share		
For Basic EPS	5308208	5303973
For Diluted EPS	5308208	5303973
Basic earning per share (Rs.)	(0.51)	(1.80)
Diluted earning per share (Rs.) (on nominal value of Rs.10/- per share)	(0.51)	(1.80)

14) Accounting For Tax On Income:

Deferred tax Asset \ (Liability) at the year-end comprise timing difference on account of following:

		(Rs. in Lacs)
	31.03.2011	31.03.2010
Disallowance u/s 43B	1.20	0.69
Depreciation	(4.57)	(3.21)
Net Deferred Tax Assets/(Liability)	(3.36)	(2.52)

- 15) Some Assets of which the company is the beneficial owner are pending for transfer in the name of the company.
- 16) During the previous year the company has a full time company secretary since 16th September 2010 as per section 383A of the Companies Act, 1956.
- 17) The company had decided in the year 2008-09 to discontinue the Trading activities in Digital Printing Machines and Digital Signage cutting machines and the management is of the opinion that the all the assets relatable to the Machine division will realise at a value at which they appear in the books of accounts in aggregate.
- 18) As stipulated in Accounting Standard 28, the company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.
- 19) The company based on its accounting policies followed, does not consider it necessary to provide for diminution in value of investment in subsidiary company.

- 20) A sum of Rs 36.94 lacs is being carried as share application money, received as subscription money for allotment of shares upon conversion of warrants, but inadvertently, shares not allotted Pertaining to Financial Year 2008-2009.
- 21) The Honorable High Court of Bombay has sanctioned for reduction of share capital under sec 100 to 103 vide its order dtd. 18th January 2010 and for which company has received confirmation from registrar of companies Dated 19th day of June 2010 Pursuant to the said order, the Equity Share Capital of the Company as at 31st March 2009 of Rs. 5,30,60,980 divided into 53,06,098 equity shares of Rs 10 each reduced by Rs. 1,65,000 divided into 16,500 equity shares of Rs.10 each to Rs. 5,28,95,980 divided into 52,89,598 equity shares of Rs 10 each as at 31st March 2010 and the Share Premium of Rs.6,60,000/for the previous year has been reduced on 16500 equity shares at the rate of Rs. 40 per equity share. Honorable High court has directed the Company to repay the amount of Share Capital along with Share Premium.
- 22) The Employee Stock Options outstanding as at 31st March 2011 were 1,45,300 (prev. yr. 2, 33,900).During the year 28000 options have lapsed and also during the year 60600 options have been exercise @ Rs.10 per Share as per the weighted-average exercise price is Rs.10/- & weighted average fair value of options is Rs. 2.67/-
- 23) The company has not furnished additional information except given here under

Pursuant to part II of schedule VI to the companies' act 1956.

		(Rs. in Lacs)
	31.03.2011	1.03.2010
Earning in Foreign Currency		
Export sales (FOB)	16.40	17.52
Consultancy Fees	65.90	
Expenditure in Foreign Currency		
Foreign Currency Spent (Import CIF Value)	0.83	-
Traveling Expenses	2.92	5.43
Patent Fees	1.16	1.44

24) Previous years figures have been regrouped, rearranged wherever necessary to Confirm to current year classification,

As per our report of even date.

For J. A. Rajani & Co.	For and on behalf of the Board of Directors
Chartered Accountants	

P. J. Rajani Proprietor Place:Mumbai Date :19th May 2011 Shilpan P. PatelAnil SaxenaManaging DirectorDirector

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Date : _____

Compliance Officer, Arrow Coated Products Limited. 5-D, Laxmi Industrial Estate New Link Road, Andheri (West), Mumbai - 400053

Sub: E-mail updation

Dear Sir,

In view of the MCA Circular no. 17/2011 dated April 21, 2011, I/we :

Name of the Sole/ Joint holder(s)	Father's / Husba	and's Name
holding nos. of shares of Arrov, do hereby w e-mail ID :		o No / DP-Client ID ence of the Company at the following
E-mail ID :		
l/we hereby declare that the particulars given herein are Products Limited (ACPL) or my/our DP of any changes		
You are requested to please update the same in your re	ecords.	
Thanking you,		
Yours truly,		
Sole/ First holder	Second holder	Third holder
(Specimen as registered with the Company)		
Note : Kindly submit your e-mail ID by filling up and sign	ning at the appropriate place provided he	reinabove and furnishing this form:
Note : Kindly submit your e-mail ID by filling up and sign by post; or	ning at the appropriate place provided he	reinabove and furnishing this form:
		reinabove and furnishing this form:
) by post; or	lhya@arrowcoated.com	

	PROXY FORM		
Regd. Folio No	D.P. ID	Client ID	
No. of Shares held			
I/We	of	in the District of	
being a Member / Members of Arrov	v Coated Products Limited hereby appoint	of	in the
Districtof	Or	failing	hir
0'	as my/our a	/proxy to vote for me/us, on my /our	r behalf of at th
			Stamp of Re. 1
Signature of member	ARROW COATED PRODUC	Road, Andheri (West), Mumbai – 4	of Re. 1
Signature of member	ARROW COATED PRODUC	Road, Andheri (West), Mumbai – 4 the Entrance)	of Re. 1
Signature of member	ARROW COATED PRODUC se, 5-D, Laxmi Industrial Estate, New Link (To be completed and presented at ATTENDANCE SLI	Road, Andheri (West), Mumbai – 4 the Entrance) P	of Re. 1
	ARROW COATED PRODUC se, 5-D, Laxmi Industrial Estate, New Link (To be completed and presented at ATTENDANCE SLI	Road, Andheri (West), Mumbai – 4 the Entrance) P	of Re. 1
Signature of member Regd. Off. : Arrow Hou Regd. Folio No No of Shares held Name the attending Member or Proxy of the Company, to be held	ARROW COATED PRODUC se, 5-D, Laxmi Industrial Estate, New Link (To be completed and presented at ATTENDANCE SLI	Road, Andheri (West), Mumbai – 4 the Entrance) P Client ID d my presence at ANNUAL GENE er 2011 at 10.30 a.m. at Bageec	of Re. 1

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If Undelivered please return to:



Registered Office:

ARROW COATED PRODUCTS LIMITED Arrow House, 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai - 400 053. Tel.: 022 40749000, Fax.: 022 4074 9099