



ARROW

ARROW COATED PRODUCTS LTD.



17th

Annual Report 2008-2009

Innovative
Eco-friendly Solutions

ISO 9001 : 2000 Certified

BOARD OF DIRECTORS :

Mr. Shilpan P. Patel *(Chairman & Managing Director)*
Mr. B. S. Vasa
Mr. Vijay Dhar
Mr. Haresh Mehta
Mr. Faredun Homi Taraporewala (w.e.f. 30.01.2009)
Mr. R. Somashekar (upto 15.06.2009)
Mr. Rama Subramaniam (upto 04.09.2009)
Mr. Bruce Drew (w.e.f. 04.09.2009)

BANKERS :

IndusInd Bank

AUDITORS :

J. A. Rajani & Company
Chartered Accountants
Mumbai

REGISTERED OFFICE :

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

REGISTRAR & SHARE TRANSFER AGENTS :

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

WORKS :

5310, GIDC, Ankleshwar 393 002

Chairman's Statement

Dear Shareowner friends,

The world has seen the change coming from Industrial-based economy to knowledge based economy, where intellectual property, soft assets and other intangibles increasingly make up the bulk of the asset based for wealth creation for all the stakeholders.

Fifteen thousand years ago, if one wanted to increase social wealth, one would invent a better spear because with it he could deliver more food for the communal campfire. Fifteen hundred years ago, the most potent seeds of wealth formation was agricultural surpluses. Last century, it was ownership of mines and industrial products and processes. Today, it is owning the technology to mine the ore and to create wealth using the same, is of social importance. A Windows operating system that runs the computers to increase the efficiency of several mines is more preferred by stakeholders, rather than owning one mine. When John D. Rockefeller pumped out a barrel of crude, it only became truly valuable when he figured out what to do with it, and protected it by IP.

As Forbes recently observed, "The old (accounting) system served well enough when most assets were physical: Plants and equipment, ore or oil in the ground, real estate, trees, inventory you could count and money that people owed you. But today the assets are intangible" : like product Patents and process patents, and brands built around it.

Perhaps what is really new and most important about the knowledge economy is not the products (like computers, telecommunications, formulated drugs, etc), but the fact that the recipes for making these products, the ideas, the processes and intellectual property behind them, are achieving prominence. What's really starting to get people's attention is that there are enormous values associated with the property rights to these IP based ideas.

Arrow decided to sow the seeds of these intellectual property in creating brands, trademarks and most importantly patents, since 1995. Your company steadfastly followed this path, and invested huge amount of money into RND and IP. Today, we are proud of our RND Team and IP cell, that we have several patents granted nationally and internationally. Till date we have 9 Patents granted in India, Australia, South Africa and United Kingdom . In totality we have a portfolio of 60 patents world wide and I can assure you that it will only grow, as we intend to pursue this business model for many more years to come.

I am indeed proud of my team members, who have assisted our company, during this journey, which is about to reach it's goal. Patent creation to the final grant takes a long period. But the real take off only starts when the Patent is granted.

Your company decided to get out of the Capital Goods (Digital Printing Machines) Trading Business, as it was draining liquidity and was more of trading in capital equipment business. The idea was to generate revenues by controlling the supplies to these machines. The decision was rightly upheld. The emerging economic scenario in terms of anticipated liquidity crunch and decline in Capex by new upstarts vindicated our position. Cheap Chinese supplies would have curtailed our monopolistic advantage. The result was that our top line went down, and our focus turned towards knowledge based revenues, with known advantages of exclusive rights to manufacture and market, for 20 years.

Our focus on Water Soluble Films and Bio Compostible resins, is in place. Our SBUs, as informed last year, did not perform as per expectations, due to general recession, but they are still very much active, and will rise to the occasion, when the right time comes. The investments of time, money and energy in these SBUs, done by our HRD Head will certainly be rewarded.

I am happy to inform you, that our fully owned subsidiary, Arrow UK, has turned profitable this year, and will add to our revenues, in future. We have systems in place, revenue models in place and business plans in place. With active and economical support from Arrow India, our Team members in UK will do much better in the coming years. We acquired partial stakes in Advance IP Technologies, UK, and negotiations are pursued to acquire majority stakes in this company. Advance IP Technologies owns a Patent for Drug Delivery Device, which has our Arrow Actives Embedded Film (Patented by Arrow) as the core reservoir.

Last but not the least, I would like to Thank all the Team Members of Arrow, the Customers and the Vendors of Arrow, without whom, the sailing of Arrow, through these rough recessionary times would have been difficult.

Albert Einstein once said "Imagination is more important than Knowledge. Knowledge is limited." Think Ahead. Think outside the box. This is the way forward for Team Arrow.

Shilpan Patel
Chairman & Managing Director



Our SBUs (Strategic Business Units) as designed last year are functioning as planned. These SBUs are as follows (for our new family members):

- Bio Degradable Products Division:** This division consists of our Patented Water Soluble films and relevant products based on the same. This division also includes production & marketing of Bio-Compostible Products & it's technology and we will see revenues being added from this division in the coming years to come. Bio-Compostible films are non-soluble films made from renewable resources like potatoes, maize etc. and are a non-oil based product. This means that the increase of oil prices will make these resins more viable in future, while we serve the society by protecting our planet earth. Arrow has gained the leadership position with its collaboration agreement with its French Partners. This Joint venture company floated last year, has started small steps in the Indian Market and revenue and profit generation would be visible in the next few quarters.
- Digital technology enabled products:** We continue to be in the forefront of Digital technologies. Be it Vutek wide format digital printers or the related digital printing media or Digital Security. You will be happy to know that teaming up with Nagra ID, Switzerland, has now enabled Digital technology for solutions like Logistics, RFID cards and National ID cards opening up whole new avenue for additional revenues to Arrow, using available infrastructure. The RFID technology has started addressing the logistics and security part of our business both having digital technologies as enablers. The progress made by your company in the very critical security field of Bank Credit cards with the help of Nagra ID is just about to start yielding revenues.
- Security products:** Arrow has been in the business of security documents, since quite a few years. Your company secured the order for Security Thread which is sewn into Security Identification Travel Documents. Nagra ID, as our partners the National ID card pilot project, is being pursued with great gusto. Arrow organized one of the biggest booths at the Smart Card Conference, in New Delhi to announce our Joint Venture with Nagra ID. Futuristic products based on RFID security systems form a part of this venture. However with most Government contracts, the decision-making is slow and precise.
- IPR SBU:** Intellectual Property Rights (IPR) includes Trademarks, Copy writes, and Patents. I am pleased to inform you that the IPR cell formed under my guidance continues to chart out path of success during the past year, and is consolidating its position in the Innovation and Knowledge domain. Two of our very important Patents for Embedded Water Soluble films and Barrier coated multilayer Water Soluble films which were granted by Indian Patent office are moving towards generating a revenue stream.. In addition to the portfolio of 18 Patents we have filed about 7 more patents are in the final stages of grants. IPR gains a lot of importance since India joined WTO and the TRIPS agreements have been signed. China has also joined WTO and in future will be more respectful to IPR and so Arrow plans to file patents in China as well. This will mean more revenues to your company in form of royalties, EMR (Exclusive Marketing Rights), EPR (Exclusive Production Rights) and incomes from companies infringing our IPR. Our negotiations for a partner who can market our patents and patented products is expected to get good results and the revenues will multiply once the patents are granted in EU and USA. We are at presently in the process of evaluating our IPR portfolio and the same shall be informed to the shareholders as a public announcement.
- Arrow Pharma foray:** Taking advantage of the Patented technology, your company continues its 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. Determined efforts are on, your Company is likely to enter crop protection using a different version of this patented process and patented product. Pesticide residues threatening human lives continues to draw our attention as India is on the way to become biggest provider for food grains for the world population. These are long term revenue generating fields that your company is targeting using our Patents and knowledge acquired over the years. Both these ventures will mean additional Capital expenditures and your company is planning this ahead of time.
- Arrow Export SBU :** Arrow continues to devote its efforts at extensive marketing and distribution network, investments in quality, Research and Development efforts, strong customer relations and competitive pricing. All efforts are being put forth to maximize exports and using the synergies of our joint venture companies, while we continue to retain our lead in the domestic market. Opening new markets in ASEAN countries, after focusing on EU last year, will result in more revenues from water-soluble films used in garments. Existing domestic capacities are nearing peak utilization levels, and will necessitate fresh investments in future to meet the ever-growing demand. New products like Bio-compostible films and rigids will need investments as we find new partners in a stage wise manner.

We also recognize the urgent need to develop a cadre of Executives to enable us to achieve our goal of becoming a manufacturing base for the world market. I wish to place on record the outstanding commitment and hard work of all our team members who are responsible for your company's performance.

NOTICE

Notice is hereby given that the 17th Annual General Meeting of Arrow Coated Products Limited will be held on Tuesday, the 29th September 2009 at 10.00 a.m. at Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt Audited Balance Sheet as on 31st March 2009 and Profit and Loss Account for the year ended on that date together with Directors' 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 a director in place of Mr. Vijay Dhar, who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.
4. 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

5. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Faredun Homi Taraporwala, who was appointed as an Additional Director of the Company on 30th January 2009 pursuant to the Articles of Association of the Company and pursuant to the provisions of Section 260 of the Companies Act, 1956 holds office up to the date of this Annual General Meeting and in respect of whom Company has received a notice pursuant to the provision of 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."

6. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an **Ordinary Resolution**:

"RESOLVED THAT Mr. Bruce Drew, who was appointed as an Additional Director of the Company on 4th September 2009 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 Company has received a notice pursuant to the provision of 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."

7. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 81(1), 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s), amendment(s) or re-enactment thereof for the time being in force) ('the Act') and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreement entered into by the Company with the stock exchange where the securities of the Company are listed, and subject to applicable regulations and guidelines of the Securities and Exchange Board of India ('SEBI'), rules, regulations, guidelines, notifications, circulars and clarifications issued thereon from time to time by Government of India (GOI), The Reserve Bank of India (RBI) and any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as 'the Authorities') and subject to requisite approvals, consents, permissions and sanctions as may be necessary under any guidelines, regulations in this regard from the Authorities and subject to such conditions and modifications as may be prescribed by any one of them while granting any such approvals, sanctions, consents and permissions, (hereinafter referred to as the 'the requisite approvals') which may be agreed to by the Board of Directors of the Company (hereinafter called, 'the Board' which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this Resolution) at its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, issue, offer, allot or dispose off at its sole discretion Renounceable Right Shares of the Company at par for cash (hereinafter referred to as the 'the right shares') along with Free Detachable Tradable Warrants of Series A and Series B carrying the right to subscribe for One Equity Share (hereinafter referred to as 'the Warrants') on rights basis to all eligible existing shareholders whether resident in India or otherwise and whether they are members or promoters of the Company.

RESOLVED FURTHER THAT the right shares of Rs. 10/- each for cash at par be issued to all the eligible existing shareholders of the Company holding equity shares of the Company on the record date to be fixed by the Board for the purpose in the ratio of one new equity share for every one equity share held on the record date and to such other persons as are set out hereunder.

RESOLVED FURTHER THAT the offer of equity shares on right basis shall be subject to terms and conditions as may be necessary or stipulated in the letter of offer.



RESOLVED FURTHER THAT the Board be and is hereby authorised and empowered to disposed off the unsubscribed portion, if any, out of the rights issue to any person(s) including promoter group, persons acting in concern, nominees of promoters or to such person or persons, whether shareholders of the company or not at such time and such manner in its absolute discretion as they may deem fit and proper.

RESOLVED FURTHER THAT the new Equity Shares arising out of this issue shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari-passu* in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT the allotment of Free Detachable Tradable Warrants of Series A and Series B carrying right to subscribe for one equity share of the Company shall be subject to the terms and conditions as may be necessary or stipulated in the letter of offer.

RESOLVED FURTHER THAT the equity shares / resultant equity shares to be issued and allotted upon exercise of right attached to the warrants in terms of this resolution shall rank *pari passu* in all respects with the then existing equity shares of the Company and be listed on stock exchanges where the equity shares of the Company are listed.

RESOLVED FURTHER THAT Board be and is hereby authorised to appoint lead managers, managers, bankers, registrars, advisors, underwriters, auditors, brokers, consultants and any other agencies for the purpose of the rights issue and to give such direction and / or such instructions from time to time as deemed necessary including powers to sign and execute agreements and memorandum of understanding with the lead managers, co-managers, advisors and bankers etc, to the right issue, as may be necessary.

RESOLVED FURTHER THAT the Board be and is hereby authorised in its sole discretion to accept such conditions and modifications as may be prescribed by any authority while according consent or sanction to the proposed right issue of the equity shares and take such consequential action thereon, including the authority to revise the quantum of equity shares, power to decide, accept and agree to any alteration in the size of the issue, the price of the shares to be issued or such other terms and conditions of the said issue as may be suggested or decided in consultation with the lead managers / SEBI or other concerned authorities and applicable regulations, guidelines from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised on behalf of the Company to take all actions and do all such acts, deeds, matters, things and to execute all such writings and instruments as it may, in its absolute discretion, deem necessary, desirable or expedient for the issue or allotment of aforesaid securities and listing thereof with the stock exchange(s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the said securities, utilisation of the issue proceeds and to do all acts, deeds, matters and things in connection therewith and incidental thereto as the Board, in its absolute discretion, may deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in this regard at any stage without requiring the Board to seek any further consent or approval of the Members or otherwise to end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any Director(s) or the Company Secretary or any other officer(s) of the Company to do all such acts, deeds, matters and things as also to execute such documents, writings, etc as may be necessary to give effect to the aforesaid resolution.”

8. To consider and, if thought fit, to pass with or without modification(s) the following Resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956, the Authorized Share Capital of the Company be and is hereby increased from Rs. 10,00,00,000/- (Rupees Ten Crore only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs. 10/- (Rupees Ten only) each to Rs. 12,00,00,000/- (Rupees Twelve Crore only) divided into 1,20,00,000 (One Crore Twenty Lakhs) Equity Shares of Rs.10/- (Rupees Ten Only) each by addition of 20,00,000 (Twenty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each.

RESOLVED FURTHER THAT pursuant to the provision of Section 16 and other applicable provisions, if any, of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following new Clause V:

V. The Authorized Share Capital of the Company is Rs. 12,00,00,000/- (Rupees Twelve Crore only) divided into 1,20,00,000 (One Crore Twenty Lakhs) Equity Shares of Rs.10/- (Rupees Ten only) each with powers to increase or reduce the capital of the Company, divide and sub-divide the shares in the capital for the time being, original or increased, into several classes and to attach thereto respectively such preferential, deferred, postponed, qualified or special rights, privileges or conditions as in such manner as may be determined by or in accordance with Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Act or by the Articles of Association of the Company.”

9. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Article No. 3 of the Articles of Association of the Company be and is hereby substituted by the following new Article No. 3:

3. The Authorised Share Capital of the Company is Rs. 12,00,00,000/- (Rupees Twelve Crore only) divided into 1,20,00,000 (One Crore Twenty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten Only) each with such power from time to time to increase or reduce its capital and to consolidate or subdivide these shares and issue shares of higher or lower denomination."

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

Place: Mumbai
Date : 4th September 2009

Shilpan Patel
Chairman & Managing Director

Regd. Office:

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

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, 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.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, 28th September 2009 to Tuesday, 29th September 2009 (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. Members whose shareholding is in the electronic mode are requested to direct change of address notifications to their respective Depository Participants.
8. Members are requested to address all correspondences, including dividend mandates, etc. 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 56 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 and Remuneration Committee of the Company. As on 31st March 2009, he holds 7666 equity shares of the Company.

Mr. Vijay Dhar, aged 68 years, is I.S.C. He has vast experience in business administration. He is also director in Hughes Communications India Ltd., Hughes Network Systems India Ltd., S.S.R. Ventures Pvt. Ltd., U. R. Productions Pvt. Ltd., Taksal Pharma Pvt. Ltd., Natasha Properties Pvt. Ltd. and Kanika Properties Pvt. Ltd. as on 31st March 2009, he holds 25000 equity shares of the Company.

Mr. Faredun Homi Taraporwala, aged 56 years, is arts graduate and B.D.M. He has vast experience in Administration, marketing and sales. He is also director in SP Arrow Bio Plast Pvt. Ltd. and Saker Age Graphics Pvt. Ltd. He does not hold any shares in the Company.



Mr. Bruce Drew, aged 68 years, B.A. Hons. Engineering Science from Oxford University and MBA with Distinction at INFEAD, Fontainebleau, France. He has also done certificate of advance study in Chemical Engineering at Cambridge University. He has vast experience in Technology transfer, Patent strategy, Business strategy and Organisational behaviour. He is also director in Aquavista Ltd. (UK), Fresh Technologies Development Ltd. (UK) and Advance IP Technologies Ltd. (UK). He does not hold any shares in 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 Mr. Faredun Homi Taraporwala as an Additional Director of the Company w.e.f. 30th January 2009. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Faredun Homi Taraporwala 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 Mr. Faredun Homi Taraporwala is interested or concerned in the resolution.

Item No. 6:

The Board of Directors of the Company appointed Mr. Bruce Drew as an Additional Director of the Company w.e.f. 4th September 2009. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Bruce Drew 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. 6 of the Notice.

None of the Directors except Mr. Bruce Drew is interested or concerned in the resolution.

Item No. 7:

- a. Object of the issue of Rights issue : The Company proposes to make investments in the manufacturing facilities for mouth melting strips (MMS) project. This will involve an estimated capital outlay of upto Rs. 2.00 Crore. Further Company intends to repay the bridge loan and unsecured loan to further strengthen the Company's financial position, as also to meet the working capital requirements of the Company, it is proposed to issue equity shares along with Free Detachable Tradable Warrants of Series A and B.
- b. Above programs which are expected to greatly strengthen the financial base of the Company and are economically justifiable would require financing from sources other than the Company's own accruals which have already been committed to finance the Company's existing expansion programs.
- c. The Directors have, therefore, decided to recommend the issue of equity shares on right basis along with Free Detachable Tradable Warrants of Series A and B, to the holders of the existing equity shares of Rs. 10 each on the record date to be fixed by the Board of Directors for cash at par on right basis in the ratio 1:1 as referred to in the resolution set out at item No. 6 of the accompanying Notice.
- d. Company proposes to issue 2 Free Detachable Tradable Warrants (Series A & Series B) along with 10 Right Shares.
- e. The proceeds of right issue will be applied largely to financing the programs as aforesaid. The Directors also believe that the proposed rights issue will strengthen the equity base of the Company for its growing activities.
- f. Terms of payment:

Due Date	Amount Payable
On the Issue application (i.e. along with the Composite Application Form)	Rs.10 which constitutes 100% of the Issue Price.
On exercise of the Detachable Warrants (i.e. along with the Warrant Application Form)	100% of the Warrant Exercise Price.

- g. The rights issue will be offered to the holders of the existing equity shares whose names appear on the Register of Members of the Company, on the record date as the Directors may hereafter fix, in proportion of one new equity share for every one existing equity share of Rs. 10 each with the right to renounce, in whole or in part, in favour of any other person, the same may be or may not be a Member of the company. The Shareholders who accept the offer in full will also be given the right to apply for additional shares subject to unsubscribed portion.

- h. The Directors have further proposed that whole amount of the issue price of Rs. 10/- shall be payable at the time of the acceptance of the offer.
- i. The said new equity shares shall rank pari passu in all respects (including voting rights) with the existing equity shares in all respect.
- j. Right of Renunciation:
- I. The shareholders will have the right to renounce the Equity Shares in favour of their nominee(s) subject to the authority of the Board to reject any such nominee(s) at its discretion. Such renouncee may also apply for additional Equity Shares.
- II. The Offer shall be made with an option to the Shareholders to apply for additional Equity Shares provided that a shareholder who has renounced his right in whole or in part shall not be entitled to apply for additional shares. However, the Board of Directors will have the sole discretion to accept or reject any such application for the allotment of additional shares.
- k. I. The unsubscribed portion, if any, out of the rights issue will be disposed off to any person(s) at such time and in such manner by the Board of Directors in their absolute discretion as they may deem fit and proper.
- II. Promoter Group mainly through Arrow Converters Private Limited (a promoter group company controlled, owned and managed by the promoters as per the definition of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009 have committed to subscribe the unsubscribed portion of the issue, if any, by converting their unsecured loan.
- l. The Free Detachable Tradable Warrants of Series A and Series B will be allotted to all those allottees of right issue who have been allotted at least 10 shares under the Right Issue shall be subject to the following terms and conditions and such other terms and conditions as may be necessary or stipulated in the letter of offer:

Warrants will be issued in Dematerialized Form with its own ISIN NO.

Warrants will be listed on BSE.

Warrants can be transferred to Foreign Nationals under FEMA guidelines.

1. Eligibility and Basis for allotment

Free Detachable Tradable Warrants of Series A and Series B will be allotted in the ratio of One Warrant each of Series A and Series B for every 10 Rights shares allotted under the Right Issue. Warrants of both the series shall be identical in all respect except that, at the option of the Company, the date of conversion can be simultaneous or different for both the series within the conversion period as per the subsequent financial needs of the company.

2. Conversion period

(1) Conversion period of Warrants attached to Rights Issue: The warrant exercise period shall commence after six months from date of allotment of Equity Shares in the Right Issue up to 18 months from the date of allotment of the equity Shares in the issue (the "warrant Exercise Period")

(2) Difference between A & B series of Detachable Warrants: There is no specific difference between Series A and Series B Warrants except that these two series of warrants may be called upon by the company at simultaneous or different point of time within the warrant exercise period as referred in point no. 1 above as per the subsequent financial needs of the company.

3. Warrant Exercise Price :

Each warrant shall be converted into one equity share of Rs 10/- each of the Company at the price to be determined by the Board in accordance with the formula given hereinunder:

At a price being the highest of the following:

(a) The average of the weekly high and low of the closing prices of the Company's shares quoted on the Bombay Stock Exchange (BSE) during the preceding six months to the "relevant date" ; or

(b) The average of the weekly high and low of the closing prices of the Company's shares quoted on the Bombay Stock Exchange (BSE) during the preceding two weeks to the "relevant date", or

(c) Rs.50/- per equity share (Face Value Rs.10/- and Premium Rs.40/-)

- The relevant date for this purpose to be determined by the Board for both the series.



- Fractional Entitlement:

Company proposes to deal with fractional entitlement resulting from the issue of Detachable warrants pursuant to the rights issue in following manner:

1. For every 10 (Ten) Equity shares (s) allotted in the issue, 1 (One) series A warrant and (One) series B warrant will be issued.
2. If the Equity Shares allotted in the issue is less than 10 (Ten), then the fractional entitlement of such holders will be ignored.
3. If the Equity Shares allotted in the issue is not a multiple of 10 (Ten), then the fractional entitlement of such holders will be rounded off to the nearest integer.
4. If there is any shortfall in or surplus of the detachable warrants required on account of rounding off as mentioned above, then such shortfall or surplus will be adjusted against the entitlement of the promoters or members of the promoter group at the time of allotment of the detachable warrants.

m. It is proposed to allow the existing shareholders to renounce their rights entitlement in part or in full, if they so desire, in favour of other persons, who may or may not be the shareholders of the Company. Further the unsubscribed portion of the issue, if any, may also be disposed off to any person who may or may not be members of the company, which would amount to issue and allotment of shares to persons other than the existing shareholders of the Company. Pursuant to Section 81 (1A) of the Companies Act, 1956 it is necessary for the Company to obtain approval of the members by Special Resolution for issue and allotment of shares to persons other than the existing shareholders of the Company.

n. The shareholders are requested to authorize the Board of Directors to deal with any matter that may arise in connection with the issue of the said equity shares. Equity Shares on Right Basis.

The Memorandum and Articles of Association of the Company will be available for inspection of any Member of the Company at the Registered Office of the Company between 11 A.M. and 5.30 P.M. on all working day except Saturdays and public holidays upto the date of Annual General Meeting.

The Directors of the Company who are also the shareholders of the Company may be deemed concerned or interested in the Resolution to the extent to their entitlement to subscribe for rights shares.

The Board recommends the passing of the Special Resolution as set at item No. 7 of the Notice.

Item No. 8 and 9:

Presently, Authorized Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crore only) divided into 1,00,00,000 (One Crore) Equity Shares of Rs. 10/- (Rupees Ten only) each. In view of proposed Rights issue and detachable warrants, it is necessary to increase the Authorized Share Capital to Rs. 12,00,00,000/- (Rupees Twelve Crore only) divided into 1,20,00,000 (One Crore Twenty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten only) each.

The alteration to the Capital Clauses of Memorandum and Articles of Association are consequent upon increase in Authorized Share Capital.

The altered Memorandum and Articles of Association of the Company will be available for inspection of any Member of the Company at the Registered Office of the Company between 11 A.M. and 5.30 P.M. on all working day except Saturdays and public holidays upto the date of Annual General Meeting.

None of the Directors of the Company is concerned or interested in the said resolutions.

The Board recommends the passing of the resolutions as set out at item Nos. 8 and 9 of the Notice.

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

Place: Mumbai
Date : 4th September 2009

Shilpan Patel
Chairman & Managing Director

Regd. Office:
Arrow House 5-D,
Laxmi Industrial Estate,
New Link Road, Andheri (West),
Mumbai - 400 053

DIRECTORS' REPORT

To,

The Members,

The Directors of Arrow Coated Products Limited present the 17th Annual Report on the operations of the Company, together with the Audited Accounts for the year ended 31st March 2009.

Financial Results:

(Rupees in thousands)

Particulars	2008-2009	2007-2008
Sales including other income	46329	228648
Profit before interest, Depreciation & Tax	2609	5404
Less: Interest	3431	2781
Less: Depreciation	3112	3722
Less: Prior period expenses	57	261
Profit before Tax	(3991)	(1361)
Less: Provision for Tax		
- Current Tax	-	250
- Deferred Tax	(692)	926
- Fringe Benefit Tax	185	375
Profit after Tax	(3484)	(2912)
Add: Balance brought forward	28534	29444
Less: Tax & Dividend Adjustment	888	750
Amount available for appropriation	24162	25782
Less: Proposed dividend	-	(2355)
Less: Tax on dividend	-	(396)
Balance carried to Balance Sheet	24162	28533

Operations:

The total income from operations including other income for the financial year under review amounted to Rs. 463.29 Lacs as compared to 2286.48 Lacs in the previous year. The Company has incurred net loss of Rs. 34.84 Lacs under review after providing for depreciation of Rs. 31.12 Lacs and taxation of Rs. (507) Lacs. After adjustment of brought forward balance of Rs. 285.34 Lacs from previous year and after providing for the tax and dividend adjustment Rs. 241.62 Lacs has been carried to the Balance Sheet.

Arrow Transformation:

Your company is holding several valuable patents. The granted territories for most of the patents are India, Europe, South Africa, Australia etc. Many of our Patents applications in US are at advance stage and have earliest Priority Date.

So far we were focusing on prosecuting Patents, to secure our IP and then go for a larger global footprint and using our R&D budget for establishing Proof of Concept. Having done this, now we have decided to set up manufacturing facilities. It's like Gas Exploration where one first bids for the gas field, accesses the total gas deposits, signs Gas Purchase Agreement and then starts exploring the Gas. The residual life of patents will be anywhere between 15 years to 20 years and Arrow's IP cell is well versed with ever greening of patents.

Arrow has conquered the 1st stage of Patents. The journey starts after the patents are granted, which is now. The new phase to be conquered is of manufacturing and capturing entire market wherever Water Soluble film's utility character, e.g. using it as a carrier/medium of delivery is involved.

Another challenge faced by your company is attracting executive talent with entrepreneurial characteristics. Securing Proof of Concept, Generating Expression of Interest from prospects and Budgeting & setting up Manufacturing Facilities is a challenging function calling for academic and enterprising zeal. Your company needs to hire such executives in order to transpire monetization of valuable patents into sustainable revenue streams.

Also Securing Patents, Opposing Patent Grant, Notice of Caution and Anti infringement Proceedings calls for In-house Patent Attorneys and External Patent Counsels. Though this, infringement litigations, is a revenue generating stream for a patent holder, it needs long term sustenance power and so a financial war chest has to be kept in reserves.



The rational of Right Issue with Detachable Warrants:

All of above challenges needs humongous financial resources. Up till now core promoters have been nursing the company with capital and unsecured loans. Time has come to corporatise the resource mobilizing capability of your company on its own.

With this Right Issue we will be able to well capitalize our balance sheet and the Detachable Warrants will provide an additional funding, post right issue till 18 months.

Synopsis of Mouth Melting Strip (MMS) Project:

MMS (Mouth Melting Strips) is an IP protected innovative technology, which involves embedding actives into or upon water soluble film in any form. Once dissolved, it will release the actives in precise quantity. These actives can be in various forms, like mouth freshening menthols, Active Pharma ingredients etc. Arrow has done intensive research in this field and is ready to market this product with immediate effect.

Our patented product with the practical innovative usage is what we will be offering to OTC Drug and Mouth Freshener manufacturers in FMCG industry.

The water soluble strips embedded with active molecule of brand owners are innovative with mass marketing potential. Arrow will manufacture & offer complete product ready to the brand owners and they have to just concentrate on marketing. Tri laminate Packaging of MMS strips of their brand contains every regulatory & marketing details as per their specifications.

Dividend:

In view of the loss during the year, your Directors do not recommend any dividend for the year ended 31st March 2009.

Directors:

Mr. Faredun Homi Taraporwala and Mr. Bruce Drew were appointed as Additional Directors of the Company w.e.f. 30th January 2009 respectively and pursuant to the provisions of Section 260 of the Companies Act, 1956 hold office upto ensuing Annual General Meeting of the Company.

Mr. Haresh Mehta and Mr. Vijay Dhar, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

Your Board recommends the appointment of Mr. Faredun Homi Taraporwala and Mr. Bruce Drew and re-appointment of Mr. Haresh Mehta and Mr. Vijah Dhar.

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 had been followed along with proper explanation relating to material departures;
- ii) 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 at the end of the financial year 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 ensuing 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;

- i) During the year, the company discontinued trading activities in Digital Printing Machine and Digital Signang Cutting Machine and the Management of the Company is of opinion that all the asset related to Machine Division will realised at a Value at which they appear in the books of account in aggregate.
- ii) Regarding over due debts aggregating Rs. 115.37 lacs the company is hopeful of total realisation, and hence no provision for the same is made.
- iii) Regarding payment of undisputed statutory due, we state that the company is in process of payment of the same with appropriate authorities.
- iv) 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 CIT (Appeals) 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. B. S. Vasa, Mr. Haresh Mehta and Mr. Rama Subramaniam. Mr. B. S. Vasa 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 there under.

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

During the year under review, the Company's Foreign Exchange earnings and outgo are as per Note 25 of the Notes to Accounts of Schedule 21 attached with the Balance Sheet.

Share capital:

The Board of Directors in their meeting held on 8th October 2008 allotted 238086 equity shares upon conversion of even number of warrants issued on preferential basis. A sum of Rs. 39.49 Lacs was forfeited during the year received as application money for allotment of warrants on preferential basis but balance subscription money for conversion into equity shares of those warrants not received. 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, for which shares not allotted.

16500 equity shares of the Company were allotted to Mr. Gautam Shah upon conversion of warrants issued of preferential basis. However, as per SEBI (DIP) Guidelines, 2000, he was not qualified for the preferential allotment, hence the Bombay Stock Exchange Ltd. refused to list these shares and advised to cancel the allotment of 16500 equity shares allotted to Mr. Gautam Shah. The Company has filed necessary application before the Hon'ble High Court, Bombay under Section 78 and 100 to 104 of the Companies Act, 1956 for its approval for reduction of capital to that extent.

The Company has granted 300000 Stock options to the directors and employees of the Company, out of that, 51100 options have been lapsed.

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 NagralD Arrow Secure Cards Pvt. Ltd. are subsidiary companies of the Company. As required under Section 212 of the Companies Act, 1956, a statement regarding subsidiary companies is attached to the Balance Sheet for the year ended 31st March 2009.

As required 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

Place: Mumbai
Date : 4th September 2009

Shilpan Patel
Chairman & Managing Director

Annexure- 1 to Director's Report :

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. 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 RFID Integration project is being driven by Mr. Ram Subramaniam, one of our eminent Board members, from Bangalore. This will create demand for Smart Cards, NagralD, is part of Kudelski Group, which is a Blue Chip Company on Swiss Stock Exchange (SWX).

D. Security Products:

Arrow has been in the business of security documents and it's 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.

E. 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. With great pleasure I have to inform you all that a joint patent has been filed internationally between Arrow (India), Pioneer (Israel) and Aquasol (UK) and it will have positive ramifications on the way surgery is implemented. Copy of Patent certificate is given at page no.67 to 69 of the Annual report.

- E. (i) Intellectual property 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.

F. Arrow UK Activities :

Arrow UK purchased stake in Advance IP Technolitics Limited, a UK based Company. This Company is jointly owned by Arrow and Israel based promoters. Advance IP specialises 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.

G. 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.

H. 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 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 unparalleled 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 sewerages.

Overview of the Product

- 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.
- It is certified by the international Standards such as EN 13432, DIN V 54900. ASTM D 6400- 99.
- Can be coloured with master batches.
- 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. 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.

C. 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 have acquired 25% Equity Share Capital of Advance IP Technologies Limited (UK) and this acquisition shall facilitate the marketing of various patents granted to the company. Advance IP will focus on our joint Patent with Aquasol and Pioneer Medical.

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.

B. 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.

C. 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.

D. 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 NagralD Arrow Secure Cards Private Limited.

E. R&D & Patent :

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 8 additional patents and our total number of patent portfolio is now 18 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 streams.

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

4. FINANCIAL PERFORMANCE:

During the year, turnover of the company amounted to Rs. 463.29 Lacs as against Rs.2286.48 Lacs of 2007 and Prior Period Items and profit before Tax was Rs. 0.57 Lacs as against Rs. 2.61 Lacs of the last year.



5. 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 transactions 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.

6. 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.

7. 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.

8. Quality:

The Company is ISO 9000 certified and will continue to constantly monitor quality standards. The Company intends to apply for ISO 14,000 during this year, as this standards relate to environment.

Annexure- 2 to Director's 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 31 March, 2009 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 2009	150000
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	29600
g.	Variation of terms of options	Reduced options from 672750 to 300000, out of that 51100 options have lapsed
h.	Money realized by exercise of options	Nil
i.	Total number of options in force as at 31 st March 2009	248900
j.	Employee wise details of options granted to:	
	i) senior managerial personnel during the year	Nil
	ii) 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. (0.79)
l.	(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.
	ii) 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 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

CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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 2009, the Board comprised of total 7 directors, which includes 2 Executive Directors and 4 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 2009, the Board met 12 times on 9th May 2008, 10th May 2008, 6th June 2008, 11th July 2008, 31st July 2008, 1st August 2008, 25th August 2008, 7th October 2008, 23rd October 2008, 8th December 2008, 30th January 2009, 20th February 2009. As stipulated, the gap between two board meetings did not exceeded four calendar months.

Details of composition and category of Directors, their attendance at each Board meeting held during the financial year 2008-09 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		Attendance at last AGM held on 30 th September 2008	No. of directorship held in other public companies	Committee Position in other companies	
		Held	Attended			Member	Chairman
Mr. Shilpan Patel	Managing Director	12	12	Present	-	-	-
Mr. Haresh Mehta	Non Executive	12	11	Present	-	-	-
Mr. B. S. Vasa	Independent	12	12	Absent	-	-	-
Mr. Rama Subramaniam	Independent	12	9	Absent	1	-	-
Mr. Vijay Dhar	Independent	12	10	Absent	2	-	-
Mr. Anil Saxena (upto 06.06.2008)	Independent	2	2	N.A.	-	-	-
Mr. Rajendra Somashekar	Executive	12	7	Present	-	-	-
Mr. Faredun H. Taraporwala (w.e.f. 30.01.2009)	Independent	2	2	N.A.	-	-	-

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 two 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. B. S. Vasa (Chairman of the Committee), Mr. Rama Subramaniam and Mr. Haresh Mehta.

During the year under review, 5 meetings of the Audit Committee were held on 9th May 2008, 11th July 2008, 31st July 2008, 23rd October 2008 and 30th January 2009.

The number of meetings attended by each member during the year ended 31st March 2009 is as under:

Name of the Director	Designation	No. of Meetings	
		Held	Attended
Mr. B. S. Vasa	Chairman	5	5
Mr. Rama Subramaniam	Member	5	5
Mr. Haresh Mehta	Member	5	5

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 annual 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 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.
- Reviewing the Company's financial and risk management policies.

B. Shareholders / Investors Grievance Committee

The composition of the committee is as under:

Name	Designation	Category
Mr. Haresh Mehta	Chairman	Non Executive
Mr. Vijay Dhar	Member	Independent
Mr. B. S. Vasa	Member	Independent

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, 2 complaints were received from the shareholders and all the 2 complaints were replied/ resolved to the satisfaction of the shareholders as on 31st March 2009 and no complaint was pending at the end of the year.

Mrs. Sandhya Jadhav is Compliance Officer of the Company.

C. Remuneration Committee

The composition of the Committee is as under:

Name	Designation	Category
Mr. B. S. Vasa	Chairman	Independent
Mr. Vijay Dhar	Member	Independent
Mr. Rama Subramaniam	Member	Independent

**ARROW COATED PRODUCTS LTD.**

The details of remuneration paid to the directors during the year ended 31st March 2009 and their shareholding is as follows:

(Amount in Rs.)

Name of the Directors	Salary & Perquisites	Performance Incentive/ Bonus	Commission	Sitting Fees	Total	No. of Shares held	No. of Stock option granted
Mr. Shilpan Patel	-	-	-	-	-	1115445	-
Mr. Hareesh Mehta	-	-	-	-	-	7666	12000
Mr. B. S. Vasa	-	-	-	-	-	-	24000
Mr. Rama Subramaniam	-	-	-	-	-	-	15000
Mr. Vijay Dhar	-	-	-	-	-	25000	15000
Mr. Anil Saxena	-	-	-	-	-	1500	-
Mr. Rajendran Somashekar	-	-	-	-	-	-	-
Mr. Faredun H. Taraporwala	-	-	-	-	-	-	-

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 given below:

Financial Year	Date	Time	Venue
2007 – 08	30.09.2008	10.00 a.m.	Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai – 500 053
2006 – 07	29.12.2007	10.00 a.m.	Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai – 500 053
2005 – 06	30.09.2006	4.00 p.m.	The Club, 197, D. N. Nagar Road, Andheri (West), Mumbai – 400 053

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

Date of A.G.M. / E.O.G.M.	Particulars of Special Resolution
30.09.2008	For reduction of capital.
29.12.2007	No special resolution was passed.
26.02.2007 (E.O.G.M.)	<ol style="list-style-type: none"> 1. For issue of ESOP to the employees of the Company. 2. For issue of ESOP to the employees of holding and subsidiary companies of the Company. 3. For issue of Sweat Equity shares. 4. For issue of convertible warrants on preferential basis. 5. For insertion of new Article 13A regarding issue of Sweat Equity in the Articles of Association of the Company. 6. For insertion of new Article 13B regarding issue of ESOP in the Articles of Association of the Company. 7. For insertion of new Article 12A regarding issue of preference shares / warrants in the Articles of Association of the Company. 8. For alternation in Memorandum of Association for increase in Authorized Share Capital from Rs. 5 Crore to Rs. 10 Crore. 9. For alternation in Articles of Association for increase in Authorized Share Capital from Rs. 5 Crore to Rs. 10 Crore. 10. For alternation in Memorandum of Association for insetion of new object clauses. 11. For commencement of new business.
30.09.2006	No special resolution was passed.

No Special Resolution was passed through postal ballot during the financial year 2008-09 and no Special Resolution is proposed to be passed through postal ballot at 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 2009, 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 31st March 2009 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 statutory 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 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. Shiplan P. Patel, Managing Director of the Company, in respect of financial year ended 31st March 2009 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 2009 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

h) Whistle Blower Policy

The Company has not adopted any formal Whistle 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 Economic Times, Navbharat Times 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 : 10.00 a.m.
 Date : 29th September 2009
 Venue : Bageecha Restaurant, Bageecha Complex,
 Marve Road, Malad (West),
 Mumbai - 400 053

b) Financial Calendar : (2009-2010)

Financial year - 1st April 2009 to 31st March 2010
 First quarterly results - up to the end of July 2009
 Second quarterly results - up to the end of October 2009
 Third quarterly results - up to the end of January 2010
 Fourth quarterly results - up to the end of April 2010

c) Date of Book Closure : Monday, 28th September 2009 to
 Tuesday, 29th September 2009
 (both days inclusive)

d) Dividend Payment Date : N.A.

e) Listing on Stock Exchanges : Bombay Stock Exchange Ltd.
 The Delhi Stock Exchange Association Ltd. (applied for delisting)

The Company has paid the necessary listing fees to the Bombay Stock Exchange Limited for the year 2009-2010.

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 Exchange Limited and BSE Sensex during each month in last financial year are as follows:

Month	Company's shares price at BSE*		BSE Sensex*	
	High (Rs)	Low (Rs)	High (Rs)	Low (Rs)
April 2008	27.90	20.75	17480.74	15297.96
May 2008	27.00	17.85	17735.70	16196.02
June 2008	22.90	15.20	16632.72	13405.54
July 2008	19.95	15.00	15130.09	12514.02
August 2008	22.50	15.15	15579.78	14002.43
September 2008	19.95	18.75	15107.01	12153.55
October 2008	17.85	10.90	13203.86	7697.39
November 2008	10.36	8.40	10945.41	8316.39
December 2008	14.33	9.25	10188.54	8467.43
January 2009	13.75	11.80	10469.72	8631.6
February 2009	12.39	12.15	9724.87	8619.22
March 2009	12.12	9.50	10127.09	8047.17

* Source : www.bseindia.com

i) Share Transfer System:

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.

j) Shareholding pattern as at 31st March 2009:

Sr. No	Category of Holders	No. of Shares held	% of Shares held
1	Promoter and Promoter group	2809065	52.94
2	Mutual Funds/UTI	20900	0.39
3	Banks/Financial Institutions/ Insurance Companies (Central/ State Govt. Institutions/ Non Govt. Institutions)	0	0.00
4	Venture Capital Funds	0	0.00
5	FII's	0	0.00
6	Bodies Corporate	274705	5.18
7	Individuals		
	< Rs. 1 Lac	1381153	26.03
	> Rs. 1 Lac	616625	11.64
8	Clearing Member	0	0.00
9	NRI/OCBs	202550	3.82
10	Trust	0	0.00
11	Foreign Corporate Bodies	0	0.00
	TOTAL	5306098	100.00

k) The Distribution of Shareholding as at 31st March 2009:

Slab of Shares Holding	Share Holders	%	Amount Rs.	%
1 - 500	1425	69.614	3274920	6.172
501 - 1000	272	13.288	2393440	4.511
1001 - 2000	125	6.106	1961350	3.696
2001 - 3000	56	2.736	1450040	2.733
3001 - 4000	42	2.052	1505010	2.836
4001 - 5000	19	0.928	882770	1.664
5001 - 10,000	62	3.029	4459440	8.404
10001 - 100000	38	1.856	10600130	19.977
100001 & Above	8	0.391	26533880	50.006
Total	2047	100.000	53060980	100.000

l) Dematerialization of shares and liquidity:

As on 31st March 2009 about 57.30% 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.

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

Pursuant to the Special Resolution passed by the members of the Company in their Extra Ordinary General Meeting held on 26th February 2007, the Company issued and allotted 1159623 Warrants convertible into even number of Equity Shares of Rs. 10/- each at a price of Rs. 50/- per share (including premium of Rs. 40.00 per share). The Board of Directors in their meetings held on 20th October 2007 and 8th October 2008 issued and allotted 123300 and 238086 Equity Shares respectively by conversion of even number of warrants out of said 1159623 warrants. As on 31st March 2009, no warrants are outstanding for conversion into equity shares.

The Company has issued 300000 options under ESOP Scheme. Out of that, 51100 options have been lapsed and as on 31st March 2009, 248900 options are outstanding.

n) Registrar and Share Transfer Agents:

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



ARROW COATED PRODUCTS LTD.

o) Plant location:

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

p) 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:

Bigshare Services Pvt. Ltd.
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

For general correspondence:
Compliance Officer
Mrs. Sandhya Jadhav
Arrow Coated Products Ltd.
5D, Arrow House, New Link Road,
Andheri (West), Mumbai 400 053
Tel No. : 022 - 4074 9000
Fax No. : 022 - 4074 9099

DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT

I, Shilpan Patel, Chairman & Managing Director of the Company, hereby declare that all the Directors have confirmed compliance with the Code of Conduct as adopted by the Company.

For **Arrow Coated Products Ltd.**

Place : Mumbai
Date : 30th June 2009

Shilpan 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, 2009 as stipulated in Clause 49 of the Listing Agreement of the said company with the Stock Exchanges of India.

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, except presence of chairman of audit committee at previous AGM.

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

Place : Mumbai
Date : 30th June 2009

P. J. Rajani
Proprietor
Membership No. : 116740

AUDITOR'S 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 2009 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;
 - d) 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 16)* 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 31,2009 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 Rs. 115.37 Lacs. Had this observations made by us been considered, Loss after tax would have been Rs. 114.56 Lacs [as against the reported figure of Rs. 34.84 Lacs]; Reserves and Surplus would have been Rs. 485.87 Lacs [as against the reported figure of Rs. 565.59 Lacs]; Sundry debtors would have been Rs. 966.59 Lacs [as against the reported figure of Rs. 1081.96 Lacs]; Deferred Tax Assets would have been Rs 40.1 Lacs [as against the reported figure of Rs 4.45 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 as 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 2009;
 - 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 : 30th June 2009

P. J. Rajani
Proprietor
Membership No. : 116740



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 year 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 year.

ii) In respect of it's Inventories.

As explained to us, inventories were been physically verified during the year 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 year the company has taken loan from two parties aggregating to Rs 4049/- (in '000) and the year-end balance of loan taken from such three parties was Rs.45343/- (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 year 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 year 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 serious 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 then six months from the date they became payable:-*

Nature of the Dues	Amount (Rs in '000)
Local Sales Tax	587.08
Central Sales Tax	1,158.60
Income Tax	184.26
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 *Income Tax amounting to Rs 533.43 (in '000) pertaining to A. Y. 2006-07 which is appeal before Commissioner of Income Tax (Appeals).*

- viii) The company has no accumulated losses at the end of the year, however has incurred cash losses during the financial year covered by our audit. In the immediately preceding financial year, the company had made cash profits.
- ix) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to the financial institution, bank or debenture holders.
- x) We are of the opinion that company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xi) 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.
- xii) 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.
- xiii) According to information and explanation given to us the company has not given guarantees for loan taken by others from banks or financial institutions.
- xiv) The company has not taken any term loan during the year.
- xv) 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.
- xvi) According to the information and explanations given to us, the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act 1956. In our opinion, price at which they are issued are not prejudicial to the interest of the Company.
- xvii) According to information and explanation given to us Debentures have not been issued by the company during the year.
- xviii) During the period, the company has not raised money by public issue.
- xix) 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

Place : Mumbai
Date : 30th June 2009

P. J. Rajani
Proprietor
Membership No. : 116740

**BALANCE SHEET AS AT 31ST MARCH 2009**

	SCH.	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
<u>SOURCES OF FUND</u>			
Shareholders' Fund			
Share Capital	1	52440	50060
Share Application Money		4269	18232
Employee Stock Option Outstanding		6149	3815
Reserves & Surplus	2	56559	47456
		<u>119417</u>	<u>119563</u>
Loan Funds			
Secured Loans	3	26159	28315
Unsecured Loans	4	49218	56904
		<u>75377</u>	<u>85219</u>
Deffered Tax Liability		(445)	247
TOTAL		<u>194350</u>	<u>205029</u>
<u>APPLICATION OF FUNDS</u>			
Fixed Assets			
Gross Block	5	54941	54842
Less Depreciation		37954	34842
Net Block		<u>16987</u>	<u>20000</u>
Patents Applications		9762	5549
Capital Work in Progress		786	786
Investment : (At Cost)	6	2676	2676
Current Assets, Loans & Advances			
Inventories	7	39783	58388
Sundry Debtors	8	108196	120542
Cash & Bank Balances	9	6315	14356
Loans & Advances	10	39957	35975
		<u>194251</u>	<u>229261</u>
Less: Current Liabilities & Provisions	11	30113	53244
Net Current Assets		<u>164138</u>	<u>176017</u>
TOTAL		<u>194350</u>	<u>205029</u>
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

P. J. Rajani
Proprietor
Place:Mumbai
Date :30th June, 2009

Chairman & Managing Director Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Sch.	Year Ended 31.03.2009 (Rs. in '000)	Year Ended 31.03.2008 (Rs. in '000)
INCOME			
Sales	12	45966	226109
Interest Received	13	362	532
Other Income	14	1	2007
Total		46329	228648
EXPENDITURE			
Material Cost & Inventory Adjustments	15	24533	185743
Salary & Other Employee Expenses	16	5223	10045
Manufacturing Expenses	17	5640	5171
Selling Expenses	18	906	8804
Managerial Remuneration		0	1887
Financial Charges	19	3431	2781
Other Administrative Expenses	20	7419	11594
Total		47152	226025
Profit Before Depreciation		(822)	2623
Less : Depreciation		3112	3722
Profit Before Prior Period Items		(3934)	(1099)
Less : Prior Period Expenses		57	261
Profit before Tax		(3991)	(1361)
Current tax		0	250
Deferred Tax		(692)	926
Fringe Benefit Tax		185	375
Profit After Tax		(3484)	(2911)
Balance Brought Forward		28534	29444
Tax & Dividend Adjustment		887	750
Amount Available For Appropriation		24163	25782
Appropriations			
Less : Proposed Dividend		0	(2355)
Less : Tax on Dividend		0	(396)
Balance carried to Balance sheet		24163	28533
Earning Per Share (Basic) Rs.		(0.67)	(0.60)
Earning Per Share (Diluted) Rs.		(0.67)	(0.60)
Notes to Accounts & Significant Accounting Policies	21		

As Per our report of even date.

For J. A.Rajani & Co.
Chartered Accountants

P. J. Rajani
Proprietor
Place: Mumbai
Date : 30th June, 2009

For and on behalf of the Board

Chairman & Managing Director Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	31.03.2009	(Rs. in '000) 31.03.2008
A Cash Flow from Operating Activities		
Net Profit before Tax & Prior Period Items	(3,934)	(1,099)
Adjustment for		
Depreciation	3,112	3,722
Bad Debts / Balance	-	4,701
ESOP Amortisation	2,334	3,815
Interest Income	(362)	(532)
Dividend Income	(1)	(1)
Interest Expenses	3,431	2,781
Prior Period Expenses	(57)	(261)
Operating Profit before Working Capital Changes	<u>4,522</u>	<u>13,126</u>
Adjustment for		
Trade & Other Receivables	12,346	(29,187)
Inventories	18,605	1,820
Loans & Advances	(3,982)	5,856
Trade Payables	(24,191)	1,493
Cash Generated from operations	<u>7,300</u>	<u>(6,892)</u>
Interest Paid	<u>(3,269)</u>	<u>(2,628)</u>
Net Cash used in Operation	<u><u>4,031</u></u>	<u><u>(9,520)</u></u>
B Cash Flow from Investing Activities		
Purchase of Fixed Assets/Patent Investment	(4,312)	(6,173)
Interest & Dividend Income	363	533
Increase in Share Capital	1,891	24,829
Interest and Finance cost	(162)	(154)
Net Cash from Investing Activities	<u><u>(2,220)</u></u>	<u><u>18,119</u></u>
C Cash Flow from Financing Activities		
Loans	(9,842)	(4,426)
Dividend Paid	- (9)	-
Net Cash from Financing Activities	<u><u>(9,851)</u></u>	<u><u>(4,426)</u></u>
Net Increase in Cash & Cash Equivalents	(8,041)	4,173
Opening Balance of Cash & Cash Equivalents	14,356	10,183
Closing Balance of Cash & Cash Equivalents	6,315	14,356

As Per our report of even date.

For J. A.Rajani & Co.
Chartered Accountants

P. J. Rajani
Proprietor
Place: Mumbai
Date : 30th June, 2009

For and on behalf of the Board

Chairman & Managing Director
Director

SCHEDULE TO THE BALANCE SHEET

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SCHEDULE `1'		
SHARE CAPITAL		
Authorised Capital :		
1,00,00,000(P.Y. 1,00,00,000) Equity Shares of Rs.10/- each	<u>100000</u>	<u>100000</u>
Issued & Subscribed Capital		
53,06,098 (P. Y. 50,68,012 Equity Shares) of Rs. 10/- each	53061	50680
Fully paid up		
Less : Calls in Arrears from others	<u>621</u>	<u>620</u>
	<u>52440</u>	<u>50060</u>
SCHEDULE `2'		
RESERVES & SURPLUS		
General Reserve	200	200
Profit & Loss account	24163	28533
Capital Reserve		
Balance at the beginning of the year	0	
Forfeiture of Pref. Warrant Application Money	<u>3949</u>	0
Share Premium		
Balance at the beginning of the year	18723	
Premium received on Issue of Equity Shares	<u>9524</u>	
	<u>28247</u>	18723
	<u>56559</u>	<u>47456</u>
SCHEDULE `3'		
SECURED LOANS:		
From Indusind Bank, Mumbai Main Branch (Secured by hypothecation of inventory ,book Debts and other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleswar and other Fixed Asset of the Company at various location and Office premises in Mumbai of Arrow Convertors Pvt. Ltd.)	25489	27102
Other Loans (Who have a lien on and right of repossession of specific Assets)	670	1213
	<u>26159</u>	<u>28315</u>
SCHEDULE `4'		
UNSECURED LOANS:		
From Directors	15166	15552
From Others	34052	41352
	<u>49218</u>	<u>56904</u>



SCHEDULE TO THE BALANCE SHEET

SCHEDULE ' 5'

FIXED ASSETS

Particulars	(Rs. in '000)									
	Gross Block					Depreciation			Net Block	
	As At 01.04.2008	Additions	Sale/ Transfer	As At 31.03.2009	As At 01.04.2008	For the year	Deduction	As At 31.03.2009	As At 31.03.2009	As At 31.03.2008
Factory Land	194	-	-	194	-	0	-	-	194	194
Factory Building	3,691	-	-	3,691	1,859	183	-	2,042	1,649	1,832
Office Building	134	-	-	134	65	3	-	68	66	69
Plant & Machinery	31,576	-	-	31,576	19,137	1,730	-	20,867	10,709	12,439
Furniture & Fixture	3,664	-	-	3,664	2,744	166	-	2,910	754	920
Office Equipment	7,069	99	-	7,168	5,170	437	-	5,607	1,562	1,899
Lab. Equipment	579	-	-	579	282	41	-	323	256	297
Electric Installation	1,225	-	-	1,225	716	74	-	790	435	509
Motor Car	6,709	-	-	6,709	4,870	476	-	5,346	1,363	1,840
TOTAL	54,842	99	-	54,941	34,842	3,112	-	37,954	16,987	20,000
Previous Year	54,218	623	-	54,842	31,120	3,722	-	34,842	20,000	

Capital Work In Progress is Rs. 786 (PY Rs. 786)

SCHEDULE TO THE BALANCE SHEET

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SCHEDULE `6`		
INVESTMENT At COST (Non Trade)		
<i>Unquoted Govt. Securities</i>		
National Saving Certificates	5	5
<i>Equity Share (Fully Paid)</i>		
Shamrao Vithal Co op Bank	9	9
300 Equity Shares of Rs. 25/- each		
100 Equity Shares of Rs. 10/- each		
<i>Equity Share (Fully Paid)</i>	1602	1602
Arrow Coated Products (UK) Ltd 20099 Equity Shares of £1.00 each		
Nagra ID Arrow Secure card (P) Ltd 101377 sh of Rs 10 each	1014	1014
SPArrow BioPlast (P) LTd 4600 Sh @ Rs10 Each	46	46
	<u>2676</u>	<u>2676</u>
SCHEDULE `7`		
INVENTORIES		
(As taken, valued and certified by Management)		
Stock in Trade		
(At cost or net realisable value which ever is lower)		
Finished Goods	35114	51643
Raw Material	4669	6745
	<u>39783</u>	<u>58388</u>
SCHEDULE `8`		
SUNDRY DEBTORS:		
(Unsecured Considered Good)		
(i) Debts Outstanding for More than Six months	100253	49152
(ii) Others debts	7943	71390
	<u>108196</u>	<u>120542</u>
SCHEDULE `9`		
CASH & BANK BALANCES:		
Cash on Hand	353	1460
Balances with Scheduled Banks:		
On Current Account	2910	8411
On Fixed Deposit	3052	4485
(Rs.28Lac (Prev Yr 43. Lac) for Bank Gaurantee to Custom Authorities.)		
	<u>6315</u>	<u>14356</u>

**SCHEDULE TO THE BALANCE SHEET**

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SCHEDULE `10'		
LOANS & ADVANCES:		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received.	26103	18983
Deposits	1564	1879
Advance payment of Income Tax	11574	14267
Prepaid Expenses	110	203
Interest Accrued	606	643
	<u>39957</u>	<u>35975</u>
SCHEDULE `11'		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors for Goods	9651	28061
Sundry Creditors for Expenses & Others	2782	3584
Outstanding Payable	4456	5611
Advance from Customers	2013	2603
Unclaimed/Unpaid Dividend	426	435
Provisions		
Provision for Income Tax	10785	12950
Proposed Dividend	0	0
Provision for Tax on Dividend	0	0
	<u>30113</u>	<u>53244</u>

SCHEDULE TO THE PROFIT & LOSS ACCOUNT

	Year Ended 31.03.2009 (Rs. in '000)	Year Ended 31.03.2008 (Rs. in '000)
SCHEDULE - 12		
SALES		
Sales & Service	48383	227384
Less:Excise Duty	<u>2417</u>	<u>1275</u>
	<u><u>45966</u></u>	<u><u>226109</u></u>
SCHEDULE - 13		
INTEREST RECEIVED		
Other Interest Received (TDS Rs 94.51 (P.Y. Rs 88.58))	362	532
	<u>362</u>	<u>532</u>
SCHEDULE - 14		
OTHER INCOME		
Dividend Income	1	1
Balance Written Off	0	2006
	<u>1</u>	<u>2007</u>
SCHEDULE - 15		
MATERIAL COST AND INVENTORY ADJUSTMENT		
Cost of Raw Materials consumed		
Opening stock	6745	8026
Add: Purchases	5928	8609
Less:Closing Stock	<u>4669</u>	<u>6745</u>
	8004	9890
Finished Goods Purchase	<u>0</u>	<u>175314</u>
	8004	185204
Inventory Adjustment:		
Stock at close	35114	51643
Stock at commencement	<u>51643</u>	<u>52182</u>
	16529	539
Material Consumed	<u><u>24533</u></u>	<u><u>185743</u></u>
SCHEDULE - 16		
SALARY & OTHER EMPLOYEE EXPENSES		
Staff Salaries & Bonus	2448	5613
Staff welfare expenses	247	217
Provident Fund, ESIC & Gratuity	194	400
ESOP compensation cost	<u>2334</u>	<u>3815</u>
	<u><u>5223</u></u>	<u><u>10045</u></u>

**SCHEDULE TO THE PROFIT & LOSS ACCOUNT**

	Year Ended 31.03.2009 (Rs. in '000)	Year Ended 31.03.2008 (Rs. in '000)
SCHEDULE - 17		
MANUFACTURING EXPENSES		
Factory Expenses	1271	1151
Workman Wages	1315	1526
Electricity, Fuel & Water Charges	2837	2218
Repair & Maintenance	164	202
Freight Inward	53	74
	<u>5640</u>	<u>5171</u>
SCHEDULE - 18		
SELLING EXPENSES		
Transport & Forwarding Charges	433	1221
Packing Charges	278	306
Commission on Sales	50	0
Marketing & Advertisement Expenses	145	569
Bad Debts	0	6708
	<u>906</u>	<u>8804</u>
SCHEDULE - 19		
FINANCIAL EXPENSES		
Bank Charges	162	154
Interest Charges	3269	2627
	<u>3431</u>	<u>2781</u>
SCHEDULE - 20		
OTHER ADMINISTRATIVE EXPENSES		
Electricity Charges	237	421
Rent,Rates & Taxes	76	700
Legal & Professional Charges	1471	1623
Patent Charges	354	107
Audit Fees (Including Tax Audit)	221	225
Repairs to others	101	665
Insurance Charges	309	343
Postage & Telephone	717	1626
Printing & Stationery	168	404
Conveyance & Travelling Exp.	1954	2796
Foreign Exchange Gain / (Loss)	1029	89
Miscellaneous Expenses	709	895
Sales tax asst. dues	73	1700
	<u>7419</u>	<u>11594</u>

SCHEDULE: 21**NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009.****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 otherwise 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 pro-rata basis. Leasehold land is shown at cost and no write offs are made in respect thereof.

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 companies.

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 exclude Sales Tax and other charges such as freight, insurance and other incidental charges.

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 dealt with in profit and loss account, 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 reliefs'.

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 ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009.

- 1) Estimated amount of contracts remaining to be executed on Capital Accounts for Rs. 10.00 Lacs (Previous Year Rs. 10.00Lacs).
- 2) Balances of Sundry Debtors, Sundry Creditors, Deposits, Loans and Advances are subject 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) Calls in Arrears in respect of shares have been computed on the basis of information certified by the management.
- 4) Contingent liabilities not provided for are:

Customs Authority amounting to Rs. 66.00 Lacs. (Previous year Rs 66.00 Lacs)
Provident Fund and ESIC amounting to Rs.2.43 Lacs. (Previous year Rs 2.43 Lacs)
Sales Tax amounting to Rs. Rs.Nil (Previous year Rs 0.35 Lacs.)
Labour case Rs.Nil (Previous year Rs. 1.35 Lacs.)
Buy back of Machine Rs. 450.45 Lacs (Previous year Rs 1254.52 Lacs)
- 5) 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.
- 6) 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.
- 7) Advances recoverable in cash or in kind or value to be received (Schedule 10) include
 - a) Rs. NIL to a subsidiary company (Previous year Rs. 85.11 Lacs) ,
 - b) Rs. 12.64 Lacs to Associate Company. (Previous year Rs. 4.55 Lacs)
 - c) Rs. 1.73 Lacs to A Director.(Previous year Rs 1.78 Lacs).
- 8) Sundry Debtors include
 - a) Due from subsidiary company Rs. 2.07 Lacs (Previous year Rs. 2.07 Lacs)
 - b) Due from the company where director/relative is interested Rs.274.63 Lacs (Previous year Rs 156.61 Lacs).
- 9) 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.
- 10) 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.

11) 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 exists:*

Arrow Coated Products (U.K.) Ltd. (Subsidiary Company)
Nagra ID Arrow Secure Cards Pvt. Ltd. (Subsidiary Company)
SP Arrow Bio Degradable Pvt. Ltd.(Associate Company)

II) *Key Management Personnel:*

Mr. Shilpan P. Patel Chairman and Managing Director
Mr. R. Somashekhar Executive Director

III) *Relatives Of Key Management Personnel:*

Mrs. Jigisha S. Patel
Shilpan Patel H.U.F

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.

B. Transaction with Related Parties and Outstanding Balance as on 31.03.2009

(Rs. in Lacs)

TRANSACTION DURING THE YEAR	ENTITIES WHERE CONTROL EXIST	KEY MANAGERIAL PERSONNEL	RELATIVE OF KEY MANAGERIAL PERSONNEL	ENTITIES WHERE SIGNIFICANT INFLUENCE
PURCHASE	-	-	-	-
	(-)	(-)	(-)	(0.33)
SALE	16.50	-	-	148.06
	(-)	(-)	(-)	(551.12)
ADVANCE / LOAN GIVEN	8.25	-	-	-
	(35.27)	(-)	(-)	(4.20)
ADVANCE / LOAN GIVEN REPAYED	85.11	0.04	-	-
	(11.20)	(-)	(-)	(-)
ADVANCE / LOAN RECEIVED	-	0.49	-	40.00
	(-)	(5.06)	(-)	(283.00)
ADVANCE / LOAN RECEIVED REPAYED	-	4.35	-	113.00
	(-)	(98.08)	(340.70)	(-)
REMUNERATION & COMMISSION	-	-	-	-
	(-)	(18.87)	(-)	(-)
BALANCE--RECEIVABLE	14.86	1.73	-	287.43
	(87.17)	(1.78)	(-)	(161.16)
BALANCE--PAYABLE	-	164.82	-	303.88
	(-)	(168.81)	(-)	(415.63)

(Previous Year Figures are in bracket)



- 12) 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:

(Rs. in Lacs)

	31.03.2009	31.03.2008
Profit as per profit & loss Account (After tax & extraordinary items)	(34.83)	(29.11)
Weighted average number of shares used in computing earning per equity share		
For Basic EPS	51,80,858	48,57,852
For Diluted EPS	51,80,858	48,57,852
Basic earning per share (Rs.)	(0.67)	(0.60)
Diluted earning per share (Rs.) (on nominal value of Rs.10/- per share)	(0.67)	(0.60)

- 13) Accounting For Tax On Income:

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

(Rs. in Lacs)

	31.03.2009	31.03.2008
Disallowance u/s 43B	4.52	5.01
Business Loan	4.64	-
Depreciation	(4.71)	(7.49)
Net Deferred Tax Assets/(Liability)	4.45	(2.47)

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

- 15) The company does not have a full time company secretary as per Section 383A of the Companies Act, 1956.

- 16) During the year the company has decided 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.

- 17) 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.

- 18) Auditors Remuneration:

(Rs. in Lacs)

	31.03.2009	31.03.2008
Audit Fees	1.49	1.52
Tax Audit Fees	0.71	0.73
Taxation Matters	0.71	0.90
Certification & Other Matters	0.98	0.81
Total	3.89	3.96

- 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) The company has during the year allotted 238086 equity share upon conversion of even number of warrants issued on preferential basis. A sum of Rs 39.49 Lacs has been forfeited during the year received as application money for allotment of warrants on preferential basis. 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, for which shares not allotted.

- 21) The company had allotted 16500 equity shares to Mr. Gautam Shah upon conversion of warrants issued on preferential basis who was not qualified for preferential allotment as per the SEBI (DIP) Guidelines, 2000. Hence the Bombay Stock Exchange Ltd refused to list these shares and advice to cancel the allotment of these 16500 equity shares. The company is in the process of making necessary application before the Honorable High Court, Bombay for the reduction of capital to that extent.

22) The Employee Stock Options outstanding as at 31st March 2009 were 2,48,900 (Previous year 2,78,500). During the year 29,600 options have lapsed.

None of the options have been exercised as on date. Hence weighted-average exercise prices and weighted-average fair values of options have not been calculated.

23) During the previous year the company has issued 2,35,463 sweat equity shares of Rs 10/- each at a premium of Rs 30/- per share to a director for cash consideration, which have been used for repayment of debts.

24) Managerial Remuneration (Rs. in Lacs)

	31.03.2009	31.03.2008
Salary & Bonus	0.00	19.31
Co.'s Contribution to P.F.	0.00	0.28

Due to non availability of employee wise break-up of contribution to LIC Group Gratuity Scheme, the same has not been included in the above figures.

25) 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)

	31.03.2009	31.03.2008
Earning in Foreign Currency		
Export sales (FOB)	4.76	114.67
Expenditure in Foreign Currency		
Foreign Currency Spent (Import CIF Value)	-	110.05
Traveling Expenses	1.60	4.24
Patent Fees	35.95	18.13

26) Disclosures of Loans /Advances to Subsidiaries, Associate Companies etc. (as required under clause 32 of the Listing agreement with Bombay Stock Exchange Ltd.) (Rs. in Lacs)

Name of Company / Firms	Relationship	Amount Outstanding	Max. Amount Outstanding
Arrow Coated Products (U.K.) Ltd.	Subsidiary	Nil	85.11
(Previous Year)	Subsidiary	85.11	85.11
NagraID Arrow Secure Card Pvt. Ltd.	Subsidiary	Nil	Nil
(Previous Year)	Subsidiary	Nil	12.34
SP Arrow Bio Degradable Pvt. Ltd	Associate	12.79	12.79
(Previous Year)	Associate	4.55	4.55

27) 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.
Chartered Accountants

For and on behalf of the Board

P. J. Rajani
Proprietor

Chairman & Managing Director
Director

Place: Mumbai
Date : 30th June, 2009



**Balance Sheet Abstract and Company's General business Profile
(as per Schedule VI of the companies Act, 1956)**

I Registration Detail

Registration No.	69281	State Code	11
Balance Sheet Date	31.03.2009		

II Capital Raised during the year (Amount Rs. in Thousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	2381

III Position of Mobilization and Development of Funds (Amount Rs. in Thousand)

Total Liabilities	194350	Total Assets	194350
Sources of Funds			
Paid-up Capital	56709	Reserves & Surplus	62262
Secured Loans	26159	Unsecured Loans	49218
Application of Funds			
Net Fixed Assets	27536	Investment	2676
Net Current Assets	164138	Misc. Expenditure	NIL
Accumulated Losses	NIL		

IV Performance of Company

Turnover	45966	Total Expenditure	47152
Profit before Tax	(3991)	Profit After Tax	(3484)
Earning Per Share	(0.67)	Dividend Rate	NIL

V Generic Names of Three Principal Product of Company (as per monetary terms)

Item Code No. (ITC Code)	3919
Product Description	Water Soluble Film - Others
Item Code No. (ITC Code)	3212000
Product Discription	Stamping Foils

For and on behalf of the Board

Place: Mumbai
Date :30th June, 2009

Chairman & Managing Director
Director

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 31 March, 2009, 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 14,38,348/- as at 31 March 2009 and total revenues of Rs 94,56,386/- for the year then ended and the Profit of Rs 64,79,820/-. These unaudited financial statements as approved by the Board of Directors have been furnished to us, and 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.
 - a) *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.*
 - b) *The company has not made provisions for overdue debts aggregating Rs. 115.37 Lacs. Had this observations made by us been considered, Consolidated Loss after tax would have been Rs. 49.72 Lacs [as against the reported consolidated profit of Rs. 26.33 Lacs]; consolidated Reserves and Surplus would have been Rs. 472.74 Lacs [as against the reported consolidated Reserves and Surplus of Rs. 552.46 Lacs]; Sundry debtors would have been Rs. 966.84 Lacs [as against the reported consolidated Sundry debtors of Rs. 1082.11 Lacs]; Deferred Tax Assets would have been Rs 40.1 Lacs(as against the reported figure of Rs 4.45 Lacs).*
5. 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.
6. 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 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 4 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 2009;
 - ii) In the case of the Consolidated Profit and Loss Account, of the Profit 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

Place: Mumbai
Date :30th June 2009

P.J.Rajani
Proprietor
Membership No. 116740



**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2009**

	SCH.	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SOURCES OF FUND			
Shareholders' Fund			
Share Capital	1	52440	50060
Share Application Money		4269	18232
Employee Stock Option Outstanding		6149	3815
Reserves & Surplus	2	55246	40211
		<u>118104</u>	<u>112318</u>
Loan Funds			
Secured Loans	3	26159	28315
Unsecured Loans	4	49218	56904
		<u>75377</u>	<u>85219</u>
Minority Interest			
		668	841
Deffered Tax Liability			
		(445)	247
TOTAL		<u>193704</u>	<u>198625</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	55074	54948
Less Depreciation		38017	34894
Net Block		17057	20054
Patents Applications		9762	5549
Capital Work in Progress		786	786
Investment : (At Cost)	6	496	194
Current Assets, Loans & Advances			
Inventories	7	40267	58913
Sundry Debtors	8	108211	120358
Cash & Bank Balances	9	9545	16418
Loans & Advances	10	38720	29872
		<u>196743</u>	<u>225561</u>
Less: Current Liabilities & Provisions	11	31333	53736
Net Current Assets		<u>165410</u>	<u>171825</u>
Miscellaneous Expenses			
		193	218
TOTAL		<u>193704</u>	<u>198625</u>
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

P. J. Rajani
Proprietor
Place: Mumbai
Date : 30th June, 2009

Chairman & Managing Director
Director

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR
THE YEAR ENDED 31ST MARCH 2009**

	Sch.	Year Ended 31.03.2009 (Rs. in '000)	Year Ended 31.03.2008 (Rs. in '000)
INCOME			
Sales	12	55422	226248
Interest Received	13	493	542
Other Income	14	1	2057
Total		<u>55916</u>	<u>228847</u>
EXPENDITURE			
Material Cost & Inventory Adjustments	15	26466	185550
Salary & Other Employee Expenses	16	5556	10144
Manufacturing Expenses	17	5639	5171
Selling Expenses	18	1709	8980
Managerial Remuneration		0	1887
Financial Charges	19	3450	2799
Other Administrative Expenses	20	7760	12045
Preliminary exps w/off		24	24
Total		<u>50604</u>	<u>226600</u>
Profit Before Depreciation		5312	2246
Less : Depreciation		3123	3736
Profit Before Prior Period Items		2189	(1490)
Less : Prior Period Expenses		57	261
Profit before Tax		2132	(1751)
Current tax		6	250
Deferred Tax		(692)	926
Fringe Benefit Tax		185	376
Profit After Tax		2633	(3303)
Add: Share of Loss in Associates		(508)	(321)
Less : Share of Minorities		(179)	(129)
		<u>2304</u>	<u>(3494)</u>
Balance Brought Forward		21313	22807
Tax & Dividend Adjustment		887	750
Amount Available For Appropriation		<u>22730</u>	<u>18562</u>
Appropriations			
Less : Proposed Dividend		0	(2355)
Less : Tax on Dividend		0	(396)
Balance carried to Balance sheet		<u>22730</u>	<u>21313</u>
Earning Per Share (Basic) Rs.		0.44	(0.72)
Earning Per Share (Diluted) Rs.		0.44	(0.72)
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

P. J. Rajani
Proprietor
Place: Mumbai
Date : 30th June, 2009

Chairman & Managing Director
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

	31.03.2009	(Rs. in '000) 31.03.2008
A Cash Flow from Operating Activities		
Net Profit before Tax & Prior Period Items	2,189	(1,490)
Adjustment for		
Depreciation	3,123	3,736
Bad Debts / Balance	355	4,701
ESOP Amortisation & other	2,358	3,839
Interest Income	(493)	(542)
Dividend Income	(1)	(1)
Interest Expenses	3,450	2,781
Prior Period Expenses	(57)	(261)
Operating Profit before Working Capital Changes	<u>10,924</u>	<u>12,764</u>
Adjustment for		
Trade & Other Receivables	11,792	(28,370)
Inventories	18,646	1,627
Loans & Advances	(8,848)	5,742
Trade Payables	(23,645)	2,028
Cash Generated from operations	<u>8,870</u>	<u>(6,210)</u>
Interest Paid	<u>(3,269)</u>	<u>(2,628)</u>
Net Cash used in Operation	<u><u>5,600</u></u>	<u><u>(8,839)</u></u>
B Cash Flow from Investing Activities		
Purchase of Fixed Assets/Patent	(4,339)	(6,173)
Investment	(631)	(134)
Interest & Dividend Income	493	542
Increase in Share Capital	1,889	24,829
Interest and Finance cost	(180)	(172)
Net Cash from Investing Activities	<u><u>(2,768)</u></u>	<u><u>18,891</u></u>
C Cash Flow from Financing Activities		
Loans	(9,842)	(4,446)
Currency Fluctuation Reserve	145	(25)
Dividend Paid	(9)	-
Net Cash from Financing Activities	<u><u>(9,706)</u></u>	<u><u>(4,471)</u></u>
Net Increase in Cash & Cash Equivalents	(6,873)	5,581
Opening Balance of Cash & Cash Equivalents	16,418	10,837
Closing Balance of Cash & Cash Equivalents	9,545	16,418

As Per our report of even date.

For J. A.Rajani & Co.
Chartered Accountants

P. J. Rajani
Proprietor
Mumbai :
Date :30th June, 2009

For and on behalf of the Board

Chairman & Managing Director
Director


SCHEDULE TO CONSOLIDATED BALANCE SHEET

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SCHEDULE '1'		
SHARE CAPITAL		
Authorised Capital : 1,00,00,000(P.Y. 1,00,00,000) Equity Shares of Rs.10/- each	100000	100000
Issued & Subscribed Capital 53,06,098 (P. Y. 50,68,012 Equity Shares) of Rs. 10/- each Fully paid up Less : Calls in Arrears from others	53061 621 52440	50680 620 50060
SCHEDULE '2'		
RESERVES & SURPLUS		
General Reserve	200	200
Capital Reserve	3949	0
Currency Fluctuation reserve on consolidation	120	(25)
Profit & Loss account	22730	21313
Share Premium	28247	18723
	55246	40211

SCHEDULE TO CONSOLIDATED BALANCE SHEET

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SCHEDULE '3'		
SECURED LOANS:		
From Indusind Bank, Mumbai Main Branch (Secured by hypothecation of inventory and book debts and other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleshwar and other fixed assets of the company at various locations and office premises in Mumbai of Arrow Convertors Pvt. Ltd.)	25489	27,102
Other Loans (Who have a lien on and right of repossession of specific Assets)	670	1213
	26159	28315
SCHEDULE '4'		
UNSECURED LOANS:		
From Directors	15166	15552
From Others	34052	41352
	49218	56904

SCHEDULE '5'
FIXED ASSETS

(Rs. in '000)

Particulars	Gross Block			Depreciation			Net Block			
	As At 01.04.2008	Additions	Sale/ Transfer	As At 31.03.2009	As At 01.04.2008	For the year	Deduction	As At 31.03.2009	As At 31.03.2009	As At 31.03.2008
Factory Land	194	-	-	194	-	-	-	-	194	194
Factory Building	3,691	-	-	3,691	1,859	183	-	2,042	1,649	1,832
Office Building	134	-	-	134	65	3	-	68	66	69
Plant & Machinery	31,576	-	-	31,576	19,137	1,730	-	20,867	10,709	12,439
Furniture & Fixture	3,664	-	-	3,664	2,744	166	-	2,910	754	920
Office Equipment	7,175	125	-	7,300	5,222	448	-	5,670	1,631	1,953
Lab. Equipment	579	-	-	579	282	41	-	323	256	297
Electric Installation	1,225	-	-	1,225	716	74	-	790	435	509
Motor Car	6,709	-	-	6,709	4,870	476	-	5,346	1,363	1,840
TOTAL	54,947	125	-	55,073	34,894	3,123	-	38,017	17,057	20,053
Previous Year	54,324	623	-	54,948	31,158	3,736	-	34,894	20,054	-

Capital Work In Progress is Rs.786 (PY Rs.786)

SCHEDULE TO CONSOLIDATED BALANCE SHEET

	AS AT	AS AT
	31.03.2009	31.03.2008
	(Rs. in '000)	(Rs. in '000)

SCHEDULE `6`

INVESTMENT At COST (Non Trade)

Unquoted Govt. Securities

National Saving Certificates	5	5
Equity Share (Fully Paid)		
Shamrao Vithal Co op Bank	9	9
300 Equity Shares of Rs. 25/- each		
SPArrow BioPlast (P) LTd 4600 Sh @ Rs10 Each		
Carrying amount of investment	46	46
Advance to Associate	1264	455
Accumulated Share of Profit/(Loss)	(828)	(321)
	<u>496</u>	<u>194</u>

SCHEDULE `7`

INVENTORIES

(As taken, valued and certified by Management)

Stock in Trade

(At cost or net realisable value which ever is lower)

Finished Goods	35598	52168
Raw Material	4669	6745
	<u>40267</u>	<u>58913</u>

SCHEDULE `8`

SUNDRY DEBTORS:

(Unsecured Considered Good)

(i) Debts Outstanding for More than Six months	100046	49152
(ii) Others debts	8165	71206
	<u>108211</u>	<u>120358</u>

SCHEDULE `9`

CASH & BANK BALANCES:

Cash on Hand	439	1539
Balances with Scheduled Banks:		
On Current Account	4815	10394
On Fixed Deposit	4291	4485
(Rs.28 Lacs (Prev. Yr. Rs 43. Lac) for Bank Gaurantee to Custom Authorities.)		
	<u>9545</u>	<u>16418</u>

SCHEDULE `10`

LOANS & ADVANCES:

(Unsecured considered good)

Advances recoverable in cash or in kind or for value to be received.	24845	12880
Deposits	1564	1879
Advance payment of Income Tax	11595	14267
Prepaid Expenses	110	203
Interest Accrued	606	643
	<u>38720</u>	<u>29872</u>

SCHEDULE TO CONSOLIDATED BALANCE SHEET

	AS AT	AS AT
	31.03.2009	31.03.2008
	(Rs. in '000)	(Rs. in '000)

SCHEDULE `11`

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Sundry Creditors for Goods	9651	28061
Sundry Creditors for Expenses & Others	3995	3724
Outstanding Payable	4456	5964
Advance from Customers	2013	2603
Unclaimed/Unpaid Dividend	426	435
Provisions		
Provision for Income Tax	10792	12950
	<u>31333</u>	<u>53737</u>

SCHEDULE TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Year Ended	Year Ended
	31.03.2009	31.03.2008
	(Rs. in '000)	(Rs. in '000)

SCHEDULE - 12

SALES

Sales & Service	57840	227523
Less:Excise Duty	2417	1275
	<u>55422</u>	<u>226248</u>

SCHEDULE - 13

INTEREST RECEIVED

Other Interest Received	493	542
(TDS Rs 115.67 (P.Y. Rs 88.58))		
	<u>493</u>	<u>542</u>

SCHEDULE - 14

OTHER INCOME

Miscellaneous Income	0	50
Dividend Income	1	1
Balance Written Off	0	2006
	<u>1</u>	<u>2057</u>

SCHEDULE - 15

MATERIAL COST AND INVENTORY ADJUSTMENT

Cost of Raw Materials consumed		
Opening stock	7270	8026
Add: Purchases	5928	8609
Less:Closing Stock	4669	7270
	<u>8529</u>	<u>9365</u>
Finished Goods Purchase	1892	175314
	<u>10421</u>	<u>184679</u>
Inventory Adjustment:		
Stock at close	35598	51643
Stock at commencement	51643	52514
	<u>16045</u>	<u>871</u>
Material Consumed	<u>26466</u>	<u>185550</u>



SCHEDULE TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Year Ended 31.03.2009 (Rs. in '000)	Year Ended 31.03.2008 (Rs. in '000)
--	---	---

SCHEDULE - 16

SALARY & OTHER EMPLOYEE EXPENSES

Staff Salaries & Bonus	2779	5712
Staff welfare expenses	249	217
Provident Fund, ESIC & Gratuity	194	400
ESOP compensation cost	2334	3815
	<u>5556</u>	<u>10144</u>

SCHEDULE - 17

MANUFACTURING EXPENSES

Factory Expenses	1271	1151
Workman Wages	1315	1526
Electricity, Fuel & Water Charges	2837	2218
Repair & Maintenance	164	202
Freight Inward	53	74
	<u>5639</u>	<u>5171</u>

SCHEDULE - 18

SELLING EXPENSES

Transport & Forwarding Charges	881	1316
Packing Charges	278	306
Commission on Sales	50	0
Marketing & Advertisement Expenses	145	650
Bad Debts	355	6707
	<u>1709</u>	<u>8980</u>

SCHEDULE - 19

FINANCIAL EXPENSES

Bank Charges	180	172
Interest Charges	3269	2628
	<u>3450</u>	<u>2799</u>

SCHEDULE - 20

OTHER ADMINISTRATIVE EXPENSES

Electricity Charges	237	421
Rent, Rates & Taxes	223	853
Legal & Professional Charges	1607	1726
Patent Charges	354	107
Audit Fees (Including Tax Audit)	229	233
Repairs to others	101	665
Insurance Charges	309	343
Postage & Telephone	729	1648
Printing & Stationery	186	404
Conveyance & Travelling Exp.	1955	2913
Foreign Exchange Gain / (Loss)	1029	90
Miscellaneous Expenses	728	941
Sales tax asst. dues	73	1700
	<u>7760</u>	<u>12045</u>

SCHEDULE: 21

NOTES ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009.

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 and NagralD Arrow Secure Card 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 .

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 i.e. year ended 31st March 2009.

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 pro-rata basis. Leasehold land is shown at cost and no write offs are made in respect thereof.

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 exclude Sales Tax and other charges such as freight, insurance and other incidental charges.

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 dealt with in profit and loss account, 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 reliefs'.

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 ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009.

- 1) Estimated amount of contracts remaining to be executed on Capital Accounts for Rs. 10.00 Lacs (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) Calls in Arrears in respect of shares have been computed on the basis of information certified by the management.
- 4) Contingent liabilities not provided for are:
 - Customs Authority amounting to Rs. 66.00 Lacs. (Prev. yr. Rs 66.00 Lacs)
 - Provident fund and Esic amounting to Rs.2.43 Lacs. (Prev. yr. Rs 2.43 Lacs)
 - Sales Tax amounting to Rs. Rs.Nil (Prev. yr.Rs 0.35 Lacs.)
 - Labour case Rs.Nil (Prev. yr.Rs. 1.35 Lacs.)
 - Buy back of Machine Rs. 450.45 Lacs(Prev yr Rs 1254.52 Lacs)
- 5) 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.
- 6) 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.
- 7) Advances recoverable in cash or in kind or value to be received (Schedule 10) include Rs. 1.73 Lacs to A Director.(prev. yr. Rs 1.78 Lacs).
- 8) Sundry Debtors include Due from the company where director/relative is interested Rs.274.63 Lacs (prev. yr. Rs 156.61 Lacs).
- 9) 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.
- 10) As the company's business activity, in the opinion of the management, falls within single primary segment printing products



ARROW COATED PRODUCTS LTD.

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.

- 11) 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) Key Management Personnel:

Mr. Shilpan P. Patel Chairman / Managing Director
Mr. R. Somashekhar Executive Director

II) Relatives Of Key Management Personnel:

Mrs. Jigisha S. Patel
Shilpan Patel H.U.F

III) 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.

- B. Transaction with Related Parties & Outstanding Balance as on 31.03.2009

(Rs. in Lacs)

TRANSACTION DURING THE YEAR	KEY MANAGERIAL PERSONNEL	RELATIVE OF KEY MANAGERIAL PERSONNEL	ENTITIES WHERE SIGNIFICANT INFLUENCE
PURCHASE	-	-	-
	(-)	(-)	(0.33)
SALE	-	-	148.06
	(-)	(-)	(551.12)
ADVANCE / LOAN GIVEN	-	-	-
	(-)	(-)	(4.20)
ADVANCE / LOAN GIVEN REPAID	0.04	-	-
	(-)	(-)	(-)
ADVANCE / LOAN RECEIVED	0.49	-	40.00
	(5.06)	(-)	(283.00)
ADVANCE / LOAN RECEIVED REPAID	4.35	-	113.00
	(98.08)	(340.70)	(-)
REMUNERATION & COMMISSION	-	-	-
	(18.87)	(-)	(-)
BALANCE--RECEIVABLE	1.73	-	287.43
	(1.78)	(-)	(161.16)
BALANCE--PAYABLE	164.82	-	303.88
	(168.81)	(-)	(415.63)

(Previous Year Figures are in Bracket)

- 12) 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:

	31.03.2009 (Rs. in Lacs)	31.03.2008 (Rs. in Lacs)
Profit as per profit & loss Account (After tax & extraordinary items)	23.04	(34.94)
Weighted average number of shares used in computing earning per equity share		
For Basic EPS	51,80,858	48,57,852
For Diluted EPS	51,80,858	48,57,852
Basic earning per share (Rs.)	0.44	(0.72)
Diluted earning per share (Rs.)	0.44	(0.72)
(on nominal value of Rs.10/- per share)		

- 13) Accounting For Tax On Income:

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

(Rs. in Lacs)

	31.03.2009	31.03.2008
Disallowance u/s 43B	4.52	5.01
Business Loss	4.64	-
Depreciation	(4.71)	(7.49)
Net Deferred Tax Assets/(Liability)	4.45	(2.47)

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

- 15) The company does not have a full time company secretary as per section 383A of the Companies Act, 1956.

- 16) During the year the company has decided 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 relating to the Machine division will realise at a value at which they appear in the books of accounts in aggregate.

- 17) 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.

- 18) The company has during the year allotted 238086 equity share upon conversion of even number of warrants issued on preferential basis. A sum of Rs 39.49 lacs has been forfeited during the year received as application money for allotment of warrants on preferential basis. 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, for which shares not allotted.

- 19) The company had allotted 16500 equity shares to Mr. Gautam Shah upon conversion of warrants issued on preferential basis which were not qualified for preferential allotment per the SEBI (DIP) Guidelines, 2000. Hence the Bombay Stock Exchange Ltd refused to list these shares and advice to cancel the allotment of these 16500 equity shares. The company is in the process of making the necessary application before the Honorable Bombay High Court for the reduction of capital to that extent.

- 20) The Employee Stock Options outstanding as at 31st March 2009 were 2,48,900 (prev. yr. 2,78,500). During the year 29,600 options have lapsed.

None of the options have been exercised as on date. Hence weighted-average exercise prices and weighted-average fair values of options have not been calculated.

21) During the previous year the company has issued 2,35,463 sweat equity shares of Rs 10/- each at a premium of Rs 30/- per share to a director for cash consideration, which have been used for repayment of debts.

22) Managerial Remuneration (Rs. in Lacs)

	31.03.2009	31.03.2008
Salary & Bonus	0.00	19.31
Co.'s Contribution to P.F.	0.00	0.28

Due to non availability of employee wise break-up of contribution to LIC Group Gratuity Scheme, the same has not been included in the above figures.

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)

	31.03.2009	31.03.2008
Earning in Foreign Currency		
Export sales (FOB)	4.76	114.67
Expenditure in Foreign Currency		
Foreign Currency Spent (Import CIF Value)	-	110.05
Traveling Expenses	1.60	4.24
Patent Fees	35.95	18.13

24) Disclosures of Loans /Advances to Subsidiaries, Associate Companies Etc.(As required by clause 32 of the Listing agreement with Mumbai Stock Exchange)

(Rs. in Lacs)

Name of Company / Firms	Relationship	Amount Outstanding	Max. Amount Outstanding
Arrow Coated Products (U.K.) Ltd.	Subsidiary	Nil	85.11
(Previous Year)		85.11	85.11
NagraID Arrow Secure Card Pvt. Ltd.	Subsidiary	Nil	Nil
(Previous Year)		Nil	12.34
SP Arrow Bio Degradable Pvt. Ltd	Associate	12.79	12.79
(Previous Year)		4.55	4.55

25) 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.
Chartered Accountants

For And On Behalf Of Board

P. J. Rajani
Proprietor

Chairman & Managing Director

Place: Mumbai
Date: 30th June, 2009



Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

1) Name of the Subsidiary Company:	Arrow Coated Products (UK) Ltd.	Nagra ID Arrow Secure Card (P)Ltd
2) Financial Year of the Subsidiary:	31 st March, 2009	31 st March, 2009
3) (a) No. of Shares held in Subsidiary Company on the above date: Equity	20099 Shares	101377 shares
(b) Extent of holding:	100%	50.95%
4) The Net Aggregate Profit Less Losses of Subsidiary Company as far as it concerns the members of the holding company:		
(i) Not dealt with in the Holding Company's Accounts:(Rs. '000)		
(a) Of the Subsidiary For the year Ended 31.03.2009	6486	(364)
(b) For the previous Financial Years since it became the Holding Company's subsidiary	(351)	(263)
(ii) Dealt with in the Holding Company's Accounts:		
(a) For the Financial Year of the subsidiary	Nil	Nil
(b) For the previous Financial Year since it became the Holding Company's Subsidiary	Nil	Nil
5) Change in the interest of the Holding Company between the end of the Financial Year of the Subsidiary Company & the end of the Financial Year Of the Holding Company's Accounts.	Not Applicable	Not Applicable
6) Material Changes between the end of the Financial Year of the Subsidiary and the the end of the Holding Company's Financial Year in respect of the Subsidiary 's		
(i) Fixed Assets	Not Applicable	Not Applicable
(ii) Investments In Preference Shares	Not Applicable	Not Applicable
(iii) Moneys lent by the Subsidiary	Not Applicable	Not Applicable
(iv) Moneys Borrowed by the Subsidiary	Not Applicable	Not Applicable

For & On behalf of the Board

Place : Mumbai
Date : 30th June,2009

Chairman & Managing
Director

Director

**Arrow Coated Products (UK) Limited
Report of the Directors
for the Year Ended 31st March 2009**

The Directors present their report with the financial statements of the company for the year ended 31st March 2009.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the marketing and selling of water soluble films.

DIRECTORS

The Directors during the year under review were:

Mr. Shilpan Patel
Mr. Paresh Patel

Mr. Shilpan Patel is also a Director of the company's parent undertaking and his interests in that company are disclosed in that company's financial statements.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD:

Paresh Patel
Director

Date: 29th June 2009



Arrow Coated Products (UK) Limited

Balance Sheet As at 31st March 2009

	SCH.	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SOURCES OF FUND			
Shareholders' Fund			
Share Capital	1	1602	1602
Reserves & Surplus	2	(164)	(6,789)
		<u>1438</u>	<u>(5,187)</u>
Loan Funds			
Unsecured Loans	3	0	8510
		<u>0</u>	<u>8510</u>
TOTAL		<u>1438</u>	<u>3323</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	106	106
Less Depreciation		63	52
Net Block		<u>44</u>	<u>54</u>
Current Assets, Loans & Advances			
Inventories	5	484	525
Sundry Debtors	6	222	22
Cash & Bank Balances	7	2046	515
Loans & Advances	8	6	2861
		<u>2758</u>	<u>3923</u>
Less: Current Liabilities & Provisions	9	<u>1363</u>	<u>655</u>
Net Current Assets		<u>1395</u>	<u>3269</u>
TOTAL		<u>1438</u>	<u>3323</u>

Notes to Accounts &
Significant Accounting Policies

For and on behalf of the Board

Date : 29th June, 2009

Director Director

Profit and Loss Account for the Year Ended
31st March 2009

		AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
INCOME			
Sales	10	9456	139
Interest Received	11	28	10
Other Income	12	0	12
Total		<u>9485</u>	<u>162</u>
EXPENDITURE			
Material cost & Inventory Adjustments	13	1933	31
Selling Expenses	14	804	95
Financial charges	15	19	16
Other Administrative Expenses	16	233	357
Total		<u>2988</u>	<u>499</u>
Profit before Depreciation		6497	(337)
Less : Depreciation		11	14
Profit before Tax		6486	(351)
Current tax		6	0
Profit After Tax		6480	(351)
Balance brought forward		(6,764)	(6,413)
Balance carried to Balance sheet		<u>(284)</u>	<u>(6,764)</u>

Notes to Accounts & Significant
Accounting Policies

For and on behalf of the Board

Date : 29th June, 2009

Director

Director

Schedule to the Balance Sheet

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
--	--------------------------------------	--------------------------------------

SCHEDULE '1'**SHARE CAPITAL****Authorised Capital :**

1,00,000 Equity Shares of £1 each

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Issued & Subscribed Capital

100 Equity Shares of £1 each

fully paid up

1602	1602
------	------

1602	1602
------	------

SCHEDULE '4'**FIXED ASSETS**

	Gross Block				Depreciation				Net Block	
	As At 01.04.2008	Additions	Sale/ Transfer	As At 31.03.2009	As At 01.04.2008	For the year	Deduction	As At 31.03.2009	As At 31.03.2009	As At 31.03.2008
	Rs.(000)									
Office Equipment	106	-	-	106	52	11	-	63	44	54
TOTAL	106	-	-	106	52	11	-	63	44	54
Previous Year	106	-	-	106	38	14	-	52	54	68

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
--	--------------------------------------	--------------------------------------

SCHEDULE '5'**INVENTORIES**

(As taken, valued and certified by Management) 484 525

Stock in Trade

(At cost or net realisable value which ever is lower)

Finished Goods

Raw Material

484	525
-----	-----

SCHEDULE '6'**SUNDRY DEBTORS:**

(Unsecured Considered Good)

Others debts

222	22
-----	----

222	22
-----	----

SCHEDULE '7'**CASH & BANK BALANCES:**

Balances with Scheduled Banks:

On Current Account

2046	515
------	-----

2046	515
------	-----

Schedule to the Balance Sheet

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
--	--------------------------------------	--------------------------------------

SCHEDULE '2'**RESERVES & SURPLUS**

Currency fluctuation reserve on consolidation 120 (25)

General Reserve 0

Profit & Loss account

(284)	(6,764)
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(164)	(6,789)
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SCHEDULE '3'**UNSECURED LOANS:**

From Others

	8510
--	------

0	8510
---	------

SCHEDULE '8'**LOANS & ADVANCES:**

(Unsecured considered good)

Advances recoverable in cash or in

kind or for value to be received.

6	2861
---	------

6	2861
---	------

SCHEDULE '9'**CURRENT LIABILITIES AND PROVISIONS****Current Liabilities**

Sundry Creditors for Expenses & Others 1357 313

Outstanding Payable 0 342

Provisions

Provision for Income Tax

6	
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1363	655
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SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SCHEDULE - 10		
SALES		
Sales & Service	9456	139
Less:Excise Duty		
	<u>9456</u>	<u>139</u>
SCHEDULE - 11		
INTEREST RECEIVED		
Other Interest Received	28	10
	<u>28</u>	<u>10</u>
SCHEDULE - 12		
OTHER INCOME		
Other Income	-	12
	<u>-</u>	<u>12</u>
SCHEDULE - 13		
MATERIAL COST AND INVENTORY ADJUSTMENT		
Finished Goods Purchase	1892	-
	1892	-
Inventory Adjustment:		
Stock at close	484	525
Stock at commencement	525	556
	<u>40</u>	<u>31</u>
Material Consumed	<u>1933</u>	<u>31</u>

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	AS AT 31.03.2009 (Rs. in '000)	AS AT 31.03.2008 (Rs. in '000)
SCHEDULE - 14		
SELLING EXPENSES		
Transport & Forwarding Charges	448	95
Bad debts	355	0
	<u>804</u>	<u>95</u>
SCHEDULE - 15		
FINANCIAL EXPENSES		
Bank Charges	19	16
Interest to Others		
	<u>19</u>	<u>16</u>
SCHEDULE - 16		
OTHER ADMINISTRATIVE EXPENSES		
Electricity Charges		
Rent,Rates & Taxes	147	153
Legal & Professional Charges	41	41
Postage & Telephone	12	19
Printing & Stationery	15	-
Conveyance & Travelling Exp.	-	104
Foreign Exchange Gain / (Loss)	-	1
Miscellaneous Expenses	17	37
Sales tax asst. dues		
	<u>233</u>	<u>357</u>

Arrow Coated Products (UK) Limited

Notes to the Financial Statements for the Year Ended 31st March 2009

1. ACCOUNTING POLICIES**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery etc - 20% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. OPERATING PROFIT/(LOSS)

The operating profit (2008 - operating loss) is stated after charging:

	31.03.09	31.03.08
	Rs. in '000	Rs. in '000
Depreciation - owned assets	11	14
Foreign exchange differences	-	-

3. TAXATION**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	31.03.09	31.03.08
	Rs. in '000	Rs. in '000
Current tax:		
UK Corporation tax	6	-
Tax on profit/(loss) on ordinary activities	6	-

4. TANGIBLE FIXED ASSETS**COST**

At 1 April 2008 and 31 March 2009	Plant and Machinery etc Rs. in '000	106
-----------------------------------	--	-----

DEPRECIATION

At 1 April 2008	52
Charge for year	11
At 31 March 2009	63

NET BOOK VALUE

At 31 March 2009	43
At 31 March 2008	54

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.03.09	31.03.08
	Rs. in '000	Rs. in '000
Trade debtors	-	(82)
Other debtors	243	236
	243	154

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.03.09	31.03.08
	Rs. in '000	Rs. in '000
Trade creditors	-	195
Taxation and social security	6	166
Other creditors	1,418	5,837
	1,424	6,198

7. CALLED UP SHARE CAPITAL

Authorised:			31.3.09	31.3.08
Number:	Class:	Nominal value	£	£
100,000	Ordinary	£1	100,000	100,000

Allotted, issued and fully paid:

Number:	Class:	Nominal value	31.3.09	31.3.08
			Rs. in '000	Rs. in '000
1	Ordinary	£1	1,602	1,602

8. RESERVES

	Profit and loss account
	Rs. in '000
At 1st April 2008	(6,554)
Deficit for the year	6,521
At 31st March 2009	(33)

9. ULTIMATE PARENT COMPANY

The ultimate parent company is Arrow Coated Products Limited, a company registered in India

For and on behalf of the Board

Date : 29th June, 2009

Director

Director



DIRECTORS' REPORT

To,
The Members,
NagraID Arrow Secure Cards Private Limited

Yours Directors hereby present the Annual Report together with the Audited Statement of accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS:

The financial figures for the year under review are given below:

(Rs. in '000)

Particulars	2008-2009	2007-2008
Total income	102.70	36.25
Total Expenditure	467.13	299.74
Profit/(Loss) before Tax	(364.42)	(263.49)
Less: Provision for Tax	0.12	1.16
Profit/(Loss) after Tax	(364.54)	(264.65)
Add: Balance brought forward from last year	(264.65)	-
Balance carried to Balance Sheet	(629.20)	(264.65)

OPERATIONS:

During the year under review, the Company has incurred a loss of Rs. 3.64 Lacs as against loss of Rs.2.64 Lacs in the previous year. Your Directors are optimistic about its current year's performance.

DIVIDEND:

As the Company has incurred losses in the current year, the Directors regret to declare any dividend for the year ended 31st March 2009.

FIXED DEPOSITS:

The Company has not accepted Fixed Deposits from the Public during the year and no deposits remain outstanding for repayment.

DIRECTORS RESPONSIBILITY STATEMENT:

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the Company for that period;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

AUDITORS:

The Company's Auditors M/s. J.A. Rajani & Co., Chartered Accountants, Mumbai, retire at the ensuing Annual General Meeting of the Company and being eligible has consented to act as Auditors of the Company, if appointed. Your company has received Certificate from them certifying that, if their re-appointment will be made the same will be within the limit prescribed under the provisions of Section 224 (1B) of the Companies Act, 1956. Members are requested to appoint the Auditors to hold the office from the conclusion of this meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

PARTICULARS OF EMPLOYEES:

There are no employees of the Company whose particulars are required to be reported under Section 217(2A) of the Companies Act, 1956 and rules thereunder.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT AND TECHNOLOGICAL ABSORPTION, ADOPTION INNOVATION:

Considering the nature of activities carried out by the Company, during the period under report, the Directors have nothing to report on Conservation of Energy, Research & Development and Technology Absorption.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

The company has not used or earned, during the year under the Report, any foreign exchange.

COMPLIANCE CERTIFICATE:

Pursuant to the provisions of Section 383A of the Companies Act, 1956, Secretarial Compliance Certified received from M/s. Manish Ghia & Associates, Practicing Company Secretaries is attached to this report.

ACKNOWLEDGEMENT:

Your Directors take this opportunity to thank all its members, customers, vendors, Banks, regulatory and government authorities, for their continued support during the period under review.

For and on Behalf of the Board of Directors

Place: Mumbai
Date : 30th June 2009

Shilpan Patel
Chairman



FORM
[SEE RULE 3]

Compliance Certificate

Authorised Share Capital : Rs. 10,000,000
Corporate Identification No. : U74999MH2006PTC165191

To,

The Members,
NagraID Arrow Secure Cards Private Limited
5-D, Laxmi Industrial Estate,
New Link Road, Andheri (West),
Mumbai 400 053

We have examined the registers, records, books and papers of **NagraID Arrow Secure Cards Private Limited (the Company)** as required to be maintained under the Companies Act, 1956, **(the Act)** and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company, for the financial year ended on **31st March 2009 (financial year)**. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has not filed any forms or returns during the year with the Registrar of Companies, Regional Director, Central Government and Company Law Board or other authorities prescribed under the Act.
3. The Company being a Private Limited Company has the minimum paidup capital and its maximum number of members during the financial year were 3 (three) excluding its present and past employees and the Company during the financial year:
 - (i) has not invited public to subscribe for its shares or debentures; and
 - (ii) has not invited or accepted any deposits from any persons other than its members, directors or their relatives.
4. The Board of Directors duly met 4 (four) times on 1st April 2008, 11th July 2008, 8th December 2008 and 30th January 2009 and as per information and explanations given by the management proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for that purpose. No resolution by circulation has been passed by the Company.
5. The Company was not required to close its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended 31st March 2008 was held on 29th September 2008 and as per information and explanation given by the management, the Company has given adequate notice to the members of the Company and the resolutions passed thereat were duly recorded and signed in the Minutes Book maintained for that purpose.
7. There was no Extra Ordinary General Meeting held during the financial year under review.
8. The Company has not advanced any loans to its Directors or persons or firms or Companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act in respect of contracts specified in that section.
10. The Company was not required to make any entry in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any Duplicate Share Certificates during the financial year.
13. The Company:
 - i) was not required to deliver the certificates as there was no allotment / transfer / transmission of securities during the financial year under review.
 - ii) was not required to deposit any amount in a separate bank account as no dividend was declared during the financial year.
 - iii) was not required to post warrants for dividend to the any members of the Company as no dividend was declared during the financial year.
 - iv) was not required to transfer any amount in respect of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years and which is required to be transferred to Investor Education and Protection Fund.

- (v) has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. One Additional Director was appointed during the year.
 15. The Company has not appointed any Managing Director / Whole-time Director / Manager of the Company during the financial year.
 16. The Company has not appointed any sole-selling agent during the financial year.
 17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act.
 18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
 18. The Company has not issued any shares, debentures or other securities during the financial year.
 20. The Company has not bought back any shares or other securities during the financial year.
 21. The Company has not issued any preference shares / debentures during the financial year.
 22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
 23. The Company has not invited / accepted any deposits falling within the purview of section 58A of the Act. The Company has obtained unsecured loans during the financial year from its directors and relatives.
 24. The Company has not made any borrowings during the financial period except borrowings made in due course of business activities.
 25. The Company, being a Private Limited Company, the provisions of section 372A of the Act is not applicable.
 26. The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one State to another during the financial year.
 27. The Company has not altered the provisions of the Memorandum of Association with respect to the Objects of the Company during the financial year.
 28. The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the financial year.
 29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the financial year.
 30. The Company has not altered its Articles of Association during the financial year.
 31. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year for offences under the Act.
 32. The Company has not received any money as security from its employees during the financial year.
 33. As per the information provided, the provision of provident Fund is not applicable to the Company.

For **MANISH GHIA & ASSOCIATES**
Company Secretaries

Manish L. Ghia
Partner

M. No. ACS 7254; C.P. No. 3531

Place : Mumbai
Date : 30th June 2009

Annexure - "A"

Registers maintained by the M/s. NagralD Arrow Secure Cards Private Limited

1. Register of Members u/s 150 of the Act.
2. Register of Directors etc u/s. 303 of the Act.
3. Register of Directors' Shareholding u/s. 307 of the Act.
4. Register of Contracts, Companies and Firms in which directors are interested u/s 301 of the Act.
5. Minutes Book of General Meetings and Board Meetings u/s 193 of the Act.



**AUDITOR'S REPORT TO THE MEMBERS OF
NAGRAID ARROW SECURE CARD PRIVATE LIMITED.**

1. We have audited the attached Balance Sheet of NAGRAID ARROW SECURE CARD PRIVATE LIMITED as at 31st March 2009 and also the Profit & Loss Account 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. No particulars as required by the Companies (Auditors report) Order,2003 issued by the central government of India in terms to sub-section (4A) of section 227 of the Companies Act, 1956 are given as exempted under para 1 clause 2 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 and Profit & Loss account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Profit & Loss account dealt with by this report comply with the Accounting standard 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 31,2009 and taken on record by the Board of Directors, we report that none of the director 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) In our opinion, and to the best of our information and according to the explanation given to us the said accounts read together with the Significant Accounting Policies and Notes on Accounts Schedule 7 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 2009;
 - ii) In the case of profit & loss account, of the loss for the year ended on that date.

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

P.J.Rajani
Proprietor
Membership No. 116740

Place: Mumbai
Date: 30th June 2009

Nagra ID Arrow Secure Card Pvt Ltd
BALANCE SHEET AS AT 31ST MARCH 2009

SCH.	As At 31.03.2009 (Rs. in '000)	As At 31.03.2008 (Rs. in '000)
<u>SOURCES OF FUND</u>		
Shareholders' Fund		
Share Capital	1,989.75	1,989.75
Total	1,989.75	1,989.75
<u>APPLICATION OF FUNDS</u>		
Fixed Assets		
Gross Block	26.28	-
Less: Depreciation	0.34	-
Net Block	25.94	-
Current Assets, Loans and Advances		
Loans and Advances	21.16	-
Cash and Bank Balances	1,324.08	1,548.47
	1,345.23	1,548.47
Less: Current Liabilities & Provisions	204.03	40.96
Net Current Assets	1,141.20	1,507.51
Miscellaneous Expenditure		
Pre-Operative Expenses	27.48	30.92
Preliminary Expenses	165.93	186.67
Profit and Loss Account	629.20	264.65
	822.61	482.24
Total	1,989.75	1,989.75

As Per our report of even date.

For J. A.Rajani & Co.
Chartered Accountants

P. J. Rajani
Proprietor
Mumbai : 30th June, 2009

For and on behalf of the Board

Director

Director



Nagra ID Arrow Secure Card Pvt Ltd
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

SCH.	As At 31.03.2009 (Rs. in '000)	As At 31.03.2008 (Rs. in '000)
INCOME		
Sales	-	-
Other Income	102.70	36.25
Total	<u>102.70</u>	<u>36.25</u>
EXPENDITURE		
Personnel Cost	331.06	99.43
Administrative and General Expenses	6 135.73	200.31
Depreciation	0.34	-
Total	<u>467.13</u>	<u>299.74</u>
Profit/(Loss) before Tax	(364.42)	(263.49)
Current Taxes	-	-
Deferred tax	-	-
Fringe Benefit Tax	0.12	1.16
Profit After Tax	<u>(364.54)</u>	<u>(264.65)</u>
Balance Bought Forward	(264.65)	-
Balance Carried to Balance Sheet	<u>(629.20)</u>	<u>(264.65)</u>
Earning Per Share (Basic & Diluted) Rs.	<u>(1.83)</u>	<u>(1.33)</u>
Notes to Accounts & Significant Accounting Policies	7	

As Per our report of even date.

For J. A.Rajani & Co.
Chartered Accountants

For and on behalf of the Board

P. J. Rajani
Proprietor
Mumbai : 30th June, 2009

Director

Director

SCHEDULE TO THE BALANCE SHEET

	As At 31.03.2009 (Rs. in '000)	As At 31.03.2008 (Rs. in '000)
Schedule 1		
Share Capital		
Authorised		
9,00,000 Equity Shares of Rs. 10/- each	9,000.00	9,000.00
1,00,000 Redeemable Pref. Shares of Rs.10/- each	1,000.00	1,000.00
	10,000.00	10,000.00
Issued Subscribed and Paid Up		
1,98,975 Equity Shares of Rs. 10/- fully paid up	1,989.75	1,989.75
Total	1,989.75	1,989.75
	-	-

Schedule 2**Fixed Assets**

(Rs. in '000)

Description of Assets	Gross Block			Depreciation				Net Block	
	As on 01/04/2008	Addition/ Deduction	As on 31/03/09	As On 31/03/2008	During the Year	Deduction	As On 31/03/2009	As On 31/03/2009	As On 31/03/2008
Office Equipment	-	26.28	26.28	-	0.34	-	0.34	25.94	-
TOTAL	-	26.28	26.28	-	0.34	-	0.34	25.94	-
Previous Year	-	-	-	-	-	-	-	-	-

Schedule 3**Loans and Advances****Unsecured Considered Good****Advances recoverable in cash or kind or for value to be received**

Tds Deducted by Bank

Total

	21.16	-
	21.16	-

Schedule 4**Cash**

Cash-in-Hand

Bank Balances

Hdfc Term Deposit

Current Account

Total

	85.58	78.78
	1,238.50	-
	-	1,469.69
	1,324.08	1,548.47

Schedule 5**Current Liabilities and Provisions**

Creditors for Expenses

Bank Overdraft

Other Liabilities

Provision for FBT

Total

	62.68	35.00
	140.03	-
	-	4.77
	1.32	1.20
	204.03	40.96



SCHEDULE TO THE PROFIT & LOSS ACCOUNT

	As At 31.03.2009 (Rs. in '000)	As At 31.03.2008 (Rs. in '000)
Schedule 6		
Administrative and General Expenses		
Audit Fees	8.27	8.43
Legal & Professional Fees	96.20	61.96
Conveyance Expenses	-	4.11
Exhibition Expenses	-	80.68
Staff Welfare	1.80	-
Membership & Subscription	1.00	5.00
Tour and Traveling Expenses	0.78	9.68
Other General Expenses	-	6.29
Preliminary Expenses w/off	20.74	20.74
Pre Operative expenses w/off	3.44	3.44
Printing & Stationery	3.50	-
Total	135.73	200.31

SCHEDULE: 7**NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH, 2009.****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. Deferred Revenue Expenditure:

Preliminary Expenses and Preoperative Expenses are amortized over a period of 10 years.

III. Expenses:

Expenditure item having material bearing on the financial statements is recognized on accrual basis.

B) NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDING 31ST MARCH 2009.

1) 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.

2) Auditors Remuneration:

	31.03.2009	31.03.2008
Audit Fees	8,273/-	8,427/-
Taxation Matters	8,273/-	23,315/-
Total	16,546/-	31,742/-

3) Previous Year figures have been regrouped, rearranged wherever necessary to confirm current year classification.

4) Additional information pursuant to Para 3,4C & 4D of part of Schedule VI are either Nil or not applicable. The particulars as required under part II of Schedule VI are furnished only in places where they are relevant.

As per our report of even date.

For J. A. Rajani & Co.
Chartered Accountants

For and on behalf of the Board

P. J. Rajani
Proprietor

Director Director

Place: Mumbai
Date: 30th June 2009



**Balance Sheet Abstract and Company's General business Profile
(as per Schedule VI of the companies Act, 1956)**

I Registration Detail

Registration No.	165191	State Code	11
Balance Sheet Date	31.03.2009		

II Capital Raised during the year (Amount Rs. in Thousand)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III Position of Mobilization and Development of Funds (Amount Rs. in Thousand)

Total Liabilities	1989.75	Total Assets	1989.75
Sources of Funds			
Paid-up Capital	1989.75	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	25.94	Investment	NIL
Net Current Assets	1141.20	Misc. Expenditure	193.41
Accumulated Losses	629.20		

IV Performance of Company

Turnover	102.70	Total Expenditure	467.13
Profit/Loss before Tax	(364.42)	Profit/Loss After Tax	(364.54)
Earning Per Share	(1.83)	Dividend Rate	NIL

V Generic Names of Three Principal Product of Company (as per monetary terms)

Item Code No. (ITC Code)	N.A.
Product Description	Investment and Trading activities

For and on behalf of the Board

Place: Mumbai
Date :30th June, 2009

Director Director



ARROW COATED PRODUCTS LIMITED

REGISTERED OFFICE : 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai 400 053.

PROXY

I/We _____ in the
 _____ in the
 district of _____ being member / members of the above
 named Company hereby appoint _____
 _____ of _____
 in the district of _____
 or falling him _____ of _____
 _____ in the district of _____

_____ as my /our proxy to
 vote for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held on Tuesday, 29th September, 2009 at
 10.00 a.m. at the Bageecha Restaurant, Bageecha Complex, Marve Road, Malad (West), Mumbai 400 095 or any adjournment
 thereof.

Signed this _____ day of _____ 2009.

Signed by the said _____

Reg. Folio No. _____ No. of Share held _____

Please affix
 Re. 1/-
 Revenue
 Stamp

Note : The Companies Act, 1956 lays down that an instrument appointing proxy shall be deposited at the Registered Office of the
 Company not less than FORTY EIGHT hours before the time for holding the meeting.



ARROW COATED PRODUCTS LIMITED

REGISTERED OFFICE : 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai 400 053.

ATTENDANCE SLIP

I hereby record my presence at the 17th Annual General Meeting held at the Bageecha Restaurant, Bageecha Complex, Marve Road,
 Malad (West), Mumbai 400 095 on Tuesday, 29th September, 2009 at 10.00 a.m.

Name of the Shareholder (s) _____

(In Block Capitals)

Name of the proxy or Company Representative _____

(In Block Capitals)

Signature of the Shareholder (S) or

Proxy or Company Representative _____

Note: 1. A proxy attending on behalf of a Shareholders (s) should please write the name of the Shareholder (s) from whom he holds
 Proxy.

2. Members are requested to bring their copy of the Annual report with them to the meeting as additional copies of the same
 will not be made available at the meeting.

BOOK-POST

If undelivered, please return to:



ARROW

Registered Office:

Arrow Coated Products Limited

Arrow House, 5-D, Laxmi Industrial Estate, New Link Road, Andheri-West, Mumbai 400 053. India.

Ph:- 022-40749000 ● Fax: 40749099