

**LETTER OF OFFER**

Dated January 30, 2012

*For the Equity Shareholders of the Company Only*



ARROW

**ARROW COATED PRODUCTS LIMITED**

(Company Registration No. - 11-69281; CIN - L21010MH1992PLC069281)

(The Company was incorporated as "Arrow Coated Products Limited" on October 30, 1992 under the Companies Act, 1956. The Registered Office of the Company was shifted from 159, Mittal Ind. Estate, "Sanjay", Building No. 5-B, Marol Naka, Andheri Kurla Road, Andheri (E), Mumbai – 400 059 to 5-D, Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai – 400 053 w.e.f. June 30, 2005).

**Registered Office:** 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053.

**Tel. No.** 022 – 4074 9000; **Fax No.** 022 – 4074 9099

**Contact Person** Jasbinder Kaur Neela, Compliance Officer

**Email** jkaur@arrowcoated.com; **Website:** www.arrowcoated.com

**LETTER OF OFFER**

**FOR PRIVATE CIRCULATION TO THE EQUITY SHAREHOLDERS OF THE COMPANY ONLY**

**ISSUE OF 53,50,198 EQUITY SHARES WITH A FACE VALUE OF RS. 10 EACH AT PAR FOR AN AMOUNT AGGREGATING TO RS. 535.02 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF OUR COMPANY IN THE RATIO OF 1 EQUITY SHARES FOR EVERY 1 FULLY PAID-UP EQUITY SHARES HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON FEBRUARY 11, 2012. THE ISSUE PRICE IS THE SAME AS THE FACE VALUE OF THE EQUITY SHARES. FOR EVERY 10 (TEN) EQUITY SHARES ALLOTTED IN THE ISSUE, 2 (TWO) DETACHABLE WARRANT WILL BE ISSUED AND ALLOTTED WHICH WILL BE CONVERTIBLE INTO EQUAL NUMBER OF EQUITY SHARES WITHIN 18 MONTHS FROM THE DATE OF ALLOTMENT. FOR FURTHER DETAILS, PLEASE SEE THE SECTION TITLED "PRINCIPAL TERMS OF THE ISSUE" ON PAGE 149 OF THIS LETTER OF OFFER.**

**GENERAL RISKS**

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document.

**Specific attention of the Investors is invited to the statement of Risk Factors beginning on Page No. 8 of this Letter of Offer.**

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the issue, which is material in the context of the issue, that the information contained in this Offer Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

**LISTING**

The Equity Shares offered through this Prospectus are proposed to be listed on the Bombay Stock Exchange Limited ("BSE") the Designated Stock Exchange. Our company has received an in-principle approval for listing of the equity shares from BSE vide its letter No DCS/PREF/NP/IP-RT/609/10-11 dated September 30, 2010.

**LEAD MANAGER TO THE ISSUE**

**REGISTRAR TO THE ISSUE**



**ARYAMAN FINANCIAL SERVICES LIMITED**  
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Web: www.afsl.co.in  
Email: info@afsl.co.in  
Contact Person: Mr. Deepak Biyani / Ms. Anju Kanuga  
SEBI Registration No. INM000011344

**SYSTEM SUPPORT SERVICES**  
209, Shivai Industrial Estate, 89,  
Andheri Kurla Road,  
Sakinaka, Andheri (East),  
Mumbai – 400 072.  
Tel: 91 – 22 – 2850 0835  
Fax: 91 – 22 – 2850 1438  
Email: sysss72@yahoo.com  
Contact Person: Mr. Mahendra Mehta

**ISSUE PROGRAMME**

| ISSUE OPENS ON    | LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS | ISSUE CLOSES ON |
|-------------------|---|-----------------|
| FEBRUARY 21, 2012 | FEBRUARY 28, 2012                                 | MARCH 6, 2012   |

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## SECTION I: GENERAL

## DEFINITIONS AND ABBREVIATIONS

## 1. Conventional / General Terms

| Term                           | Description  |
|--------------------------------|--|
| AGM                            | Annual General Meeting   |
| CAGR                           | Compound Annual Growth Rate  |
| Capex                          | Capital Expenditure  |
| EGM                            | Extra Ordinary General Meeting   |
| EPS                            | Earnings per Share   |
| GIR                            | General Index Register   |
| HUF                            | Hindu Undivided Family   |
| NAV                            | Net Asset Value  |
| PAN                            | Permanent Account Number   |
| PAT                            | Profit After Tax   |
| PBDT                           | Profit Before Depreciation and Tax   |
| P/E                            | Profit Earning Ratio   |
| PLR                            | Prime Lending Rate   |
| ROI                            | Return on Investment   |
| RONW                           | Return on Net Worth  |
| Financial / Fiscal Year / F.Y. | The period of 12 months beginning from April 1 and ending on March 31 of that particular year, unless otherwise stated |

## 2. Issue Related Terms

| Term                                   | Description   |
|--|---|
| Allotment                              | Issue or transfer, as the context requires, of Equity Shares pursuant to the Offer to the successful applicants as the context requires |
| Allottee                               | The successful applicant to whom the Equity Shares are being / have been issued or transferred  |
| Applicant                              | Any prospective investor who makes an application for Equity Shares in terms of this Letter of Offer                                    |
| Articles/Articles of Association       | The Articles of Association of Arrow Coated Products Limited  |
| ASBA                                   | Application Supported by Blocked Amount   |
| Auditors                               | The statutory auditors of the Company, viz. J. A. Rajani & Company, Chartered Accountants, Mumbai                                       |
| Bankers to the Issue                   | IndusInd Bank Limited   |
| Board of Directors / Board / Directors | The Board of Directors of Arrow Coated Products Limited or a committee thereof  |
| BSE                                    | Bombay Stock Exchange Limited, Mumbai   |
| CAF                                    | Composite Application Form  |
| Companies Act / the Act                | The Companies Act, 1956, as amended from time to time   |
| Depositories Act                       | The Depositories Act, 1996, as amended from time to time  |



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|   |  |
|---|--|
| Depository  | A Depository Registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time   |
| Depository Participant / DP   | A Depository Participant as defined under the Depositories Act   |
| Designated Stock Exchange   | Bombay Stock Exchange Limited, Mumbai  |
| LOF/ Letter of Offer  | Letter of Offer dated January 30, 2012 as filed with the Stock Exchanges after incorporating SEBI comments on the Draft Letter of Offer.   |
| Equity Shares   | Equity shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof  |
| First Applicant   | The Applicant whose name appears first in the Application Form   |
| “Arrow Coated Products Limited.” Or the “Issuer” or the “Company”, “we”, “us”, “our” and “ACPL” | Unless the context otherwise requires, refers to Arrow Coated Products Limited, a public limited company incorporated under the Companies Act and having its Registered Office at Arrow House, 5-D, Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai – 400 053.                                 |
| Indian GAAP   | Generally Accepted Accounting Principles in India  |
| Issue Opening Date  | <b>February 21, 2012</b>   |
| Issue Closing Date  | <b>March 6, 2012</b>   |
| Issue Price   | Rs. 10/- per share   |
| Investors   | Shall mean the holder(s) of Equity Shares of Rs. 10/- each   |
| Lead Manager / LM / AFSL  | Being the Lead Manager appointed for the Issue. In this case being Aryaman Financial Services Limited.   |
| Memorandum / MoA / Memorandum of Association  | The Memorandum of Association of Arrow Coated Products Limited   |
| Promoters   | Any or all of the Promoter(s) of our Company, as defined in the SEBI Regulations and as the context may require, namely,<br>(a) Mr. Shilpan Patel, (b) Mrs. Jigisha Patel and (c) M/s. Arrow Convertors Pvt. Ltd.  |
| Rights Issue / Present Issue  | 53,50,198 Equity Shares along with Detachable Warrants   |
| Registrar of Companies or RoC   | Registrar of Companies at Mumbai, Maharashtra  |
| Registrar or Registrar to the Issue   | System Support Services, Mumbai.   |
| SCSB  | A Self Certified Syndicate Bank registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offers the facility of ASBA, including blocking of bank account. A list of all SCSBs is available at <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a> |
| SEBI  | Securities and Exchange Board of India   |
| SEBI (ICDR) Regulations   | SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time  |
| SEBI (SAST) Regulations   | SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time   |
| SEBI (DIP) Guidelines   | SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time   |

**3. Company / Industry Related Terms**

| Term | Description                          |
|------|--------------------------------------|
| ABS  | Acrylonitrile Butadiene Styrene      |
| ESOP | Employee Stock Option Scheme         |
| HDPE | High Density Polyethylene            |
| HSF  | Hot Stamping Foil                    |
| LDPE | Low Density Polyethylene             |
| MMS  | Mouth Melting Strips                 |
| NASC | NagraID Arrow Secure Cards Pvt. Ltd. |
| PE   | Polyethylene                         |
| PET  | Polyethylene Terephthalate           |
| PP   | Polypropylene                        |
| PS   | Polystyrene                          |
| PU   | Polyurethane                         |
| PVC  | Poly Vinyl Chloride                  |
| SAN  | Styrene Acrylonitrile                |
| SPM  | Sphere S.A. Paris                    |
| WSF  | Water Soluble Films                  |

**4. Abbreviations**

| Term        | Description   |
|-------------|---|
| CIN         | Corporate Identification Number   |
| EMV         | Europay, Master Card and VISA   |
| EMR         | Exclusive Marketing Rights  |
| EPR         | Exclusive Production Rights   |
| E.P.A       | Environmental Protection Agency   |
| EPZ         | Export Processing Zone  |
| FEMA        | Foreign Exchange Management Act, 1999 and rules and regulations there under and amendments thereto. |
| FDI         | Foreign Direct Investment.  |
| FII         | Foreign Institutional Investors registered with SEBI under applicable laws.                         |
| FIPB        | Foreign Investment Promotion Board  |
| GDP         | Gross Domestic Product  |
| GIDC        | Gujarat Industrial Development Corporation  |
| GOI / Govt. | Government of India   |
| IPR         | Intellectual Property Right   |
| ISO         | International Organization for Standardization  |
| JV          | Joint Venture   |
| KVA         | Kilovolt Ampere   |
| MBBS        | Bachelor of Medicine & Bachelor of Surgery  |
| MD          | Doctor of Medicine  |



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|                               |  |
|-------------------------------|--|
| MT p.a                        | Metric Tonnes per annum  |
| NGO                           | Non Governmental Organization  |
| NA                            | Not Applicable   |
| NR                            | Non Resident   |
| NRI(s)                        | Non Resident Indian(s).  |
| OCB / Overseas Corporate Body | A Company, Partnership, Society or Other Corporate Body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 |
| RBI                           | Reserve Bank of India  |
| Re. / Rs. / INR               | Indian Rupees  |
| RFID                          | Radio Frequency Identification   |
| RND                           | Research & Development   |
| SEBI                          | Securities and Exchange Board of India   |
| SEBI (ICDR) Regulations       | SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time  |
| SEBI (SAST) Regulations       | SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended from time to time   |
| SEBI (DIP) Guidelines         | SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time   |
| VAT                           | Value Added Tax.   |



**OVERSEAS INVESTORS**

The distribution of this Letter of Offer and the Issue to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company will dispatch the Letter of Offer and CAFs to such shareholders who have an Indian address.

This Letter of Offer does not constitute and may not be used for in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been or will be taken by our Company or the Lead Manager to permit an offering of Equity Shares or distribution of this Letter of Offer in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares with Detachable Warrant may not be offered or sold, directly or indirectly, and neither this Letter of Offer nor any offering material in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons receiving a copy of this Letter of Offer should not distribute or send the same in any jurisdiction where to do so would or may contravene local laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the rights entitlements referred to in this Letter of Offer.



**PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA**

Unless stated otherwise, the Standalone and Consolidated Financial data included on this Letter of Offer is derived from our financial information which has been prepared in accordance with Indian GAAP, the Companies Act and SEBI (ICDR) Regulations, 2009. Our fiscal year commences on April 1 of every year and ends on March 31 of every next year. In the Letter of Offer, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

In this Letter of Offer, unless the context otherwise requires, all references to one gender also refers to another gender and the word "lacs" means "one hundred thousand" and the word "ten lac" means "million" and the word "crore" means "ten million".

Throughout this Letter of Offer, all figures have been expressed in lacs. Unless otherwise stated, all references to India contained in this Letter of Offer are to the Republic of India. Unless stated otherwise, industry data used throughout this Letter of Offer has been obtained from industry publications, internal company reports, newspaper and magazine articles etc.

Such publications generally state that content therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe that the industry data used in this Letter of Offer is reliable, it has not been verified by any independent source.

For additional definitions, please refer to "Definitions and Abbreviations" on Page 01 of this Letter of Offer.





## **FORWARD LOOKING STATEMENTS**

Statements included in this Letter of Offer which contain words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expression or variations of such expressions, that are "forward-looking statements".

All forward looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- General economic and business conditions in India and other countries.
- Regulatory changes relating to the plastics and packaging industry in India and our ability to respond to them.
- Our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks that have an impact on our business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in our industry.
- Changes in the value of the Rupee and other currencies.
- The occurrence of natural disasters or calamities.
- Changes in the political condition in India.

For further discussion of factors that could cause our actual results to differ, see the Section titled "Risk Factors" beginning on Page 8 of this Letter of Offer. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchange for the Equity Shares allotted pursuant to this Issue.



## **SECTION II: RISK FACTORS**

*An investment in equity involves a high degree of risk. Investors should carefully consider all the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in our equity shares. Any of the following risks as well as other risks and uncertainties discussed in this Letter of Offer could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment. In addition, the risks set out in this Letter of Offer may not be exhaustive and additional risks and uncertainties, not presently known to us, or which we currently deem immaterial, may arise or become material in the future. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other risks mentioned herein.*

### **Materiality**

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality.

- Some events may not be material individually but may be found material collectively.
- Some events may have material impact qualitatively instead of quantitatively.
- Some events may not be material at present but may be having material impact in future.

### **Note:**

The risk factors are disclosed as envisaged by the management along with the proposals to address the risk if any. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial implication of any of the risks described in this section.

In this Letter of Offer, any discrepancies in any table between total and the sums of the amount listed are due to rounding off. Any percentage amounts, as set forth in "Risk Factors" and elsewhere in this Letter of Offer unless otherwise indicated, has been calculated on the basis of the amount disclosed in the "Financial Statements" prepared in accordance with the Indian Accounting Standards.



INTERNAL RISK FACTORS

1) One of the main Objects of the issue is to repay the unsecured loans of Rs. 300 Lacs taken from the promoters and promoter group entities of our Company constituting 56.07% of the Issue Size.

Our company intends to utilize an amount aggregating to Rs. 300 Lacs out of the net proceeds of this issue towards the repayment of unsecured loans taken from the promoters and promoter group entities of the Company. Thus a major share of funds raised through this issue would not be available for other needs arising in the due course of business. For further details with respect to these unsecured loans, please refer "Objects of the Issue" beginning on page 48 of this Letter of Offer.

2) Our Company is involved in certain legal and tax proceedings that, if determined against us, could have an adverse impact on our Results of Operations.

There are certain outstanding legal and tax proceedings involving our company. Determination of any of these proceedings against the company could have an adverse impact on our financial condition. No assurances can be given as to whether these matters will be settled in our favour or against us. If a claim is determined against us and we are required to pay all or a portion of the disputed amount, it could have an adverse effect on our results of operations and cash flows. A brief summary of the outstanding legal proceedings involving our Company is given below:

| Category                     | Initiated By    | No. Of Cases | Approx. Amount Involved, Where Quantifiable (Rs. In Lacs) |
|------------------------------|-----------------|--------------|---|
| Tax / Revenue Proceedings    | Tax Authorities | 3            | 118.11  |
| Criminal Proceedings u/s 420 | Company         | 14           | 34.48   |
| Criminal Proceedings u/s 138 | Company         | 3            | 6.32  |
| Civil Proceedings            | Company         | 1            | 15.66   |

For further details regarding the above mentioned proceedings please refer "Outstanding Litigations and Defaults" on page 134 of this Letter of Offer.

3) Our Company has defaulted payment of dues aggregating to Rs. 231.32 Lacs to IndusInd Bank on the credit facilities provided.

We had a secured loan obtained from IndusInd Bank in the form of Corporate Loan amounting to a principal of Rs. 225 lacs. The company has defaulted in repayment of three principal instalments of Rs. 75 lacs each due on the 1st November 2010, 1st December 2010 and 1st January 2011 and interest for two months Rs 6.32 lacs. The total overdue amount as at year end is Rs. 231.32 lacs. The same has been repaid in August 2011 by taking a fresh facility from IndusInd Bank. Any default in making further payment can have an adverse impact on the goodwill of our company and thus the operations. For further details please refer "Terms of Loans and Assets Charged as Security" on page 40 of this Letter of Offer.

4) We have not entered into any definitive agreements to utilize a portion of the proceeds of the Issue. The utilization of these funds will be at the discretion of the Board without the approval of the shareholders.

The deployment of funds as stated in the section titled "Objects of the Issue" on page 48 of this Letter of Offer is entirely at our discretion and is not subject to monitoring by any independent agency. We have not entered into any definitive agreements to utilize a portion of the Issue proceeds. There has been no independent appraisal of the Project. All the figures included under the section titled "Objects of the Issue" on page 48 of this Letter of Offer are based on our own management estimates. In the event, for whatsoever reason, we are unable to execute our plans to set up the Project, it could have a significant



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amount of unallocated net proceeds. In such a situation, we would have broad discretion in allocating these net proceeds from the Issue without any action or approval of our shareholders. Due to the number and variability of factors that we will analyze before we determine how to use these unutilized net proceeds, we presently cannot determine how we would reallocate such proceeds. Accordingly, investors will not have the opportunity to evaluate the economic, financial and other relevant information that will be considered by us in the determination on the application of any such net proceeds in these circumstances.

**5) Our company has reported losses during last three financial years.**

Our Company has reported a Net Loss after Tax on a standalone and consolidated basis in recent years. The same is as illustrated below:

| Sr. No. | Name / Type of Company                   | Profit After Tax (Rs. in Lacs) |         |         |
|---------|--|--------------------------------|---------|---------|
|         |  | 2010-11                        | 2009-10 | 2008-09 |
| 1       | Arrow Coated Products Ltd. (Standalone)  | (13.88)                        | (87.56) | (34.83) |
| 2.      | Arrow Coated Products Ltd.(Consolidated) | (29.14)                        | (97.90) | 26.33   |

Continuation of such losses could adversely affect our financial condition and our ability to maintain financial stability.

**6) The De-listing of equity shares of the company from Delhi Stock Exchange Ltd. (DSE) is not yet complete. The company has not been complying with the various provisions of listing agreement vis-à-vis DSE.**

The company had applied for voluntary delisting of equity shares of the company from DSE in terms of the SEBI (Delisting of Securities) Guidelines 2003. The required papers/documents in this regard were submitted by the company to DSE. However, the de-listing process has not yet been completed by the exchange. The company has not been complying with various provisions of listing agreements vis-à-vis DSE.

**7) Some of our Subsidiaries and Promoter Group Companies have reported losses during some of the last three financial years.**

Following subsidiaries and group companies have reported losses during some of the last three years:

| Sr. No. | Name / Type of Company              | Profit After Tax (Rs. in Lacs) |         |         |
|---------|-------------------------------------|--------------------------------|---------|---------|
|         |                                     | 2010-11                        | 2009-10 | 2008-09 |
|         | <b>Subsidiaries of ACPL</b>         |                                |         |         |
| 1       | Arrow Coated U.K. Ltd.              | (3.00)                         | (2.57)  | 64.80   |
| 2       | NagraID Arrow Secure Cards (P) Ltd. | (9.62)                         | (7.54)  | (3.65)  |
| 3       | Advance IP Technologies Limited *   | (2.60)                         | (2.05)  | NA      |
|         | <b>Group Companies</b>              |                                |         |         |
| 1       | SP Arrow Bio-Plast Pvt. Ltd.        | (8.46)                         | (3.33)  | (11.01) |
| 2.      | Arrow Agri-Tech Pvt. Ltd.           | (4.57)                         | N.A.    | N.A.    |
|         | <b>Promoter Group Companies</b>     |                                |         |         |
| 1       | Arrow Convertors Pvt. Ltd.          | 8.41                           | (25.81) | 3.12    |

\* Arrow Coated Products UK Limited purchased stake in Advance IP Technologies Limited in January 2010 only. The Profit after Tax figure of this company has been converted to INR from £ i.e. its legal currency of United Kingdom of Great Britain. The INR/GBP rate as on 31-03-2010 and 31-03-2011 was 67.99 and 71.93 INR for 1 GBP respectively.



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This track record could hinder our fund raising plans and hence affect our profitability and results of operations.

**8) *The company has not complied with the provisions of AS-24 and AS-22 pertaining to disclosures for “discontinuing operations” and “accounting for taxes on income” respectively.***

The Auditors Report dated 19<sup>th</sup> May 2011 of M/s. Arrow Coated Products Limited confirms that the company has not complied with the provisions of AS-24 pertaining to “discontinuing operations”. Further the Limited Review Report dated 14<sup>th</sup> December 2011 of the company confirms that the company has not complied with the provisions of AS-22 pertaining to “accounting for taxes on income” due to its policy of doing the same on a year- end basis only. Even though there is no specific provision for any regulatory authority to penalise or take punitive action for such non-compliances, this could adversely affect our goodwill with shareholders and other stakeholders.

**9) *The proposed MMS Project is delayed by two years from its original schedule and any further delay in the implementation of the proposed project, may lead to cost over-runs.***

The proposed MMS (Mouth Melting Strips) project is delayed by two years from its original schedule. This is due to challenges faced by the company in attracting executive talent with entrepreneurial characteristics, securing proof of concept and raising the required funds and formalities pertaining to this rights issue. Even though all the required quotations for the proposed project have been revised in order to arrive at the current cost of project, no assurances can be given that any further delay in implementation of this project will not lead to cost over-runs and other exigencies. Also any technological upgradations or innovations in this field during the course of this fund raising activity could make our proposed technology obsolete or less effective and we may have to revise our plans and hence this too could lead to further cost over-runs.

For further details regarding schedule of Implementation, please refer to “Schedule of Implementation” on page 50 of this Letter of Offer.

**10) *The Company has recorded more than 80 percent of its sales in 2007 and 2008 from the trading business, which was discontinued in 2009. The inability to manage such change could disrupt our business and reduce our profitability.***

Till 2009, the Business of the Company was divided into two units; the trading unit and the manufacturing unit. The Trading Division of the Company dealt in sign making equipments and consumables from Gerber & Vutek, U.S.A. and this accounted for 80% of the revenue of the firm. In line with our strategy to focus on manufacturing of knowledge based products we decided to discontinue our trading business in 2009. The inability to manage such changes could disrupt our business and reduce our profitability.

**11) *We have not placed any orders for the plant and machineries required in terms of our objects for the Issue.***

We have not placed orders aggregating Rs. 145.48 lacs\* constituting 100 % of the total plant and machinery required for the proposed Project. Even though we have received quotations from interested suppliers for the same, no assurance can be given of their validity at the time we actually intend to purchase these machines. In the event we are unable to procure the plant and machinery it may affect our future prospects and may impact our results of operations. We are also subject to risks on account of inflation in the price of the machinery and other equipment that we require for the project. These factors may increase the overall cost of our project and have an adverse effect on our business and results of operations.



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*\*The actual quotation amount for the machinery is \$310,000; Qty. – 2 Machines; which has been converted to INR using the currency rate as on June 30, 2010 i.e. Rs. 46.93.*

**12) Our company had not complied with Clause 47 of Listing Agreement and section 383 A of the Companies Act, 1956 with regard to appointment of a full time company secretary.**

As per clause 47 of Listing Agreement, a company has to appoint a full time Company Secretary to act as the Compliance Officer who shall be responsible for monitoring the share transfer process and report to the Company’s Board in each meeting. Our Company had appointed Mr. Nirav Shah on September 16, 2010 as the full-time company secretary of the company; however the same person has resigned from the post on May 31, 2011. Our company has now appointed Ms. Jasbinder Kaur Neela as a company secretary vides its board meeting dated January 30, 2012. However, we would have been in violation of Clause 47 for the remaining periods when there was no company secretary.

No specific action or penalty is provided for non-compliance of Clause 47 in the Listing Agreement, however, the BSE may at its discretion take action as per its Bye-Laws, SEBI Act, 1992, and Securities Contract (Regulations) Act, 1956 and rules made there under which may include suspension from trading of shares, delisting of shares or imposition of penalty.

Secondly, we would also be in non-compliance of the requirements of the Sec. 383A of the Companies Act, 1956 and hence would be liable for penal action for the same.

**13) We have not made any provision for decline in the value of Investments made by the Company.**

| Name of the Investment as on March 31, 2011                     | Aggregate Book Value (Rs. in Lacs) | Aggregate Market Value (Rs. in Lacs) |
|---|------------------------------------|--------------------------------------|
| Unquoted Government Securities                                  |                                    |                                      |
| • National Savings Certificate                                  | 0.05                               | N.A                                  |
| Unquoted Equity Shares  |                                    |                                      |
| • Shamrao Vithal Co op Bank                                     | 0.09                               | N.A                                  |
| • Arrow Coated Products (U.K) Ltd                               | 16.02                              | N.A                                  |
| • NagraID Arrow Secure Card (P) Ltd                             | 10.14                              | N.A                                  |
| • SP Arrow Bio Plast (P) Ltd                                    | 0.46                               | N.A                                  |
| • Share application money in NagraID Arrow Secure Cards (P) Ltd | 2.00                               | N.A.                                 |

Since all the investments made by the Company are in unquoted instruments it is not possible to ascertain the market value of these securities. Hence the company has not made any provision for decline in value, if any of these investments.

**14) We have certain contingent liabilities not provided for which may adversely affect our financial condition.**

The following table sets forth the Contingent liabilities/claims not acknowledged as debt as of March 31, 2011 and March 31, 2010:

| Sr. No. | Description         | (Rs. In Lacs) |            |
|---------|---------------------|---------------|------------|
|         |                     | 31.03.2011    | 31.03.2010 |
| 1       | Buy Back of Machine | 189.28        | 296.06     |
| 2       | Sales Tax           | 108.29        | 35.73      |
| 3       | Income Tax          | 9.83          | 9.83       |



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For further details see the section titled ‘Outstanding Litigations and Defaults’ beginning on page 133 of this Letter of Offer. To the extent that any of these or future contingent liabilities become actual liabilities, it would adversely affect our results of operations and financial condition.

**15) Our Auditors qualified their report to our financial statements as of and for the year ended March 31, 2011 for certain overdue debts aggregating Rs. 449.05 Lacs and advances aggregating Rs. 84.00 Lacs.**

Our Auditors qualified their report to our financial statements as of and for the year ended March 31, 2011 for certain overdue debts aggregating Rs. 449.05 Lacs and advances aggregating Rs. 84.00 Lacs. As per information and explanation given to them, they opined, the Company had not made provisions for overdue debts and advances amounting to Rs. 449.05 Lacs and Rs. 84.00 Lacs respectively. For further information regarding this qualification please refer 4 (f) of “Auditors Report” on page 80 of this Letter of Offer.

**16) Our Promoters have significant control over our Company and have the ability to direct our business and affairs; their interests may conflict with your interests as a shareholder.**

The Promoters and the members of the Promoter Group holding Equity Shares in our Company currently hold 50.57% of the equity share capital of the company and have undertaken to fully subscribe for their Rights Entitlement. They have also undertaken to apply for the additional Equity Shares with Detachable Warrants in addition to their Rights Entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining approvals, if any, required under the applicable law. Such subscription for Equity Shares with Detachable Warrants over and above their Rights Entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. This may result in the promoters exercising significant control and cause a delay or rejection of a business transaction, even if such a transaction may be beneficial to the other shareholders of our Company.

**17) Currency fluctuations may negatively affect our financial condition and results of operations.**

Our functional currency is the Indian rupee although we transact a portion of our business in other currencies and accordingly face foreign currency exposure through our purchases from overseas suppliers and sales to overseas customers, in various foreign currencies. Accordingly, changes in exchange rates may have a material adverse effect on our gross margin and net income, and may have a negative impact on our business, financial condition and results of operations.

**18) There is a Negative Operating Cash Flow in the last 1 year out of previous 3 years of our company. Any negative cash flows in the future would adversely affect the Company’s results of operations and financial condition.**

Following table illustrates various cash flows for the last three years of our company on a standalone basis:

|   | <i>(Rs. in Lacs)</i> |                |                |
|---|----------------------|----------------|----------------|
| <b>Particulars</b>                              | <b>2008-09</b>       | <b>2009-10</b> | <b>2010-11</b> |
| Cash flow from Operating Activities             | 73.00                | (0.32)         | 20.55          |
| Cash flow from Investing Activities             | (39.49)              | (24.02)        | (36.07)        |
| Cash flow from Financing Activities             | (113.91)             | (20.39)        | 48.66          |
| <b>Net Increase in cash or cash equivalents</b> | <b>(80.41)</b>       | <b>(44.72)</b> | <b>33.14</b>   |

Operating Cash Flow of a company is a key indicator which shows the cash generated by the company, without raising finance from external resources. If we are not able generate sufficient operating cash flows, it may adversely affect our business and financial operations.



***19) The Company is subject to the risk of price volatility and availability as regards both its finished products and the raw materials required for their production. Unexpected volatility and availability problems pertaining to the same could adversely affect our Results of Operations and Financial Condition.***

As the company is in the manufacturing business, our success is highly dependent on regular and timely supply of raw materials. The financial condition and results of operations of the Company are significantly influenced by the market prices of these raw materials principally Poly Vinyl Alcohol and various chemicals which are subject to domestic and international supply pressures and various other factors which are beyond the Company's control.

The Company has been in the business for a long period of time and has strong relationships with the raw material suppliers and service providers. However, because we have not entered into any long term supply or sales contracts, no assurance can be given that future unfavourable movements in the price of the various raw materials or a reduction in demand for finished products will not have a material adverse effect upon our financial condition and results of operations.

***20) Our success depends in large part upon our senior management and key personnel and our ability to attract and retain them. In case if we are not able to retain them, there may be a negative impact on our business operations.***

The Company is dependent on the experience and the continued services of the members of the key management team and other key employees. Certain members of our Senior Management Team are also the promoters of the firm and have been involved in critical functions like project conceptualization, spearheading the execution and overseeing the key functions of the Company. Our Promoters Mr. Shilpan Patel and Mrs. Jigisha Patel have given third party deposits as collateral for our credit facilities. Also, our current registered office is owned by our Promoter Mr. Shilpan Patel and is given to us on lease for no rent or commission thereof. If one or more members of our senior management team or Promoters were unable or unwilling to continue in their present positions, those persons could be difficult to replace and our business could be adversely affected.

Although there is no published data available pertaining to the industry in which we operate, we estimate that the present industry attrition rate is five to six percent per annum. Any shortage in skilled manpower might affect our business by hampering the product process and narrowing down the profitability.

***21) We are heavily dependent upon the growth prospects of the industries, which consume our products. Any slowdown in the rate of growth of these industries would seriously impact our own growth prospects and may result in decline in profits.***

We supply Water Soluble Films, which are used as packaging material by Agrochemical, Pharmaceuticals and Embroidery Industries. The demand for them will ultimately be from industries or end users, which in turn also depends on national and global economic conditions. Any lack of demand, or slowdown in these industries could have an adverse impact on our business and financial performance.

***22) We may not be able to protect our intellectual property rights against piracy***

One of the strengths of the company is the Patents granted to the Company, but unauthorized third parties may try to infringe our patents/technology licenses etc. Inability to protect our proprietary technology against unauthorized copying or use, may adversely affect our business and market competitiveness. Infringement of patent rights and other intellectual property rights will not only hamper the business but also result in increased costs due to litigation and higher legal expenses. For details regarding our Patent Portfolio please refer "Intellectual Property Rights" on page 71 of this Letter of Offer.





**23) Our Registered Office situated at 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053; is not owned by the Company.**

The Company’s current Registered Office situated at 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053 is not owned by the company. Instead it is in the name of Mr. Shilpan Patel, Managing Director of the Company. This premise is taken for rent on lease basis. There is no official lease agreement or contract for the same. In case of any dispute with the owner or inability or refusal by the owner to extend such facility, there may be an impact on the smooth functioning of the business.

**24) We have carried out a reduction in Equity u/s. 78 and 100 to 104 of the Companies Act, 1956 following the refusal of listing of 16500 shares issued by the Company by the BSE.**

16,500 Equity Shares of the Company were allotted on October 20, 2007 to Mr. Gautam Shah, upon conversion of Warrants issued on 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 16,500 Equity Shares allotted to Mr. Gautam Shah. The Company had filed necessary application before the Hon’ble High Court, Bombay under Section 100 to 103 of the Companies Act, 1956 for its approval for reduction of Capital to that extent. These Equity Shares were cancelled on January 18, 2010 as per the order of Hon’ble Bombay High Court.

**25) Our Promoter Group Company M/s. Arrow Convertors Private Ltd. is involved in business of Bio degradable Films and other such similar activities as our Company and this may lead to a potential conflict of interest.**

Our Promoter Group Company M/s. Arrow Convertors Pvt. Ltd. is involved in the business of Bio-degradable films. Even though its current business is not directly conflicting with ours, since there is no formal non-compete agreement between us and Arrow Convertors Pvt. Ltd, we cannot be assured that in future they would not expand their business in similar line of business as our Company. Hence to this extent there exists a potential conflict between us in future and this could impact our business operations and profitability in the future.

**26) For the FY 2009-10 & 2010-11, our Company has entered into certain Related Party Transactions with the promoters, promoter group, management and such related entities. The details of these transactions are given below:**

Our company in the course of its business has entered into, and may in the future enter into, certain Related Party Transactions with our Promoters, Directors, Group Entities and key managerial personnel. Details of such transaction as on 31<sup>st</sup> March, 2011 have been given below.

(Rs. in Lacs)

| Transaction During The Year  | Entities Where Control Exist | Key Managerial Personnel | Entities Where Significant Influence |
|------------------------------|------------------------------|--------------------------|--------------------------------------|
| PURCHASE                     | 0.23<br>(-)                  | -<br>(-)                 | 0.93<br>(1.06)                       |
| SALE                         | -<br>(-)                     | -<br>(-)                 | -<br>(0.04)                          |
| SHARE APPLICATION MONEY PAID | 2.00<br>(-)                  | -<br>(-)                 | -<br>(-)                             |
| ADVANCE / LOAN GIVEN         | 0.80<br>(0.75)               | -<br>(-)                 | 14.37<br>(-)                         |



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|                                |                 |                    |                    |
|--------------------------------|-----------------|--------------------|--------------------|
| ADVANCE / LOAN GIVEN REPAID    | 2.50<br>(2.50)  | -<br>(-)           | 0.02<br>(-)        |
| ADVANCE / LOAN RECEIVED        | -<br>(-)        | 10.14<br>(0.54)    | 72.18<br>(82.47)   |
| ADVANCE / LOAN RECEIVED REPAID | -<br>(-)        | 4.64<br>(5.70)     | 0.40<br>(25.00)    |
| BALANCE—RECEIVABLE             | 9.19<br>(13.11) | -<br>(1.73)        | 14.35<br>(0.04)    |
| BALANCE—PAYABLE                | 0.08<br>(-)     | 162.07<br>(156.57) | 433.12<br>(361.80) |

(Previous Year Figures Are In Bracket)

For more details please refer to Note 12 of part B of Schedule 21 of the “Auditors Report” on page 96 of this Letter of Offer.

**27) Any disruption in our manufacturing facilities caused due to labour unrest or natural disasters may affect our results of operations.**

Our manufacturing facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs, continued availability of services of external contractors, industrial accidents, earthquakes, and other natural disasters. We also need to comply with the directives of relevant government authorities. We cannot assure you that any or all of the aforesaid contingencies may actually occur in future. The occurrence of any or all of these could significantly affect our operating results.

**28) We may be unable to seek compensation from our suppliers for defective components or raw materials. We would also, not be in a position to enter into binding contracts with them, which may disrupt the production schedule and adversely affect our profits.**

We are required to source components and raw materials from suppliers for which advances and even prompt payments may have to be made. We cannot assure with a reasonable certainty that the raw materials that we would procure in the future will not be defective. We may not be in a position to recover advance payments or claim compensation from our suppliers consequently increasing the manufacturing costs or reducing the realization of our finished products. Operating in an extremely technology sensitive industry means that defects in our products due to defects in our raw materials could lead to adverse financial and operating implications.

**29) Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and the terms of its financing arrangements. Due to some of these or other constraints we may not be in a position to pay the dividends.**

The amount of future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividend in the foreseeable future. Additionally, we are restricted by the terms of our debt financing from declaring dividend payments for any year except out of the profits relating to that year

**30) We may not utilize the proposed capacity of our machines, to its maximum, which could have an impact on the production, performance and profitability of the company.**

We are currently in the business of manufacturing Water Soluble Films and have an annual installed capacity of 60 MT out of which 55.80 MT (93%) is being utilized for production currently. We are now entering into MMS manufacturing with an initial capacity of 2.18 crore pcs p.a. This being a new product, we cannot assure that we shall be able to achieve high levels of utilization immediately and



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hence our operational figures may not be able to justify our current capital expenditure right away. However since, the main raw material for this product is our in-house WSF, we are confident of slowly attaining the correct level of production activity for the same.

***31) Changes in technology may render the current technologies obsolete or require us to make substantial capital investments else we can fail to maintain cost competitiveness, which results in decreased market share and affects our sales and profits.***

The business of our Company is largely dependent on the technology adopted by us. The manufacturing process in the Plastic Industry is prone to technological and process changes, which may render our current processes obsolete. In order to compete successfully with our competitors, our Company may be required to invest substantial sums to adopt newer technologies and processes, which may have an adverse impact on the business and profitability of our Company. Also, timely upgradation of our machines will help us to maintain the cost competitiveness of our business as well as the existing customers since we will be in a position to provide them products as per the latest designs, patterns, trends and fashion. But these up-gradations involve investment of substantial funds which the Company may not be in a position to bring in at appropriate time period.

***32) The market price of our Equity Shares may be adversely affected by additional issues of equity or equity linked securities by our Company or by sale of a large number of our Equity Shares by our significant shareholders***

We may finance our growth plans through additional equity offerings. Any future issuance of equity or equity linked securities by our Company may dilute the shareholding of investors in our Equity Shares and could adversely affect the market price of our Equity Shares. Sales of a large number of our Equity Shares by any significant shareholder could adversely affect the market price of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

***33) We face the risk of discontinuance of any of the long term supply and technology tie-ups currently operative.***

The industry segment we operate in is extremely high technology sensitive and requires a solid foundation in technological and supply support. Our company has various existing partnerships and supply tie-ups for the continuous development and execution of our manufacturing and other allied activities with companies like Trace Tag (U.K.), and NagraID (Switzerland).

Any of the above mentioned tie-ups could discontinue their support with us as per the terms and conditions set up with them and hence we may face the risk of having to look for another partner for the same utility and this may affect our profitability and results of operations.

For further details regarding our technological tie-ups, please refer to the section titled “Collaborations / Key Partnerships” on page 67 of this Letter of Offer.

## **EXTERNAL RISK FACTORS**

***34) The extent and reliability of Indian infrastructure could adversely impact our results of operations and financial condition.***

India’s physical infrastructure is less developed than that of many developed nations and problems with its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India’s physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in



India. These problems could interrupt our business operations, which could have a material adverse effect on our results of operations and financial condition.

***35) Changes in Indian Government policies could adversely affect economic conditions in India, and thereby adversely impact our results of operations and financial condition.***

All of our production facilities are located in India, and a significant portion of its revenue is derived from sales of its products in the Indian market. Consequently, our Company, and the market price and liquidity of the Equity Shares, may be affected by changes in the policies of the Government of India. For example, the imposition of foreign exchange controls, rising interest rates, inflation, increases in taxation or the creation of new regulations could have a detrimental effect on the Indian economy. The Indian Government has in recent years sought to implement economic reforms, and the current Indian Government has implemented policies and undertaken initiatives that continue the economic liberalization policies pursued by previous Indian Governments. The Indian Government has announced its general intention to continue India's current economic and financial sector deregulation policies and encourage infrastructure Projects. Any significant change in such liberalization and deregulation policies could adversely affect business and economic conditions in India generally and our results of operations and financial conditions in particular.

***36) If regional hostilities, terrorist attacks or social unrest in India increases, our business could be adversely affected and the trading price of the Equity Shares could decrease.***

The Asian region has from time to time experienced instances of civil unrest, terrorist attacks and hostilities among various neighbouring countries. Military activity or terrorist attacks in India in the future could influence the Indian economy by creating a greater perception that investments in Indian companies involve higher degrees of risk. These hostilities and tensions could lead to political or economic instability in India and a possible adverse effect on the Indian economy and our business and its future financial performance and the trading price of the Equity Shares. Furthermore, India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country, leading to overall political and economic instability, it could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.

***37) Financial instability in other countries, particularly countries with emerging markets, could disrupt Indian markets and our business and cause the trading price of our Equity Shares to decrease.***

The Indian financial markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Further the current financial turmoil in the United States has had a significant impact on the Indian economy as well as the stability of the Indian Markets. Financial instability in other countries such as Latin America, Russia and elsewhere in the world in recent years have had limited impact on the Indian economy and India was relatively unaffected by financial and liquidity crises experienced elsewhere. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. This in turn could negatively impact the movement of exchange rates and interest rates in India. In short, any significant financial disruption could have an adverse effect on our business, future financial performance and the trading price of the Equity Shares.



***38) Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Equity Shares.***

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our ability to obtain financing to fund our growth on favourable terms or at all and, as a result, could have a material adverse effect on our results of operations and financial condition.

***39) Post-issue volatility in prices of the scrip may result due to mainly the following factors or due to some other factors we cannot foresee for the future.***

The price of our Company's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- Volatility in the Indian and Global securities market;
- The results of operations and performance of our Company;
- Perceptions about our Company's future performance or the performance of other Indian companies in the same industry;
- Adverse media reports on our Company or on the industry;
- Change in the estimates of our Company's performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and deregulation policies; and
- Significant development in India's fiscal and environmental regulations

**PROMINENT NOTES**

- Our Net worth was Rs. 1002.68 Lacs on a standalone basis, as per the audited financial statements of our Company as on March 31, 2011 as disclosed in the section titled "Financial Information" beginning on page 80 of this Letter of Offer.
- Issue of 53,50,198 Equity Shares with a face value of Rs. 10.00 each at par for an amount aggregating to Rs. 535.02 Lacs on a rights basis to the existing equity shareholders of our Company in the ratio of 1 equity shares for every 1 fully paid-up equity shares held by the existing Equity Shareholders on the record date, that is on February 11, 2012. The issue price is the same as the face value of the Equity Shares. For every 10 (ten) Equity shares allotted in the issue, 2 (two) detachable warrant will be issued and allotted which will be convertible into equal number of equity shares within 18 months from the date of allotment.
- The company has entered into Related Party Transactions aggregating to Rs. 108.21 Lacs in the F.Y. ended March 31, 2011. For details of these transactions please refer to Note 12 of part B of Schedule 21 of the "Auditors Report" on page 96 of this Letter of Offer.
- There are no financing arrangements whereby our Promoter Group, the Directors of companies forming a part of our Promoters, our Directors and their relatives, have financed the purchase by any other person of securities of our Company other than in the normal course of the business of the Financier during the period of six months immediately preceding the date of filing this Letter of Offer with SEBI.



### **SECTION III: INTRODUCTION**

#### **SUMMARY OF OUR BUSINESS**

Arrow Coated Products Limited is one of the leading dealers, manufacturers and exporters of Biodegradable Water Soluble Films. We have also ventured into the manufacturing and marketing of Digital Technology based Security Products and Bio Compostable Resins through our subsidiary and joint venture companies. We have our registered office in Mumbai and other offices at Ankleshwar, Thane and United Kingdom.

Our manufacturing facility at M/s, Arrow Coated Products Limited, Plot No. 5310, GIDC Ind. Estate, Ankleshwar – 393 002, is around 350 kms from Mumbai and 700 kms from Kandla Sea Port and has a current installed capacity of 60 MT p.a. of Water Soluble Films and certain minor interests in Digital Security Threads (which comprise of Security Products) / Bio Compostable products etc.

We are also in the business of Intellectual Property Rights and consider them as important assets that provide market dominance and continuing long term revenue for the company. Hence, we have invested diligently in IPR's. We have 20 patents registered in our and our associate company's names granted in different countries and in various industries forming part of the Plastics Packaging value chain such as Pharmaceuticals, Agro chemicals and Packaging. These patents enable Arrow to be the sole manufacturer of these patented products.

Till 2009, the Business of the Company was divided into two units; the trading unit and the manufacturing unit. The Trading Division of the Company dealt in sign making equipments and consumables from Gerber & Vutek, U.S.A. and this accounted for 80% of the revenue of the firm. These equipments traded by Arrow were used in the signage industry for making Neon Sign Boards, Cinema Posters, Billboards, and Hoardings etc. The idea was to generate revenues by controlling the supplies of these machines. But the change in economic scenario in terms of its liquidity crunch and cheap Chinese supplies started curtailing our monopolistic advantage and hence from 2009 onwards the company decided to discontinue its trading business and turn focus towards knowledge based revenues of Water Soluble Films and Innovative Security products, with known advantages of exclusive rights to manufacture and market for over 20 years.

Also, in line with our focus on environmental friendly products, we plan to venture into the field of manufacturing Mouth Melting Strips (MMS) 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. We are also looking further developing a Market for Bio Compostable Plastics resins in India.

The Company has its fixed cliental network mainly in the agro chemical industry where by orders for our products are placed by customers based on samples provided. The method of distribution is the age old method of B to B distributions which is inexpensive, less time consuming and more cost effective.



### BASIC TERMS OF THE ISSUE

The Equity Shares along with Detachable Warrants, now being offered, are subject to the terms and conditions of this Letter of Offer, the Application form, the Memorandum and Articles of Association of the Company, the guidelines for listing of securities issued by the Government of India and SEBI (ICDR) Regulations, 2009, the Depositories Act, BSE, RBI, ROC and/or other authorities as in force on the date of the Issue and to the extent applicable.

#### Authority for the Issue:

This issue is pursuant to the resolution passed by the Board in their meeting held on September 4, 2009 and approved by the members of our Company under section 81(1A) of the Act at the Annual General Meeting held on September 29, 2009. The Company has decided to offer 53,50,198 Equity shares of Rs. 10/- each at par i.e. Rs. 10/- per share aggregating Rs. 535.02 Lacs to the existing Equity shareholders of the Company on rights basis in the ratio of one equity shares for the every one equity share held as on the Record Date i.e February 11, 2012. In addition to the Rights Entitlement, for every 10 (ten) Equity Share(s) allotted in the Issue, 2 (two) Detachable Warrants will be issued and allotted.

|                              |  |
|------------------------------|--|
| Face Value                   | Each Equity Share shall have the face value of Rs. 10/- each.  |
| Issue Price                  | Each Equity Share is being offered at a price of Rs. 10/- each.  |
| No. of Equity Shares offered | 53,50,198  |
| Rights Entitlement           | 1 (One) Equity Share for every 1 (One) fully paid-up Equity Share held on the Record Date.<br>In addition to the above, for every 10 (ten) Equity Share(s) allotted in the Issue, 2 (two) Detachable Warrants will be issued and allotted. |
| Record Date                  | February 11, 2012  |
| Terms of Payment             | Full payment at the time of application @ Rs. 10 per equity share.   |
| Market Lot and Trading Lot   | The Market lot and Trading lot for the Equity Share is 1 (One) and the multiple of 1 (One).  |
| Ranking of the Equity Shares | The Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari-passu in all respects including dividends with the existing Equity Shares of the Company.                              |

For further details regarding the terms of this issue see “Principal Terms of the Issue” on page 149 of this Letter of Offer.

## SUMMARY OF OUR FINANCIAL INFORMATION

The following summary of financial data has been prepared in accordance with Indian GAAP, the Companies Act and SEBI (ICDR) Regulations, 2009 and is presented in the section titled “Financial Information” of this Letter of Offer. You should read this financial data in conjunction with our annual audited financial statements for each of 31<sup>st</sup> March 2011 including the Notes thereto and the Reports thereon, which appear under the section titled “Financial Information” beginning on Page 80 in this Letter of Offer.

## STANDALONE AUDITED BALANCE SHEET AS AT 31ST MARCH 2011

(Rs. in Lacs)

|   | SCH. | AS AT          | AS AT          |
|---|------|----------------|----------------|
|   |      | 31.03.2011     | 31.03.2010     |
| <b><u>SOURCES OF FUND</u></b>                       |      |                |                |
| <b>Shareholders' Fund</b>                           |      |                |                |
| Share Capital                                       | 1    | 535.02         | 528.96         |
| Share Application Money                             |      | 42.69          | 42.69          |
| Employee Stock Option Outstanding                   |      | 38.65          | 62.22          |
| Reserves & Surplus                                  | 2    | 475.50         | 471.43         |
|   |      | <b>1091.86</b> | <b>1105.30</b> |
| <b>Loan Funds</b>                                   |      |                |                |
| Secured Loans                                       | 3    | 231.32         | 228.88         |
| Unsecured Loans                                     | 4    | 621.77         | 544.49         |
|   |      | <b>853.09</b>  | <b>773.37</b>  |
| <b>Deferred Tax Liability</b>                       |      | 3.36           | 2.51           |
| <b>TOTAL</b>  |      | <b>1948.31</b> | <b>1881.18</b> |
| <b><u>APPLICATION OF FUNDS</u></b>                  |      |                |                |
| <b>Fixed Assets</b>                                 |      |                |                |
| Gross Block   | 5    | 589.59         | 546.67         |
| Less Depreciation                                   |      | 418.86         | 399.09         |
| Net Block   |      | <b>170.73</b>  | <b>147.58</b>  |
| Patents Applications                                |      | 125.63         | 118.91         |
| Capital Work in Progress                            |      | -              | 8.22           |
| <b>Investment : (At Cost )</b>                      | 6    | 28.76          | 26.76          |
| <b>Current Assets, Loans &amp; Advances</b>         |      |                |                |
| Inventories   | 7    | 432.15         | 389.75         |
| Sundry Debtors                                      | 8    | 512.81         | 722.39         |
| Cash & Bank Balances                                | 9    | 51.57          | 18.42          |
| Loans & Advances                                    | 10   | 825.65         | 688.72         |
|   |      | <b>1822.17</b> | <b>1819.28</b> |
| Less: Current Liabilities & Provisions              | 11   | 206.82         | 244.65         |
| <b>Net Current Assets</b>                           |      | <b>1615.35</b> | <b>1574.63</b> |
| Deferred Revenue Expenses                           |      | 7.84           | 5.08           |
| <b>TOTAL</b>  |      | <b>1948.31</b> | <b>1881.18</b> |
| Notes to Accounts & Significant Accounting Policies | 21   |                |                |





**ARROW COATED PRODUCTS LIMITED**

**STANDALONE AUDITED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011**

(Rs. in Lacs)

|   | Sch. | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|---|------|--------------------------|--------------------------|
| <b>INCOME</b>                                       |      |                          |                          |
| Sales & Service                                     | 12   | 334.33                   | 201.20                   |
| Interest Received                                   | 13   | 11.94                    | 2.50                     |
| Other Income  | 14   | 6.58                     | 13.95                    |
| <b>Total</b>  |      | <b>352.84</b>            | <b>217.64</b>            |
| <b>EXPENDITURE</b>                                  |      |                          |                          |
| Material Cost & Inventory Adjustments               | 15   | 95.40                    | 87.39                    |
| Salary & Other Employee Expenses                    | 16   | 48.72                    | 38.25                    |
| Manufacturing Expenses                              | 17   | 81.81                    | 58.73                    |
| Selling Expenses                                    | 18   | 4.79                     | 6.79                     |
| Financial Charges                                   | 19   | 34.37                    | 32.87                    |
| Other Administrative Expenses                       | 20   | 73.67                    | 48.55                    |
| <b>Total</b>  |      | <b>338.75</b>            | <b>272.57</b>            |
| <b>Profit Before Depreciation</b>                   |      | 14.09                    | (54.91)                  |
| Less : Depreciation & Amortisation                  |      | 24.52                    | 25.38                    |
| <b>Profit Before Prior Period Items</b>             |      | (10.43)                  | (80.29)                  |
| Less : Prior Period Expenses                        |      | -                        | 0.31                     |
| <b>Profit Before Exceptional Items</b>              |      | (10.43)                  | (80.60)                  |
| Less : Exceptional Items                            |      | 2.60                     | -                        |
| <b>Profit before Tax</b>                            |      | (13.03)                  | (80.60)                  |
| Current tax   |      | -                        | -                        |
| Deferred Tax  |      | 0.85                     | 6.96                     |
| <b>Profit After Tax</b>                             |      | (13.88)                  | (87.56)                  |
| Balance Brought Forward                             |      | 154.07                   | 241.63                   |
| Tax Adjustment                                      |      | (1.83)                   | -                        |
| <b>Balance carried to Balance sheet</b>             |      | <b>142.02</b>            | <b>154.07</b>            |
| Earning Per Share (Basic) Rs.                       |      | (0.26)                   | (1.65)                   |
| Earning Per Share (Diluted) Rs.                     |      | (0.26)                   | (1.65)                   |
| Notes to Accounts & Significant Accounting Policies | 21   |                          |                          |

## STANDALONE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2011

(Rs. in Lacs)

|   | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|---|--------------------------|--------------------------|
| <b>A Cash Flow from Operating Activities</b>          |                          |                          |
| Net Profit before Tax & Prior Period Items            | (13.03)                  | (80.29)                  |
| Adjustment for  |                          |                          |
| Depreciation  | 24.52                    | 25.38                    |
| Profit / Loss on sale of Fixed Asset                  | (0.17)                   | 1.81                     |
| ESOP Amortisation                                     | (7.45)                   | 0.73                     |
| Other Income  | (6.40)                   | (13.94)                  |
| Interest Income                                       | (11.94)                  | (2.50)                   |
| Dividend Income                                       | (0.01)                   | (0.01)                   |
| Interest Expenses                                     | 34.37                    | 32.87                    |
| Bad debts   | 0.00                     | 0.88                     |
| Extra Ordinary Items                                  | 2.60                     | (0.31)                   |
| Operating Profit before Working Capital Changes       | 22.49                    | (35.38)                  |
| Adjustment for  |                          |                          |
| Trade & Other Receivables                             | 209.58                   | 358.68                   |
| Inventories   | (42.40)                  | 8.08                     |
| Loans & Advances                                      | (136.93)                 | (289.15)                 |
| Trade Payables  | (32.19)                  | (42.53)                  |
| Cash Generated from operations                        | 20.55                    | (0.30)                   |
| Interest Paid   | 0.00                     | 0.00                     |
| Net Cash used in Operation                            | 20.55                    | (0.30)                   |
| <b>B Cash Flow from Investing Activities</b>          |                          |                          |
| Purchase of Fixed Assets/Patent Application           | (46.92)                  | (26.55)                  |
| Sale of Fixed Assets                                  | 0.90                     | 0.02                     |
| Investment  | (2.00)                   | 0.00                     |
| Interest & Dividend Income                            | 11.95                    | 2.51                     |
| Net Cash from Investing Activities                    | (36.07)                  | (24.02)                  |
| <b>C Cash Flow from Financing Activities</b>          |                          |                          |
| Loans   | 79.72                    | 19.60                    |
| Increase in Share Capital & Premium                   | 6.06                     | (2.04)                   |
| Interest Paid & Finance cost                          | (34.37)                  | (32.87)                  |
| Dividend Paid   | 0.00                     | (0.01)                   |
| Rights Issue Expenses                                 | (2.76)                   | (5.08)                   |
| Net Cash from Financing Activities                    | 48.66                    | (20.40)                  |
| <b>Net Increase in Cash &amp; Cash Equivalents</b>    | 33.14                    | (44.72)                  |
| <b>Opening Balance of Cash &amp; Cash Equivalents</b> | 18.43                    | 63.15                    |
| <b>Closing Balance of Cash &amp; Cash Equivalents</b> | 51.57                    | 18.43                    |

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

(Rs. in Lacs)

|   | SCH. | AS AT          | AS AT          |
|---|------|----------------|----------------|
|   |      | 31.03.2011     | 31.03.2010     |
| <b><u>SOURCES OF FUND</u></b>                       |      |                |                |
| <b>Shareholders' Fund</b>                           |      |                |                |
| Share Capital                                       | 1    | 535.02         | 528.96         |
| Share Application Money                             |      | 54.08          | 42.69          |
| Employee Stock Option Outstanding                   |      | 38.65          | 62.22          |
| Reserves & Surplus                                  | 2    | 441.98         | 451.17         |
|   |      | <b>1069.72</b> | <b>1085.04</b> |
| <b>Loan Funds</b>                                   |      |                |                |
| Secured Loans                                       | 3    | 231.32         | 228.88         |
| Unsecured Loans                                     | 4    | 665.76         | 584.91         |
|   |      | <b>897.08</b>  | <b>813.79</b>  |
| <b>Minority Interest</b>                            |      | (7.62)         | (1.65)         |
| <b>Deferred Tax Liability</b>                       |      | 3.36           | 2.51           |
| <b>TOTAL</b>  |      | <b>1962.55</b> | <b>1899.69</b> |
| <b><u>APPLICATION OF FUNDS</u></b>                  |      |                |                |
| <b>Fixed Assets</b>                                 |      |                |                |
| Gross Block   | 5    | 594.54         | 549.84         |
| Less Depreciation                                   |      | 419.72         | 399.85         |
| Net Block   |      | 174.81         | 149.99         |
| Patents Applications                                |      | 125.77         | 119.06         |
| Goodwill on consolidation                           |      | 11.46          | 11.46          |
| Capital Work in Progress                            |      | -              | 8.22           |
| <b>Investment : (At Cost )</b>                      | 6    | (4.61)         | 1.68           |
| <b>Current Assets, Loans &amp; Advances</b>         |      |                |                |
| Inventories   | 7    | 436.89         | 394.18         |
| Sundry Debtors                                      | 8    | 512.81         | 720.33         |
| Cash & Bank Balances                                | 9    | 65.51          | 54.92          |
| Loans & Advances                                    | 10   | 841.14         | 679.69         |
|   |      | 1856.34        | 1849.12        |
| Less: Current Liabilities & Provisions              | 11   | 210.51         | 246.62         |
| <b>Net Current Assets</b>                           |      | 1645.83        | 1602.51        |
| Deferred Revenue Expenses                           |      | 9.29           | 6.77           |
| <b>TOTAL</b>  |      | <b>1962.55</b> | <b>1899.69</b> |
| Notes to Accounts & Significant Accounting Policies | 21   |                |                |

## CONSOLIDATED PROFIT &amp; LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011

(Rs. in Lacs)

|   | Sch. | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|---|------|--------------------------|--------------------------|
| <b>INCOME</b>                                       |      |                          |                          |
| Sales & Service                                     | 12   | 334.32                   | 202.47                   |
| Interest Received                                   | 13   | 12.13                    | 3.11                     |
| Other Income  | 14   | 6.66                     | 13.95                    |
| <b>Total</b>  |      | <b>353.12</b>            | <b>219.53</b>            |
| <b>EXPENDITURE</b>                                  |      |                          |                          |
| Material Cost & Inventory Adjustments               | 15   | 95.51                    | 87.80                    |
| Salary & Other Employee Expenses                    | 16   | 53.92                    | 44.67                    |
| Manufacturing Expenses                              | 17   | 81.81                    | 58.72                    |
| Selling Expenses                                    | 18   | 4.79                     | 6.92                     |
| Managerial Remuneration                             |      | -                        | -                        |
| Financial Charges                                   | 19   | 34.48                    | 32.99                    |
| Other Administrative Expenses                       | 20   | 83.43                    | 53.15                    |
| Preliminary exps w/off                              |      | 0.24                     | 0.24                     |
| <b>Total</b>  |      | <b>354.18</b>            | <b>284.50</b>            |
| <b>Profit Before Depreciation</b>                   |      | <b>(1.07)</b>            | <b>(64.97)</b>           |
| Less : Depreciation                                 |      | 24.62                    | 25.50                    |
| <b>Profit Before Prior Period Items</b>             |      | <b>(25.69)</b>           | <b>(90.47)</b>           |
| Less : Prior Period Expenses                        |      | -                        | 0.47                     |
| <b>Profit Before Exceptional Items</b>              |      | <b>(25.69)</b>           | <b>(90.94)</b>           |
| Less : Exceptional Items                            |      | 2.60                     | -                        |
| <b>Profit before Tax</b>                            |      | <b>(28.29)</b>           | <b>(90.94)</b>           |
| Current tax   |      | -                        | -                        |
| Deferred Tax  |      | 0.85                     | 6.97                     |
| <b>Profit After Tax</b>                             |      | <b>(29.14)</b>           | <b>(97.90)</b>           |
| <b>Add: Share of Loss in Associates</b>             |      | <b>(3.89)</b>            | <b>(1.53)</b>            |
| <b>Less : Share of Minorities</b>                   |      | <b>(5.97)</b>            | <b>(3.91)</b>            |
|   |      | (27.06)                  | (95.52)                  |
| Balance Brought Forward                             |      | 131.78                   | 227.30                   |
| Tax & Dividend Adjustment                           |      | (1.83)                   | -                        |
| <b>Amount Available For Appropriation</b>           |      | <b>106.54</b>            | <b>131.78</b>            |
| <b>Appropriations</b>                               |      |                          |                          |
| <b>Balance carried to Balance sheet</b>             |      | <b>106.54</b>            | <b>131.78</b>            |
| Earning Per Share (Basic) Rs.                       |      | (0.51)                   | (1.80)                   |
| Earning Per Share (Diluted) Rs.                     |      | (0.51)                   | (1.80)                   |
| Notes to Accounts & Significant Accounting Policies | 21   |                          |                          |

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH 2011

(Rs. in Lacs)

|   | 31.03.2011     | 31.03.2010     |
|---|----------------|----------------|
| <b>A</b>  |                |                |
| <b>Cash Flow from Operating Activities</b>            |                |                |
| Net Profit before Tax & Prior Period Items            | (28.29)        | (90.47)        |
| Adjustment for  |                |                |
| Depreciation  | 24.62          | 25.50          |
| Profit / Loss on sale of Fixed Asset                  | (0.17)         | 1.81           |
| Bad Debts / Balance                                   | -              | 0.95           |
| ESOP Amortization & other                             | (7.21)         | 0.97           |
| Other Income  | (6.48)         | (13.94)        |
| Interest Income                                       | (12.13)        | (3.11)         |
| Dividend Income                                       | (0.01)         | (0.01)         |
| Interest Expenses                                     | 34.48          | 32.99          |
| Exceptional item                                      | 2.60           | (0.47)         |
| Operating Profit before Working Capital Changes       | <b>7.42</b>    | <b>(45.77)</b> |
| Adjustment for  |                |                |
| Trade & Other Receivables                             | 207.52         | 360.83         |
| Inventories   | (42.71)        | 8.49           |
| Loans & Advances                                      | (161.46)       | (292.49)       |
| Trade Payables  | (29.47)        | (61.44)        |
| Net Cash used in Operation                            | <b>(18.70)</b> | <b>(30.38)</b> |
| <b>B</b>  |                |                |
| <b>Cash Flow from Investing Activities</b>            |                |                |
| Purchase of Fixed Assets/Patent                       | (47.77)        | (40.00)        |
| Investment  | 1.50           | (4.15)         |
| Interest Income                                       | 12.13          | 3.11           |
| Net Cash from Investing Activities                    | <b>(34.14)</b> | <b>(41.04)</b> |
| <b>C</b>  |                |                |
| <b>Cash Flow from Financing Activities</b>            |                |                |
| Loans   | 83.29          | 60.02          |
| Increase in Share Capital                             | 17.44          | (2.04)         |
| Currency Fluctuation Reserve                          | (0.07)         | 0.83           |
| Interest and Finance cost                             | (34.48)        | (32.99)        |
| Dividend Paid   | 0              | (0.01)         |
| Rights Issue Expenses                                 | (2.76)         | 5.08           |
| Net Cash from Financing Activities                    | <b>63.42</b>   | <b>30.89</b>   |
| <b>Net Increase in Cash &amp; Cash Equivalents</b>    | <b>10.59</b>   | <b>(40.52)</b> |
| <b>Opening Balance of Cash &amp; Cash Equivalents</b> | <b>54.92</b>   | <b>95.45</b>   |
| <b>Closing Balance of Cash &amp; Cash Equivalents</b> | <b>65.51</b>   | <b>54.92</b>   |



| <b>UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE HALF YEAR ENDED<br/>30TH SEPTEMBER 2011</b> |  |                        |               |                        |               |                    |
|---|--|------------------------|---------------|------------------------|---------------|--------------------|
| <b>Rs. in Lacs<br/>(Except EPS &amp; No. of shares)</b>                                       |  |                        |               |                        |               |                    |
| S.N.  | Particular   | Quarter ended on       |               | Half Year ended on     |               | Year ended on      |
|   |  | 30.09.11               | 30.09.10      | 30.09.11               | 30.09.2010    | 31.03.2011         |
|   |  | Stand Alone Un-audited |               | Stand Alone Un-audited |               | Standalone Audited |
| 1   | (a) Net sales / Income from operation  | 121.12                 | 77.81         | 161.66                 | 126.99        | 334.33             |
|   | (b) Other operating Income   | -                      | -             | -                      | -             | -                  |
|   | <b>Total</b>   | <b>121.12</b>          | <b>77.81</b>  | <b>161.66</b>          | <b>126.99</b> | <b>334.33</b>      |
| 2   | <b>Expenditure</b>   |                        |               |                        |               |                    |
| (a)   | Increase/decrease in stock in trade & consumption of raw material                        | 68.99                  | 19.53         | 97.24                  | 38.15         | 95.40              |
| (b)   | Manufacturing expense  | 22.32                  | 18.31         | 34.74                  | 35.66         | 81.81              |
| (c)   | Employee cost  | 10.13                  | 12.20         | 20.52                  | 16.45         | 48.72              |
| (d)   | Depreciation   | 5.31                   | 5.36          | 10.89                  | 10.69         | 24.52              |
| (e)   | Other expenditure  | 33.91                  | 27.34         | 49.65                  | 40.86         | 78.46              |
| (f)   | <b>Total [2(a+b+c+d+e)]</b>  | <b>140.66</b>          | <b>82.73</b>  | <b>213.04</b>          | <b>138.80</b> | <b>328.91</b>      |
| 3   | Profit from operation before other income, interest and exceptional item (1-2)           | (19.54)                | (4.92)        | (51.38)                | (12.51)       | 5.42               |
| 4   | Other income   | 37.19                  | 8.90          | 53.90                  | 17.45         | 18.52              |
| 5   | <b>Profit before interest and exceptional items (3+4)</b>                                | <b>17.65</b>           | <b>3.98</b>   | <b>2.52</b>            | <b>4.94</b>   | <b>23.94</b>       |
| 6   | Interest   | 18.83                  | 7.42          | 23.97                  | 14.23         | 34.37              |
| 7   | <b>Profit after interest but before exceptional items (5-6)</b>                          | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(10.43)</b>     |
| 8   | Exceptional items  | -                      | -             | -                      | -             | 2.60               |
| 9   | <b>Profit from ordinary activities before tax (7+8)</b>                                  | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(13.03)</b>     |
| 10  | Provision from taxation  | 0.00                   | 0.00          | 0.00                   | 0.00          | 0.00               |
|   | i) Income tax  | -                      | -             | -                      | -             | -                  |
|   | ii) Deferred tax   | -                      | -             | -                      | -             | -                  |
|   | iii) Fringe Benefit Tax  | -                      | -             | -                      | -             | 0.85               |
| 11  | <b>Profit from ordinary activities after tax (9-10)</b>                                  | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(13.88)</b>     |
| 12  | Extra ordinary item (Net)  | -                      | -             | -                      | -             | -                  |
| 13  | <b>Net profit after extra ordinary items (11-12)</b>                                     | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(13.88)</b>     |
| 14  | Paid up equity share capital (face value Rs. 10/-)                                       | 535.02                 | 528.96        | 535.02                 | 528.96        | 535.02             |
| 15  | Reserves excluding revaluation reserves as per balance sheet of previous accounting year | -                      | -             | -                      | -             | 485.50             |



**ARROW COATED PRODUCTS LIMITED**

|    |   |           |           |           |           |           |
|----|---|-----------|-----------|-----------|-----------|-----------|
| 16 | Earnings per share (EPS)<br>(Basic & Diluted) not<br>annualized                                       |           |           |           |           |           |
|    | - Before extra ordinary<br>items  | (0.02)    | (0.06)    | (0.40)    | (0.18)    | (0.26)    |
|    | - After extra ordinary items  | (0.02)    | (0.06)    | (0.40)    | (0.18)    | (0.26)    |
| 17 | Public shareholding   |           |           |           |           |           |
|    | - No. of shares   | 26,44,483 | 25,83,883 | 26,44,483 | 25,83,883 | 26,44,483 |
|    | - Percentage of<br>shareholding   | 49.43%    | 48.84%    | 49.43%    | 48.84%    | 49.43%    |
| 18 | Promoter and promoter group<br>shareholding   |           |           |           |           |           |
| A  | Pledged/Encumbered  |           |           |           |           |           |
|    | i. No. of shares  | Nil       | Nil       | Nil       | Nil       | Nil       |
|    | ii. % of shareholding (as a %<br>of the total share holding<br>of the promoter and<br>promoter group) | N.A       | N.A       | N.A       | N.A       | N.A       |
|    | iii. % of shareholding (as a %<br>of the total share capital<br>of the Company)                       | N.A       | N.A       | N.A       | N.A       | N.A       |
| B  | Non-Encumbered  |           |           |           |           |           |
|    | i. No. of shares  | 27,05,715 | 27,05,715 | 27,05,715 | 27,05,715 | 27,05,715 |
|    | ii. % of shareholding (as a %<br>of the total share holding<br>of the promoter and<br>promoter group) | 100%      | 100%      | 100%      | 100%      | 100%      |
|    | iii. % of shareholding (as a %<br>of the total share capital<br>of the Company)                       | 50.57%    | 51.16%    | 50.57%    | 51.16%    | 50.57%    |

(Rs. in Lacs)

| <b>STANDALONE STATEMENT OF ASSET &amp; LIABILITES AS AT<br/>30TH SEPTEMBER 2011</b> |                                       |                                  |
|---|---------------------------------------|----------------------------------|
| <b>Particulars</b>  | <b>Six Month ended<br/>30.09.2011</b> | <b>Year ended<br/>31.03.2011</b> |
|   | <b>Standalone<br/>(Un-Audited)</b>    | <b>Standalone<br/>(Audited)</b>  |
| <b><u>SOURCES OF FUND</u></b>   |                                       |                                  |
| <b>Shareholders' Fund</b>   |                                       |                                  |
| a) Share Capital  | 535.02                                | 535.02                           |
| b) Share Application Money  | 42.69                                 | 42.69                            |
| c) Employee Stock Option Outstanding  | 38.65                                 | 38.65                            |
| d) Reserves & Surplus   | 454.06                                | 475.50                           |
|   | <b>1072.42</b>                        | <b>1091.86</b>                   |
| <b>Loan Funds</b>   |                                       |                                  |
| a) Secured Loans  | 251.30                                | 231.32                           |
| b) Unsecured Loans  | 648.24                                | 621.77                           |
|   | <b>899.54</b>                         | <b>853.09</b>                    |
| <b>Deferred Tax Liability</b>   | 3.36                                  | 3.36                             |
| <b>TOTAL</b>  | <b>1973.32</b>                        | <b>1948.31</b>                   |
| <b><u>APPLICATION OF FUNDS</u></b>  |                                       |                                  |
| <b>Fixed Assets (Net)</b>   | <b>301.95</b>                         | <b>296.36</b>                    |
| <b>Investment : (At Cost )</b>  | 38.60                                 | 28.76                            |
| <b>Current Assets, Loans &amp; Advances</b>   |                                       |                                  |
| a) Inventories  | 428.28                                | 432.15                           |
| b) Sundry Debtors   | 509.47                                | 512.81                           |
| c) Cash & Bank Balances   | 63.60                                 | 51.57                            |
| d) Loans & Advances   | 900.68                                | 825.65                           |
|   | <b>1902.03</b>                        | <b>1822.17</b>                   |
| <b>Less: Current Liabilities &amp; Provisions</b>                                   |                                       |                                  |
| a) Current Liabilities  | 244.88                                | 174.60                           |
| b) Provisions   | 32.23                                 | 32.23                            |
|   | 277.11                                | 206.82                           |
| <b>Net Current Assets</b>   | <b>1624.92</b>                        | <b>1615.35</b>                   |
| Miscellaneous Expenses  | 7.84                                  | 7.84                             |
| <b>TOTAL</b>  | <b>1973.31</b>                        | <b>1948.31</b>                   |

**Notes:**

1. The above results were reviewed by the Audit Committee and approved and taken on record by the Board of Directors at their meeting held on 12-12-2011.
2. The Company business activity falls within a single primary business segments.





***ARROW COATED PRODUCTS LIMITED***

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3. Status of investors complaints/requests (No) – Opening-Nil, Recd-Nil, Resolved-Nil, Closing Nil.
4. The above results have been reviewed by the Statutory Auditors of the Company.
5. Corresponding figures of the previous periods regrouped / restated wherever necessary.



| <b>CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED<br/>30TH SEPTEMBER 2011</b> |  |                    |                |                     |                |
|---|--|--------------------|----------------|---------------------|----------------|
| <b>Rs. in Lacs<br/>(Except EPS &amp; No. of shares)</b>   |  |                    |                |                     |                |
| S.N.  | Particular   | 30.09.2011         | 31.03.2011     | 30.09.2011          | 31.03.2011     |
|   |  | <b>Stand Alone</b> |                | <b>Consolidated</b> |                |
| 1   | (a) Net sales / Income from operation  | 161.66             | 334.33         | 194.95              | 334.33         |
|   | (b) Other operating Income   | 0.00               | 0.00           | 0.00                | 0.00           |
|   | <b>Total</b>   | <b>161.66</b>      | <b>334.33</b>  | <b>194.95</b>       | <b>334.33</b>  |
| 2   | <b>Expenditure</b>   |                    |                |                     |                |
| (a)   | Increase/decrease in stock in trade & consumption of raw material                        | 97.24              | 95.40          | 97.06               | 95.51          |
| (b)   | Manufacturing expense  | 37.74              | 81.81          | 34.74               | 81.81          |
| (c)   | Employee cost  | 20.52              | 48.72          | 25.38               | 53.92          |
| (d)   | Depreciation   | 10.89              | 24.52          | 10.97               | 24.62          |
| (e)   | Other expenditure  | 49.65              | 78.46          | 54.55               | 88.46          |
| (f)   | <b>Total [2(a+b+c+d+e)]</b>  | <b>213.04</b>      | <b>328.91</b>  | <b>222.70</b>       | <b>344.32</b>  |
| 3   | Profit from operation before other income, interest and exceptional item (1-2)           | (51.38)            | 5.42           | (27.75)             | (9.99)         |
| 4   | Other income   | 53.90              | 18.52          | 20.88               | 18.79          |
| 5   | <b>Profit before interest and exceptional items (3+4)</b>                                | <b>2.52</b>        | <b>23.94</b>   | <b>(6.87)</b>       | <b>8.80</b>    |
| 6   | Interest   | 23.97              | 34.37          | 24.02               | 34.48          |
| 7   | <b>Profit after interest but before exceptional items (5-6)</b>                          | <b>(21.45)</b>     | <b>(10.43)</b> | <b>(30.89)</b>      | <b>(25.69)</b> |
| 8   | Exceptional items  | 0.00               | 2.60           | 0.00                | 2.60           |
| 9   | <b>Profit from ordinary activities before tax (7+8)</b>                                  | <b>(21.45)</b>     | <b>(13.03)</b> | <b>(30.89)</b>      | <b>(28.29)</b> |
| 10  | Provision from taxation  |                    |                |                     |                |
|   | i) Income tax  | 0.00               | 0.00           | 0.00                | 0.00           |
|   | ii) Deferred tax   | 0.00               | 0.85           | 0.00                | 0.85           |
|   | iii) Tax Adjustment  | 0.00               | 0.00           | 0.00                | (1.83)         |
|   | Add/ (Less): Share of Loss in Associates   | 0.00               | 0.00           | (3.17)              | (3.89)         |
|   | Add/ (Less): Minority Interest   | 0.00               | 0.00           | (4.31)              | (5.97)         |
| 11  | <b>Profit from ordinary activities after tax (9-10)</b>                                  | <b>(21.45)</b>     | <b>(13.88)</b> | <b>(29.75)</b>      | <b>(25.23)</b> |
| 12  | Extra ordinary item (Net)  | 0.00               | 0.00           | 0.00                | 0.00           |
| 13  | <b>Net profit after extra ordinary items (11-12)</b>                                     | <b>(21.45)</b>     | <b>(13.88)</b> | <b>(29.75)</b>      | <b>(25.23)</b> |
| 14  | Paid up equity share capital (face value Rs. 10/-)                                       | 535.02             | 535.02         | 535.02              | 535.02         |
| 15  | Reserves excluding revaluation reserves as per balance sheet of previous accounting year | 0.00               | 475.50         | 0.00                | 441.98         |
| 16  | Earnings per share (EPS) (Basic & Diluted) not annualized                                |                    |                |                     |                |
|   | - Before extra ordinary items  | (0.40)             | (0.26)         | (0.56)              | (0.51)         |
|   | - After extra ordinary items   | (0.40)             | (0.26)         | (0.56)              | (0.51)         |



**ARROW COATED PRODUCTS LIMITED**

|    |  |           |           |           |           |
|----|--|-----------|-----------|-----------|-----------|
| 17 | Public shareholding  |           |           |           |           |
|    | - No. of shares  | 26,44,483 | 26,44,483 | 26,44,483 | 26,44,483 |
|    | - Percentage of shareholding   | 49.43%    | 49.43%    | 49.43%    | 49.43%    |
| 18 | Promoter and promoter group shareholding   |           |           |           |           |
| A  | Pledged/Encumbered   |           |           |           |           |
|    | i. No. of shares   | Nil       | Nil       | Nil       | Nil       |
|    | ii. % of shareholding (as a % of the total share holding of the promoter and promoter group) | N.A       | N.A       | N.A       | N.A       |
|    | iii. % of shareholding (as a % of the total share capital of the Company)                    | N.A       | N.A       | N.A       | N.A       |
| B  | Non-Encumbered   |           |           |           |           |
|    | i. No. of shares   | 27,05,715 | 27,05,715 | 27,05,715 | 27,05,715 |
|    | ii. % of shareholding (as a % of the total share holding of the promoter and promoter group) | 100%      | 100%      | 100%      | 100%      |
|    | iii. % of shareholding (as a % of the total share capital of the Company)                    | 50.57%    | 50.57%    | 50.57%    | 50.57%    |

(Rs. in Lacs)

| <b>CONSOLIDATED STATEMENT OF ASSET &amp; LIABILITES AS AT<br/>30TH SEPTEMBER 2011</b> |                               |                          |
|---|-------------------------------|--------------------------|
| Particulars   | Six Month ended<br>30.09.2011 | Year ended<br>31.03.2011 |
|   | Consolidate<br>(Un-Audited)   | Consolidate<br>(Audited) |
| <b><u>SOURCES OF FUND</u></b>   |                               |                          |
| <b>Shareholders' Fund</b>   |                               |                          |
| a) Share Capital  | 535.02                        | 535.02                   |
| b) Share Application Money  | 42.69                         | 54.08                    |
| c) Employee Stock Option Outstanding  | 38.65                         | 38.65                    |
| d) Reserves & Surplus   | 411.53                        | 441.98                   |
|   | <b>1027.89</b>                | <b>1069.73</b>           |
| <b>Loan Funds</b>   |                               |                          |
| a) Secured Loans  | 251.30                        | 231.32                   |
| b) Unsecured Loans  | 693.86                        | 665.76                   |
|   | <b>945.16</b>                 | <b>897.08</b>            |
| <b>Minority Interest</b>  | <b>(0.61)</b>                 | <b>(7.62)</b>            |
| <b>Deferred Tax Liability</b>   | 3.36                          | 3.36                     |
| <b>TOTAL</b>  | <b>1975.80</b>                | <b>1962.55</b>           |
| <b><u>APPLICATION OF FUNDS</u></b>  |                               |                          |
| <b>Fixed Assets (Net)</b>   |                               |                          |
| Gross Block   | 594.83                        | 594.54                   |
| <b>Less: Depreciation</b>   | 430.69                        | 419.72                   |
| Net Block   | 164.13                        | 174.81                   |
| Patent application  | 142.25                        | 125.77                   |
| <b>Goodwill on Consolidation</b>  | <b>11.46</b>                  | <b>11.46</b>             |
| <b>Investment : (At Cost )</b>  | <b>38.60</b>                  | <b>28.76</b>             |
| <b>Current Assets, Loans &amp; Advances</b>   |                               |                          |
| a) Inventories  | 433.20                        | 436.89                   |
| b) Sundry Debtors   | 509.47                        | 512.81                   |
| c) Cash & Bank Balances   | 79.63                         | 65.51                    |
| d) Loans & Advances   | 914.97                        | 841.14                   |
|   | <b>1937.27</b>                | <b>1856.35</b>           |
| <b>Less: Current Liabilities &amp; Provisions</b>                                     |                               |                          |
| a) Current Liabilities  | 249.45                        | 178.27                   |
| b) Provisions   | 32.43                         | 32.24                    |
|   | 281.88                        | 210.51                   |
| <b>Net Current Assets</b>   | <b>1655.39</b>                | <b>1645.83</b>           |
| Miscellaneous Expenses  | 9.17                          | 9.29                     |
| <b>TOTAL</b>  | <b>1975.80</b>                | <b>1962.55</b>           |



***ARROW COATED PRODUCTS LIMITED***

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**Notes:**

1. The above results were reviewed by the Audit Committee and approved and taken on record by the Board of Directors at their meeting held on 12-12-2011.
2. The Consolidated Financial results have been prepared in line with the requirements of Accounting Standard (AS) 21 Consolidated Financial Statements.
3. The Company business activity falls within a single primary business segments.
4. Status of investors complaints/requests (No) – Opening-Nil, Recd-Nil, Resolved-Nil, Closing Nil.
5. The above results have been reviewed by the Statutory Auditors of the Company.
6. Corresponding figures of the previous periods regrouped / restated wherever necessary.



**GENERAL INFORMATION**

Dear Eligible Equity Shareholder(s),

This issue is pursuant to the resolution passed by the Board in their meeting held on September 4, 2009 and approved by the members of our Company under section 81(1A) of the Act at the Annual General Meeting held on September 29, 2009.

**ISSUE OF 53,50,198 EQUITY SHARES HAVING A FACE VALUE OF RS. 10/- EACH FOR CASH AT PAR AGGREGATING TO RS. 535.02 LACS ON A RIGHTS BASIS TO THE EXISTING EQUITY SHAREHOLDERS OF THE ARROW COATED PRODUCTS LIMITED (“COMPANY”) IN THE RATIO OF 1 EQUITY SHARES FOR EVERY 1 FULLY PAID-UP EQUITY SHARES HELD BY THE EXISTING EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS ON FEBRUARY 11, 2012. THE ISSUE PRICE IS SAME AS THE FACE VALUE OF THE EQUITY SHARES. FOR EVERY 10 EQUITY SHARES ALLOTTED IN THE ISSUE, 2 DETACHABLE WARRANTS WILL BE ISSUED AND ALLOTTED.**

**FOR FURTHER DETAILS, PLEASE REFER THE SECTION TITLED “PRINCIPAL TERMS OF THE ISSUE” ON PAGE 149 OF THIS LETTER OF OFFER.**

**Registered Office:**

5-D, Laxmi Industrial Estate,  
New Link Road, Andheri (West),  
Mumbai – 400 053.  
Tel No.: 91 – 22 – 4074 9000  
Fax No.: 91 – 22 – 4074 9099  
Email: [jkaur@arrowcoated.com](mailto:jkaur@arrowcoated.com)  
Website: [www.arrowcoated.com](http://www.arrowcoated.com)

**Company Registration No.:** 11-69281

**Company Identification No.:** L21010MH1992PLC069281.

**Company Registered at:**

**Registrar of Companies Maharashtra,**  
100, Everest, Marine Drive,  
Mumbai – 400 002

**COMPANY SECRETARY & COMPLIANCE OFFICER**

**Ms. Jasbinder Kaur Neela**

5-D, Laxmi Industrial Estate,  
New Link Road, Andheri (West),  
Mumbai – 400 053.  
Tel No.: 91 – 22 – 4074 9000  
Fax No.: 91 – 22 – 4074 9099  
Email: [jkaur@arrowcoated.com](mailto:jkaur@arrowcoated.com)

**Note:** Investors can contact the Compliance Officer in case of any Pre-Issue or Post-Issue related problems such as non-receipt of letter of allotment or share certificates, credit of securities in depository’s beneficiary account or dispatch of refund orders etc.



## **ARROW COATED PRODUCTS LIMITED**

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### **LEAD MANAGER TO THE ISSUE**

#### **Aryaman Financial Services Ltd.**

60, Ground Floor, Khatau Building,  
Alkesh Dinesh Modi Marg,  
Fort, Mumbai – 400 001.  
Tel: 91 – 22 – 2261 8264 / 2261 8635;  
Fax: 91 – 22 – 2263 0434  
Website: [www.afsl.co.in](http://www.afsl.co.in)  
Email: [info@afsl.co.in](mailto:info@afsl.co.in)  
Contact Person: Mr. Deepak Biyani / Ms. Anju Kanuga

### **REGISTRAR TO THE ISSUE**

#### **System Support Services,**

209, Shivai Industrial Estate,  
89, Andheri Kurla Road,  
Sakinaka, Andheri (East),  
Mumbai – 400 072.  
Tel: 91 – 22 – 2850 0835.  
Fax: 91 – 22 – 2850 1438.  
Email: [sysss72@yahoo.com](mailto:syss72@yahoo.com)  
Contact Person: Mr. Mahendra Mehta

### **LEGAL ADVISOR TO THE ISSUE**

#### **M/s. MSB Legal (Prop. Mr. M.S. Bhardwaj)**

3 Jeevan Vihar, 2<sup>nd</sup> Floor,  
75, Mumbai Samachar Marg,  
Opp. Bombay Stock Exchange,  
Alkesh Dinesh Modi Marg,  
Fort, Mumbai – 400 023.  
Email: [msblegal@gmail.com](mailto:msblegal@gmail.com)

### **BANKERS TO THE COMPANY**

#### **IndusInd Bank**

Mumbai Main Branch  
IndusInd House, 425  
Dr. Dadasaheb Bhadkamkar Marg,  
Mumbai – 400 004.  
Tel No. 91 – 22 – 4345 7500  
Fax No. 91 – 22 – 2385 1330

### **AUDITORS OF THE COMPANY**

#### **J.A. Rajani & Company**

1/8, Ground Floor,  
Bhagwan Raja Nagar,  
Patel Estate Road,  
Jogeshwari (W), Mumbai 400102  
Tel No: 91 – 22 – 2678 2680 / 91 – 22 – 3295 1171

### **BANKERS TO THE ISSUE**

#### **IndusInd Bank Ltd.**

Solitaire Corporate Park, No.1001,  
Building No.10, Ground Floor,  
Guru Hargovindji Marg, Andheri (East),  
Mumbai – 400 093.



## ARROW COATED PRODUCTS LIMITED

Tel No. 91 – 22 – 6772 3901/3917  
Fax No. 91 – 22 – 6772 3998  
Website: www.indusind.com  
Email: sanjay.vasarkar@indusind.com  
Contact Person: Mr. Sanjay Vasarkar

### ISSUE SCHEDULE

|   |                          |
|---|--------------------------|
| <b>Issue Opening Date</b>                         | <b>February 21, 2012</b> |
| <b>Last Date for Receiving requests for CAF's</b> | <b>February 28, 2012</b> |
| <b>Issue Closing Date</b>                         | <b>March 6, 2012</b>     |

### INTER-SE ALLOCATION OF RESPONSIBILITIES

| <b>Sr. No.</b> | <b>Activities</b>   | <b>Responsibilities</b>         | <b>Coordinator</b>             |
|----------------|---|---------------------------------|--------------------------------|
| <b>1</b>       | Capital structuring with the relative components and formalities such as composition of debt and equity type of instruments.  | Aryaman Financial Services Ltd. | Aryaman Financial Services Ltd |
| <b>2</b>       | Drafting of offer document and of advertisement / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the offer document. The Lead Manager shall ensure compliance with SEBI ICDR Regulations and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI.  | Aryaman Financial Services Ltd  | Aryaman Financial Services Ltd |
| <b>3</b>       | Selection of various agencies connected with the Issue, namely Registrars to the Issue, printers and advertisement agencies.  | Aryaman Financial Services Ltd  | Aryaman Financial Services Ltd |
| <b>4</b>       | Follow up with Bankers to the Issue to get quick estimates of collection and advising the Issuer about closure of the Issue based on the correct figures.   | Aryaman Financial Services Ltd  | Aryaman Financial Services Ltd |
| <b>5</b>       | The post issue activities will involve essential follow up steps which must include finalization of basis of allotment/weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the activities such as Registrars to the Issue, Bankers to the Issue. Whilst, many of the post issue activities will be handled by other intermediaries, the Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Issuer Company. | Aryaman Financial Services Ltd  | Aryaman Financial Services Ltd |

Aryaman Financial Services Ltd., being the sole Merchant Banker to the Issue shall be responsible for carrying out all the issue related responsibilities.

### Self Certified Syndicate Bankers

The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in>. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI website.





## **ARROW COATED PRODUCTS LIMITED**

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**All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked, ASBA account number and the Designated Branch of the SCSB where the CAF was submitted by the ASBA Investors.**

### **CREDIT RATINGS**

As the Issue is of Equity Shares, credit rating is not required.

### **TRUSTEES**

As the Issue is of Equity Shares, the appointment of trustees is not required.

### **MONITORING AGENCY**

As per Regulation 16(1) of the SEBI (ICDR) Regulations, 2009 the requirement of Monitoring Agency is not mandatory if the Issue size is below Rs. 500.00 Crore. Since the Issue size below Rs. 500 crore, the Company has not appointed any monitoring agency for this Issue.

However, as per the Clause 49 of the Listing Agreement entered into with the stock exchanges and the Corporate Governance Requirements, the Audit Committee of the company, would be monitoring the utilization of the proceeds of the issue.

### **APPRAISING AGENCY**

The project has not been appraised by any independent body. All costs and other estimates that form a part of this Letter of Offer are based on management estimates.

### **MINIMUM SUBSCRIPTION**

If our Company does not receive the minimum subscription of 90% of the Issue, our Company shall forthwith refund the entire subscription amount received within 15 days from Issue Closing Date. If there is a delay in the refund of subscription by more than eight days after the date from which our Company becomes liable to pay the subscription amount (i.e. 15 days after the Issue Closing Date or the date of refusal by the Stock Exchanges, whichever is earlier) our Company shall pay interest for the delayed period at the rates prescribed under Section 73 (2) and (2A) of the Companies Act.

### **STANDBY UNDERWRITING AGREEMENT / SUBSCRIPTION TO THE ISSUE BY PROMOTER AND PROMOTER GROUP**

The present Rights Issue is not underwritten. However, the Promoters and the each members of the Promoter Group holding Equity Shares in our Company have vide their letter dated December 15, 2011 undertaken to fully subscribe for their Rights Entitlement. They have also undertaken to apply for the Equity Shares with Detachable Warrants in addition to their rights entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining approvals required under applicable law, if any. Such subscription for Equity Shares with Detachable Warrants over and above their rights entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Further, such acquisition by them of additional Equity Shares with Detachable Warrants shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI (SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue. In connection with Detachable Warrants issued and allotted by our Company in the Issue, the Promoters and each members of the Promoter Group may apply for the issue of such Equity Shares as may arise from the exercise of the Detachable Warrants issued and allotted to them in the Issue



## ARROW COATED PRODUCTS LIMITED

and such exercise shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI (SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue.

### TERMS OF LOANS AND ASSETS CHARGED AS SECURITY

The details of principal Terms of Loans and assets charged as on September 30, 2011 are as follows:

(Rs. In lacs)

| Sr. No. | Name of Financial Institution / Bank | Amount Sanctioned | Amount Outstanding as on 30 <sup>th</sup> September 2011 |
|---------|--------------------------------------|-------------------|--|
| 1.      | IndusInd Bank                        | 250.00            | 251.30   |

#### Terms and Conditions

|                  |   |   |
|------------------|---|---|
| Type of Facility | : | Overdraft against Third Party Deposits  |
| Amount           | : | Rs. 250 Lacs (Rupees Two Crore Fifty Lacs Only)   |
| Purpose          | : | Repayment of Corporate Loan with IndusInd Bank Ltd  |
| Rate of Interest | : | 2% spread above the interest rate of Fixed Deposits taken as security   |
| Margin           | : | 5%  |
| Period           | : | Three months or maturity period of deposit, whichever is earlier  |
| Validity         | : | Till the maturity date of / renewed deposits  |
| Security         | : | Pledge of Term Deposits of Rs. 264 Lacs (i.e by observing 5% margin) of Mr. Shilpan P. Patel and Ms, Jigisha S. Patel   |
| Documentation    | : | As per Bank's Documentation Manual / Instructions   |
| Other Conditions | : | Lower OD facility can be allowed within limit of Rs. 250 Lacs subject to observance of 5% margin with other terms remain unchanged<br>The Limit will be set depending upon the availability of the Term Deposits under lien and on execution of necessary security documents. |

#### Note:

This facility was originally available upto November 17, 2011 but it is further extended for a period of 3 months i.e till February 17, 2012.

## CAPITAL STRUCTURE

The Capital Structure of our Company and related information is set forth below:

| Sr. No.  | Particulars   | Nominal Value (Rs.) | Aggregate Value (Rs.) |
|----------|---|---------------------|-----------------------|
| <b>A</b> | <b>Authorized Capital</b>   |                     |                       |
|          | 12,000,000 Equity Shares of Rs. 10/- each   | 120,000,000         | 120,000,000           |
| <b>B</b> | <b>Issued, Subscribed and Paid Up Capital</b>   |                     |                       |
|          | 53,50,198 Equity Shares of Rs. 10/- each  | 5,35,01,980         | 5,35,01,980           |
| <b>C</b> | <b>Present Issue being offered to the existing Equity Shareholders through this Letter of Offer</b>   |                     |                       |
|          | 53,50,198 Equity Shares at an issue price of Rs. 10/- per Equity Share <sup>(1)</sup>   | 5,35,01,980         | 5,35,01,980           |
|          | In addition to the above, for every 10 Equity Shares allotted in the issue, 2 Detachable Warrant will be issued and allotted.   |                     |                       |
| <b>D</b> | <b>Paid-up Equity Share Capital after the Issue (after the allotment of the Equity Shares but before the exercise of the Detachable Warrants, assuming full subscription for and allotment of the Rights Entitlement)</b> |                     |                       |
|          | 10,700,396 Equity Shares of Rs. 10/- each fully paid-up <sup>(1)</sup>  | 107,003,960         | 107,003,960           |
| <b>E</b> | <b>Issued, subscribed and paid up capital on exercise of Warrants (assuming full exercise of the Detachable Warrants)</b>   |                     |                       |
|          | 11,770,436 Equity Shares of Rs. 10/- each fully paid-up <sup>(1)</sup>  | 117,704,360         | 117,704,360           |
| <b>F</b> | <b>Share Premium Account</b>  |                     |                       |
|          | Before the Issue  |                     | 27,586,800            |
|          | After the allotment of the Equity Shares but before the exercise of the Detachable Warrants (assuming full subscription for and allotment of the Rights Entitlement)  |                     | 27,586,800            |
|          | After the exercise of the Detachable Warrants (assuming full exercise of the Detachable Warrants) <sup>(2)</sup>  |                     | ** <sup>(3)</sup>     |

<sup>(1)</sup> Upto 1,45,300 additional Equity Shares may be issued on exercise of stock options due to the vesting of employee stock options under ESOP 2007 of our Company.

<sup>(2)</sup> The share premium received pursuant to the allotment of the Equity Shares upon the exercise of the Detachable Warrants cannot be determined until the date of determination of the Warrant Exercise Price as per the specified formula. For details of the determination of the Warrant Exercise Price, see the section titled "Principal terms of the Issue: Warrants" on page 151 of this Letter of Offer.

<sup>(3)</sup> The Warrant Exercise Price will not be determined as on the date of this Letter of Offer.

## CLASSES OF SHARES

The Company has only one class of share capital i.e. Equity Shares of Rs. 10/- each.



**NOTES TO CAPITAL STRUCTURE**

1. Details of change in Authorized Share Capital of the Company

| <b>Date of Shareholder approval</b> | <b>Particulars of amendment</b>   |
|-------------------------------------|---|
| 25-Apr-94                           | The authorized share capital of our Company was increased from Rs. 5 Lacs (divided into 50,000 Equity Shares) to Rs. 500 Lacs (divided into 50,00,000 Equity Shares)              |
| 26-Feb-07                           | The authorized share capital of our Company was increased from Rs. 500 Lacs (divided into 50,00,000 Equity Shares) to Rs. 1,000 Lacs (divided into 1,00,00,000 Equity Shares)     |
| 29-Sep-09                           | The authorized share capital of our Company was increased from Rs. 1,000 Lacs (divided into 1,00,00,000 Equity Shares) to Rs. 1,200 Lacs (divided into 1,20,00,000 Equity Shares) |

2. Share Capital History of the Company

| <b>Date of Allotment</b> | <b>Number of Equity Shares Allotted</b> | <b>Face Value (Rs.)</b> | <b>Issue Price (Rs.)</b> | <b>Cumulative Number of Equity Shares</b> | <b>Nature of Consideration</b> | <b>Reason for Allotment</b>  |
|--------------------------|---|-------------------------|--------------------------|---|--------------------------------|--|
| On Incorporation         | 700                                     | 10.00                   | 10.00                    | 700                                       | Cash                           | At the time of Incorporation   |
| 12-Oct-93                | 4,300                                   | 10.00                   | 10.00                    | 5,000                                     | Cash                           | Preferential Allotment   |
| 25-Apr-94                | 4,480,000                               | 10.00                   | 10.00                    | 4,485,000                                 | Cash                           | Initial Public Offer   |
| 30-Mar-07                | 224,249                                 | 10.00                   | 40.00                    | 4,709,249                                 | Cash                           | Sweat Equity   |
| 20-Oct-07                | 123,300                                 | 10.00                   | 50.00                    | 4,832,549                                 | Cash                           | Preferential Allotment   |
| 6-Nov-07                 | 235,463                                 | 10.00                   | 40.00                    | 5,068,012                                 | Cash                           | Sweat Equity   |
| 8-Oct-08                 | 238,086                                 | 10.00                   | 50.00                    | 5,306,098                                 | Cash                           | Preferential Allotment   |
| 18-Jan-10                | (16,500)                                | 10.00                   | 50.00                    | 5,289,598                                 | Cash                           | Reduction in Capital due to non-compliances with Clause 13.3.1(h) of SEBI (DIP) Guidelines, 2000.* |
| 29-Nov-10                | 45,600                                  | 10.00                   | 10.00                    | 5,335,198                                 | Cash                           | Exercise of options granted under ESOP 2007  |
| 05-Jan-2011              | 15,000                                  | 10.00                   | 10.00                    | 5,350,198                                 | Cash                           | Exercise of options granted under ESOP 2007  |

\* Reduction in Share Capital pursuant to the order of the High Court of Bombay dated January 18, 2010 (Company Petition No. 1004/2009 connected with Company Application No. 1257/2009).



3. Details of Share Premium Account prior to the Rights Issue

| Date of Allotment | Number of Equity Shares Allotted | Face Value (Rs.) | Issue Price (Rs.) | Premium Amount | Cumulative Premium | Remarks (if any)                                   |
|-------------------|----------------------------------|------------------|-------------------|----------------|--------------------|--|
| 30-Mar-07         | 224,249                          | 10.00            | 40.00             | 6,727,470      | 6,727,470          | -  |
| 20-Oct-07         | 123,300                          | 10.00            | 50.00             | 4,932,000      | 11,659,470         | -  |
| 6-Nov-07          | 235,463                          | 10.00            | 40.00             | 7,063,890      | 18,723,360         | -  |
| 8-Oct-08          | 238,086                          | 10.00            | 50.00             | 9,523,440      | 28,246,800         | -  |
| 18-Jan-10         | (16,500)                         | 10.00            | 50.00             | (660,000)      | 27,586,800         | Share Premium reduced due to reduction in Capital. |

4. We have not made any Bonus Issue out of share premium account or out of the revaluation reserves.
5. We have not allotted any shares under Section 391 – 394 of the Companies Act, 1956.
6. We have instituted ESOP Schemes 2007 under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“ESOP Guidelines”)  
  
ESOP 2007 was approved by way of a resolution passed by our shareholders dated February 26, 2007 and was modified by way of a shareholders’ resolution dated December 29, 2007. Pursuant to ESOP 2007, options to acquire Equity Shares were granted to eligible employees of our Company who are selected by the compensation committee. ESOP 2007 is administered by the compensation committee of the Board of Directors. The total number of stock options granted under ESOP 2007 is 3,00,000. As on date, we have issued 60,600 shares. A total of 145,300 options have vested as on date.
7. There are no outstanding warrants convertible into Equity Shares as on the date of this Letter of Offer.
8. We hereby confirms that we have complied during the financial year immediately preceding the date of this Letter of Offer with respect to the following:
  - a. Provisions of the Listing Agreement with respect to reporting and compliance under Clauses 35, 40A, 41 and 49;
  - b. Provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, with respect to reporting in terms of Regulation 8(3) pertaining to disclosure of changes in shareholding and Regulation 8A pertaining to disclosure of pledged shares;
  - c. Provision of the SEBI (Prohibition of Insider Trading) Regulations, 1992, with respect to reporting in terms of Regulation 13.
9. The Equity Shares of our Company are fully paid up and there are no partly paid up Equity Shares as on the date of this Letter of Offer
10. We have no intention to make a further issue of capital by way of issue of Bonus Shares, Preferential Allotment, Rights issue or Public Issue which will affect the equity capital of the Company during the period commencing from the filing of the Letter of Offer with the SEBI and the date on which the



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Equity Shares issued under this Letter of Offer are listed or application moneys are refunded on account of the failure of the Issue. We have not issued any shares during the last one year.

11. The present Issue being a rights issue, as per regulation 34(c) of the SEBI Regulations, the requirement of promoters contribution and lock-in are not applicable.

12. Shareholding of Promoters and Promoters Group as on December 31, 2011:

| Sr. No. | Name of the Shareholder    | Total shares held |                                 | Shares pledged or otherwise encumbered |                    |                                 |
|---------|----------------------------|-------------------|---------------------------------|--|--------------------|---------------------------------|
|         |                            | Number of Shares  | As a % of total Paid up capital | Number of Shares                       | As a percentage of | As a % of total Paid up capital |
|         | <b>Individuals</b>         |                   |                                 |  |                    |                                 |
| 1       | Shilpan P Patel            | 1,373,405         | 25.67                           | -                                      | -                  | -                               |
| 2       | Shilpan P Patel (HUF)      | 630,600           | 11.79                           | -                                      | -                  | -                               |
| 3       | Jigisha S Patel            | 338,610           | 6.33                            | -                                      | -                  | -                               |
|         | <b>Corporate Body</b>      |                   |                                 |  |                    |                                 |
| 4       | Arrow Convertors Pvt. Ltd. | 363,100           | 6.79                            | -                                      | -                  | -                               |
|         | <b>Total</b>               | <b>2,705,715</b>  | <b>50.57</b>                    | -                                      | -                  | -                               |

13. **Details of Lock-in of Share as on December 31, 2011 :**

None of the Equity Shares of the Company are under lock-in.

14. Our Promoters & Promoter Group entities and Directors of our Promoters have not sold / purchased any equity shares of our Company during the preceding twelve months from the date of filing of the Letter of Offer with SEBI.

15. The present Rights Issue is not underwritten. However, the Promoters and the each members of the Promoter Group holding Equity Shares in our Company have vide their letter dated December 15, 2011 undertaken to fully subscribe for their Rights Entitlement. They have also undertaken to apply for the Equity Shares with Detachable Warrants in addition to their rights entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining approvals required under applicable law, if any. Such subscription for Equity Shares with Detachable Warrants over and above their rights entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Further, such acquisition by them of additional Equity Shares with Detachable Warrants shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI (SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue. In connection with Detachable Warrants issued and allotted by our Company in the Issue, the Promoters and each members of the Promoter Group may apply for the issue of such Equity Shares as may arise from the exercise of the Detachable Warrants issued and allotted to them in the Issue and such exercise shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI



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(SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue.

As such, other than meeting the requirements indicated in the section titled “Objects of the Issue” on page 48 of this Letter of Offer, there is no other intention or purpose for the Issue, including any intention to de-list our Company, even if, as a result of any allotment in the Issue to the Promoters and/or members of the Promoter Group, the shareholding of the Promoters and/or Promoter Group in our Company exceeds the current shareholding. The Promoters and/or members of the Promoter Group intend to subscribe for any undersubscribed portion of the Issue as per the provisions of applicable law. Allotment to the Promoters and/or members of the Promoter Group of any undersubscribed portion, over and above their Rights Entitlement, shall be completed in compliance with the Listing Agreements and other applicable laws prevailing at that time relating to continuous listing requirements.

The Promoters and the each members of the Promoter Group holding Equity Shares in our Company have confirmed that they will not renounce any of their entitlements in this Rights Issue

The Shareholders of the Company had confirmed the Issue Price of Rs. 10/- per share at the Annual General Meeting held on September 29, 2009. Based on the same, ex-rights price as referred under clause of (b) of sub-regulation 4 of Regulation 10 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 2011 is coming to Rs. 10.23 per share.

The Issue Price of Rs. 10/- per share is not higher than the ex-right price of Rs. 10.23 per share.

16. Shareholding pattern of the Company as on December 31, 2011:

| Sr. No.  | Category of Shareholder                            | Number of Share Holders | Total Number of Shares | Number of Shares held in Dematerialized Form | Total shareholding as a % of total Number of Shares |              | Shares Pledged or otherwise encumbered |      |
|----------|--|-------------------------|------------------------|--|---|--------------|--|------|
|          |  |                         |                        |  | A+B   | A+B+C        | No. of Shares                          | In % |
| <b>A</b> | <b>Shareholding of Promoter and Promoter Group</b> |                         |                        |  |   |              |  |      |
| <b>1</b> | <b>Indian</b>                                      |                         |                        |  |   |              |  |      |
| a        | Individuals/HUFs                                   | 4                       | 2,342,615              | 1,250,793                                    | 43.79   | 43.79        | -                                      | -    |
| b        | Central Govt. / State Govt.                        | -                       | -                      | -  | -   | -            | -                                      | -    |
| c        | Bodies Corporate                                   | 1                       | 363,100                | 363,100                                      | 6.79  | 6.79         | -                                      | -    |
| d        | Financial Institutions / Banks                     | -                       | -                      | -  | -   | -            | -                                      | -    |
|          | <b>Sub Total : A1</b>                              | <b>5</b>                | <b>2,705,715</b>       | <b>1,613,893</b>                             | <b>50.57</b>  | <b>50.57</b> | -                                      | -    |
| <b>2</b> | <b>Foreign</b>                                     |                         |                        |  |   |              |  |      |
| a        | Individuals  | -                       | -                      | -  | -   | -            | -                                      | -    |
| b        | Bodies Corporate                                   | -                       | -                      | -  | -   | -            | -                                      | -    |
| c        | Institutions                                       | -                       | -                      | -  | -   | -            | -                                      | -    |
| d        | Any Other (specify)                                | -                       | -                      | -  | -   | -            | -                                      | -    |



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|          |  |              |                  |                  |              |              |          |          |
|----------|--|--------------|------------------|------------------|--------------|--------------|----------|----------|
|          | <b>Sub Total : A2</b>  | -            | -                | -                | -            | -            | -        | -        |
|          | <b>Sub Total : A = (A1+A2)</b>   | <b>5</b>     | <b>2,705,715</b> | <b>1,613,893</b> | <b>50.57</b> | <b>50.57</b> | -        | -        |
| <b>B</b> | <b>Public shareholding</b>   |              |                  |                  |              |              |          |          |
| <b>1</b> | <b>Institutions</b>  |              |                  |                  |              |              |          |          |
| a        | Mutual Funds / UTI   | 3            | 20,900           | -                | 0.39         | 0.39         | -        | -        |
| b        | Financial Institutions/Banks   | -            | -                | -                | -            | -            | -        | -        |
| c        | Central Govt. / State Govt.  | -            | -                | -                | -            | -            | -        | -        |
| d        | Venture Capital Funds  | -            | -                | -                | -            | -            | -        | -        |
| e        | Insurance Companies  | -            | -                | -                | -            | -            | -        | -        |
| f        | Foreign Institutional Investors  | -            | -                | -                | -            | -            | -        | -        |
| g        | Foreign Venture Capital Investors  | -            | -                | -                | -            | -            | -        | -        |
| h        | Any other  | -            | -                | -                | -            | -            | -        | -        |
|          | <b>Sub Total : B1</b>  | <b>3</b>     | <b>20,900</b>    | <b>-</b>         | <b>0.39</b>  | <b>0.39</b>  | <b>-</b> | <b>-</b> |
| <b>2</b> | <b>Non-Institutions</b>  |              |                  |                  |              |              |          |          |
| a        | Bodies Corporate   | 60           | 278,152          | 234,652          | 5.20         | 5.20         | -        | -        |
| b (I)    | Individuals shareholders holding nominal share capital upto Rs.1 lakh                  | 1,807        | 1,410,286        | 1,058,158        | 26.36        | 26.36        | -        | -        |
| b (II)   | Individuals shareholders holding nominal share capital in excess of Rs.1 lakh          | 29           | 869,484          | 659,384          | 16.25        | 16.25        | -        | -        |
| c        | Any Other  |              |                  |                  |              |              |          |          |
| (c-i)    | NRIs (Non-Rep)   | 18           | 11,140           | 1340             | 0.21         | 0.21         | -        | -        |
| (c-ii)   | NRIs (Repatriation)  | 12           | 54,221           | 54,221           | 1.01         |              |          |          |
|          | <b>Sub Total : B2</b>  | <b>1,926</b> | <b>2,623,583</b> | <b>2,007,755</b> | <b>49.04</b> | <b>49.04</b> | <b>-</b> | <b>-</b> |
|          | <b>Sub Total : B = (B1+B2)</b>   | <b>1,926</b> | <b>2,644,483</b> | <b>2,007,755</b> | <b>49.43</b> | <b>49.43</b> | <b>-</b> | <b>-</b> |
| <b>C</b> | <b>Shares held by Custodians and against which Depository receipt have been issued</b> |              |                  |                  |              |              |          |          |
|          | <b>Sub Total : C</b>   | <b>-</b>     | <b>-</b>         | <b>-</b>         | <b>-</b>     | <b>-</b>     | <b>-</b> | <b>-</b> |





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|  |                       |              |                  |                  |               |               |   |   |
|--|-----------------------|--------------|------------------|------------------|---------------|---------------|---|---|
|  |                       |              |                  |                  |               |               |   |   |
|  | <b>Total of A+B</b>   | <b>1,934</b> | <b>5,350,198</b> | <b>3,621,048</b> | <b>100.00</b> | <b>100.00</b> | - | - |
|  | <b>Total of A+B+C</b> | <b>1,934</b> | <b>5,350,198</b> | <b>3,621,048</b> | <b>100.00</b> | <b>100.00</b> | - | - |

17. Details of the shareholders of public category holding more than one percent of the share capital of our Company as on December 31, 2011:

| Sr. No. | Name of the Shareholder   | Total Shares held |                                 |
|---------|---|-------------------|---------------------------------|
|         |   | Number of Shares  | As a % of total Paid up capital |
| 1       | Epcot Securities Pvt. Ltd.  | 71,425            | 1.33                            |
| 2       | Samir P. Patel  | 93,700            | 1.75                            |
| 3       | Patel Rohiniben Indravadan  | 80,023            | 1.50                            |
| 4       | Asutosh Pramodchandra Mehta jointly with Nita Asutosh Mehta                 | 56,974            | 1.06                            |
| 5       | Dipak Kanayalal Shah jointly with Mita Dipak Shah and Sharad Kanayalal Shah | 87,000            | 1.63                            |
|         | <b>Total</b>  | <b>389,122</b>    | <b>7.27</b>                     |

18. The Issue will remain open for 15 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date.



## SECTION IV: PARTICULARS OF THE ISSUE

### OBJECTS OF THE ISSUE

The proceeds from the Issue of shares are intended to be deployed for:

- 1) Financing the setting up of production facility for manufacturing MMS (Mouth Melting Strips)
- 2) Repayment of unsecured loans of Rs. 300.00 lacs brought in by Promoters and Promoter Group.
- 3) Meeting the Issue Expenses.
- 4) General Corporate Purposes.

Additionally, the object of the Issue is to enjoy the operating benefits of a lower Debt-Equity ratio arising from the proposed repayment or recapitalization of unsecured loans considering our future expansion plans and fund requirements.

The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue. Further, we confirm that the activities we have been carrying out until now are in accordance with the objects clause of our Memorandum of Association.

### FUND REQUIREMENTS

| Sr. No. | Particulars  | (Rs. In Lacs) |
|---------|--|---------------|
| A       | Financing the setting up of production facility for manufacturing MMS                      | 210.00        |
| B       | Repayment of unsecured loans of Rs. 300.00 lacs brought in by Promoters and Promoter Group | 300.00*       |
| C       | Meeting the Rights Issue Expenses  | 18.96         |
| D       | General Corporate Purposes   | 6.06          |
|         | <b>Total</b>   | <b>535.02</b> |

\* The said amount is part of unsecured loans from Promoter Group standing on our books amounting to Rs. 583.03 lacs as on March 31, 2011, as per Auditors certificate dated July 28, 2011.

The fund requirement and deployment as stated in Object of the Issue are based on internal management estimates and have not been appraised by any bank or financial institution or any independent organization. We may have to revise our estimated costs, funding allocation and fund requirements owing to factors such as exchange or interest rate fluctuations, escalation in costs, changes in design or configuration of the MMS Project, changes in regulations or regulatory approvals, other preoperative expenses and other external factors which may not be within the control of our management. This may entail revising the planned expenditure and deployment schedule for the Identified Project. See Risk Factor Number 4 on page 9 of this Letter of Offer.

### MEANS OF FINANCE

| Particulars           | (Rs. In Lacs) |
|-----------------------|---------------|
| Rights Issue Proceeds | 535.02        |

Since, all the objects of this Rights Issue are being financed by the Rights Issue proceeds there is no requirement of confirming firm arrangements for any other means of finance.



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In case the Rights Issue gets deferred, the Company might consider borrowing funds for the same. In such a case the proceeds of the Issue would be utilized in repaying the debts taken for the above purposes.

In the event of a shortfall in raising the requisite capital from the Net Proceeds of the Issue towards meeting the objects of the Issue, the shortfall will be satisfied by way of such means available to our Company and at the discretion of the management, including by way of incremental debt or cash available with us.

If the actual utilisation towards any of the aforesaid objectives is lower than what is stated above, such balance will be used for future growth opportunities and general corporate purposes. In the event any surplus is left out of the Rights Issue proceeds after meeting all the aforesaid objectives, such surplus Issue proceeds will be used for general corporate purposes including for meeting future growth opportunities.

### **DETAILS OF THE USE OF THE PROCEEDS**

#### **A. MMS (Mouth Melting Strips) Production Facility**

The Proposed MMS manufacturing unit is to be set up at our Existing Plant at Ankleshwar. The main raw Material of this Product is WSF and is manufactured at the same plant. Also all the relevant utilities such as Water, electricity, etc. are readily available from existing operations. For details regarding various infrastructure facilities at our Plant please refer to “Our Business” on page 66 of this Letter of Offer.

MMS are mouth melting strips made of water soluble edible film in which therapeutic actives can be embedded. Through a special formula, a small breath strip that is placed on the tongue instantly dissolves. It creates an extreme minty flavour, which helps create fresher breath instantly. Since its main raw material is Water Soluble edible Film, which is our current mainstay, this project is aimed at bringing in forward integration advantages as well.

Following are the costs involved in the proposed MMS Production Facility:

(Rs. In Lacs)

| <b>Sr. No.</b> | <b>Particulars</b>  | <b>Qty</b> | <b>Unit Price</b> | <b>Amount</b> | <b>Amount</b> |
|----------------|---|------------|-------------------|---------------|---------------|
| 1.             | <b>Plant and Machinery (Imported):</b><br>Doyen Oral Film Strip Converting Machine <sup>(1)</sup><br>(Including Custom Duty, Transportation, Insurance & clearance charges) | 2 Nos.     | 92.50             | 185.00        | 185.00        |
| 2.             | <b>Other Equipments and Fittings :</b>  |            |                   |               |               |
| a              | Semi Automatic Cup Filling Machine <sup>(2)</sup>   | 2 Nos.     | 3.46              | 6.93          |               |
| b              | ELGI Reciprocating Air Compressor <sup>(3)</sup>  | 2 Nos.     | 2.34              | 4.68          |               |
| c              | Air Conditioners <sup>(4)</sup>   | 4 Nos.     | 0.32              | 1.32          |               |
| d              | Electrical Installations & other expenses   | -          | -                 | 2.07          | 15.00         |
|                | <b>Total</b>  |            |                   |               | <b>200.00</b> |
|                | Add: Contingencies (5%)   |            |                   |               | 10.00         |
|                | <b>Total</b>  |            |                   |               | <b>210.00</b> |

<sup>(1)</sup> A quotation dated 03-06-2010 has been obtained from M/s. Doyen Medipharm INC, USA for supplying two Doyen Oral Film Strip Converting Machine. The quotation is for \$310,000, to which



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freight, insurance, custom duty etc is added and converted @ Rs 46.93 per 1 USD to arrive at the figure of Rs. 185.00 lacs.

(2) A quotation dated 30-04-2010 of Rs. 6.93 lacs for supplying the Semi-Automatic Cup Filing Machines, Model – HSP250 H(FFS) has been obtained from M/s. Hi-Tech Coding Systems, Mumbai.

(3) A quotation dated 28-04-2010 of Rs. 4.68 lacs for supplying the ELGI make Reciprocating Air Compressor, Model – HV 21 120 PKG – 500L has been obtained from M/s. Unitrade India, Vadodara.

(4) A quotation dated 05-05-2010 of Rs. 1.32 lacs for supplying the Air-conditioners has been obtained from M/s. Door Darshan Electronics, Ankleshwar.

No funds have been deployed till date for the MMS Project and the same shall be fully funded from the Rights Issue Proceeds.

**Implementation Schedule**

The proposed MMS project was supposed to start in 2009 but the same was delayed due to challenges faced by the company in attracting executive talent with entrepreneurial characteristics, securing proof of concept and raising the required funds and formalities pertaining to this rights issue.

The revised implementation schedule is as shown below:

| Project/Unit           | Key Process                                 | Commencement Date | Completion Date | Remarks           |
|------------------------|---|-------------------|-----------------|-------------------|
| MMS Manufacturing Unit | Installation of New Machinery and Equipment | March 2012        | May 2012        | Post Rights Issue |
|                        | Trial Production                            | May 2012          | June 2012       | Post Rights Issue |
|                        | Production Launch                           | June 2012         | June 2012       | Post Rights Issue |

**B. Repayment of Unsecured Loans brought in by the Promoters and Promoter Group.**

The table below illustrate the unsecured loans outstanding from the promoters and promoters group as on the last audited balance sheet of March 31, 2011:

(Rs. In Lacs)

| Name of Lender                  | Unsecured Loans received as on March 31, 2011 | Balance outstanding as on March 31, 2010 |
|---------------------------------|---|--|
| Mr. Shilpan Patel               | 152.00  | 146.50                                   |
| Mrs, Jigisha Patel              | 2.49  | 0.00                                     |
| Mr. Rishil Patel                | 6.39  | 0.00                                     |
| Mr. Neil Patel                  | 2.90  | 0.00                                     |
| M/s. Arrow Agri-Tech Pvt. Ltd.  | 0.76  | 0.00                                     |
| M/s. Arrow Convertors Pvt. Ltd. | 418.49  | 359.24                                   |
| <b>Total</b>                    | <b>583.03</b>                                 | <b>505.74</b>                            |

The current unsecured loans taken from Promoters and Promoters Group amounting to Rs. 583.03 Lacs represent funds initially received from them for various capital expenditures and day to day funding requirements of the company.



**ARROW COATED PRODUCTS LIMITED**

Certain major capital expenditure items which were part funded from these unsecured loans include Renovation of our Factory in 2005, Capacity expansion of our WSF unit in 2006 and funds spent for the development and maintenance of the IPR cell over the years. These funds were then retained in the system with the consent from respective parties and treated as unsecured loans.

A category wise break-up of the same has been given below based on the certificate by the Auditors M/s. J.A.Rajani & Co., Chartered Accountants dated October 01, 2010:

(Amount in Rs. Lacs)

| Period                  | Plant & Machinery | Factory Building | Electrical Installation | Total         |
|-------------------------|-------------------|------------------|-------------------------|---------------|
| 01/04/2004 – 31/03/2005 | 9.66              | 0.00             | 0.00                    | 9.66          |
| 01/04/2005 – 31/03/2006 | 132.39            | 16.24            | 6.84                    | 155.47        |
| 01/04/2006 – 31/03/2007 | 1.21              | 1.98             | 0.00                    | 3.19          |
| 01/04/2007 – 31/03/2008 | 3.17              | 0.00             | 0.00                    | 3.17          |
| <b>Total</b>            | <b>146.43</b>     | <b>18.22</b>     | <b>6.84</b>             | <b>171.49</b> |

Furthermore, the Company has also incurred the followed expenses on patents application which are as mentioned below:

(Amount in Rs. Lacs)

| Period                   | Patent Application |
|--------------------------|--------------------|
| 01/04/2004 – 31/03/2005  | 6.63               |
| 01/04/2005 – 31/03/2006  | 2.65               |
| 01/04/2006 – 31/03/2007  | 22.63              |
| 01/04/2007 – 31/03/2008  | 56.56              |
| 01/04/2008 – 31/03/2009  | 45.67              |
| 01/04/2009 – 31/03/20010 | 26.42              |
| <b>Total</b>             | <b>160.56</b>      |

Now the Company wants to repay Rs. 300.00 Lacs of the outstanding unsecured loans of the promoters and promoters group from the proceeds of this Rights Issue.

The repayment of unsecured loans from equity capital / conversion of unsecured loan into equity are going to help improve the debt to equity ratio by reducing the debt and by increasing the capitalization of the company. This will help the company in availing need-based Bank Debts / Project Loans and other equity partnerships for its current and future expansion plans.

**Notes regarding these unsecured loans:**

- No interest is paid on the above mentioned unsecured loans brought in by the promoter.
- Our company will comply and observe the applicable provisions of Companies Act, 1956 for conversion of loan into equity at appropriate time.
- Following unsecured loans from Promoters, friends, relatives, associates and outsiders would continue in the system. Requisite consents from the persons whose loans would be continued in the system have been obtained as mentioned below:

(Rs. In Lacs)

| Particulars                        | Amount | Amount        |
|------------------------------------|--------|---------------|
| <b>I. PROMOTERS</b>                |        |               |
| a) Mr. Shilpan Patel               | 52.00  |               |
| b) Mrs. Jigisha Patel              | 2.49   |               |
| c) M/s. Arrow Convertors Pvt. Ltd. | 218.49 |               |
| <b>SUB-TOTAL (I)</b>               |        | <b>272.98</b> |



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|   |       |               |
|---|-------|---------------|
| <b>II. PROMOTERS GROUP</b>                  |       |               |
| a) Rishil Patel                             | 6.39  |               |
| b) Neil Patel                               | 2.90  |               |
| c) Arrow Agri-Tech Pvt. Ltd                 | 0.76  |               |
| <b>SUB-TOTAL (II)</b>                       |       | <b>10.05</b>  |
| <b>III. NON PROMOTERS</b>                   |       |               |
| a) Avery Finance and Investment Private Ltd | 38.75 |               |
| <b>SUB-TOTAL (III)</b>                      |       | <b>38.75</b>  |
| <b>GRAND TOTAL (I+II+III)</b>               |       | <b>321.77</b> |

**C. Rights Issue Expenses**

The expenses for this Issue include lead management fees, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges, among others. The total expenses for this Issue are estimated to be approximately Rs. 18.96 Lacs, which is 3.54% of the issue size. The estimated issue related expenses are as follows:

| <b>Nature of Expenses</b>  | <b>(Rs. In Lacs)</b> | <b>As a % of Issue Size</b> | <b>As a % of Total Issue Expenses</b> |
|--|----------------------|-----------------------------|---------------------------------------|
| Fees of Lead Manager, Registrar to the Issue, Legal Advisor, Company Law Consultant etc. | 9.00                 | 1.68%                       | 47.47%                                |
| Advertising & Marketing Expenses   | 2.50                 | 0.47%                       | 13.19%                                |
| Printing, Stationery, Distribution, Postage, etc   | 4.00                 | 0.75%                       | 21.10%                                |
| Others (including but not limited to Stock Exchange and SEBI filing fees)                | 3.46                 | 0.65%                       | 18.25%                                |
| <b>Total Estimated Issue Expenses</b>  | <b>18.96</b>         | <b>3.54%</b>                | <b>100.00%</b>                        |

**D. General Corporate Purposes**

The company proposes to utilise a sum aggregating to Rs. 6.06 Lacs from the said Rights Issue for General Corporate Purposes including but not limited to day to day running expenses, repairs, maintenance of existing company infrastructure, advertising etc.

**PROCEEDS FROM CONVERSION OF WARRANTS**

We will utilize the funds as approved by our Board of Directors for Long Term Working Capital Requirements and/or General Corporate Purposes which may be undertaken by the Company from time to time.

In the event that the Detachable Warrant proposed to be issued are not exercised by the warrant holders during the Warrant Exercise Period, then such detachable warrants shall lapse and the proceeds from the detachable warrants will reduce. In such eventuality, the balance of the amount required for financing the purposes as specified above shall be part financed from internal accruals or debt or such other avenues as may be available and approved by the Board of Directors of our Company.

For further details, please refer to section titled “Principal terms of the Issue: Warrants” on page 151 of this Letter of Offer.



## **BRIDGE LOAN**

We have not entered into any bridge loan facility that will be repaid from the Issue Proceeds.

## **INTERIM USE OF PROCEEDS**

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration and other investment grade interest bearing securities as may be approved by the Board. Such transactions would be at the prevailing commercial rates at the time of investment. We may also apply a part of the Issue Proceeds, pending utilization for the purposes described above, towards our working capital requirements. Should we utilize the funds towards our working capital requirements, we undertake that we will ensure consistent and timely availability of the Issue Proceeds so temporarily used to meet the fund requirement for the objects of the Issue contained herein.

## **MONITORING UTILISATION OF FUNDS**

The Audit Committee appointed by the Board of Directors will monitor the utilization of the proceeds of the Issue. As required under clause 43 of the Listing Agreement, we will disclose the details of the utilization of the Issue proceeds periodically, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized

Except as mentioned above, no part of the proceeds from the Issue will be paid by us as consideration to our Promoters, our Directors, Promoter group companies or key managerial employees, except in the normal course of our business.

## **SPECIAL TAX BENEFITS FOR THE COMPANY AND ITS SHAREHOLDERS**

There are no special tax benefits available to the company or its shareholders at present. Please refer page 54 for a statement on the general tax benefits available to the company and its shareholders

## **KEY INDUSTRY REGULATIONS**

There are no industry regulations applicable specific to the activities for which the funds are being raised by our Company in this Issue, other than those currently applicable to the business of our Company.

## **INTEREST OF PROMOTERS AND DIRECTORS**

Except for the repayment of unsecured loans taken from Mr. Shilpan Patel (Chairman and Managing Director) and M/s. Arrow Convertors Pvt. Ltd. (Promoter Group Company) as mentioned above, none of our Directors or Promoters has any interest in any Objects of the Issue for which the Issue Proceeds are proposed to be utilised.

All our Directors may be interested in the Equity Shares already held by them or that may be allotted to them pursuant to the Issue and / or that may be allotted to companies, firms and trusts in which they are directors, members, partners or trustees, as the case may be. The Director(s) may have further interest to the extent of any dividend payable to them and other distributions in respect of the Equity Shares.

Our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board and reimbursement of expenses payable to them and to the extent of remuneration package payable to our Managing Director and Executive Director(s) for their services as Managing Director and Executive Director(s) respectively of our Company, if any.



**STATEMENT OF TAX BENEFITS**

To  
The Board of Directors,  
Arrow Coated Products Limited,  
Arrow House, 5-D, Laxmi Industrial Estate,  
New Link Road, Andheri West,  
Mumbai 400053

Dear Sirs,

**Sub: Statement of possible tax benefits available to the Arrow Coated Products Limited and its Shareholders.**

We hereby confirm that the enclosed annexure states the possible tax benefits available to Arrow Coated Products Limited (the Company) and its shareholders under the Income Tax Act, 1961 and other Direct tax laws presently in force in India.

Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Income Tax Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which is based on the business imperatives, the company may or may not choose to fulfill. No assurance is given that the revenue authorities will concur with the views expressed herein.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the company and on the basis of our understanding of the business activities and operations of the company and the interpretation of the current tax laws in force in India.

We do not express any opinion or provide any assurance as to whether:

The company or its shareholders will continue to obtain these benefits in future; or  
The conditions prescribed for availing the benefits, where applicable have been/would be met.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

The Direct Taxes Code ("Code") has been presented in the Parliament for approval and once approved would be enacted as a law effective from 01 April 2012. The enclosed statement does not incorporate the effect of the same on the Company and its shareholders, as the Code has not yet been approved.





***ARROW COATED PRODUCTS LIMITED***

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The enclosed statement is intended solely for your information and for inclusion in the offer document in connection with the proposed rights issue of shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For J. A. Rajani & Co.  
Chartered Accountants  
Firm Registration No: 108331W

P. J. Rajani  
Proprietor  
Membership No: 116740

Place: Mumbai  
Date: 26 July, 2011



**STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO  
ARROW COATED PRODUCTS LIMITED AND ITS SHAREHOLDERS**

- (A) (i) Special tax benefits available to the Company under the Income Tax Act, 1961:

There are no company specific special tax benefits available to the Company. Tax benefits mentioned below are general tax benefits available to all the companies subject to fulfilment of specified conditions.

- (A) (ii) General Benefits available to the Company under the Income Tax Act, 1961:

**1. Dividends exempt under section 10(34) and 10(35) of the Income Tax Act (IT Act).**

Dividend (whether interim or final) received by the company from its investment in shares of another domestic company would be exempted in the hands of the company as per the provisions of section 10(34) read with section 115-0 of the IT Act.

In terms of section 10(35) of the IT Act, any income received from units of a Mutual Fund specified under section 10(23D) of the IT Act or Administrator of the Specified Undertaking or Specified Company is exempt from tax, subject to such income not arising from the transfer of these units.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

Further, as per section 94(8) of the Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, and is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells/redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

**2. Computation of capital gains:**

Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets except shares held in a company or any other security listed in a recognized stock exchange in India or units of Unit Trust of India ('UTI') or Mutual Fund units specified under section 10(23D) of the IT Act or units of Equity Oriented Fund or zero coupon bonds are considered to be long-term capital assets, if they are held for a period exceeding thirty-six months. Shares held in a company or any other security listed in a recognized stock exchange in India or UTI or Mutual Fund units specified under section 10(23D) of the IT Act or units of Equity Oriented Fund or zero coupon bonds are considered as long-term capital assets, if these are held for a period exceeding twelve months.

As per the provisions of section 10(38) of the IT Act, long term capital gain arising to the company from transfer of a long term capital asset being an equity share in a company listed on a recognized stock exchange in India or units of Equity Oriented Fund, shall be exempt from tax, if such sale is entered into on or after October 1, 2004, and the transaction is chargeable to Securities Transaction Tax ('STT').



## **ARROW COATED PRODUCTS LIMITED**

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However, such long-term capital gains will be included while computing book profits for the purpose of payment of Minimum Alternate Tax ("MAT") under the provisions of section 115JB of the IT Act.

As per the provisions of section 112 of the IT Act, long-term capital gains other than those covered under section 10(38) of the IT Act are subject to tax at a rate of 20% (plus applicable surcharge and cess). However, proviso to section 112(1) specifies that if the long-term capital gains other than those covered under section 10(38) of the IT Act arising on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20% with indexation benefit exceeds the capital gains computed at the rate of 10% without indexation benefit, then such capital gains are chargeable to tax at the rate of 10% without indexation benefit (plus applicable surcharge and education cess).

As per provisions of section 111A of the IT Act, short term capital gains arising from transfer of short term capital asset, being an equity share in a company or a unit of an equity oriented mutual fund shall be taxable at the rate of 15% (plus applicable surcharge and education cess), if such sale is entered into on or after October 1, 2004 and the transaction is chargeable to STT.

As per section 71 read with section 74, Short term capital loss arising during a year is allowed to be set -off against short term as well as long term capital gains of the said year. Balance loss, if any, should be carried forward and set -off against subsequent year's short term as well as long term capital gains for subsequent 8 years.

As per section 71 read with section 74, Long term capital loss arising during a year is allowed to be set -off only against long term capital gains of the said year. Balance loss, if any, should be carried forward and set -off against subsequent years long term capital gains for subsequent 8 years.

As per the provisions of section 54EC of the IT Act and subject to the conditions specified therein, long term capital gains arising to the Issuer {other than those exempt under section 10(38)} shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs.50 Lakhs.

If securities transaction tax is not charged on transfer of short term capital asset being an equity share in a company, the same would be taxed at normal rates of tax in accordance with and subject to the provisions of the Act as may be prescribed in each year's Finance Act, in the hands of the Company.

### **3. Shares held as stock-in-trade:**

Gains or losses arising on shares held as stock-in-trade would be chargeable under the head "Profits and Gains of Business or Profession". In terms of Section 36(1)(xv) STT paid in respect of taxable securities transactions entered into in the course of business during the year shall be deductible if the income arising from such taxable securities transactions is considered as business income. In case of loss under the head "Profits and Gains from Business or Profession", it can be set-off with other income during the same year and the remaining loss after set-off can be carried forward for setoff against business income of next eight assessment years.

### **4. Securities Transaction Tax:**

In terms of STT, transactions for purchase and sale of the securities in the recognized stock exchange by



## **ARROW COATED PRODUCTS LIMITED**

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the shareholder will be chargeable to STT. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125% of the value payable by both buyer and seller individually.

The non-delivery based sale transactions are liable to tax @ 0.025% of the value payable by the seller.

### **5. Depreciation:**

Subject to compliance with certain conditions laid down in Section 32 of the IT Act, the Company will be entitled to deduction for depreciation:

- i) In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April,1998) at the rates prescribed under the Income-tax Rules, 1962;
- ii) In case of new machinery or plant that is acquired by the company (other than ships and aircrafts), the company is entitled to a further sum equal to twenty per cent of the actual cost of such machinery or plant subject to conditions specified in Section 32 of the IT Act.

Unabsorbed depreciation, if any, for an assessment year can be carried forward & set off against income from any other source in the subsequent assessment years as per section 32 subject to the provisions of section 72(2) and section 73(3) of the IT Act.

### **6. Deferred Revenue Expenditure:**

Under section 35D of the IT Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure incurred of the nature specified in the said section, including expenditure incurred on present issue, such as underwriting commission, brokerage and other charges, as specified in the provision, by way of amortisation over a period of 5 successive years, beginning with the previous year in which the business commences or after the commencement of its business in connection with the extension of its industrial undertaking or in connection with setting up a new industrial unit, subject to the stipulated limits.

### **7. MAT credit:**

In terms of section 115JAA(1 A), the company is eligible to claim credit for any tax paid as MAT under section 115JB of the IT Act for any Assessment Year commencing on or after April 1, 2006 against normal income tax payable in subsequent assessment years as prescribed. MAT credit eligible in subsequent years is the difference between MAT paid and the tax computed as per the normal provisions of the IT Act. Such MAT credit will be available for set-off up to ten years succeeding the year in which the MAT credit initially arose.

### **8. Business Loss & Unabsorbed depreciation:**

Section 72 of the Act provides that the business loss shall be carried forward to the following assessment year to be set off against the profits and gains of business and profession and the balance shall be allowed to be carried forward for next 8 assessment years subject to the provisions of the Act. Unabsorbed depreciation, if any, for any assessment year can be carried forward and set off against any source of income of subsequent assessment years as per section 32 of the Act.

### **9. Dividend Distribution tax:**

Dividends declared/distributed/paid by the Issuer is subject to dividend distribution tax @ 15% (plus applicable surcharge and education cess). As per Section 115O(1 A), for the purpose of calculating dividend distribution tax, the aforesaid amount of dividend shall be reduced by the amount received by



the Issuer from its subsidiaries by way of dividend during the financial year provided the subsidiaries have paid dividend distribution tax.

**(B) Benefits to the Resident shareholders of the company under the IT Act:**

**1. Dividends exempt under section 10(34) and 10(35) of the Income Tax Act (IT Act).**

Dividend (whether interim or final) received by the company from its investment in shares of another domestic company would be exempted in the hands of the company as per the provisions of section 10(34) read with section 115-0 of the IT Act.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein..

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

**2. Computation of capital gains & Shares held as stock-in-trade**

The provisions of law outlined in paragraph A(ii)(2) & A(ii)(3) would also be applicable to resident shareholders where shares are held as investments and stock in trade respectively. However, no surcharge will be applicable to the shareholder other than company.

In case of an individual or a Hindu Undivided Family, where the total taxable income as reduced by the long term capital gains is less than the basic exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be subject to tax in accordance with the proviso to sub section (1) of section 112 of the Act.

Further, as per the provisions of section 54F of the IT Act and subject to conditions specified therein, long-term capital gains other than a capital gains arising on sale of resident house and those covered under section 10(38) of the IT Act arising to an individual or Hindu Undivided Family ('HUF') on transfer of shares of the company will be exempted from capital gains tax, if the net consideration from such shares are used for either purchase of residential house property within a period of one year before or two years after the date on which the transfer took place, or for construction of residential house property within a period of three years after the date of transfer.

However, if the resident shareholder transfers the residential house property within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable in such year.

**(C) Benefits to the Non-resident shareholders of the company other than Foreign Institutional Investors and Foreign Venture Capital Investors**

The characterization of gains / losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the member and various other factors.

**1. Dividends exempt under section 10(34) of the IT Act**

Dividend (whether interim or final) received by a non-resident shareholder from its investment in shares of a domestic company would be exempt in the hands of the non-resident shareholder as per the provisions of section 10(34) read with section 115-0 of the IT Act.



However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

## **2. Computation of capital gains**

Benefits outlined in paragraph B(2) above are also available to a non-resident shareholder except that as per first proviso to Section 48 of the IT Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation as provided in second proviso to Section 48 is not available to non-resident shareholders.

The aforesaid manner of computation of capital gains will be applicable in respect of capital gains accruing/ arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including those made in the Company.

Further, no surcharge will be applicable to the shareholder other than company

### **Tax Treaty Benefits**

As per section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident shareholder. Thus, a non-resident shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.

### **Non-Resident Indian taxation**

Non-Resident Indians [as defined in Section 115C(e) of the IT Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the IT Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange.

As per section 115A of the Act, where the total income of a Non-resident (not being a company) or of a foreign company includes dividends (other than dividends referred to in section 115O of the Act), tax payable on such income shall be aggregate of amount of income-tax calculated on the amount of income by way of dividends included in the total income, at the rate of 20 per cent (plus applicable surcharge and education cess).

In accordance with section 115E of the Act, income from investment or income from long- term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% (plus applicable surcharge and education cess). Income by way of long term capital gains in respect of a specified asset (as defined in section 115C (f) of the act), shall be chargeable at 10% (plus applicable surcharge and education cess). "Specified asset" has been defined by Section 115C of the IT Act , to mean shares in an Indian Company, debentures issued by an Indian Company which is not a private company, deposits with an Indian company which is not a private company, any security of the Central Government and such other assets as the Central Government may specify in this behalf by notification in the official Gazette."



As per the provisions of Section 115F of the IT Act and subject to the conditions specified therein, Long term capital gain arising to a non resident Indian from the transfer of any specified asset acquired or purchased with or subscribed to in convertible foreign exchange shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the IT Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the IT Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as Long term capital gain in the year in which such specified asset or savings certificates are transferred.

As per the provisions of Section 115G of the IT Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the IT Act , if their only source of income is income from investments or Long term capital gain earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act Under Section 115H of the IT Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the IT Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for the year and subsequent assessment years until such assets are converted into money.

As per the provisions of Section 115-1 of the IT Act , a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the IT Act.

**(D) Benefits to Foreign Institutional Investors ('FII')**

The characterization of gains / losses arising from sale of shares as capital gains or business income would generally depend on the nature of holding in the hands of the member and various other factors.

**1. Dividends exempt under section 10(34) of the IT Act**

Dividend (whether interim or final) received by a FII from its investment in shares of a domestic company would be exempt in the hands of the FII as per the provisions of section 10(34) read with section 115-0 of the IT Act.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein..

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

**2. Computation of capital gains:**

Under Section 115AD of the IT Act, capital gains arising from transfer of securities (other than units referred to in Section 115AB), shall be taxable as follows:



## ***ARROW COATED PRODUCTS LIMITED***

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Long Term Capital Gain arising on transfer of securities where such transaction is chargeable to STT is exempt from tax under Section 10(38) of the IT Act.

Long Term Capital Gain arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 10% (plus applicable surcharge and education cess). The benefit of indexation of cost of acquisition, as mentioned under 1st and 2nd proviso to Section 48 of the IT Act would not be allowed while computing the capital gains.

As per Section 111A of the IT Act, Short Term Capital Gain arising on transfer of securities where such transaction is chargeable to STT, shall be taxable at the rate of 15% (plus applicable surcharge and education cess).

Short Term Capital Gain arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 30% (plus applicable surcharge and education cess).

The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

As per section 71 read with section 74, Short term capital loss arising during a year is allowed to be set -off against short term as well as long term capital gains of the said year. Balance loss, if any, should be carried forward and set -off against subsequent year's short term as well as long term capital gains for subsequent 8 years.

As per section 71 read with section 74, Long term capital loss arising during a year is allowed to be set -off only against long term capital gains of the said year. Balance loss, if any, should be carried forward and set -off against subsequent year's long term capital gains for subsequent 8 years.

If the income realized from the disposition of equity shares is chargeable to tax in India as 'business income', Business profits in the hands of FII may be subject to tax @ 30% (other than foreign company)/ 40% (in case of foreign company) plus applicable surcharge and cess. However, the benefit of DTAA can be examined in such a case. In terms of Section 36(1)(xv) STT paid in respect of taxable securities transactions entered into in the course of business during the year shall be deductible if the income arising from such taxable securities transactions is considered as business income.

As per the provisions of section 54EC of the IT Act and subject to the conditions specified therein, long term capital gains arising to the Issuer {other than those exempt under section 10(38)} shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 50 Lakhs.

As per Section 90 of the IT Act, FIIs can claim relief in respect of double taxation, if any, as per the provision of the applicable DTAA.



**(E) Benefits to the Mutual Funds**

**1. Dividends exempt under section 10(34) of the IT Act**

Dividend (whether interim or Final) received by a Mutual Fund from its investment in shares of a domestic company would be exempt in the hands of the Mutual Fund as per the provisions of section 10(34) read with section 115-0 of the IT Act.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein..

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

**2. As per the provisions of section 10(23D) of the IT Act**

Any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 ('SEBI') or regulations made there under, Mutual Funds set up by public sector banks or public Financial institutions or Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

**(F) Benefits to the Venture Capital Companies / Funds**

**1. Dividends exempt under section 10(34) of the IT Act**

Dividend (whether interim or final) received by a Venture Capital Company ('VCC')/ Venture Capital Funds ('VCF') from its investment in shares of another domestic company would be exempt in the hands of the VCC/VCF as per the provisions of section 10(34) read with section 115-0 of the IT Act.

However, in view of the provisions of section 14A of Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein..

Also, section 94(7) of the Act provides that losses arising from the sale/ transfer of shares or units purchased within a period of three months prior to the record date and sold/ transferred within three months (in case of shares) or nine months (in case of units) respectively after such date, will be ignored to the extent dividend income on such shares or units is claimed as tax exempt.

**2. Income exempt under section 10(23FB) of the IT Act**

In case of a shareholder being a Venture Capital Company/ Fund as per the provisions of section 10(23FB) of the Act, any income of VCC/ VCF registered with SEBI, would be exempt from Income Tax, subject to the conditions specified in the said section.

**(G) Benefits available under the Wealth-tax Act, 1957 (Common to all)**

Asset as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

**NOTES:**

1. The above statement covers only certain relevant Direct Tax law benefits and does not cover any Indirect Tax benefits or benefits under any other Law.



***ARROW COATED PRODUCTS LIMITED***

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2. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.
5. The above statement of Possible Direct Tax Benefits set out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

**SECTION V: ABOUT THE ISSUER COMPANY  
INDUSTRY OVERVIEW**

Plastic industry encompasses areas of activities including manufacturing polymer materials both natural (Biodegradable) and synthetic compounds (Non-biodegradable) mainly used in building construction, packaging or transportation.

**Plastic Industry in India:**

The Plastics Industry in India has made significant achievements ever since it made a modest but promising beginning by commencing production of Polystyrene in 1957. The plastic processing sector currently comprises of over 30,000 units involved in producing a variety of items through injection moulding, blow moulding, extrusion and calendaring.

Source: <http://www.indianplasticportal.com/plastic-industry-overview/>

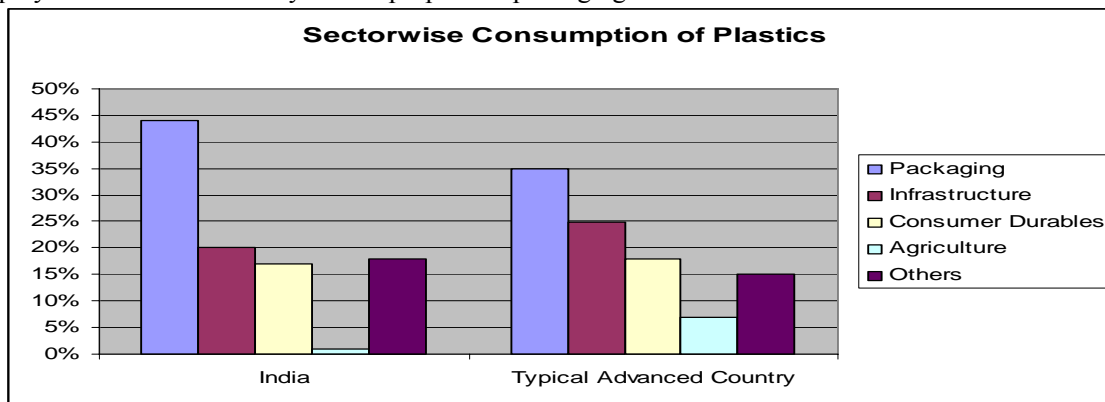
Despite instability in International prices of polymer materials in 2006 - 07, plastics industry in the country has consolidated its performance by consuming about 5.0 million tonnes of polymers, as compared to Chinese consumption of about 30 million tonnes in 2007.

Source: [http://cipet.gov.in/plastics\\_statics.html](http://cipet.gov.in/plastics_statics.html)

**Use of Plastics as a Packaging Material**

Since Our Company is primarily involved in the Plastic Based Packaging/Restoration Industry it is important to understand the plastic industry with a micro perspective towards its uses in the packaging industry.

As per a study sponsored by the Indian Centre for Plastics in the Environment (ICPE), the demand for polymers in India is mainly for the purpose of packaging as is shown below:



Source: *Indian Plastics Industry Vision 2012 (sponsored by ICPE).*

As shown above, main demand for plastics in India is for Packaging purpose. The WSF we manufacture is mainly used in packaging of agro chemicals and other products. This shows the potential for growth of this product.

**Bio Degradable Plastics and Polymers– The Indian Scenario**

Bioplastics in India are still at a very nascent stage. As compared to the European market, where bioplastic products are commercially available, the Indian bioplastics industry has a long way to go in terms of production, raw materials and technology. According to our company’s estimates the market for Bio-Plastics in India grew at 30 percent in 2008 and will grow at a compound annual growth rate (CAGR) of 44.8 percent between 2009 and 2015.



## **OUR BUSINESS**

### **OVERVIEW**

Arrow Coated Products Limited is one of the leading dealers, manufacturers and exporters of Biodegradable Water Soluble Films. We have also ventured into the manufacturing and marketing of Digital Technology based Security Products and Bio Compostable Resins through our subsidiary and joint venture companies. We have our registered office in Mumbai and other offices at Ankleshwar, Thane and United Kingdom.

Our manufacturing facility at M/s, Arrow Coated Products Limited, Plot No. 5310, G.I.D.C. Ind. Estate, Ankleshwar – 393 002, is around 350 kms from Mumbai and 700 kms from Kandla Sea Port and has a current installed capacity of 60 MT p.a. of Water Soluble Films and certain minor interests in Digital Security Threads (which comprises of Security Products) / Bio Compostable products etc.

We are also in the business of Intellectual Property Rights and consider them as important assets that provide market dominance and continuing long term revenue for the company. Hence, we have invested diligently in IPR's. We have 20 patents registered in our and our associate company's names granted in different countries and in various industries forming part of the Plastics Packaging value chain such as Pharmaceuticals, Agro chemicals and Packaging. These patents enable Arrow to be the sole manufacturer of these patented products.

Till 2009, the Business of the Company was divided into two units; the trading unit and the manufacturing unit. The Trading Division of the Company dealt in sign making equipments and consumables from Gerber & Vutek, U.S.A. and this accounted for 80% of the revenue of the firm. These equipments traded by Arrow were used in the signage industry for making Neon Sign Boards, Cinema Posters, Billboards, and Hoardings etc. The idea was to generate revenues by controlling the supplies of these machines. But the change in economic scenario in terms of its liquidity crunch and cheap Chinese supplies started curtailing our monopolistic advantage and hence from 2009 onwards the company decided to discontinue its trading business and turn focus towards knowledge based revenues of Water Soluble Films and Innovative Security products, with known advantages of exclusive rights to manufacture and market for over 20 years.

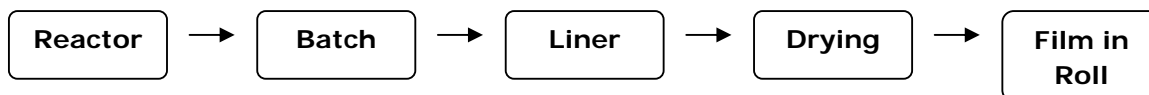
Also, in line with our focus on environmental friendly products, we plan to venture into the field of manufacturing Mouth Melting Strips (MMS) an IP protected innovative technology, which involves embedding actives into or upon water soluble film in any form. Once dissolved, it will release the actives in precise quantity. These actives can be in various forms, like mouth freshening menthols, Active Pharma ingredients etc. We are also looking further developing a Market for Bio Compostable Plastics resins in India.

The Company has its fixed cliental network mainly in the agro chemical industry where by orders for our products are placed by customers based on samples provided. The method of distribution is the age old method of B to B distributions which is inexpensive, less time consuming and more cost effective.

### **DETAILS OF OUR BUSINESS**

#### ***(a) Manufacturing Processes of various units***

##### **Manufacturing Process of Existing Biodegradable Water Soluble Films Unit:**





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Arrow Water-soluble films are made by cast method.

The raw material for manufacturing of water-soluble film is prepared in the reactor. This raw material is in a semi solid form. A tube is connected to the bottom of the reactor, which enables to deliver the material directly to the casting machine. There is a valve fitted to this tube. This valve is kept closed during the preparation process of the batch of the raw material.

During the manufacturing process of water-soluble film this valve is used to control the flow of the batch. The batch is then passed through the coating head. The coating of the batch takes place on the liner at this stage the batch is converted in to Film. The final film is obtained in the roll form. The film then undergoes the Quality Tests and once it passes the test it is sent to the customer.

### ***(b) Infrastructure Facilities***

#### *Water*

Water is required mainly for the manufacturing process and is adequately available from the bore wells in the factory premises. In addition to the same, the company procures water from the close by GIDC Water Storage as and when required.

#### *Power*

The Company has a sanctioned load of 160 KVA from Dakshin Gujarat Vij Company Ltd. The Company shall not be requiring any additional power sanction immediately to carry out its expansion plans.

### ***(c) Collaborations / Key Partnerships***

**JV with NagraID S.A.:** Our company is party to a 50:50 JV in subsidiary company of ACPL called “NagraID Arrow Secure Cards Pvt. Ltd.” for using “RFID” technology owned by NagraID S.A. Switzerland for manufacturing and trading in Innovative security products in India. So far these products are in testing stage and we are gauging market developments for the same.

**Exclusive Sales Agency Agreement:** Arrow Coated Products Limited has entered into an ‘Agency Agreement’ dated the 10<sup>th</sup> of June, 2010 with Landqart AG, CH – 7302 for becoming the agent of Landqart AG for marketing and selling of mould paper and a Patent Protected Bank Note substrate under the brand name ‘Durasafe’ in India

### ***(d) Products and Services***

Our Company’s products can be divided into three main divisions, Bio-degradable Water Soluble Films, Security Products & other innovative security solutions and the Digital Printing Equipments. The Digital Printing Equipment unit is the trading unit of the company, which has been discontinued since 2009.

Brief description regarding our major products is set here forth:

#### ***(i) Bio-Degradable Water Soluble Films***

We are one of the pioneer manufacturers of Biodegradable Water Soluble Film. This Product has a wide range of applications, and provides an instant solution to the Environment Hazards faced by industries today. It dissolves in water without leaving any residue behind and is at the same time completely biodegradable. The Company has a current production capacity of 60 MT per annum, while the actual production is 55.80 MT (93%) per annum.



## ***ARROW COATED PRODUCTS LIMITED***

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A water-soluble film is made from water-soluble polymers, having the appearance of a common plastic film. Since the major buyers of WSF are Agrochemical companies who use it for packing their final products, it is an industrial product.

It has unique characteristic of completely dissolving in water at room temperature. The dissolved film disappears in water like sugar or coffee and the ingredients of the film change their appearance but remain present as dissolved solids in water which can be washed or flushed out after use. The rate of dissolution depends on agitation, water temperature, and amount of water and thickness of the film.

This WSF has proved to be a revolutionary film with its multiple uses which has been acknowledged and hailed by not only satisfied users but also Environmental Protection Agency (E.P.A.) strongly recommends packing agriculture chemicals and pesticides in this WSF as it is completely bio degradable and safe for environment and with time to come the use of this film not only going to increase but also indispensable because of its bio degradability, Eco-friendly with multiple uses.

The Arrow Water Soluble films have found successful applications in number of different industries:

- *Agrochemical Industry:* We provide eco-friendly, human friendly packaging solutions in form of Water soluble pouches for the Agrochemical industry.
- *Embroidery Industry:* Arrow Embossed films have found wide acceptance in the Embroidery Industry for both topping as well as backing use.
- *Laundry Bags:* Arrow Laundry bags have a wide range of applications for the Healthcare as well as the Hospitality Industry. The Arrow Eco-hygiene water soluble strip laundry sack has been specially developed as an economical way to isolate, transport and disinfect foul/infected linen.
- *Packaging Industry:* Arrow Cast water soluble films are also used to package a wide range of chemicals and products like dyes, pigments, specialty chemicals and consumer goods such as detergents and cleaning agents.
- *Pharmaceutical Industry:* Research is going on to produce films suitable for Pharmaceutical Products.

### ***(ii) Security Products and other Innovative Security Solutions :***

Our company is party to a 50:50 JV in subsidiary company of ACPL called “NagraID Arrow Secure Cards Pvt. Ltd.” for using “RFID” technology owned by NagraID S.A. Switzerland for manufacturing and trading in Innovative security products in India. So far these products are in testing stage and we are gauging market developments for the same.

The Secure Banking Cards with Display (Dual Factor Authentication), NASC financial card products and services are designed, manufactured, personalized and delivered according to EMV and relevant ISO standards. It provides Security Solutions for Government in the form of:

- National Identity Cards
- Citizen Health Cards
- State Driving Licenses
- E-passports, etc.

It also provides Customer Relationship Management solutions in Hospitality, Retail Healthcare and customer service industry in the form of Warrant / Membership cards.

### **Past Production figures of our various Products**

Following table illustrates the past production figures of the above mentioned products:



## **ARROW COATED PRODUCTS LIMITED**

| <b>Class of Goods</b> | <b>Unit</b> | <b>2010-11</b> | <b>2009-10</b> | <b>2008-09</b> |
|-----------------------|-------------|----------------|----------------|----------------|
| WSF                   | MT          | 55.80          | 49.39          | 40             |
| Security Products     | No.'s       | Nil            | 4050           | 6723           |

### **Exports**

The Company exports its products to U.S.A, U.K., Thailand, Sri Lanka, and UAE. 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.

### **Export Obligations**

Our Company has no export obligations as on date of this Letter of Offer.

### **BUSINESS STRATEGY**

Following are the key strategic plans of our company:

*Focus on Knowledge based activities, where we have past experience and tie-ups.*

Till 2009, the Business of the Company was divided into two units; the trading unit and the manufacturing unit. The Trading Division of the Company dealt in sign making equipments and consumables from Gerber & Vutek, U.S.A. and accounted for 80% of the revenue of the firm. These equipments traded by Arrow were used in the signage industry for making neon sign boards, cinema posters, bill boards, holdings etc. The idea was to generate revenues by controlling the supplies of these machines. But the change in economic scenario in terms of its liquidity crunch and cheap Chinese supplies started curtailing our monopolistic advantage and hence from 2009 onwards the company decided to discontinue its trading business and turn focus towards knowledge based revenues of Water Soluble Films, with known advantages of exclusive rights to manufacture and market for 20 years.

*Gain first mover advantage in Digital technology enabled security products*

Our Subsidiary / Joint Venture Company M/s. NagraID Arrow Secure (P) Ltd. has a Technology Tie-up for manufacturing Security Smart Cards with NagraID, Switzerland and shall now enable us to use Digital technology for solutions like Logistics, RFID cards, Smart cards and National ID cards opening up whole new avenue for additional revenues for the company, using available infrastructure. With NagraID as our technology partners we are pursuing the National ID card pilot project, with great gusto. However with most Government contracts, the decision-making is slow, hence these items have not gained production momentum yet, but are one of our key strategic initiatives to ensure highest technology services can be provided as and when a major order is sought.

*Continue our initiative in the Intellectual property space and increase our patent portfolio*

Intellectual Property Rights (IPR) includes Trademarks, Copyrights and Patents. The IPR cell formed under the guidance of our M.D. Mr. Shilpan Patel continues to chart out path of success 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 in the last year and are moving towards generating a revenue stream. 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 company in form of royalties, EMR (Exclusive Marketing Rights), EPR (Exclusive Production Rights) and incomes from companies infringing our IPR. It is our strategy to get a partner for marketing our existing patents and support in getting them registered in EU and USA.



***Existing & Proposed Capacity and Capacity Utilisation for various products***

| <b>Name of the Division</b> | <b>Particulars</b>        | <b>2007-08</b> | <b>2008-09</b> | <b>2009-10</b> | <b>2010-11</b> | <b>Proposed Addition</b> | <b>After Proposed Expansion</b> |
|-----------------------------|---------------------------|----------------|----------------|----------------|----------------|--------------------------|---------------------------------|
| WSF                         | Annual Installed Capacity | 60 MT          | 60 MT          | 60 MT          | 60 MT          | -                        | 60 MT                           |
|                             | Utilised / Production     | 20.5MT         | 40MT           | 49.39MT        | 55.80 MT       | -                        | N.A.                            |
|                             | Utilised (%)              | 34.16 %        | 66.66%         | 82.32%         | 93%            | -                        | N.A.                            |
| Security Products           | Annual Installed Capacity | 10,000 Pcs.    | 12,000 Pcs.    | 12,000 Pcs.    | 12,000 Pcs     | -                        | 12,000 pcs.                     |
|                             | Utilised / Production     | 4862 Pcs.      | 6723 Pcs.      | 4050 Pcs.      | Nil            | -                        | N.A.                            |
|                             | Utilised (%)              | 48.62%         | 56.02%         | 33.75%         | 0%             | -                        | N.A.                            |
| Mouth Melting Strips        | Annual Installed Capacity | -              | -              | -              | -              | 2.18 Cr. Pcs.            | 2.18 Cr. Pcs.                   |
|                             | Utilised / Production     | -              | -              | -              | -              | N.A.                     | N.A.                            |
|                             | Utilised (%)              | -              | -              | -              | -              | -                        | N.A.                            |

***Future Outlook:***

As the world becomes conscious of its responsibilities and vagaries of monsoons keeps reminding us about the need to be eco-friendly, we are confident of our Patented Water soluble films will gain acceptance as alternative and eco-friendly packaging material and we continue to formulate and patent new grades and products on similar grounds and technology. Research & Development is an ongoing process at our company. We are now concentrating on manufacturing and marketing products based on our patented processes.

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.

Taking advantage of the patented technology, we are looking at 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.

Our new proposed Project is of MMS (Mouth Melting Strips), which 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.

**INTELLECTUAL PROPERTY RIGHTS**

Our Company holds valuable patents in market territories such as India, Europe, South Africa, Australia etc. for various manufacturing processes and innovative environmental friendly packaging solutions etc. Apart from the 20 patents mentioned below many of our applications for various patents are at an advance stage in the USA and the same are being followed up.





**ARROW COATED PRODUCTS LIMITED**

| <b>Sr. No.</b> | <b>Patent Title</b>   | <b>Application No.</b> | <b>Patent No. and Date of Grant</b> | <b>Valid up to</b> | <b>Country</b>            |
|----------------|---|------------------------|-------------------------------------|--------------------|---------------------------|
| 1              | Method of Manufacturing Embedded Water Soluble film Carrier   | 443/MUM/2001           | 2004/3259<br>November 24, 2004      | November 24, 2024  | Granted in South Africa   |
| 2              | A Process for Manufacturing Embedded Water Soluble Film System and Embedded Water Soluble System Manufactured by the Same | 443/MUM/2001           | 200301<br>April 24, 2006            | October 09, 2021   | Granted in India          |
| 3              | Substantially Pinhole Free multi-Layered Water Soluble Film and Process for Manufacturing the Same                        | 1158/MUM/01            | 200311<br>April 25, 2006            | December 06, 2021  | Granted in India          |
| 4              | Water Soluble Drug Delivery System  | GB20040028226          | GB2421431<br>June 28, 2006          | June 28, 2026      | Granted in United Kingdom |
| 5              | Substrate for Ink Jet Printing with Hydrophobic Solvent Based Ink   | 894/MUM/2002           | 205738<br>April 09, 2007            | October 11, 2022   | Granted in India          |
| 6              | Biodegradable Multi-Layered Composite Packaging Materials and Process for Manufacturing the Same                          | 244/MUM/2005           | 225309<br>November 07, 2008         | March 03, 2025     | Granted in India          |
| 7              | Cast –Extruded or Cast – Cast Combined water Soluble Film and the Method/Process for Producing the Same                   | 344/MUM/2005           | 225397<br>November 12, 2008         | March 24, 2025     | Granted in India          |
| 8              | Self Adhesive Material with a Water Soluble Protective Layer  | 273/MUM/2005           | 2007/10704<br>December 31, 2008     | December 31, 2028  | Granted in South Africa   |
| 9              | Self Destructive Irreversible Security Packaging Water Soluble Film   | 469/MUM/2005           | 227842<br>January 21, 2009          | April 15, 2025     | Granted in India          |
| 10             | Method of Manufacturing Embedded Water Soluble film Carrier   | 443/MUM/2001           | 2002356417<br>January 22, 2009      | October 07, 2022   | Granted in Australia      |
| 11             | Packaging Materials   | 244/MUM/2005           | 2007/08451<br>May 27, 2009          | May 27, 2029       | Granted in South Africa   |
| 12             | A Method of Making High Strength Paper and a Paper Manufactured thereof   | 311/MUM/2005           | 236107<br>September 23, 2009        | March 22, 2025     | Granted in India          |
| 13             | High Strength Paper and Process of Manufactured thereof   | 311/MUM/2005           | 2007/09081<br>October 28, 2009      | October 28, 2029   | Granted in South Africa   |
| 14             | Self Destructive Irreversible Security Packaging Water Soluble Film   | 469/MUM/2005           | 012856<br>December 30, 2009         | December 30, 2029  | Granted in Eurasia        |
| 15             | Method of Manufacturing Embedded Water Soluble Film System  | 443/MUM/2001           | 1436376<br>April 21, 2010           | April 21, 2030     | Granted in Europe         |
| 16             | Self Destructive Irreversible Security Packaging Water Soluble Film   | 469/MUM/2005           | 1868818<br>May 05, 2010             | May 05, 2030       | Granted in Europe         |
| 17             | Self Adhesive Material with a Water Soluble Protective Layer  | 273/MUM/2005           | 7828923<br>November 09, 2010        | November 09, 2030  | Granted in United States  |
| 18             | Wide Printed Graphics Without Release Liner   | 272/MUM/2005           | 244933<br>December 27, 2010         | December 27, 2030  | Granted in India          |
| 19             | A Process of Preparing A Self Adhesive  | 273/MUM/2005           | 245009<br>December 28, 2010         | December 28, 2030  | Granted in India          |
| 20             | High Security Paper and Process of Manufacture  | 312/MUM/2005           | 2409473<br>January 20, 2011         | January 20, 2031   | Granted in Russia         |



### TRADEMARKS

We have been granted a Trade Mark No. 651065 in Class 16 on March 15, 2008 by Registrar of Trademark, Mumbai under the Trade Marks Act, 1999 in respect of Coated Polyester Films, ID Card Pouches, Self Adhesive Materials, Reflective Materials, Digital Printing Media, and Thermal Transfer Ribbon. However, since the discontinuance of the trading division in 2009, we do not use this trademark.

Our company has not registered the brand and logo used on the packaging of our WSF and which is proposed to be used for the MMS product and hence we face the risk of having to change its packaging and other brand related particulars as well as face legal problems leading to financial costs in case some other entity registers the same and issues an objection against us.

### LAND AND PROPERTY

Our Company is currently in possession of the following Properties:

| Sr. No. | Location   | Owned / Leased   | Name of Sellers / Lessee   | Purpose  |
|---------|--|------------------|----------------------------|--|
| 1       | Arrow House, 5-D, Laxmi Industrial Estate, New Link Road, Andheri (W), Mumbai – 400 053  | Lease            | Mr. Shilpan Patel          | For our Registered & Corporate Office  |
| 2       | Plot No. 5310 GIDC, Indl. Estate, Ankleshwar – 393 002.  | Long Lease Basis | Rishil Exports*            | Factory and Building used for current and proposed manufacturing facilities. |
| 3       | Gala No. 109/110 & Terrace, 1 <sup>st</sup> Floor, Building No. 1, Unico Industrial Park, Tungareshwar Fata, Village Saivali, Taluka Vasai, Thane. | Lease            | Mr. Chandubhai P. Gevariya | Godowns and test marketing purposes.   |
| 4       | Level 33 (CGC-33-01), Citigroup Tower, 25, Canada Square, London E14 5LB.  | Lease            | MWB Business Exchange      | For Office Purpose.  |

\*The Lease Rights for the Plot at Ankleshwar was transferred to the Company's name in 16-11-1995 when it acquired the assets of M/s. Rishil Exports, which was a Promoter Group Entity. No other land is purchased from any persons associated with the Promoters and Promoter's Group of our Company.

All Land acquired by the Company has a clear title, is duly registered in the name of the Company and has no pending approvals.

Our Company does not propose to acquire any land or property for the proposed expansion plans.



**HISTORY AND CORPORATE STRUCTURE**

Our Company was incorporated under the name of “Arrow Coated Products Limited” on 30th October, 1992 and obtained the Certificate of Commencement of Business on 19th November, 1992. The Company has its registered office in Mumbai at Arrow Coated Products Limited, 5D Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai - 400053 and other offices at Ankleshwar, Thane and United Kingdom. The Manufacturing Unit is located at Ankleshwar.

**MAIN OBJECT OF THE COMPANY**

Our main objects as contained in our Memorandum of Association are as under:

*“To manufacture, import, export and otherwise deal in coated paper and other coated products”.*

**CHANGES IN REGISTERED OFFICE**

The company had its registered office changed on the 30<sup>th</sup> of June 2005. Details of the same are mentioned below:

| Previous Registered Office   | New Registered Office  | Date of Board Resolution     |
|--|--|------------------------------|
| 159, Mittal Ind. Estate, “Sanjay”, Building No. 5-B, Marol Naka, Andheri Kurla Road, Andheri (E), Mumbai – 400 059 | 5-D, Laxmi Industrial Estate, New Link Road, Andheri (West), Mumbai – 400 053. | 30 <sup>th</sup> June, 2005. |

**AMENDMENTS TO OUR MEMORANDUM OF ASSOCIATION**

Since the incorporation of the company the following changes have been taken place in its Memorandum of Association:

| Date Of Amendment | Amendments  |
|-------------------|---|
| 25-Apr-94         | The authorized share capital of our Company was increased from Rs. 5 Lacs (divided into 50,000 Equity Shares) to Rs. 500 Lacs (divided into 50,00,000 Equity Shares)              |
| 26-Feb-07         | The authorized share capital of our Company was increased from Rs. 500 Lacs (divided into 50,00,000 Equity Shares) to Rs. 1,000 Lacs (divided into 1,00,00,000 Equity Shares)     |
| 29-Sep-09         | The authorized share capital of our Company was increased from Rs. 1,000 Lacs (divided into 1,00,00,000 Equity Shares) to Rs. 1,200 Lacs (divided into 1,20,00,000 Equity Shares) |

**MAJOR EVENTS OF THE COMPANY SINCE ITS INCORPORATION**

| Year | Major Events  |
|------|---|
| 1992 | The Company was incorporated under the name of “Arrow Coated Products Limited”.   |
| 1992 | The Company entered into a technical collaboration with M/s. Foil Mark Inc., USA for the production of Hot Stamping Foil. |
| 1993 | The Company took over the assets of its group companies - M/s Patel Paper   |



**ARROW COATED PRODUCTS LIMITED**

|      |   |
|------|---|
|      | Company and M/s. Rishil Exports. M/s. Patel Paper Company was in the business of Packaging and Printing Machines, while M/s. Rishil Exports was in the business of Extrusion Coated Products and Stamping Foils.  |
| 1993 | Commercial production of Hot Stamping Foil and printing machines started with an initial capacity of 145 Lac Sq MT per annum  |
| 1994 | The Company came out with a public issue of Rs. 448 lacs to fund its capacity expansion of Manufacturing of Hot Stamping Foils at Silvassa and Ankleshwar.  |
| 2000 | The Company discontinued the production of HSF during the year. Since HSF was a transferred technology from Foil Mark Inc. With the takeover of Foil Mark Inc. by ITW the technology transfer was not being implemented as promised. Also, the imports from China and unorganized local production made the business less viable. |
| 2000 | The Company started full scale production of Water Soluble Films in the Company factory situated at Ankleshwar, Gujarat by modifying coating machines of HSF to coat-cast WSF solution. The initial capacity for the production of WSF was 24 metric tons per annum.  |
| 2000 | The Company was awarded with the India Star Award of Water Soluble Film Bags  |
| 2003 | The Company installed the casting & coating machine to produce Water Soluble Film.  |
| 2004 | The Company recommended its first dividend of 7.5%.   |
| 2004 | The Company was granted its 1 <sup>st</sup> Patent in South Africa for Manufacturing Process of Embedded Water Soluble Film Carrier.  |
| 2004 | The Company established M/s. Arrow Coated Products (UK) Ltd., a wholly owned subsidiary of Arrow Coated Products Ltd for marketing its products and widening its geographical presence.   |
| 2005 | The Company entered into a Joint Venture with NagraID for RFID Lab & Smart Card technology and with Stanelco & Adept for Blown WSF.   |
| 2005 | The Company obtained ISO 9001:2000 certificate issued from American Global Standard India   |
| 2006 | The Company was granted 3 patents during the year, of which 2 were granted in India and 1 in United Kingdom.  |
| 2007 | The Company was granted patent for Ink Jet Printing with hydrophobic solvent based Ink in India.  |
| 2008 | The Company was granted 3 patents during the year, of which 2 were granted in India and 1 in South Africa.  |
| 2009 | Arrow UK purchased stake in Advance IP technologies Limited, a UK based company.  |
| 2009 | The Company decided to discontinue the trading business of Capital Goods (Digital Printing Machine) and turned its focus towards knowledge based activities such as WSF, Security Products and MMS.   |
| 2009 | The Company was granted 6 patents during the year, of which 2 were granted in India & South Africa each, 1 in Australia & Eurasia each.   |
| 2010 | The Company was granted 5 patents during the year in Europe, United States and India.   |
| 2011 | The Company was granted 1 patent in Russia during the year.   |



## ARROW COATED PRODUCTS LIMITED

### SUBSIDIARIES OF OUR COMPANY

Arrow Coated Products Limited has the following subsidiaries:

- NagraID Arrow Secure Cards Pvt. Ltd.
- Arrow Coated Products UK limited.
- Advance IP Technologies Pvt. Ltd (UK) (Step Subsidiary)

#### 1) NagraID Arrow Secure Cards Pvt. Ltd. (NASC)

NASC was incorporated on October 19, 2006. It is a joint venture between Arrow Coated Products Limited, India and NagraID, Switzerland; NASC specializes in RFID and smart card products, services and technologies and has a worldwide reach.

#### *Shareholding Pattern*

The Shareholding Pattern of NASC as on December 15, 2011 is:

| Name of Shareholder                | No. of Shares | % of Issued Capital |
|------------------------------------|---------------|---------------------|
| M/s. Arrow Coated Products Limited | 219850        | 50.98%              |
| Mr. Neil Patel                     | 100           | 0.02%               |
| M/s. NagraID S. A.                 | 211325        | 49.00%              |
| <b>Total</b>                       | <b>431275</b> | <b>100.00%</b>      |

#### *Board of Directors*

The Board of Directors of the Company consists of Mr. Shilpan Patel, Mr. Fredric Clauss and Mr. Geev Panthaki.

#### *Audited Financial Performance*

(Rs. In Lacs)

| Particulars           | March 31, 2011 | March 31, 2010 | March 31, 2009 |
|-----------------------|----------------|----------------|----------------|
| Equity Share Capital  | 19.90          | 19.90          | 19.90          |
| Reserve & Surplus     | (24.90)        | (15.52)        | (8.23)         |
| Income/Sales          | 0.28           | 0.61           | 1.03           |
| Profit/Loss After Tax | (9.62)         | (7.54)         | (3.65)         |
| EPS                   | (4.83)         | (3.79)         | (1.83)         |

#### 2) Arrow Coated Products UK Limited

Arrow Coated Products UK Limited was incorporated on July 23, 2004. It is principally involved in the activities of marketing and selling water soluble films in UK manufactured by its parent company Arrow Coated Products Limited, India.

#### *Shareholding Pattern*

The Shareholding Pattern of Arrow UK as on December 15, 2011 is:

| Name of Shareholder               | No. of Shares | % of Issued Capital |
|-----------------------------------|---------------|---------------------|
| M/s Arrow Coated Products Limited | 20099         | 99.99%              |
| Shilpan Patel                     | 1             | 0.01%               |
| <b>Total</b>                      | <b>20100</b>  | <b>100.00%</b>      |



## ARROW COATED PRODUCTS LIMITED

### Board of Directors

The Board of Directors of the Company consists of Shilpan Patel and Paresh Patel.

### Audited Financial Performance

(Rs. In Lacs)

| Particulars           | March 31, 2011 | March 31, 2010 | March 31, 2009 |
|-----------------------|----------------|----------------|----------------|
| Equity Share Capital  | 16.02          | 16.02          | 16.02          |
| Reserve & Surplus     | (6.58)         | (3.39)         | (1.64)         |
| Income/Sales          | 0.00           | 1.28           | 94.85          |
| Profit/Loss After Tax | (3.07)         | (2.57)         | 64.80          |
| EPS                   | (15.27)        | (12.81)        | 322.39         |

### 3) Advance IP Technologies Limited (Step Subsidiary)

Advance IP Technologies Limited was incorporated on May 11, 2004. It is principally involved in the activities of creating and licensing intellectual property, principally relating to pharmaceutical drug delivery technologies. Arrow Coated Products UK Limited purchase stake of 51% in this company in January 2010.

### Shareholding Pattern

The Shareholding Pattern of Advance IP Technologies Ltd. as on December 15, 2011 is:

| Name of Shareholder                | No. of Shares | % of Issued Capital |
|------------------------------------|---------------|---------------------|
| Arrow Coated Products (UK) Limited | 510           | 51%                 |
| Aquavista Limited                  | 250           | 25%                 |
| Shilpan Patel                      | 80            | 8%                  |
| Rishil Patel                       | 80            | 8%                  |
| Neil Patel                         | 80            | 8%                  |
| <b>Total</b>                       | <b>1000</b>   | <b>100.00%</b>      |

### Board of Directors

The Board of Directors of the Company consists of Mr. Shilpan Patel, Mr. Bruce Drew and Mr. Rishil Patel

### Audited Financial Performance

Figures in £

| Particulars           | March 31, 2011 | March 31, 2010 | May 31, 2009 |
|-----------------------|----------------|----------------|--------------|
| Equity Share Capital  | 1,000          | 1,000          | 1,000        |
| Reserve & Surplus     | (17,375)       | (13,754)       | (10,746)     |
| Income/Sales          | -              | -              | -            |
| Profit/Loss After Tax | (3,621)        | (3,008)        | (10,746)     |
| EPS                   | (3.62)         | (3.01)         | (10.75)      |

### Shareholders Agreements

There are no shareholders agreements.

### Strategic / Financial Partners

There are no Strategic or Financial Partners of our Company.



**OUR MANAGEMENT**

**Board of Directors:**

The Company has five (5) Directors out of which one (1) is an Executive Director, one (1) is a Non-Executive Director, and three (3) are Independent Directors.

The following table sets forth the details of the Board of Directors as on the date of this Letter of Offer:

| Sr. No. | Name, Father's Name & Address  | Age | Designation, Date of Appointment & Term   | Occupation, Qualification & DIN   | Other Directorships   |
|---------|--|-----|---|---|---|
| 1       | <b>Mr. Shilpan Patel</b><br>S/o Mr. Pravin Patel<br><br>303-A, Suman Apartments,<br>Lokhandwala,<br>Andheri (W),<br>Mumbai – 400 053,<br>Maharashtra, India.   | 55  | Chairman and Managing Director<br><br>Appointed as on October 30, 1992<br><br>3 years w.e.f December 1, 2010                                  | Business<br><br>Bachelor in Commerce<br><br>Masters of Business Administration (USA)<br><br>DIN: 00341068 | <ul style="list-style-type: none"> <li>• Advance IP Technologies Limited</li> <li>• Arrow Coated Products (UK) Limited</li> <li>• Arrow Convertors Private Limited.</li> <li>• Grace Paper Industries Private Limited.</li> <li>• NagraID Arrow Secure Cards Private Limited.</li> <li>• Arrow Agri-Tech Pvt Ltd.</li> <li>• SP Arrow Bio-plast Pvt. Ltd</li> </ul> |
| 2       | <b>Mr. Haresh Chhotalal Mehta</b><br>S/o Mr. Chhotalal R. Mehta<br><br>Meera Sagar Bunglow,<br>No. 1, Opp. Param Keshav Baug, Navroji Lane, Ghatkopar (W),<br>Mumbai – 400 086,<br>Maharashtra, India. | 58  | Non-Executive Director<br><br>Appointed as on December 01, 1993<br><br>Liable to retire by rotation<br><br>Re-appointed on September 29, 2011 | Business<br><br>Bachelor of Science<br><br>DIN: 00376589  | <ul style="list-style-type: none"> <li>• Jayna Packaging Private Limited</li> </ul>   |
| 3       | <b>Mr. Vijay Dhar</b><br>S/o. Shri. Durga Prasad Dhar<br><br>178, Golf Links,<br>New Delhi – 110 003,<br>India.  | 70  | Independent Director<br><br>Appointed as on June 30, 2005<br><br>Re-appointed on September 14, 2010<br><br>Liable to retire by rotation       | Business<br><br>I. S. C.<br><br>DIN: 00074641   | <ul style="list-style-type: none"> <li>• Hughes Communications India Limited</li> <li>• Hughes Network Systems India Limited</li> <li>• Kanika Properties Private Limited</li> <li>• Natasha Properties Private Limited</li> <li>• S. S. R. Ventures Private Limited</li> <li>• Taksal Pharma Private Limited</li> <li>• Taksal Hotels Private Limited</li> </ul>   |



**ARROW COATED PRODUCTS LIMITED**

| Sr. No. | Name, Father's Name & Address  | Age | Designation, Date of Appointment & Term  | Occupation, Qualification & DIN  | Other Directorships  |
|---------|--|-----|--|--|--|
|         |  |     |  |  | <ul style="list-style-type: none"> <li>Zaar Pharma Private Limited</li> <li>Octad Pharma Private Limited</li> </ul>        |
| 4       | <p><b>Mr. Faredun Homi Taraporwala</b><br/>S/o. Shri. Homi Siavax Taraporewala</p> <p>101, Samved Tower, Camp Road, Shahibaugh. Ahmedabad – 380 004, India.</p>  | 57  | <p>Independent Director</p> <p>Appointed as on January 30, 2009</p> <p>Re-appointed on September 14, 2010</p> <p>Liable to retire by rotation.</p> | <p>Business</p> <p>Bachelor of Arts. &amp; B. D. M.</p> <p>DIN: 02191781</p> | <ul style="list-style-type: none"> <li>SP Arrow Bio-Plast Private Limited</li> </ul>                                       |
| 5       | <p><b>Dr. Anil Saxena</b><br/>S/o. Mr. Krishnakumarilal Saxena</p> <p>226, 3<sup>rd</sup> Floor, Tarapore Garden Soc, I-Wing, Link Road, Near Oshiwara Police Station, Andheri (W), Mumbai – 400 053. India.</p> | 57  | <p>Independent Director</p> <p>Appointed as on January 21, 2011</p> <p>Liable to retire by rotation.</p>   | <p>Business / Doctor</p> <p>MBBS &amp; M.D.</p> <p>DIN: 02220574</p>         | <ul style="list-style-type: none"> <li>Brokenrecord Films Private Limited</li> <li>Katha Mediatix India Limited</li> </ul> |

**Brief Profile of Our Directors**

**Mr. Shilpan Patel**, aged 55 years, is the Chairman and Managing Director of the Company and holds a Master's degree in Business Administration from Sam Houston University, Texas, USA. He did his graduation in Commerce from H.L. College of Commerce, Ahmedabad in India. In 1979-80 he gained experience in coating industry from Grace Paper Industries Pvt. Ltd and worked there for a period of 9 years. In 1990 he developed Water Soluble Film, which is a product of indigenous research and has very strong bearing on environment. In the year 2000 the product (Water Soluble Film) won the India Star Award. Mr. Patel has also applied for various patents in USA, Europe, South Africa, Australia and India for Water Soluble Films.

Appointed on the Board for the first time on October 30, 1992 he is in charge of Business Development and Strategic Management of the Company and its marketing efforts at Mumbai. He has been last re-appointed as a director on our Board and re-designated as Managing Director of the Company for a period of 3 years w.e.f. December 1, 2010.

**Mr. Haresh Mehta**, aged 58 years, is a Non – Executive Director of the Company. He is a graduate in Science. He holds a certificate in Packaging Technology and has also attended a long term programme in





## **ARROW COATED PRODUCTS LIMITED**

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London. He is also a director in Jayna Packaging Pvt. Ltd. He is a chairman of Shareholders/ Investor Grievance Committee and a member of the Audit Committee of the Company.

He was appointed on our board for the first time on December 01, 1993 as an Additional Director & confirmed as a Director in subsequent Annual General Meeting. His current term started from our last Annual General Meeting held on September 29, 2011.

**Mr. Vijay Dhar**, aged 70 years is an Independent Director of the Company. Born and brought up in Srinagar, Jammu and Kashmir Mr. Dhar completed his schooling there and then diversified into the business of holding agencies of various business houses. Later, he became the owner of a renowned Broadway theatre and restaurant in Srinagar. Mr. Vijay Dhar in previous stints has been on the Board of various prestigious organizations namely Hotel Broadway- Srinagar, Jet Airways, Hughes Communications India Ltd. (now Tata Communications) etc.

Mr. Vijay Dhar has furthered his business interests to other parts of India. He has three main offices in Srinagar, New Delhi and Mumbai along with various carriage and forwarding agents all over the country. The diverse range of interests includes Pharma distribution, education, real estate, communications etc.

He was appointed on our board for the first time on June 30, 2005 as an Additional Director & confirmed as a Director in subsequent Annual General Meeting. His current term started from our last Annual General Meeting held on September 14, 2010.

**Mr. Faredun Homi Taraporwala**, aged 57 years, is an Independent Director of our Company. He is a graduate in Arts. He worked with Petrosil Oil Co. Ltd., a subsidiary of Gulf Oil Corp. USA, handling Sales, Marketing & Administrative responsibilities from 1978 to 1988. 1988 onwards he started an Agency House, trading and advising for Speciality Lubricants, Construction Materials, etc. He is the co-Founder and Director of Surya Vijli, a US based Green Energy Company promoting Solar, Wind and Gas Turbine Energy generation projects.

He was appointed on our board for the first time on January 30, 2009 as an Additional Director & confirmed as a Director in Annual General Meeting held on September 29, 2009 and his current term started from September 14, 2010.

**Dr. Anil Saxena**, aged 57 years, is an Independent Director of our Company. He has done his MBBS and MD from G.S.V.M. Medical College Kanpur University, Kanpur in the year 1976 and 1980 respectively. He is a practising doctor by profession since 1981. In 1989, he also started a Television Production House and produced many T.V. serials for Doordarshan and Private Channels. He has exposure in producing films. Some of the films produced by him are Bhandara Premacha and Bhairu Pailwan Ki Jai Ho both Marathi films, under the banner Sagar Barseria Motion Films Pvt. Ltd. which was started in 2009. He also has good experience in public relations.

He was appointed on our board on January 21, 2011 as an Additional Director and confirmed as a Director in the Annual General Meeting on September 29, 2011.

### **Nature of family relationships between the directors of the company:**

There is no relationship between any of the directors of our company.

### **Arrangements with major shareholders, customers, suppliers or others:**

There is no arrangement or understanding with any shareholders, customers, suppliers or others, pursuant to which of the directors of our Company are selected as a director or member of Senior Management

### **Service contracts entered into by the directors**

There are no services contracts entered into by any of the Directors with our Company.



**SECTION VI: FINANCIAL INFORMATION**

**AUDITORS' REPORT ON STANDALONE FINANCIAL STATEMENT**

**TO  
THE MEMBERS OF  
ARROW COATED PRODUCTS LIMITED.**

1. We have audited the attached Balance Sheet of **ARROW COATED PRODUCTS LIMITED** as at 31<sup>st</sup> March 2011 and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in term of Section 227(4A) of the Companies Act, 1956(The Act) and on the basis of such examination of the books and records of the Company as we consider proper and the information and explanation given to us during the course of our audit, we annex a statement on the Matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we state that:
  - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of the books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - 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 17) referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representation received from directors of the company as at March 31,2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as director of the company in terms of clause (g) of sub-section (1) of section 274 of companies Act, 1956;
  - f) The company has not made provisions for overdue debts aggregating to Rs. 449.05 lacs and advances aggregating to Rs 84 lacs. Had this observation made by us been considered Loss after Tax would have been Rs. 546.99 Lacs ( as against the reported figure of Loss of Rs.13.88 lacs) ; reserves and surplus would have been Rs. (57.62) lacs ( as against the reported figure of Rs. 475.50 lacs):sundry debtors would have been Rs.63.79 lacs ( as against the reported figure of



**ARROW COATED PRODUCTS LIMITED**

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Rs.512.81 lacs): loans and advances would have been Rs.741.55 lacs (as against reported figure of Rs.825.65 lacs),

- g) In our opinion, and to the best of our information and according to the explanation given to us the said accounts subject to para d and f above and read together with the Significant Accounting Policies and Notes on Accounts Schedule 21 give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted principle in India:
- i.) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011;
  - ii.) In the case of the Profit and Loss Account, of the loss for the year ended on that date; and
  - iii.) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

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

**P.J.Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W  
Place: Mumbai  
Date: 19<sup>th</sup> May, 2011

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

**i.) In respect of its Fixed Assets**

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

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

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

**ii.) In respect of its Inventories.**

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

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

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

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

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

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

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

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

iv) In our opinion and according to the information and explanation given to us, the company has internal control system commensurate with the size of the company and the nature of its business with regards to purchase of inventories, fixed assets and with regards to the sale of the goods and services. During the course of our audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal controls system.

v) To the best of our knowledge and belief and according to the information and explanation given to us particulars of contracts or arrangements referred to in section 301 that need to be entered in the register have been so entered.



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

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

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

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

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

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

- x) Accumulated losses of the company are less than fifty per cent of the company’s net worth. Company incurred cash loss of Rs. 52247.60(‘000) during the period covered by our audit. In the immediately preceding financial year, the company had made cash loss of Rs. 52335(‘000).



**ARROW COATED PRODUCTS LIMITED**

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

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

**P.J.Rajani**  
Proprietor  
Membership No. 116740  
Firm Reg. No.108331W

Place: Mumbai  
Date: 19<sup>th</sup> May, 2011

## STANDALONE AUDITED BALANCE SHEET AS AT 31ST MARCH 2011

(Rs. in Lacs)

|   | SCH. | AS AT          | AS AT          |
|---|------|----------------|----------------|
|   |      | 31.03.2011     | 31.03.2010     |
| <b><u>SOURCES OF FUND</u></b>                       |      |                |                |
| <b>Shareholders' Fund</b>                           |      |                |                |
| Share Capital                                       | 1    | 535.02         | 528.96         |
| Share Application Money                             |      | 42.69          | 42.69          |
| Employee Stock Option Outstanding                   |      | 38.65          | 62.22          |
| Reserves & Surplus                                  | 2    | 475.50         | 471.43         |
|   |      | <b>1091.86</b> | <b>1105.30</b> |
| <b>Loan Funds</b>                                   |      |                |                |
| Secured Loans                                       | 3    | 231.32         | 228.88         |
| Unsecured Loans                                     | 4    | 621.77         | 544.49         |
|   |      | <b>853.09</b>  | <b>773.37</b>  |
| <b>Deferred Tax Liability</b>                       |      | 3.36           | 2.51           |
| <b>TOTAL</b>  |      | <b>1948.31</b> | <b>1881.18</b> |
| <b><u>APPLICATION OF FUNDS</u></b>                  |      |                |                |
| <b>Fixed Assets</b>                                 |      |                |                |
| Gross Block   | 5    | 589.59         | 546.67         |
| Less Depreciation                                   |      | 418.86         | 399.09         |
| Net Block   |      | <b>170.73</b>  | <b>147.58</b>  |
| Patents Applications                                |      | 125.63         | 118.91         |
| Capital Work in Progress                            |      | -              | 8.22           |
| <b>Investment : (At Cost )</b>                      | 6    | 28.76          | 26.76          |
| <b>Current Assets, Loans &amp; Advances</b>         |      |                |                |
| Inventories   | 7    | 432.15         | 389.75         |
| Sundry Debtors                                      | 8    | 512.81         | 722.39         |
| Cash & Bank Balances                                | 9    | 51.57          | 18.42          |
| Loans & Advances                                    | 10   | 825.65         | 688.72         |
|   |      | <b>1822.17</b> | <b>1819.28</b> |
| Less: Current Liabilities & Provisions              | 11   | 206.82         | 244.65         |
| <b>Net Current Assets</b>                           |      | <b>1615.35</b> | <b>1574.63</b> |
| Deferred Revenue Expenses                           |      | 7.84           | 5.08           |
| <b>TOTAL</b>  |      | <b>1948.31</b> | <b>1881.18</b> |
| Notes to Accounts & Significant Accounting Policies | 21   |                |                |

**STANDALONE AUDITED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011**

(Rs. in Lacs)

|   | Sch. | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|---|------|--------------------------|--------------------------|
| <b>INCOME</b>                                       |      |                          |                          |
| Sales & Service                                     | 12   | 334.33                   | 201.20                   |
| Interest Received                                   | 13   | 11.94                    | 2.50                     |
| Other Income  | 14   | 6.58                     | 13.95                    |
| <b>Total</b>  |      | <b>352.84</b>            | <b>217.64</b>            |
| <b>EXPENDITURE</b>                                  |      |                          |                          |
| Material Cost & Inventory Adjustments               | 15   | 95.40                    | 87.39                    |
| Salary & Other Employee Expenses                    | 16   | 48.72                    | 38.25                    |
| Manufacturing Expenses                              | 17   | 81.81                    | 58.73                    |
| Selling Expenses                                    | 18   | 4.79                     | 6.79                     |
| Financial Charges                                   | 19   | 34.37                    | 32.87                    |
| Other Administrative Expenses                       | 20   | 73.67                    | 48.55                    |
| <b>Total</b>  |      | <b>338.75</b>            | <b>272.57</b>            |
| <b>Profit Before Depreciation</b>                   |      | 14.09                    | (54.91)                  |
| Less : Depreciation & Amortisation                  |      | 24.52                    | 25.38                    |
| <b>Profit Before Prior Period Items</b>             |      | (10.43)                  | (80.29)                  |
| Less : Prior Period Expenses                        |      | -                        | 0.31                     |
| <b>Profit Before Exceptional Items</b>              |      | <b>(10.43)</b>           | <b>(80.60)</b>           |
| Less : Exceptional Items                            |      | 2.60                     | -                        |
| <b>Profit before Tax</b>                            |      | <b>(13.03)</b>           | <b>(80.60)</b>           |
| Current tax   |      | -                        | -                        |
| Deferred Tax  |      | 0.85                     | 6.96                     |
| <b>Profit After Tax</b>                             |      | <b>(13.88)</b>           | <b>(87.56)</b>           |
| Balance Brought Forward                             |      | 154.07                   | 241.63                   |
| Tax Adjustment                                      |      | (1.83)                   | -                        |
| <b>Balance carried to Balance sheet</b>             |      | <b>142.02</b>            | <b>154.07</b>            |
| Earning Per Share (Basic) Rs.                       |      | <b>(0.26)</b>            | <b>(1.65)</b>            |
| Earning Per Share (Diluted) Rs.                     |      | <b>(0.26)</b>            | <b>(1.65)</b>            |
| Notes to Accounts & Significant Accounting Policies | 21   |                          |                          |



## STANDALONE CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2011

(Rs. in Lacs)

|   | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|---|--------------------------|--------------------------|
| <b>A Cash Flow from Operating Activities</b>          |                          |                          |
| Net Profit before Tax & Prior Period Items            | (13.03)                  | (80.29)                  |
| Adjustment for  |                          |                          |
| Depreciation  | 24.52                    | 25.38                    |
| Profit / Loss on sale of Fixed Asset                  | (0.17)                   | 1.81                     |
| ESOP Amortisation                                     | (7.45)                   | 0.73                     |
| Other Income  | (6.40)                   | (13.94)                  |
| Interest Income                                       | (11.94)                  | (2.50)                   |
| Dividend Income                                       | (0.01)                   | (0.01)                   |
| Interest Expenses                                     | 34.37                    | 32.87                    |
| Bad debts   | 0                        | 0.88                     |
| Extra Ordinary Items                                  | 2.60                     | (0.31)                   |
| Operating Profit before Working Capital Changes       | 22.49                    | (35.38)                  |
| Adjustment for  |                          |                          |
| Trade & Other Receivables                             | 209.58                   | 358.68                   |
| Inventories   | (42.40)                  | 8.08                     |
| Loans & Advances                                      | (136.93)                 | (289.15)                 |
| Trade Payables  | (32.19)                  | (42.53)                  |
| Cash Generated from operations                        | 20.55                    | (0.30)                   |
| Interest Paid   | 0                        | 0                        |
| Net Cash used in Operation                            | 20.55                    | (0.30)                   |
| <b>B Cash Flow from Investing Activities</b>          |                          |                          |
| Purchase of Fixed Assets/Patent Application           | (46.92)                  | (26.55)                  |
| Sale of Fixed Assets                                  | 0.90                     | 0.02                     |
| Investment  | (2.00)                   | 0                        |
| Interest & Dividend Income                            | 11.95                    | 2.51                     |
| Net Cash from Investing Activities                    | (36.07)                  | (24.02)                  |
| <b>C Cash Flow from Financing Activities</b>          |                          |                          |
| Loans   | 79.72                    | 19.60                    |
| Increase in Share Capital & Premium                   | 6.06                     | (2.04)                   |
| Interest Paid & Finance cost                          | (34.37)                  | (32.87)                  |
| Dividend Paid   | 0                        | (0.01)                   |
| Rights Issue Expenses                                 | (2.76)                   | (5.08)                   |
| Net Cash from Financing Activities                    | 48.66                    | (20.40)                  |
| <b>Net Increase in Cash &amp; Cash Equivalents</b>    | 33.14                    | (44.72)                  |
| <b>Opening Balance of Cash &amp; Cash Equivalents</b> | 18.43                    | 63.15                    |
| <b>Closing Balance of Cash &amp; Cash Equivalents</b> | 51.57                    | 18.43                    |

## SCHEDULE TO THE STANDALONE BALANCE SHEET

|   | AS AT         | AS AT         |
|---|---------------|---------------|
|   | 31.03.2011    | 31.03.2010    |
|   | (Rs. in Lacs) | (Rs. in Lacs) |
| <b><u>SCHEDULE `1`</u></b>  |               |               |
| <b><u>SHARE CAPITAL</u></b>   |               |               |
| <b>Authorised Capital :</b>   |               |               |
| 1,20,00,000(P.Y. 1,20,00,000) Equity Shares of Rs.10/- each                       | 1200.00       | 1200.00       |
| <b>Issued &amp; Subscribed Capital</b>  |               |               |
| 53,50,198 ( P. Y. 52,89,598 Equity Shares) of Rs. 10/- each<br>(Refer note no.23) | 535.02        | 528.96        |
|   | <b>535.02</b> | 528.96        |
| <b><u>SCHEDULE `2`</u></b>  |               |               |
| <b><u>RESERVES &amp; SURPLUS</u></b>  |               |               |
| General Reserve   | 2.00          | 2.00          |
| Profit & Loss account   | 142.02        | 154.07        |
| Capital Reserve   | 39.49         | 39.49         |
| Share Premium   |               |               |
| Balance at beginning of the year  | 275.87        | 282.47        |
| Less : Share Premium on Capital Reduction   | -             | (6.60)        |
| Add : Share Premium on ESOP   | 16.12         | -             |
| (Refer note no.22 & 23)   | 291.99        | 275.87        |
|   | <b>475.50</b> | <b>471.43</b> |
| <b><u>SCHEDULE `3`</u></b>  |               |               |
| <b><u>SECURED LOANS:</u></b>  |               |               |
| Term Loan IndusInd Bank, Mumbai Main Branch                                       | 231.32        | -             |
| Cash Credit IndusInd Bank   | -             | 228.88        |
| <i>Refer Note No 4</i>  |               |               |
|   | <b>231.32</b> | <b>228.88</b> |
| <b><u>SCHEDULE `4`</u></b>  |               |               |
| <b><u>UNSECURED LOANS:</u></b>  |               |               |
| From Directors  | 152.00        | 146.50        |
| From Others   | 469.77        | 397.99        |
|   | <b>621.77</b> | <b>544.49</b> |



**ARROW COATED PRODUCTS LIMITED**

**SCHEDULE ' 5'  
FIXED ASSETS**

(Rs. in Lacs)

| Particulars           | Gross Block             |               |                       |                         | Depreciation            |                   |                   |                         | Net Block               |                         |
|-----------------------|-------------------------|---------------|-----------------------|-------------------------|-------------------------|-------------------|-------------------|-------------------------|-------------------------|-------------------------|
|                       | As At<br>01.04.<br>2010 | Addit<br>ions | Sale/<br>Trans<br>fer | As At<br>31.03.<br>2011 | As At<br>01.04.<br>2010 | For the<br>Period | Ded<br>ucti<br>on | As At<br>31.03.<br>2011 | As At<br>31.03.<br>2011 | As At<br>31.03.<br>2010 |
| Factory Land          | 1.94                    | -             | -                     | 1.94                    | -                       | -                 | -                 | -                       | 1.94                    | 1.94                    |
| Factory Building      | 36.91                   | -             | -                     | 36.91                   | 22.07                   | 1.48              | -                 | 23.55                   | 13.36                   | 14.84                   |
| Office Building       | 1.34                    | -             | -                     | 1.34                    | 0.71                    | 0.03              | -                 | 0.74                    | 0.60                    | 0.62                    |
| Plant & Machinery     | 316.17                  | 7.15          | -                     | 323.32                  | 223.57                  | 13.40             | -                 | 236.97                  | 86.35                   | 92.60                   |
| Furniture & Fixture   | 36.64                   | -             | -                     | 36.64                   | 30.47                   | 1.12              | -                 | 31.59                   | 5.05                    | 6.18                    |
| Office Equipment      | 72.72                   | 2.76          | -                     | 75.48                   | 59.74                   | 3.38              | -                 | 63.12                   | 12.37                   | 12.98                   |
| Lab. Equipment        | 5.80                    | -             | -                     | 5.80                    | 3.59                    | 0.31              | -                 | 3.90                    | 1.90                    | 2.21                    |
| Electric Installation | 12.25                   | -             | 0.01                  | 12.25                   | 8.54                    | 0.55              | -                 | 9.09                    | 3.16                    | 3.71                    |
| Motor Car             | 57.76                   | -             | 5.49                  | 52.27                   | 50.29                   | 1.88              | 4.76              | 47.41                   | 4.86                    | 7.47                    |
| Patent                | 5.13                    | 38.50         | -                     | 43.63                   | 0.12                    | 2.37              | -                 | 2.49                    | 41.14                   | 5.01                    |
| <b>TOTAL</b>          | <b>546.67</b>           | <b>48.41</b>  | <b>5.50</b>           | <b>589.59</b>           | <b>399.10</b>           | <b>24.52</b>      | <b>4.76</b>       | <b>418.86</b>           | <b>170.73</b>           | <b>147.58</b>           |
| Previous Year         | 549.42                  | 6.57          | 9.33                  | 546.67                  | 379.54                  | 25.38             | 5.83              | 399.09                  | 147.58                  | -                       |

**SCHEDULE TO THE STANDALONE BALANCE SHEET**

(Rs. in Lacs)

|  | AS AT<br>31.03.2011 | AS AT<br>31.03.2010 |
|--|---------------------|---------------------|
| <b>SCHEDULE `6'</b>                    |                     |                     |
| <b>INVESTMENT At COST ( Non Trade)</b> |                     |                     |
| <i>Unquoted Govt. Securities</i>       |                     |                     |
| National Saving Certificates           | 0.05                | 0.05                |
| <i>Equity Share (Fully Paid)</i>       |                     |                     |
| Shamrao Vithal Co op Bank              |                     |                     |
| 300 Equity Shares of Rs. 25/- each     | 0.09                | 0.09                |
| 100 Equity Shares of Rs.10/- each      |                     |                     |



**ARROW COATED PRODUCTS LIMITED**

|   |               |               |
|---|---------------|---------------|
| Equity Share(Fully Paid))   |               |               |
| Arrow Coated Products(UK)Ltd 20099 Equity Shares of £1.00 each      | 16.02         | 16.02         |
| NagraID Arrow Secure card (P) Ltd 101377 shares of Rs 10 each       | 10.14         | 10.14         |
| Share Application money in NagraID Arrow Secure Card (P) Ltd        | 2.00          | -             |
| SPArrow BioPlast (P) Ltd 4600 Shares @ Rs10 Each                    | 0.46          | 0.46          |
|   | <b>28.76</b>  | <b>26.76</b>  |
| <b>SCHEDULE `7'</b>   |               |               |
| <b>INVENTORIES</b>  |               |               |
| (As taken, valued and certified by Management)                      |               |               |
| Stock in Trade  |               |               |
| (At cost or net realizable value whichever is lower)                |               |               |
| Finished Goods  | 371.98        | 352.28        |
| Raw Material  | 60.16         | 37.47         |
|   | <b>432.15</b> | <b>389.75</b> |
| <b>SCHEDULE `8'</b>   |               |               |
| <b>SUNDRY DEBTORS:</b>  |               |               |
| (Unsecured Considered Good)   |               |               |
| (i) Debts Outstanding for More than Six months                      | 469.52        | 689.90        |
| (ii) Others debts   | 43.28         | 37.47         |
|   | <b>512.81</b> | <b>720.33</b> |
| <b>SCHEDULE `9'</b>   |               |               |
| <b>CASH &amp; BANK BALANCES:</b>                                    |               |               |
| Cash on Hand  | 9.10          | 3.44          |
| Balances with Scheduled Banks:                                      |               |               |
| On Current Account  | 23.49         | 0.83          |
| On Fixed Deposit  | 18.99         | 14.15         |
| (Rs.17.32 Lacs (Prev Yr Rs. Nil ) for Bank Guarantee)               |               |               |
|   | <b>51.57</b>  | <b>18.42</b>  |
| <b>SCHEDULE `10'</b>  |               |               |
| <b>LOANS &amp; ADVANCES:</b>  |               |               |
| (Unsecured considered good)   |               |               |
| Advances recoverable in cash or in kind or for value to be received | 759.97        | 553.75        |
| Deposits  | 18.02         | 15.64         |
| Advance payment of Income Tax                                       | 46.09         | 117.88        |
| Prepaid Expenses  | 0.84          | 0.67          |
| Interest Accrued  | 0.73          | 0.78          |
|   | <b>825.65</b> | <b>688.72</b> |
| <b>SCHEDULE `11'</b>  |               |               |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                           |               |               |
| <b>Current Liabilities</b>  |               |               |
| Sundry Creditors for Goods  | 65.17         | 51.57         |
| Sundry Creditors for Expenses & Others                              | 51.30         | 33.27         |



|                           |               |               |
|---------------------------|---------------|---------------|
| Outstanding Payable       | 30.93         | 32.19         |
| Advance from Customers    | 22.95         | 15.52         |
| Unclaimed/Unpaid Dividend | 4.25          | 4.25          |
| <b>Provisions</b>         |               |               |
| Provision for Income Tax  | 32.23         | 107.85        |
|                           | <b>206.82</b> | <b>244.65</b> |
|                           |               |               |

**SCHEDULE TO THE STANDALONE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011**

(Rs. in Lacs)

|  | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|--|--------------------------|--------------------------|
| <b>SCHEDULE – 12</b>                                       |                          |                          |
| <b>SALES &amp; SERVICE</b>                                 |                          |                          |
| Sales  | 292.39                   | 213.29                   |
| Less: Excise Duty  | 23.97                    | 12.09                    |
| Consultancy Fees   | 65.90                    | -                        |
|  | <b>334.33</b>            | <b>201.20</b>            |
| <b>SCHEDULE - 13</b>                                       |                          |                          |
| <b>INTEREST RECEIVED</b>                                   |                          |                          |
| Other Interest Received<br>(TDS Rs 115.66 (P.Y. Rs 34.82)) | 11.94                    | 2.50                     |
|  | <b>11.94</b>             | 2.50                     |
| <b>SCHEDULE - 14</b>                                       |                          |                          |
| <b>OTHER INCOME</b>  |                          |                          |
| Other Income   | 2.69                     | 0.01                     |
| Excess Liabilities Written Back                            | 3.89                     | 13.94                    |
|  | <b>6.58</b>              | <b>13.95</b>             |
| <b>SCHEDULE - 15</b>                                       |                          |                          |
| <b>MATERIAL COST AND INVENTORY ADJUSTMENT</b>              |                          |                          |
| Cost of Raw Materials consumed                             |                          |                          |
| Opening stock  | 37.47                    | 46.69                    |
| Add: Purchases   | 121.37                   | 79.31                    |
| Less: Closing Stock  | 60.16                    | 37.47                    |
|  | <b>98.67</b>             | <b>88.53</b>             |
| Finished Goods Purchase                                    | 16.43                    | -                        |
|  | <b>115.10</b>            | <b>88.53</b>             |
| Inventory Adjustment:                                      |                          |                          |
| Stock at close   | 371.98                   | 352.28                   |
| Stock at commencement                                      | 352.28                   | 351.14                   |
|  | <b>(19.70)</b>           | <b>(1.14)</b>            |
| Material Consumed  | <b>95.40</b>             | <b>87.39</b>             |



**ARROW COATED PRODUCTS LIMITED**

|   |              |              |
|---|--------------|--------------|
| <b>SCHEDULE - 16</b>                        |              |              |
| <b>SALARY &amp; OTHER EMPLOYEE EXPENSES</b> |              |              |
| Staff Salaries & Bonus                      | 47.60        | 33.61        |
| Staff welfare expenses                      | 5.60         | 1.82         |
| Provident Fund, ESIC & Gratuity             | 2.96         | 2.10         |
| ESOP compensation cost                      | (7.45)       | 0.73         |
|   | <b>48.72</b> | <b>38.26</b> |
| <b>SCHEDULE - 17</b>                        |              |              |
| <b>MANUFACTURING EXPENSES</b>               |              |              |
| Factory Expenses                            | 11.10        | 10.13        |
| Workman Wages                               | 20.18        | 9.79         |
| Electricity, Fuel & Water Charges           | 45.67        | 35.44        |
| Repair & Maintenance                        | 2.78         | 2.35         |
| Freight Inward                              | 2.07         | 1.01         |
|   | <b>81.81</b> | <b>58.72</b> |
| <b>SCHEDULE - 18</b>                        |              |              |
| <b>SELLING EXPENSES</b>                     |              |              |
| Transport & Forwarding Charges              | 0.32         | 0.06         |
| Packing Charges                             | 3.76         | 3.46         |
| Commission on Sales                         | 0            | 0.25         |
| Marketing & Advertisement Expenses          | 0.71         | 2.14         |
| Bad Debts                                   | -            | 0.88         |
|   | <b>4.79</b>  | <b>6.79</b>  |
| <b>SCHEDULE - 19</b>                        |              |              |
| <b>FINANCIAL EXPENSES</b>                   |              |              |
| Bank Charges                                | 2.26         | 0.57         |
| Interest Charges                            | 32.10        | 32.30        |
|   | <b>34.37</b> | <b>32.87</b> |
| <b>SCHEDULE - 20</b>                        |              |              |
| <b>OTHER ADMINISTRATIVE EXPENSES</b>        |              |              |
| Electricity Charges                         | 1.43         | 2.23         |
| Legal & Professional Charges                | 23.23        | 14.33        |
| Patent Charges                              | 3.10         | 1.52         |
| Audit Fees ( Including Tax Audit)           | 2.37         | 2.37         |
| Repairs to others                           | 2.59         | 1.30         |
| Insurance Charges                           | 0.97         | 1.34         |
| Postage & Telephone                         | 9.25         | 7.32         |
| Printing & Stationery                       | 2.53         | 1.63         |
| Conveyance & Travelling Exp.                | 16.78        | 15.79        |
| Foreign Exchange Gain / (Loss)              | 2.56         | (1.77)       |
| Miscellaneous Expenses                      | 8.85         | 2.49         |
|   | <b>73.67</b> | <b>48.55</b> |

**SCHEDULE: 21**

**NOTES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH-2011.**

**A) SIGNIFICANT ACCOUNTING POLICIES:**

**I. Basis Of Accounting:**

The financial statement have been prepared on the basis of going concern, under historic cost convention, to comply in all material aspect with applicable accounting principles in India, the Accounting standards issued by the ICAI (except as 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 to The Companies Act 1956. Additions during the Year are depreciated on pro-rata basis. Leasehold land is shown at cost and no write offs are made in respect thereof.

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

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

**III. Investments:**

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

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

**IV. Prior Period Adjustments:**

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

**V. Inventories:**

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

**VI. Revenue Recognition:**

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



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

**VII. Deferred Revenue Expenditure:**

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

**VIII. Retirement Benefits:**

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

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

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

**IX. Borrowing Cost:**

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

**X. Foreign Currency Transactions:**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. At the 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; Investments in shares of foreign subsidiary companies are expressed in Indian currency at the rates of exchange prevailing at the time when the original investments were made.

**XI. Accounting For Taxes On Income:**

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

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

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

**XII. Expenditure During Construction And On New Projects:**

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

**XIII. Provisions, Contingent Liabilities and Contingent Assets:**

A provision is made based on reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Contingent Liabilities, if





**ARROW COATED PRODUCTS LIMITED**

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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 31<sup>ST</sup> MARCH 2011.**

- 1) Estimated amount of contracts remaining to be executed on Capital Accounts for Rs. NIL (Previous Year Rs. 10.00Lacs).-
- 2) Balances of Sundry Debtors, Sundry Creditors, Deposits, Loans and Advances are subjected to reconciliation and confirmation, necessary adjustment if required, will be made after reconciliation. The management does not expect any material difference affecting the current year's financial statements.
- 3) Contingent liabilities not provided for are:  
Sales Tax amounting to Rs. 108.29 lacs (Prev.yr. Rs 35.75 Lacs)  
Income Tax Rs. 9.83 lacs (Prev.yr. Rs.9.83 Lacs)  
Buy back of Machine Rs. 189.28 Lacs (Prev.yr. Rs 296.06 Lacs)
- 4) During previous year Cash Credit from IndusInd Bank of Rs. 228.88 Lacs was secured by hypothecation of inventory, book Debts and other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleshwar and other Fixed Asset of Company at various location and office premises in Mumbai of Arrow Convertors Pvt Ltd and during current year it was converted into term loan of Rs. 231.32 Lacs with additional corporate guarantee of M/s Arrow Convertors Pvt Ltd and also personal guarantee of Mr. Shilpan Patel.
- 5) During the year Board of Directors have decided to surrender the proposed Unit at Sachin, Surat (SEZ unit) for which company had received a sum of Rs 4.84 lacs against the deposit towards land & Building (capital work in progress) and a sum of Rs 2.60 lacs which was incurred for factory building & maintenance was not recoverable.
- 6) In the opinion of the Board and to the best of their knowledge and belief all the Current Assets, Loans and Advances have value on realisation at least of an amount at which they are stated in Balance Sheet.
- 7) The Company does not possess information as to which of its suppliers are covered under micro, small and medium Enterprise Development Act, 2006. However, the company is regular in making payment to its suppliers and has not received any claim in respect of interest for delayed payment.
- 8) Advances recoverable in cash or in kind or value to be received (Schedule 10) include
  - a) Due from subsidiary company – Rs. 0.70 Lacs (prev. yr. Rs. Nil) to NagraID Arrow Secure Card Pvt Ltd
  - b) Due from the associate company – Rs. 8.49 Lacs (prev. yr Rs.10.89 Lacs) to SP Arrow Bio Plast Ltd
- 9) Sundry Debtors include
  - a) Due from subsidiary company – Rs. NIL Lacs (prev. yr. Rs. 2.07 Lacs) Arrow Coated Products (UK) Ltd
  - b) Due from the company where director/relative is interested - Rs. NIL (prev. yr. Rs 0.03 Lacs) Arrow Digital Pvt. Ltd.
  - c) Due from the associate company – Rs. (0.08) Lacs (prev yr Rs 0.15lacs) S.P. Arrow – Bio Plast Pvt Ltd



***ARROW COATED PRODUCTS LIMITED***

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- 10) For the purpose of distribution of dividend, separate bank account for each year is opened. The balance in this bank account represents the unclaimed /unpaid dividend warrants of the respective years. Unpaid dividends are subject to reconciliation.
- 11) As the company's business activity, in the opinion of the management, falls within single primary segment printing products and packaging material , which are subject to the same risks and returns, the disclosure requirement of Accounting Standard (AS)-17 "Segment Reporting" issued by the Institute Of Chartered Accountant of India are, in the opinion of the management, not applicable.
- 12) Related Party Disclosure as required by Accounting Standard 18 of the Institute of Chartered Accountants of India. Related parties as defined under clause 3 of the Accounting standard have been identified on the basis of representation made by management.

**A. List of related parties:**

- I. *Entities where control exists:*  
Arrow Coated Products (U.K.) Ltd. (Subsidiary Company)  
NagraID Arrow Secure Cards Pvt. Ltd. (Subsidiary Company)  
SP Arrow Bio - Plast Pvt. Ltd. (Associate Company)
- II. *Key Management Personnel:*  
*Mr. Shilpan P. Patel – Chairman / Managing Director*
- III. *Relatives of Directors:*  
Mr. Rishil S Patel  
Mrs. Jigisha S Patel  
Mr. Neil Patel
- IV. *Entities in which Directors or Their Relatives Have Control/Significant Influence:*  
Arrow Convertors Pvt. Ltd.  
Grace Paper Industries Private Limited.  
Jayna Packaging Private Limited.  
Arrow Digital Private Limited.  
Arrow Agri-Tech Private Limited  
Avery Bio – Tech Private Limited



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

(Rs. in Lacs)

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

(Previous Year Figures are in Bracket)

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

(Rs. in Lacs)

|  | <b>31.03.2011</b> | <b>31.03.2010</b> |
|--|-------------------|-------------------|
| Profit as per profit & loss Account<br>(After tax & extraordinary items)     | (13.88)           | (87.56)           |
| Weighted average number of shares used in computing earning per equity share |                   |                   |
| For Basic EPS  | 53,08,208         | 53,03,973         |
| For Diluted EPS  | 53,08,208         | 53,03,973         |
| Basic earning per share (Rs.)  | (0.26)            | (1.65)            |
| Diluted earning per share (Rs.)<br>(on nominal value of Rs.10/- per share)   | (0.26)            | (1.65)            |

- 14) Accounting For Tax On Income:

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

(Rs. in Lacs)

|                                     | <b>31.03.2011</b> | <b>31.03.2010</b> |
|-------------------------------------|-------------------|-------------------|
| Disallowance u/s 43B                | 1.20              | 0.69              |
| Depreciation                        | (4.57)            | (3.21)            |
| Net Deferred Tax Assets/(Liability) | (3.36)            | (2.52)            |



**ARROW COATED PRODUCTS LIMITED**

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

19) Auditors Remuneration:

(Rs. in Lacs)

|                               | 31.03.2011 | 31.03.2010 |
|-------------------------------|------------|------------|
| Audit Fees                    | 1.65       | 1.65       |
| Tax Audit Fees                | 0.72       | 0.72       |
| Taxation Matters              | 0.39       | 0.39       |
| Certification & Other Matters | 0.33       | 0.71       |
| Total                         | 3.09       | 3.47       |

- 20) The company based on its accounting policies followed, does not consider it necessary to provide for diminution in value of investment in subsidiary company.
- 21) A sum of Rs 36.94 lacs is being carried as share application money, received as subscription money for allotment of shares upon conversion of warrants, but inadvertently, shares not allotted pertaining to financial year 2008-2009.
- 22) The Honourable High Court of Bombay has sanctioned for reduction of share capital under sec 100 to 103 vide its order datd. 18<sup>th</sup> January 2010 and for which company has received confirmation from registrar of companies Dated 19th day of June 2010 Pursuant to the said order, the Equity Share Capital of the Company as at 31<sup>st</sup> March 2009 of Rs. 5,30,60,980 divided into 53,06,098 equity shares of Rs 10 each reduced by Rs. 1,65,000 divided into 16,500 equity shares of Rs.10 each to Rs. 5,28,95,980 divided into 52,89,598 equity shares of Rs 10 each as at 31<sup>st</sup> March 2010 and the Share Premium of Rs.6,60,000/- for the previous year has been reduced on 16500 equity shares at the rate of Rs. 40 per equity share. Honourable High court has directed the Company to repay the amount of Share Capital along with Share Premium.
- 23) The Employee Stock Options outstanding as at 31<sup>st</sup> March 2011 were 1,45,300 (prev. yr. 2,33,900). During the year 28,000 options have lapsed and also during the year 60,600 options have been exercise @ Rs.10 per Share as per the weighted-average exercise price is Rs.10/- & weighted average fair value of options is Rs. 2.67/-



**ARROW COATED PRODUCTS LIMITED**

24) The company has not furnished additional information except given here under pursuant to part II of schedule VI to the companies' act 1956.

(Rs. in Lacs)

|   | 31.3.2011 | 31.3.2010 |
|---|-----------|-----------|
| <b>Earning in Foreign Currency</b>        |           |           |
| Export sales (FOB)                        | 16.40     | 17.52     |
| Consultancy Fees                          | 65.90     | -         |
| <b>Expenditure in Foreign Currency</b>    |           |           |
| Foreign Currency Spent (Import CIF Value) | 0.83      | -         |
| Travelling Expenses                       | 2.92      | 5.43      |
| Patent Fees                               | 1.16      | 1.44      |

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

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

(Rs. In Lacs)

| Name of Company / Firms                               | Relationship | Amount Outstanding   | Max. Amount Outstanding |
|---|--------------|----------------------|-------------------------|
| NagraID Arrow Secure Cards Pvt Ltd<br>(Previous year) | Subsidiary   | Rs. 0.69<br>Rs. Nil  | Rs. 0.69<br>Rs. Nil     |
| SP Arrow Bio – Plast Pvt. Ltd<br>(Previous year)      | Associate    | Rs.08.49<br>Rs.10.89 | Rs.10.89<br>Rs.13.39    |

26) Previous year's 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  
Place: Mumbai  
Date: 19<sup>th</sup> May, 2011

**Managing**  
Director                      Director

**Auditors Report on the Consolidated Financial Statements of Arrow Coated Products Limited, its Subsidiaries and Associate (Arrow Group)**

**To,  
The Board of Directors of  
Arrow Coated Products Limited**

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



**ARROW COATED PRODUCTS LIMITED**

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on the basis of the separate audited financial statements of Arrow Coated Products Limited ,its subsidiaries and associate included in the consolidated financial statements.

8. On the basis of the information and explanation given to us and on consideration of the other financial information of the components and accounts approved by the Board of Directors as explained in paragraph 3 & 4 above and audit report on the individual financial statements of the Arrow Coated Products Limited ,its subsidiaries and its associate, in our opinion, subject to paragraph 5 and 6 above the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:
- i) In the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the Arrow Group as at 31st March,2011;
  - ii) In the case of the Consolidated Profit and Loss Account, of the Loss of Arrow Group for the year ended on that date; and
  - iii) In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Arrow Group for the year ended on that date.

For J.A.Rajani & Co.  
Chartered Accountants

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

Place: Mumbai  
Date: 19<sup>th</sup> May, 2011.

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

(Rs. in Lacs)

|   | SCH. | AS AT          | AS AT          |
|---|------|----------------|----------------|
|   |      | 31.03.2011     | 31.03.2010     |
| <b><u>SOURCES OF FUND</u></b>                       |      |                |                |
| <b>Shareholders' Fund</b>                           |      |                |                |
| Share Capital                                       | 1    | 535.02         | 528.96         |
| Share Application Money                             |      | 54.08          | 42.69          |
| Employee Stock Option Outstanding                   |      | 38.65          | 62.22          |
| Reserves & Surplus                                  | 2    | 441.98         | 451.17         |
|   |      | <b>1069.72</b> | <b>1085.04</b> |
| <b>Loan Funds</b>                                   |      |                |                |
| Secured Loans                                       | 3    | 231.32         | 228.88         |
| Unsecured Loans                                     | 4    | 665.76         | 584.91         |
|   |      | <b>897.08</b>  | <b>813.79</b>  |
| <b>Minority Interest</b>                            |      | (7.62)         | (1.65)         |
| <b>Deferred Tax Liability</b>                       |      | 3.36           | 2.51           |
| <b>TOTAL</b>  |      | <b>1962.55</b> | <b>1899.69</b> |
| <b><u>APPLICATION OF FUNDS</u></b>                  |      |                |                |
| <b>Fixed Assets</b>                                 |      |                |                |
| Gross Block   | 5    | 594.54         | 549.84         |
| Less Depreciation                                   |      | 419.72         | 399.85         |
| Net Block   |      | 174.81         | 149.99         |
| Patents Applications                                |      | 125.77         | 119.06         |
| Goodwill on consolidation                           |      | 11.46          | 11.46          |
| Capital Work in Progress                            |      | -              | 8.22           |
| <b>Investment : (At Cost )</b>                      | 6    | (4.61)         | 1.68           |
| <b>Current Assets, Loans &amp; Advances</b>         |      |                |                |
| Inventories   | 7    | 436.89         | 394.18         |
| Sundry Debtors                                      | 8    | 512.81         | 720.33         |
| Cash & Bank Balances                                | 9    | 65.51          | 54.92          |
| Loans & Advances                                    | 10   | 841.14         | 679.69         |
|   |      | 1856.34        | 1849.12        |
| Less: Current Liabilities & Provisions              | 11   | 210.51         | 246.62         |
| <b>Net Current Assets</b>                           |      | 1645.83        | 1602.51        |
| Deferred Revenue Expenses                           |      | 9.29           | 6.77           |
| <b>TOTAL</b>  |      | <b>1962.55</b> | <b>1899.69</b> |
| Notes to Accounts & Significant Accounting Policies | 21   |                |                |





**ARROW COATED PRODUCTS LIMITED**

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011**  
(Rs. in Lacs)

|   | Sch. | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|---|------|--------------------------|--------------------------|
| <b>INCOME</b>                                       |      |                          |                          |
| Sales & Service                                     | 12   | 334.32                   | 202.47                   |
| Interest Received                                   | 13   | 12.13                    | 3.11                     |
| Other Income  | 14   | 6.66                     | 13.95                    |
| <b>Total</b>  |      | <b>353.12</b>            | <b>219.53</b>            |
| <b>EXPENDITURE</b>                                  |      |                          |                          |
| Material Cost & Inventory Adjustments               | 15   | 95.51                    | 87.80                    |
| Salary & Other Employee Expenses                    | 16   | 53.92                    | 44.67                    |
| Manufacturing Expenses                              | 17   | 81.81                    | 58.72                    |
| Selling Expenses                                    | 18   | 4.79                     | 6.92                     |
| Managerial Remuneration                             |      | -                        | -                        |
| Financial Charges                                   | 19   | 34.48                    | 32.99                    |
| Other Administrative Expenses                       | 20   | 83.43                    | 53.15                    |
| Preliminary exps w/off                              |      | 0.24                     | 0.24                     |
| <b>Total</b>  |      | <b>354.18</b>            | <b>284.50</b>            |
| <b>Profit Before Depreciation</b>                   |      | <b>(1.07)</b>            | <b>(64.97)</b>           |
| Less : Depreciation                                 |      | 24.62                    | 25.50                    |
| <b>Profit Before Prior Period Items</b>             |      | <b>(25.69)</b>           | <b>(90.47)</b>           |
| Less : Prior Period Expenses                        |      | -                        | 0.47                     |
| <b>Profit Before Exceptional Items</b>              |      | <b>(25.69)</b>           | <b>(90.94)</b>           |
| Less : Exceptional Items                            |      | 2.60                     | -                        |
| <b>Profit before Tax</b>                            |      | <b>(28.29)</b>           | <b>(90.94)</b>           |
| Current tax   |      | -                        | -                        |
| Deferred Tax  |      | 0.85                     | <b>6.97</b>              |
| <b>Profit After Tax</b>                             |      | <b>(29.14)</b>           | <b>(97.90)</b>           |
| <b>Add: Share of Loss in Associates</b>             |      | <b>(3.89)</b>            | <b>(1.53)</b>            |
| <b>Less : Share of Minorities</b>                   |      | <b>(5.97)</b>            | <b>(3.91)</b>            |
|   |      | <b>(27.06)</b>           | <b>(95.52)</b>           |
| Balance Brought Forward                             |      | 131.78                   | 227.30                   |
| Tax & Dividend Adjustment                           |      | (1.83)                   | -                        |
| <b>Amount Available For Appropriation</b>           |      | <b>106.54</b>            | <b>131.78</b>            |
| <b>Appropriations</b>                               |      |                          |                          |
| <b>Balance carried to Balance sheet</b>             |      | <b>106.54</b>            | <b>131.78</b>            |
| Earning Per Share (Basic) Rs.                       |      | (0.51)                   | (1.80)                   |
| Earning Per Share (Diluted) Rs.                     |      | (0.51)                   | (1.80)                   |
| Notes to Accounts & Significant Accounting Policies | 21   |                          |                          |



**ARROW COATED PRODUCTS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31ST MARCH 2011**

(Rs. in Lacs)

|   | <b>31.03.2011</b> | <b>31.03.2010</b> |
|---|-------------------|-------------------|
| <b>A Cash Flow from Operating Activities</b>          |                   |                   |
| Net Profit before Tax & Prior Period Items            | (28.29)           | (90.47)           |
| Adjustment for  |                   |                   |
| Depreciation  | 24.62             | 25.50             |
| Profit / Loss on sale of Fixed Asset                  | (0.17)            | 1.81              |
| Bad Debts / Balance                                   | -                 | 0.95              |
| ESOP Amortization & other                             | (7.21)            | 0.97              |
| Other Income  | (6.48)            | (13.94)           |
| Interest Income                                       | (12.13)           | (3.11)            |
| Dividend Income                                       | (0.01)            | (0.01)            |
| Interest Expenses                                     | 34.48             | 32.99             |
| Exceptional item                                      | 2.60              | (0.47)            |
| Operating Profit before Working Capital Changes       | <b>7.42</b>       | <b>(45.77)</b>    |
| Adjustment for  |                   |                   |
| Trade & Other Receivables                             | 207.52            | 360.83            |
| Inventories   | (42.71)           | 8.49              |
| Loans & Advances                                      | (161.46)          | (292.49)          |
| Trade Payables  | (29.47)           | (61.44)           |
| Net Cash used in Operation                            | <b>(18.70)</b>    | <b>(30.38)</b>    |
| <b>B Cash Flow from Investing Activities</b>          |                   |                   |
| Purchase of Fixed Assets/Patent                       | (47.77)           | (40.00)           |
| Investment  | 1.50              | (4.15)            |
| Interest Income                                       | 12.13             | 3.11              |
| Net Cash from Investing Activities                    | <b>(34.14)</b>    | <b>(41.04)</b>    |
| <b>C Cash Flow from Financing Activities</b>          |                   |                   |
| Loans   | 83.29             | 60.02             |
| Increase in Share Capital                             | 17.44             | (2.04)            |
| Currency Fluctuation Reserve                          | (0.07)            | 0.83              |
| Interest and Finance cost                             | (34.48)           | (32.99)           |
| Dividend Paid   | -                 | (0.01)            |
| Rights Issue Expenses                                 | (2.76)            | 5.08              |
| Net Cash from Financing Activities                    | <b>63.42</b>      | <b>30.89</b>      |
| <b>Net Increase in Cash &amp; Cash Equivalents</b>    | <b>10.59</b>      | <b>(40.52)</b>    |
| <b>Opening Balance of Cash &amp; Cash Equivalents</b> | <b>54.92</b>      | <b>95.45</b>      |
| <b>Closing Balance of Cash &amp; Cash Equivalents</b> | <b>65.51</b>      | <b>54.92</b>      |

As Per our report of even date.

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

Chartered Accountants

**P. J. Rajani**

Proprietor

Place : Mumbai

Date: 19th May, 2011.

**For and on behalf of the Board**

**Managing**

**Director**

**Director**

## SCHEDULE TO THE CONSOLIDATED BALANCE SHEET

|   | AS AT         | AS AT         |
|---|---------------|---------------|
|   | 31.03.2011    | 31.03.2010    |
|   | (Rs. in Lacs) | (Rs. in Lacs) |
| <b><u>SCHEDULE `1'</u></b>  |               |               |
| <b><u>SHARE CAPITAL</u></b>   |               |               |
| <b>Authorised Capital :</b>   |               |               |
| 1,20,00,000(P.Y. 1,20,00,000) Equity Shares of Rs.10/- each                       | 1200.00       | 1200.00       |
| <b>Issued &amp; Subscribed Capital</b>  |               |               |
| 53,50,198 ( P. Y. 52,89,598 Equity Shares) of Rs. 10/- each<br>(Refer note no.20) | 535.02        | 528.96        |
| Fully paid up   |               |               |
|   | <b>535.02</b> | <b>528.96</b> |
| <b><u>SCHEDULE `2'</u></b>  |               |               |
| <b><u>RESERVES &amp; SURPLUS</u></b>  |               |               |
| General Reserve   | 2.00          | 2.00          |
| Profit & Loss account   | 106.54        | 131.78        |
| Currency Fluctuation reserve on consolidation                                     | 1.96          | 2.03          |
| Capital Reserve   | 39.49         | 39.49         |
| Share Premium   |               |               |
| Balance at beginning of the year  | 275.87        | 282.47        |
| Less : Share Premium on Capital Reduction   | -             | (6.60)        |
| Add : Share Premium on ESOP   | 16.12         | -             |
|   | 291.99        | 275.87        |
|   | <b>441.98</b> | <b>451.17</b> |
| <b><u>SCHEDULE `3'</u></b>  |               |               |
| <b><u>SECURED LOANS:</u></b>  |               |               |
| Term Loan IndusInd Bank, Mumbai Main Branch                                       | 231.32        | -             |
| Cash Credit IndusInd Bank   | -             | 228.88        |
| <i>Refer Note No 4</i>  |               |               |
|   | <b>231.32</b> | <b>228.88</b> |
| <b><u>SCHEDULE `4'</u></b>  |               |               |
| <b><u>UNSECURED LOANS:</u></b>  |               |               |
| From Directors  | 158.53        | 151.93        |
| From Others   | 507.23        | 432.98        |
|   | <b>665.76</b> | <b>584.91</b> |



**ARROW COATED PRODUCTS LIMITED**

**SCHEDULE ' 5'  
FIXED ASSETS**

(Rs. in Lacs)

| Particulars           | Gross Block       |              |                |                   | Depreciation      |                |             |                   | Net Block         |                   |
|-----------------------|-------------------|--------------|----------------|-------------------|-------------------|----------------|-------------|-------------------|-------------------|-------------------|
|                       | As At 01.04. 2010 | Additions    | Sale/ Transfer | As At 31.03. 2011 | As At 01.04. 2010 | For the Period | Deduction   | As At 31.03. 2011 | As At 31.03. 2011 | As At 31.03. 2010 |
| Factory Land          | 1.94              | -            | -              | 1.94              | -                 | -              | -           | -                 | 1.94              | 1.94              |
| Factory Building      | 36.91             | -            | -              | 36.91             | 22.07             | 148.00         | -           | 23.55             | 13.36             | 14.84             |
| Office Building       | 1.34              | -            | -              | 1.34              | 0.71              | 3.00           | -           | 0.74              | 0.60              | 0.62              |
| Plant & Machinery     | 316.17            | 7.15         | -              | 323.32            | 223.57            | 1,340.00       | -           | 236.97            | 86.35             | 92.60             |
| Furniture & Fixture   | 36.64             | -            | -              | 36.64             | 30.47             | 112.00         | -           | 31.59             | 5.05              | 6.18              |
| Office Equipment      | 74.04             | 2.76         | -              | 76.80             | 60.49             | 348.05         | -           | 63.97             | 12.83             | 13.55             |
| Lab. Equipment        | 5.79              | -            | -              | 5.79              | 3.59              | 31.00          | -           | 3.90              | 1.89              | 2.20              |
| Electric Installation | 12.25             | -            | 0.01           | 12.25             | 8.54              | 55.00          | -           | 9.09              | 3.16              | 3.71              |
| Motor Car             | 57.76             | -            | 5.49           | 52.27             | 50.29             | 188.00         | 4.76        | 47.41             | 4.86              | 7.47              |
| Patent                | 6.99              | 40.27        | -              | 47.26             | 0.12              | 237.00         | -           | 2.49              | 44.77             | 6.87              |
| <b>TOTAL</b>          | <b>549.84</b>     | <b>50.18</b> | <b>5.50</b>    | <b>594.54</b>     | <b>399.85</b>     | <b>2462.05</b> | <b>4.76</b> | <b>419.72</b>     | <b>174.82</b>     | <b>150.00</b>     |
| Previous Year         | 550.73            | 8.44         | 9.33           | 549.85            | 380.17            | 2550.14        | 5.83        | 399.85            | 150.00            | -                 |

**SCHEDULE TO THE CONSOLIDATED BALANCE SHEET**

(Rs. In Lacs)

|  | AS AT 31.03.2011 | AS AT 31.03.2010 |
|--|------------------|------------------|
| <b>SCHEDULE '6'</b>  |                  |                  |
| <b>INVESTMENT At COST ( Non Trade)</b>                         |                  |                  |
| <i>Unquoted Govt. Securities</i>                               |                  |                  |
| National Saving Certificates                                   | 0.05             | 0.05             |
| <i>Equity Share (Fully Paid)</i>                               |                  |                  |
| Shamrao Vithal Co op Bank (300 Equity Shares of Rs. 25/- each) | 0.09             | 0.09             |
| Investment in Associate  |                  |                  |
| SPArrow BioPlast (P) Ltd 4600 Shares @ Rs10 Each               | 0.46             | 0.46             |
| Carrying amount of investment                                  |                  |                  |
| Advance to Associate   | 8.49             | 10.89            |
| Accumulated Share of Profit/(Loss)                             | (13.70)          | (9.81)           |
|  | <b>(4.61)</b>    | <b>1.68</b>      |



**ARROW COATED PRODUCTS LIMITED**

|   |               |               |
|---|---------------|---------------|
| <b>SCHEDULE `7'</b>   |               |               |
| <b>INVENTORIES</b>  |               |               |
| (As taken, valued and certified by Management)                      |               |               |
| Stock in Trade  |               |               |
| (At cost or net realizable value whichever is lower)                |               |               |
| Finished Goods  | 376.73        | 356.71        |
| Raw Material  | 60.16         | 37.47         |
|   | <b>436.89</b> | <b>394.18</b> |
| <b>SCHEDULE `8'</b>   |               |               |
| <b>SUNDRY DEBTORS:</b>  |               |               |
| (Unsecured Considered Good)   |               |               |
| (i) Debts Outstanding for More than Six months                      | 469.52        | 687.84        |
| (ii) Others debts   | 43.28         | 32.49         |
|   | <b>512.81</b> | <b>720.33</b> |
| <b>SCHEDULE `9'</b>   |               |               |
| <b>CASH &amp; BANK BALANCES:</b>                                    |               |               |
| Cash on Hand  | 10.15         | 4.42          |
| Balances with Scheduled Banks:                                      |               |               |
| On Current Account  | 27.04         | 32.51         |
| On Fixed Deposit  | 28.32         | 17.99         |
| (Rs.17.32 Lacs (Prev Yr Rs. Nil ) for Bank Guarantee)               |               |               |
|   | <b>65.51</b>  | <b>54.92</b>  |
| <b>SCHEDULE `10'</b>  |               |               |
| <b>LOANS &amp; ADVANCES:</b>  |               |               |
| (Unsecured considered good)   |               |               |
| Advances recoverable in cash or in kind or for value to be received | 774.80        | 544.22        |
| Deposits  | 18.26         | 15.87         |
| Advance payment of Income Tax                                       | 46.39         | 118.14        |
| Prepaid Expenses  | 0.84          | 0.67          |
| Interest Accrued  | 0.84          | 0.78          |
|   | <b>841.14</b> | <b>679.68</b> |
| <b>SCHEDULE `11'</b>  |               |               |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>                           |               |               |
| <b><i>Current Liabilities</i></b>                                   |               |               |
| Sundry Creditors for Goods  | 65.17         | 51.57         |
| Sundry Creditors for Expenses & Others                              | 54.91         | 35.23         |
| Outstanding Payable   | 31.00         | 32.19         |
| Advance from Customers  | 22.95         | 15.52         |
| Unclaimed/Unpaid Dividend   | 4.25          | 4.25          |
| <b><i>Provisions</i></b>  |               |               |
| Provision for Income Tax  | 32.24         | 107.86        |
|   | <b>210.51</b> | <b>246.62</b> |



**SCHEDULE TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH 2011** (Rs. in Lacs)

|  | Year Ended<br>31.03.2011 | Year Ended<br>31.03.2010 |
|--|--------------------------|--------------------------|
| <b>SCHEDULE - 12</b>                                       |                          |                          |
| <b>SALES &amp; SERVICE</b>                                 |                          |                          |
| Sales  | 292.39                   | 214.56                   |
| Less: Excise Duty  | 23.97                    | 12.09                    |
| Consultancy Fees   | 65.90                    | -                        |
|  | <b>334.32</b>            | <b>202.47</b>            |
| <b>SCHEDULE - 13</b>                                       |                          |                          |
| <b>INTEREST RECEIVED</b>                                   |                          |                          |
| Other Interest Received<br>(TDS Rs 122.05 (P.Y. Rs 61.62)) | 12.13                    | 3.11                     |
|  | <b>12.13</b>             | 3.11                     |
| <b>SCHEDULE - 14</b>                                       |                          |                          |
| <b>OTHER INCOME</b>  |                          |                          |
| Miscellaneous Income                                       | 2.77                     | 0.01                     |
| Balance Written Off  | 3.89                     | 13.94                    |
|  | <b>6.66</b>              | <b>13.95</b>             |
| <b>SCHEDULE - 15</b>                                       |                          |                          |
| <b>MATERIAL COST AND INVENTORY ADJUSTMENT</b>              |                          |                          |
| Cost of Raw Materials consumed                             |                          |                          |
| Opening stock  | 37.47                    | 46.69                    |
| Add: Purchases   | 121.37                   | 79.31                    |
| Less: Closing Stock  | 60.16                    | 37.47                    |
|  | <b>98.68</b>             | <b>88.53</b>             |
| Finished Goods Purchase                                    | 16.43                    | -                        |
|  | <b>115.11</b>            | <b>88.53</b>             |
| Inventory Adjustment:                                      |                          |                          |
| Stock at close   | 376.72                   | 356.71                   |
| Stock at commencement                                      | 357.12                   | 355.98                   |
|  | <b>(19.60)</b>           | <b>(0.73)</b>            |
| Material Consumed  | <b>95.51</b>             | <b>87.80</b>             |
| <b>SCHEDULE - 16</b>                                       |                          |                          |
| <b>SALARY &amp; OTHER EMPLOYEE EXPENSES</b>                |                          |                          |
| Staff Salaries & Bonus                                     | 52.78                    | 40.01                    |
| Staff welfare expenses                                     | 5.63                     | 1.83                     |
| Provident Fund, ESIC & Gratuity                            | 2.96                     | 2.10                     |
| ESOP compensation cost                                     | (7.45)                   | 0.73                     |
|  | <b>53.92</b>             | <b>44.67</b>             |



**ARROW COATED PRODUCTS LIMITED**

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| <b>SCHEDULE - 17</b>                 |              |              |
| <b>MANUFACTURING EXPENSES</b>        |              |              |
| Factory Expenses                     | 11.10        | 10.13        |
| Workman Wages                        | 20.18        | 9.79         |
| Electricity, Fuel & Water Charges    | 45.67        | 35.44        |
| Repair & Maintenance                 | 2.78         | 2.35         |
| Freight Inward                       | 2.07         | 1.01         |
|                                      | <b>81.81</b> | <b>58.72</b> |
| <b>SCHEDULE - 18</b>                 |              |              |
| <b>SELLING EXPENSES</b>              |              |              |
| Transport & Forwarding Charges       | 0.32         | 0.06         |
| Packing Charges                      | 3.76         | 3.46         |
| Commission on Sales                  | 0.00         | 0.25         |
| Marketing & Advertisement Expenses   | 0.71         | 2.20         |
| Bad Debts                            | 0.00         | 0.95         |
|                                      | <b>4.79</b>  | <b>6.92</b>  |
| <b>SCHEDULE - 19</b>                 |              |              |
| <b>FINANCIAL EXPENSES</b>            |              |              |
| Bank Charges                         | 2.38         | 0.69         |
| Interest Charges                     | 32.10        | 32.30        |
|                                      | <b>34.48</b> | <b>32.99</b> |
| <b>SCHEDULE - 20</b>                 |              |              |
| <b>OTHER ADMINISTRATIVE EXPENSES</b> |              |              |
| Electricity Charges                  | 1.43         | 2.23         |
| Rent, Rates & Taxes                  | 1.45         | 1.54         |
| Legal & Professional Charges         | 25.38        | 15.47        |
| Patent Charges                       | 5.01         | 2.61         |
| Audit Fees ( Including Tax Audit)    | 2.45         | 2.45         |
| Repairs to others                    | 2.59         | 1.30         |
| Insurance Charges                    | 0.97         | 1.34         |
| Postage & Telephone                  | 9.38         | 7.38         |
| Printing & Stationery                | 2.76         | 1.72         |
| Conveyance & Travelling Exp.         | 19.56        | 16.38        |
| Foreign Exchange Gain / (Loss)       | 2.70         | (1.77)       |
| Advertising                          | 0.81         | 0.00         |
| Miscellaneous Expenses               | 8.95         | 2.50         |
|                                      | <b>83.43</b> | <b>53.15</b> |
|                                      |              |              |



**SCHEDULE: 21**

**NOTES ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH -2011.**

**Basis of Consolidation:**

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

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

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

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

**A) SIGNIFICANT ACCOUNTING POLICIES:**

**1) 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.

**2) 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.

Cost relating to Patents is written off over the remaining useful life from the day of Grant, except in case of Advance IP Technologies limited where cost of Patents has not been written off.

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

**3) 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

**4) 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.

**5) Inventories:**

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

**6) Revenue Recognition:**

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

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

**7) Deferred Revenue Expenditure:**

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

**8) 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.

**9) 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.

**10) Foreign Currency Transactions:**

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. At the year-end monetary items denominated in foreign currencies are



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

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

**11) Accounting For Taxes On Income:**

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

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

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

**12) 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.

**13) 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 CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2011.**

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

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



**ARROW COATED PRODUCTS LIMITED**

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- 3) Contingent liabilities not provided for are:  
Sales Tax amounting to Rs.108.29 Lacs (Prev. yr. Rs 35.75 Lacs)  
Income Tax Rs. 9.83 Lacs (Prev. Yr. Rs. 9.83 Lacs)  
Buy back of Machine Rs. 189.28 Lacs (Prev yr Rs 296.06 Lacs)
- 4) During previous year Cash Credit from IndusInd Bank of Rs. 228.88 Lacs was secured by hypothecation of inventory, book Debts and other current assets and first mortgage and / or hypothecation of Factory Plant at Ankleshwar and other Fixed Asset of Company at various location and office premises in Mumbai of Arrow Convertors Pvt Ltd and during current year it was converted into term loan of Rs. 231.32 Lacs with additional corporate guarantee of M/s Arrow Convertors Pvt Ltd and also personal guarantee of Mr. Shilpan Patel.
- 5) During the year Board of Directors have decided to surrender the proposed Unit at Sachin, Surat (SEZ unit) for which company had received a sum of Rs 4.84 lacs against the deposit towards land & Building (capital work in progress) and a sum of Rs 2.60 lacs which was incurred for factory building & maintenance was not recoverable.
- 6) In the opinion of the Board and to the best of their knowledge and belief all the Current Assets, Loans and Advances have value on realisation at least of an amount at which they are stated in Balance Sheet.
- 7) The Company does not possess information as to which of its suppliers are covered under micro, small and medium Enterprise Development Act, 2006. However, the company is regular in making payment to its suppliers and has not received any claim in respect of interest for delayed payment.
- 8) Advances recoverable in cash or in kind or value to be received (Schedule 10) include Rs. 8.49 Lacs. (prev. yr. Rs 10.89 Lacs) to S. P. Arrow Bio Plast Ltd. - Associate Company
- 9) Sundry Debtors include due from the company where director/relative is interested.
  - a) Arrow Digital pvt. Ltd. Rs. Nil (prev. yr. Rs. 0.03 Lacs)
  - b) Due from the associate company – S.P. Arrow – Bio Plast Pvt. Ltd. (0.08) Lacs (prev yr Rs. 0.15 Lacs)
- 10) For the purpose of distribution of dividend, separate bank account for each year is opened. The balance in this bank account represents the unclaimed /unpaid dividend warrants of the respective years. Unpaid dividends are subject to reconciliation.
- 11) As the company's business activity, in the opinion of the management, falls within single primary segment printing products and packaging material, which are subject to the same risks and returns, the disclosure requirement of Accounting Standard (AS)-17 "Segment Reporting" issued by the Institute Of Chartered Accountant of India are, in the opinion of the management, not applicable.
- 12) Related Party Disclosure as required by Accounting Standard 18 of the Institute of Chartered Accountants of India. Related parties as defined under clause 3 of the Accounting standard have been identified on the basis of representation made by management.

A) List of related parties:

(i) Entities where control exist: - SP Arrow Bio-Plast Pvt. Ltd.

(ii) Key Management Personnel:

Mr. Shilpan Patel

Chairman / Managing Director

Mr. B. M. Drew

Non-Executive Director



**ARROW COATED PRODUCTS LIMITED**

(iii) Relatives of Directors:

Mr. Rishil S Patel  
Mrs. Jigisha S Patel  
Mr. Neil Patel

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

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

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

(Rs. in Lacs)

| TRANSACTION DURING THE YEAR    | ENTITIES WHERE CONTROL EXIST | KEY MANAGERIAL PERSONNEL | ENTITIES WHERE SIGNIFICANT INFLUENCE |
|--------------------------------|------------------------------|--------------------------|--------------------------------------|
| PURCHASE                       | 0.23<br>(-)                  | -<br>(-)                 | 0.93<br>(2.22)                       |
| SALE                           | -<br>(-)                     | -<br>(-)                 | -<br>(0.04)                          |
| ADVANCE / LOAN GIVEN           | 0.10<br>(0.75)               | -<br>(-)                 | 14.37<br>(-)                         |
| ADVANCE / LOAN GIVEN REPAID    | 2.50<br>(2.50)               | -<br>(-)                 | 0.02<br>(-)                          |
| ADVANCE / LOAN RECEIVED        | -<br>(-)                     | 10.14<br>(5.96)          | 72.91<br>(113.10)                    |
| ADVANCE / LOAN RECEIVED REPAID | -<br>(-)                     | 4.64<br>(5.70)           | 0.40<br>(25.00)                      |
| BALANCE—RECEIVABLE             | 8.49<br>(11.04)              | -<br>(1.73)              | 14.35<br>(0.04)                      |
| BALANCE—PAYABLE                | 0.08<br>(-)                  | 167.88<br>(161.99)       | 471.31<br>(393.91)                   |

(Previous Year Figures are in Bracket)

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

(Rs. in Lacs)

|   | 31.03.2011 | 31.03.2010 |
|---|------------|------------|
| Profit / (Loss) as per profit & loss Account<br>(After tax & extraordinary items) | (27.06)    | (95.52)    |
| Weighted average number of shares used in computing earning<br>per equity share   |            |            |
| For Basic EPS   | 53,08,208  | 53,03,973  |
| For Diluted EPS   | 53,08,208  | 53,03,973  |
| Basic earnings per share (Rs.)  | (0.51)     | (1.80)     |
| Diluted earnings per share (Rs.)  | (0.51)     | (1.80)     |
| (on nominal value of Rs.10/- per share)   |            |            |



- 14) Accounting For Tax On Income:  
Deferred tax Asset \ (Liability) at the year-end comprise timing difference on account of following:  
(Rs. in Lacs)

|                                     | <b>31.03.2011</b> | <b>31.03.2010</b> |
|-------------------------------------|-------------------|-------------------|
| Disallowance u/s 43B                | <b>1.20</b>       | <b>0.69</b>       |
| Depreciation                        | <b>(4.57)</b>     | <b>(3.21)</b>     |
| Net Deferred Tax Assets/(Liability) | <b>(3.36)</b>     | <b>(2.52)</b>     |

- 15) Some Assets of which the company is the beneficial owner are pending for transfer in the name of the company.
- 16) During the previous year the company has a full time company secretary since 16<sup>th</sup> September 2010 as per section 383A of the Companies Act, 1956.
- 17) The company had decided in the year 2008-09 to discontinue the Trading activities in Digital Printing Machines and Digital Signage cutting machines and the management is of the opinion that the all the assets relating to the Machine division will realise at a value at which they appear in the books of accounts in aggregate.
- 18) As stipulated in Accounting Standard 28, the company assessed potential generation of economic benefits from its business units and is of the view that assets employed in continuing are capable of generating adequate returns over their useful lives in the usual course of business, there is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.
- 19) The company based on its accounting policies followed, does not consider it necessary to provide for diminution in value of investment in subsidiary company.
- 20) A sum of Rs 36.94 lacs is being carried as share application money, received as subscription money for allotment of shares upon conversion of warrants, but inadvertently, shares not allotted Pertaining to Financial Year 2008-2009.
- 21) The Honorable High Court of Bombay has sanctioned for reduction of share capital under sec 100 to 103 vide its order dtd. 18<sup>th</sup> January 2010 and for which company has received confirmation from registrar of companies Dated 19<sup>th</sup> day of June 2010 Pursuant to the said order, the Equity Share Capital of the Company as at 31<sup>st</sup> March 2009 of Rs. 5,30,60,980 divided into 53,06,098 equity shares of Rs 10 each reduced by Rs. 1,65,000 divided into 16,500 equity shares of Rs.10 each to Rs. 5,28,95,980 divided into 52,89,598 equity shares of Rs 10 each as at 31<sup>st</sup> March 2010 and the Share Premium of Rs.6,60,000/- for the previous year has been reduced on 16500 equity shares at the rate of Rs. 40 per equity share .Honorable High court has directed the Company to repay the amount of Share Capital along with Share Premium.
- 22) The Employee Stock Options outstanding as at 31<sup>st</sup> March 2011 were 1,45,300 (prev. yr. 2,33,900).During the year 28000 options have lapsed and also during the year 60600 options have been exercise @ Rs.10 per Share as per the weighted-average exercise price is Rs.10/- & weighted average fair value of options is Rs. 2.67/-.
- 23) The company has not furnished additional information except given here under Pursuant to part II of schedule VI to the companies' act 1956.



**ARROW COATED PRODUCTS LIMITED**

(Rs. in Lacs)

|   | <b>31.03.2011</b> | <b>31.03.2010</b> |
|---|-------------------|-------------------|
| <b>Earning in Foreign Currency</b>        |                   |                   |
| Export sales (FOB)                        | <b>16.40</b>      | <b>17.52</b>      |
| Consultancy Fees                          | <b>65.90</b>      |                   |
| <b>Expenditure in Foreign Currency</b>    |                   |                   |
| Foreign Currency Spent (Import CIF Value) | <b>0.83</b>       | -                 |
| Traveling Expenses                        | <b>2.92</b>       | <b>5.43</b>       |
| Patent Fees                               | <b>1.16</b>       | <b>1.44</b>       |

24) Previous year's 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

Managing  
Director

Director

Place: Mumbai  
Date: 19<sup>th</sup> May, 2011



### ADDITIONAL DISCLOSURES REGARDING OUR STANDALONE FINANCIALS

#### Unsecured Loan:

Our company has taken unsecured loan from various parties as mentioned below:

| Amount (Rs. in Lacs)                          |        |   |        |   |
|---|--------|---|--------|---|
| Name of Lender                                | Amount | Balance outstanding as on 31 <sup>st</sup> March 2011 | Amount | Balance outstanding as on 31 <sup>st</sup> March 2010 |
| <b>A. PROMOTERS</b>                           |        |   |        |   |
| Mr. Shilpan Patel                             | 152.00 |   | 146.50 |   |
| Mrs. Jigisha Patel                            | 2.49   |   | -      |   |
| M/s. Arrow Convertors Pvt. Ltd                | 418.49 |   | 359.24 |   |
| <b>SUB-TOTAL (A)</b>                          |        | <b>572.98</b>   |        | <b>505.74</b>   |
| <b>B. PROMOTER GROUP</b>                      |        |   |        |   |
| Mr. Rishil Patel                              | 6.39   |   | -      |   |
| Mr. Neil Patel                                | 2.90   |   | -      |   |
| M/s Arrow Agri-Tech Pvt Ltd.                  | 0.76   |   | -      |   |
| <b>SUB-TOTAL (B)</b>                          |        | <b>10.05</b>  |        | <b>-</b>  |
| <b>C. NON – PROMOTER GROUP</b>                |        |   |        |   |
| M/s Avery Finance and Investment Private Ltd. | 38.75  |   | 38.75  |   |
| <b>SUB-TOTAL (C)</b>                          |        | <b>38.75</b>  |        | <b>38.75</b>  |
| <b>GRAND TOTAL (A+B+C)</b>                    |        | <b>621.77</b>   |        | <b>544.49</b>   |

The loan taken from Promoter and Promoter group are interest free loans, repayable on demand. These loans were taken to meet the general expenses. Break-up of the expenses is given on page 52 of this Offer Document.

#### Share Application Money:

We hereby confirm that the amount of Rs. 42.69 shown under head “Share Application Money” pertains to funds received for issue of shares on preferential basis in the financial years 2008-09, against which share were not allotted till date.

We hereby also confirm that we will not repay / adjust this “Share Application Money” out of the Issue proceeds of this Rights Issue.

We also confirm that we shall not allot any additional shares to any investor from this “Share Application Money”, until the Rights Issue process is completed.



**Limited Review Report of Standalone Financial Results**

To,  
The Board of Directors,  
Arrow Coated Products Limited,  
Mumbai.

We have reviewed the accompanying Statement of Unaudited Standalone Financial Results ('statements') of Arrow Coated Products Ltd. ("the Company") for the quarter and six months ended as at 30th September, 2011, except for the disclosure regarding 'Public Shareholding' and 'Promoters and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's Management and have been approved by the Board of Directors on 12th December, 2011. Our responsibility is to issue a report on this Statement, based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards and other recognised accounting practices and policies *except Deferred Tax under AS-22 Accounting for taxes on Income, AS24-Discontinuing operations and non-provision of overdue debts amounting to Rs. 394.21 Lacs & advances amounting to Rs. 322.41 Lacs,,* has not disclosed the information required to be disclosed in terms of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 including the manner in which it is to be disclosed, or that it contains any material misstatement .

This report is intended solely for the use of the Company for filing with Securities and Exchange Board of India in connection with the proposed rights issue of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the same should not be used, referred to or distributed for any other purpose, without our prior written consent. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

For J. A. Rajani & Co.  
Chartered Accountants

Place: Mumbai

Date: 14<sup>th</sup> December 2011

P. J. Rajani  
Proprietor  
M. No. 116740



**UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED  
30TH SEPTEMBER 2011**

Rs. in Lacs (Except EPS & No. of shares)

| S.N. | Particular   | Quarter ended on       |               | Half Year ended on     |               | Year ended on      |
|------|--|------------------------|---------------|------------------------|---------------|--------------------|
|      |  | 30.09.11               | 30.09.10      | 30.09.11               | 30.09.2010    | 31.03.2011         |
|      |  | Stand Alone Un-audited |               | Stand Alone Un-audited |               | Standalone Audited |
| 1    | (a) Net sales / Income from operation  | 121.12                 | 77.81         | 161.66                 | 126.99        | 334.33             |
|      | (b) Other operating Income   | -                      | -             | -                      | -             | -                  |
|      | <b>Total</b>   | <b>121.12</b>          | <b>77.81</b>  | <b>161.66</b>          | <b>126.99</b> | <b>334.33</b>      |
| 2    | <b>Expenditure</b>   |                        |               |                        |               |                    |
| (a)  | Increase/decrease in stock in trade & consumption of raw material                        | 68.99                  | 19.53         | 97.24                  | 38.15         | 95.40              |
| (b)  | Manufacturing expense  | 22.32                  | 18.31         | 34.74                  | 35.66         | 81.81              |
| (c)  | Employee cost  | 10.13                  | 12.20         | 20.52                  | 16.45         | 48.72              |
| (d)  | Depreciation   | 5.31                   | 5.36          | 10.89                  | 10.69         | 24.52              |
| (e)  | Other expenditure  | 33.91                  | 27.34         | 49.65                  | 40.86         | 78.46              |
| (f)  | <b>Total [2(a+b+c+d+e)]</b>  | <b>140.66</b>          | <b>82.73</b>  | <b>213.04</b>          | <b>138.80</b> | <b>328.91</b>      |
| 3    | Profit from operation before other income, interest and exceptional item (1-2)           | (19.54)                | (4.92)        | (51.38)                | (12.51)       | 5.42               |
| 4    | Other income   | 37.19                  | 8.90          | 53.90                  | 17.45         | 18.52              |
| 5    | <b>Profit before interest and exceptional items (3+4)</b>                                | <b>17.65</b>           | <b>3.98</b>   | <b>2.52</b>            | <b>4.94</b>   | <b>23.94</b>       |
| 6    | Interest   | 18.83                  | 7.42          | 23.97                  | 14.23         | 34.37              |
| 7    | <b>Profit after interest but before exceptional items (5-6)</b>                          | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(10.43)</b>     |
| 8    | Exceptional items  | -                      | -             | -                      | -             | 2.60               |
| 9    | <b>Profit from ordinary activities before tax (7+8)</b>                                  | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(13.03)</b>     |
| 10   | Provision from taxation  | 0.00                   | 0.00          | 0.00                   | 0.00          | 0.00               |
|      | i) Income tax  | -                      | -             | -                      | -             | -                  |
|      | ii) Deferred tax   | -                      | -             | -                      | -             | -                  |
|      | iii) Fringe Benefit Tax  | -                      | -             | -                      | -             | 0.85               |
| 11   | <b>Profit from ordinary activities after tax (9-10)</b>                                  | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(13.88)</b>     |
| 12   | Extra ordinary item (Net)  | -                      | -             | -                      | -             | -                  |
| 13   | <b>Net profit after extra ordinary items (11-12)</b>                                     | <b>(1.18)</b>          | <b>(3.44)</b> | <b>(21.45)</b>         | <b>(9.29)</b> | <b>(13.88)</b>     |
| 14   | Paid up equity share capital (face value Rs. 10/-)                                       | 535.02                 | 528.96        | 535.02                 | 528.96        | 535.02             |
| 15   | Reserves excluding revaluation reserves as per balance sheet of previous accounting year | -                      | -             | -                      | -             | 485.50             |



**ARROW COATED PRODUCTS LIMITED**

|    |   |           |           |           |           |           |
|----|---|-----------|-----------|-----------|-----------|-----------|
| 16 | Earnings per share (EPS)<br>(Basic & Diluted) not<br>annualized                                       |           |           |           |           |           |
|    | - Before extra ordinary<br>items  | (0.02)    | (0.06)    | (0.40)    | (0.18)    | (0.26)    |
|    | - After extra ordinary items  | (0.02)    | (0.06)    | (0.40)    | (0.18)    | (0.26)    |
| 17 | Public shareholding   |           |           |           |           |           |
|    | - No. of shares   | 26,44,483 | 25,83,883 | 26,44,483 | 25,83,883 | 26,44,483 |
|    | - Percentage of<br>shareholding   | 49.43%    | 48.84%    | 49.43%    | 48.84%    | 49.43%    |
| 18 | Promoter and promoter group<br>shareholding   |           |           |           |           |           |
| A  | Pledged/Encumbered  |           |           |           |           |           |
|    | i. No. of shares  | Nil       | Nil       | Nil       | Nil       | Nil       |
|    | ii. % of shareholding (as a<br>% of the total share<br>holding of the promoter<br>and promoter group) | N.A       | N.A       | N.A       | N.A       | N.A       |
|    | iii. % of shareholding (as a<br>% of the total share<br>capital of the Company)                       | N.A       | N.A       | N.A       | N.A       | N.A       |
| B  | Non-Encumbered  |           |           |           |           |           |
|    | i. No. of shares  | 27,05,715 | 27,05,715 | 27,05,715 | 27,05,715 | 27,05,715 |
|    | ii. % of shareholding (as a<br>% of the total share<br>holding of the promoter<br>and promoter group) | 100%      | 100%      | 100%      | 100%      | 100%      |
|    | iii. % of shareholding (as a<br>% of the total share<br>capital of the Company)                       | 50.57%    | 51.16%    | 50.57%    | 51.16%    | 50.57%    |

(Rs. in Lacs)

| <b>STANDALONE STATEMENT OF ASSET &amp; LIABILITES AS AT<br/>30TH SEPTEMBER 2011</b> |                                       |                                  |
|---|---------------------------------------|----------------------------------|
| <b>Particulars</b>  | <b>Six Month ended<br/>30.09.2011</b> | <b>Year ended<br/>31.03.2011</b> |
|   | <b>Standalone<br/>(Un-Audited)</b>    | <b>Standalone<br/>(Audited)</b>  |
| <b><u>SOURCES OF FUND</u></b>   |                                       |                                  |
| <b>Shareholders' Fund</b>   |                                       |                                  |
| a) Share Capital  | 535.02                                | 535.02                           |
| b) Share Application Money  | 42.69                                 | 42.69                            |
| c) Employee Stock Option Outstanding  | 38.65                                 | 38.65                            |
| d) Reserves & Surplus   | 454.06                                | 475.50                           |
|   | <b>1072.42</b>                        | <b>1091.86</b>                   |
| <b>Loan Funds</b>   |                                       |                                  |
| a) Secured Loans  | 251.30                                | 231.32                           |
| b) Unsecured Loans  | 648.24                                | 621.77                           |
|   | <b>899.54</b>                         | <b>853.09</b>                    |
| <b>Deferred Tax Liability</b>   | 3.36                                  | 3.36                             |
| <b>TOTAL</b>  | <b>1973.32</b>                        | <b>1948.31</b>                   |
| <b><u>APPLICATION OF FUNDS</u></b>  |                                       |                                  |
| <b>Fixed Assets (Net)</b>   | <b>301.95</b>                         | <b>296.36</b>                    |
| <b>Investment : (At Cost )</b>  | 38.60                                 | 28.76                            |
| <b>Current Assets, Loans &amp; Advances</b>   |                                       |                                  |
| a) Inventories  | 428.28                                | 432.15                           |
| b) Sundry Debtors   | 509.47                                | 512.81                           |
| c) Cash & Bank Balances   | 63.60                                 | 51.57                            |
| d) Loans & Advances   | 900.68                                | 825.65                           |
|   | <b>1902.03</b>                        | <b>1822.17</b>                   |
| <b>Less: Current Liabilities &amp; Provisions</b>                                   |                                       |                                  |
| a) Current Liabilities  | 244.88                                | 174.60                           |
| b) Provisions   | 32.23                                 | 32.23                            |
|   | 277.11                                | 206.82                           |
| <b>Net Current Assets</b>   | <b>1624.92</b>                        | <b>1615.35</b>                   |
| Miscellaneous Expenses  | 7.84                                  | 7.84                             |
| <b>TOTAL</b>  | <b>1973.31</b>                        | <b>1948.31</b>                   |

**Notes:**

1. The above results were reviewed by the Audit Committee and approved and taken on record by the Board of Directors at their meeting held on 12-12-2011.
2. The Company business activity falls within a single primary business segments.



***ARROW COATED PRODUCTS LIMITED***

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3. Status of investor's complaints/requests (No) – Opening-Nil, Recd-Nil, Resolved-Nil, Closing Nil.
4. The above results have been reviewed by the Statutory Auditors of the Company.
5. Corresponding figures of the previous periods regrouped / restated wherever necessary.



**Limited Review Report of Consolidated Financial Results**

To,  
The Board of Directors,  
Arrow Coated Products Limited,  
Mumbai.

We have reviewed the accompanying Statement of Unaudited Consolidated Financial Results ('statements) of Arrow Coated Products Ltd. ("the Company"), its subsidiaries and associate (collectively known as " the group " for the six months ended as at 30th September, 2011, except for the disclosure regarding 'Public Shareholding' and 'Promoters and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This Statement is the responsibility of the Company's Management and have been approved by the Board of Directors on 12<sup>th</sup> December, 2011. Our responsibility is to issue a report on this Statement, based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

The Unaudited Financial Results of a subsidiary and step subsidiary have not been subjected to review either by us or by other auditors, and therefore, the Unaudited Financial Results for the six months ended as at 30th September, 2011 of these entities have been furnished to us by the management. *The unaudited financial results of one subsidiary whose financial statements reflect total assets of Rs 48.10Lacs as at 30th September, 2011 and total revenues of Rs nil and the Loss of Rs 0.65 Lacs for the six months ended. The unaudited financial results of one step subsidiary whose financial statements reflect total assets of Rs 4.90 Lacs as at 30th September, 2011 and total revenues of Rs nil and the Loss of Rs 2.11 Lacs for the six months ended.*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards and other recognised accounting practices and policies *except Deferred Tax under AS-22 Accounting for taxes on Income ,AS 24-Discontinuing operations and non-provision of overdue debts amounting to Rs. 394.21 Lacs & advances amounting to Rs. 322.41 Lacs of the Company*, has not disclosed the information required to be disclosed in terms of Securities and Exchange Board of India(Issue of Capital and Disclosure Requirements) Regulations,2009 including the manner in which it is to be disclosed, or that it contains any material misstatement .

This report is intended solely for the use of the Company for filing with Securities and Exchange Board of India in connection with the proposed rights issue of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the same should not be used, referred to or distributed for any other purpose, without our prior written consent. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

For J. A. Rajani & Co.  
Chartered Accountants

P. J. Rajani  
Proprietor  
M. No. 116740

Place: Mumbai  
Date: 14<sup>th</sup> December, 2011



UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED  
30TH SEPTEMBER 2011

Rs. in Lacs (Except EPS & No. of shares)

| S.N. | Particular   | 30.09.2011     | 31.03.2011     | 30.09.2011     | 31.03.2011     |
|------|--|----------------|----------------|----------------|----------------|
|      |  | Stand Alone    |                | Consolidated   |                |
| 1    | (a) Net sales / Income from operation  | 161.66         | 334.33         | 194.95         | 334.33         |
|      | (b) Other operating Income   | 0.00           | 0.00           | 0.00           | 0.00           |
|      | <b>Total</b>   | <b>161.66</b>  | <b>334.33</b>  | <b>194.95</b>  | <b>334.33</b>  |
| 2    | <b>Expenditure</b>   |                |                |                |                |
| (a)  | Increase/decrease in stock in trade & consumption of raw material                        | 97.24          | 95.40          | 97.06          | 95.51          |
| (b)  | Manufacturing expense  | 37.74          | 81.81          | 34.74          | 81.81          |
| (c)  | Employee cost  | 20.52          | 48.72          | 25.38          | 53.92          |
| (d)  | Depreciation   | 10.89          | 24.52          | 10.97          | 24.62          |
| (e)  | Other expenditure  | 49.65          | 78.46          | 54.55          | 88.46          |
| (f)  | <b>Total [2(a+b+c+d+e)]</b>  | <b>213.04</b>  | <b>328.91</b>  | <b>222.70</b>  | <b>344.32</b>  |
| 3    | Profit from operation before other income, interest and exceptional item (1-2)           | (51.38)        | 5.42           | (27.75)        | (9.99)         |
| 4    | Other income   | 53.90          | 18.52          | 20.88          | 18.79          |
| 5    | <b>Profit before interest and exceptional items (3+4)</b>                                | <b>2.52</b>    | <b>23.94</b>   | <b>(6.87)</b>  | <b>8.80</b>    |
| 6    | Interest   | 23.97          | 34.37          | 24.02          | 34.48          |
| 7    | <b>Profit after interest but before exceptional items (5-6)</b>                          | <b>(21.45)</b> | <b>(10.43)</b> | <b>(30.89)</b> | <b>(25.69)</b> |
| 8    | Exceptional items  | 0.00           | 2.60           | 0.00           | 2.60           |
| 9    | <b>Profit from ordinary activities before tax (7+8)</b>                                  | <b>(21.45)</b> | <b>(13.03)</b> | <b>(30.89)</b> | <b>(28.29)</b> |
| 10   | Provision from taxation  |                |                |                |                |
|      | i) Income tax  | 0.00           | 0.00           | 0.00           | 0.00           |
|      | ii) Deferred tax   | 0.00           | 0.85           | 0.00           | 0.85           |
|      | iii) Tax Adjustment  | 0.00           | 0.00           | 0.00           | (1.83)         |
|      | Add/ (Less): Share of Loss in Associates   | 0.00           | 0.00           | (3.17)         | (3.89)         |
|      | Add/ (Less): Minority Interest   | 0.00           | 0.00           | (4.31)         | (5.97)         |
| 11   | <b>Profit from ordinary activities after tax (9-10)</b>                                  | <b>(21.45)</b> | <b>(13.88)</b> | <b>(29.75)</b> | <b>(25.23)</b> |
| 12   | Extra ordinary item (Net)  | 0.00           | 0.00           | 0.00           | 0.00           |
| 13   | <b>Net profit after extra ordinary items (11-12)</b>                                     | <b>(21.45)</b> | <b>(13.88)</b> | <b>(29.75)</b> | <b>(25.23)</b> |
| 14   | Paid up equity share capital (face value Rs. 10/-)                                       | 535.02         | 535.02         | 535.02         | 535.02         |
| 15   | Reserves excluding revaluation reserves as per balance sheet of previous accounting year | 0.00           | 475.50         | 0.00           | 441.98         |
| 16   | Earnings per share (EPS) (Basic & Diluted) not annualized                                |                |                |                |                |
|      | - Before extra ordinary items  | (0.40)         | (0.26)         | (0.56)         | (0.51)         |
|      | - After extra ordinary items   | (0.40)         | (0.26)         | (0.56)         | (0.51)         |



**ARROW COATED PRODUCTS LIMITED**

|    |  |           |           |           |           |
|----|--|-----------|-----------|-----------|-----------|
| 17 | Public shareholding  |           |           |           |           |
|    | - No. of shares  | 26,44,483 | 26,44,483 | 26,44,483 | 26,44,483 |
|    | - Percentage of shareholding   | 49.43%    | 49.43%    | 49.43%    | 49.43%    |
| 18 | Promoter and promoter group shareholding   |           |           |           |           |
| A  | Pledged/Encumbered   |           |           |           |           |
|    | i. No. of shares   | Nil       | Nil       | Nil       | Nil       |
|    | ii. % of shareholding (as a % of the total share holding of the promoter and promoter group) | N.A       | N.A       | N.A       | N.A       |
|    | iii. % of shareholding (as a % of the total share capital of the Company)                    | N.A       | N.A       | N.A       | N.A       |
| B  | Non-Encumbered   |           |           |           |           |
|    | i. No. of shares   | 27,05,715 | 27,05,715 | 27,05,715 | 27,05,715 |
|    | ii. % of shareholding (as a % of the total share holding of the promoter and promoter group) | 100%      | 100%      | 100%      | 100%      |
|    | iii. % of shareholding (as a % of the total share capital of the Company)                    | 50.57%    | 50.57%    | 50.57%    | 50.57%    |

(Rs. in Lacs)

| <b>CONSOLIDATED STATEMENT OF ASSET &amp; LIABILITES AS AT<br/>30TH SEPTEMBER 2011</b> |                               |                          |
|---|-------------------------------|--------------------------|
| Particulars   | Six Month ended<br>30.09.2011 | Year ended<br>31.03.2011 |
|   | Consolidate<br>(Un-Audited)   | Consolidate<br>(Audited) |
| <b><u>SOURCES OF FUND</u></b>   |                               |                          |
| <b>Shareholders' Fund</b>   |                               |                          |
| a) Share Capital  | 535.02                        | 535.02                   |
| b) Share Application Money  | 42.69                         | 54.08                    |
| c) Employee Stock Option Outstanding  | 38.65                         | 38.65                    |
| d) Reserves & Surplus   | 411.53                        | 441.98                   |
|   | <b>1027.89</b>                | <b>1069.73</b>           |
| <b>Loan Funds</b>   |                               |                          |
| a) Secured Loans  | 251.30                        | 231.32                   |
| b) Unsecured Loans  | 693.86                        | 665.76                   |
|   | <b>945.16</b>                 | <b>897.08</b>            |
| <b>Minority Interest</b>  | <b>(0.61)</b>                 | <b>(7.62)</b>            |
| <b>Deferred Tax Liability</b>   | 3.36                          | 3.36                     |
| <b>TOTAL</b>  | <b>1975.80</b>                | <b>1962.55</b>           |
| <b><u>APPLICATION OF FUNDS</u></b>  |                               |                          |
| <b>Fixed Assets (Net)</b>   |                               |                          |
| Gross Block   | 594.83                        | 594.54                   |
| <b>Less: Depreciation</b>   | 430.69                        | 419.72                   |
| Net Block   | 164.13                        | 174.81                   |
| Patent application  | 142.25                        | 125.77                   |
| <b>Goodwill on Consolidation</b>  | <b>11.46</b>                  | <b>11.46</b>             |
| <b>Investment : (At Cost )</b>  | <b>38.60</b>                  | <b>28.76</b>             |
| <b>Current Assets, Loans &amp; Advances</b>   |                               |                          |
| a) Inventories  | 433.20                        | 436.89                   |
| b) Sundry Debtors   | 509.47                        | 512.81                   |
| c) Cash & Bank Balances   | 79.63                         | 65.51                    |
| d) Loans & Advances   | 914.97                        | 841.14                   |
|   | <b>1937.27</b>                | <b>1856.35</b>           |
| <b>Less: Current Liabilities &amp; Provisions</b>                                     |                               |                          |
| a) Current Liabilities  | 249.45                        | 178.27                   |
| b) Provisions   | 32.43                         | 32.24                    |
|   | 281.88                        | 210.51                   |
| <b>Net Current Assets</b>   | <b>1655.39</b>                | <b>1645.83</b>           |
| Miscellaneous Expenses  | 9.17                          | 9.29                     |
| <b>TOTAL</b>  | <b>1975.80</b>                | <b>1962.55</b>           |





***ARROW COATED PRODUCTS LIMITED***

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**Notes:**

1. The above results were reviewed by the Audit Committee and approved and taken on record by the Board of Directors at their meeting held on 12-12-2011.
2. The Consolidated Financial results have been prepared in line with the requirements of Accounting Standard (AS) 21 Consolidated Financial Statements.
3. The Company business activity falls within a single primary business segments.
4. Status of investors complaints/requests (No) – Opening-Nil, Recd-Nil, Resolved-Nil, Closing Nil.
5. The above results have been reviewed by the Statutory Auditors of the Company.
6. Corresponding figures of the previous periods regrouped / restated wherever necessary.

**ACCOUNTING RATIOS AND CAPITALISATION STATEMENT**
**ON A STANDALONE BASIS:**
**ACCOUNTING RATIOS**

| Sr. No. | Particulars                     | 30.09.2011 | 31.03.2011 | 31.03.2010 |
|---------|---------------------------------|------------|------------|------------|
| 1       | Earnings Per share (Rs.)        | (0.40)     | (0.26)     | (1.65)     |
| 2       | Return on Networth              | Negative   | Negative   | Negative   |
| 3       | Net Asset Value Per Share (Rs.) | 18.34      | 18.74      | 18.82      |

**CAPITALISATION STATEMENT**
**(Rs. In Lacs)**

| Particulars                            | Pre-issue as at<br>September 30,<br>2011 | Post Issue * |
|--|--|--------------|
| <b>A. Total Debts</b>                  |  |              |
| a) Short Term Debts                    | 0.00                                     | [•]          |
| b) Long Term Debts                     | 899.54                                   | [•]          |
| <b>Total A (a+b)</b>                   | <b>899.54</b>                            | <b>[•]</b>   |
| <b>B. Shareholder's Funds (Equity)</b> |  |              |
| a) Equity Shares Capital               | 535.02                                   | [•]          |
| b) Reserves and Surplus                | 454.06                                   | [•]          |
| <b>Total (B) (a+b)</b>                 | <b>989.08</b>                            | <b>[•]</b>   |
| <b>Long Term Debts / Equity</b>        | <b>0.00</b>                              | <b>[•]</b>   |
| <b>Debts / Equity (A/B)</b>            | <b>0.91</b>                              | <b>[•]</b>   |

\* Post issue Shareholders Fund can be calculated only after the completion of Right Issue.

**Notes**

- Long term debt is debt with tenure of more than one year.
- The figures disclosed above are based on the Standalone Financial Statement of the Company as at September 30, 2011.

## ON A CONSOLIDATED BASIS:

## ACCOUNTING RATIOS

| Sr. No. | Particulars                     | 30.09.2011 | 31.03.2011 | 31.03.2010 |
|---------|---------------------------------|------------|------------|------------|
| 1       | Earnings Per share (Rs.)        | (0.56)     | (0.51)     | (1.80)     |
| 2       | Return on Networth              | Negative   | Negative   | Negative   |
| 3       | Net Asset Value Per Share (Rs.) | 17.46      | 18.02      | 20.35      |

## CAPITALISATION STATEMENT

| Particulars                            | Pre-issue as at<br>September 30, 2011 | Post Issue * |
|--|---------------------------------------|--------------|
| <b>A. Total Debts</b>                  |                                       |              |
| a) Short Term Debts                    | 945.16                                | [•]          |
| b) Long Term Debts                     | 0.00                                  | [•]          |
| <b>Total A (a+b)</b>                   | <b>945.16</b>                         | <b>[•]</b>   |
| <b>B. Shareholder's Funds (Equity)</b> |                                       |              |
| a) Equity Shares Capital               | 535.02                                | [•]          |
| b) Reserves and Surplus                | 411.53                                | [•]          |
| <b>Total (B) (a+b)</b>                 | <b>946.55</b>                         | <b>[•]</b>   |
| <b>Long Term Debts / Equity</b>        | <b>0.00</b>                           | <b>[•]</b>   |
| <b>Debts / Equity (A/B)</b>            | <b>1.00</b>                           | <b>[•]</b>   |

\* Post issue Shareholders Fund can be calculated only after the completion of Right Issue.

## Notes

- Long term debt is debt with tenure of more than one year.
- The figures disclosed above are based on the Consolidated Financial Statement of the Company as at September 30, 2011.



### CERTAIN OTHER FINANCIAL INFORMATION

Information as required by Government of India, Ministry of Finance, Circular No. F.2/5/SE/76 dated February 05, 1977 as amended vide their circular of even number dated March 08, 1977 is given below:

1) **Working Results of the Company for the period from April 01, 2011 to December 31, 2011:**

| Particulars                                    | Rs. in Lacs |
|--|-------------|
| Net Sales / Income from Operations             | 277.76      |
| Other Income                                   | 85.91       |
| Total Income                                   | 363.67      |
| Profit before Depreciation, Interest and Taxes | 13.37       |
| Interest                                       | 30.64       |
| Provision for Depreciation                     | 16.04       |
| Profit Before Tax                              | (33.30)     |
| Provision for Tax                              | -           |
| Net profit                                     | (33.30)     |

- a) Save as stated elsewhere in the Letter of Offer, there are no material changes and commitments which are likely to affect the financial position of the Company since March 31, 2011.
- b) The Issue price has been arrived at in consultation between the Issuer and the Lead Manager.

2) **Material Changes and Commitments, if any affecting financial position of our Company.**

Except as disclosed in the section entitled “Material Developments” beginning on page 139 of this Letter of Offer there are no Material changes and commitments, if any affecting financial position of our Company.

3) **Week-end prices for the last four weeks, current market price; and highest and lowest prices of equity shares during the period with the relative dates.**

For details in connection with the week-end prices for the last four weeks, current market prices, and highest and lowest prices of our Equity Shares, please refer to the section entitled “Market Price Information” beginning on page 131 of this Letter of Offer.



**MARKET PRICE INFORMATION**

The high, low and average closing prices recorded on the Bombay Stock Exchange for the preceding three financial years and the number of Equity Shares traded on the day of high and low prices were recorded are stated below:

| Year ending as on March 31, | BSE       |            |  |           |           |                                       |                |
|-----------------------------|-----------|------------|--|-----------|-----------|---------------------------------------|----------------|
|                             | Date      | High (Rs.) | Volume on Date of High (No. of Shares) | Date      | Low (Rs.) | Volume on Date of Low (No. of Shares) | Average (Rs.)* |
| <b>2011</b>                 | 18-Jun-10 | 19.83      | 43477                                  | 30-Mar-11 | 7.13      | 508                                   | 11.98          |
| <b>2010</b>                 | 23-Oct-09 | 15.75      | 401                                    | 19-Aug-09 | 8.45      | 2850                                  | 12.12          |
| <b>2009</b>                 | 21-Apr-08 | 26.05      | 1640                                   | 11-Nov-08 | 8.40      | 417                                   | 17.06          |

\* Average of Daily Closing Prices for the pertaining Period / Year

Source: [www.bseindia.com](http://www.bseindia.com)

Monthly high and low prices and trading volumes on the Stock Exchanges for the six months preceding the date of filing of this Letter of Offer are as stated below:

| Month (Last 6 Months) | BSE       |            |  |           |           |                                       |                |
|-----------------------|-----------|------------|--|-----------|-----------|---------------------------------------|----------------|
|                       | Date      | High (Rs.) | Volume on Date of High (No. of Shares) | Date      | Low (Rs.) | Volume on Date of Low (No. of Shares) | Average (Rs.)* |
| <b>Dec. 2011</b>      | 1-Dec-11  | 6.66       | 3967                                   | 28-Dec-11 | 5.39      | 190                                   | 6.03           |
| <b>Nov. 2011</b>      | 8-Nov-11  | 8.94       | 477                                    | 18-Nov-11 | 7.00      | 296                                   | 7.84           |
| <b>Oct. 2011</b>      | 3-Oct-11  | 8.86       | 1                                      | 4-Oct-11  | 8.45      | 2763                                  | 8.61           |
| <b>Sep. 2011</b>      | 30-Sep-11 | 8.45       | 2913                                   | 19-Sep-11 | 6.01      | 300                                   | 6.82           |
| <b>August 2011</b>    | 1-Aug-11  | 8.55       | 10                                     | 19-Aug-11 | 5.91      | 300                                   | 7.21           |
| <b>July 2011</b>      | 7-Jul-11  | 9.20       | 306                                    | 12-Jul-11 | 7.95      | 700                                   | 8.69           |

\* Average of Daily Closing Prices for the pertaining Period / Month

Source: [www.bseindia.com](http://www.bseindia.com)

Week end prices of Equity Shares of our Company for the last four weeks on BSE along with the highest and lowest price are as below:

| Weeks (Last 4 Weeks) | BSE       |            |  |           |           |                                       |                |
|----------------------|-----------|------------|--|-----------|-----------|---------------------------------------|----------------|
|                      | Date      | High (Rs.) | Volume on Date of High (No. of Shares) | Date      | Low (Rs.) | Volume on Date of Low (No. of Shares) | Average (Rs.)* |
| <b>28-Jan-12</b>     | 27-Jan-12 | 7.85       | 10                                     | 27-Jan-12 | 7.85      | 10                                    | 7.85           |
| <b>21-Jan-12</b>     | 18-Jan-12 | 8.24       | 1112                                   | 19-Jan-11 | 7.85      | 1                                     | 8.11           |
| <b>14-Jan-12</b>     | 13-Jan-12 | 7.73       | 507                                    | 9-Jan-12  | 6.94      | 1                                     | 7.31           |
| <b>7-Jan-12</b>      | 7-Jan-12  | 6.61       | 1                                      | 2-Jan-12  | 5.20      | 1706                                  | 5.88           |

Source: [www.bseindia.com](http://www.bseindia.com)



***ARROW COATED PRODUCTS LIMITED***

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**Notes**

- High, low and average prices are of the daily closing prices.
- In case of two days with the same closing price, the date with higher volume has been considered.

The market capitalization of our Equity Shares as January 27, 2012 (one day prior to the approving this Letter of Offer) was Rs. 419.99 Lacs on the BSE based on a market price of Rs. 7.85/- per share.

The Issue price of Rs. 10/- has been arrived at in consultation between our Company and the Lead Manager.



**SECTION VII: LEGAL AND OTHER INFORMATION  
OUTSTANDING LITIGATIONS AND DEFAULTS**

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against the Company, its Directors, its Subsidiaries, Promoters and the Promoter Group Entities that would have a material adverse effect on the business of the Company and there are no defaults, non-payment or overdue of statutory dues, institutional / bank dues and dues payable to holders of debentures, bonds and fixed deposits that would have a material adverse effect on the Company's business other than unclaimed liabilities against the Company or its Directors or Promoters or Promoter group as of the date of this Letter of Offer.

**LITIGATIONS AGAINST ARROW COATED PRODUCTS LTD.**

**A. Contingent Liabilities not provided as of March 31, 2011**

The Contingent liabilities / claims not acknowledged as debt as of March 31, 2011 are as follows-

| Sr. No. | Description         | (Rs. In Lacs) |            |
|---------|---------------------|---------------|------------|
|         |                     | 31.03.2011    | 31.03.2010 |
| 1       | Buy Back of Machine | 189.28        | 296.06     |
| 2       | Sales Tax           | 108.29        | 35.73      |
| 3       | Income Tax          | 9.83          | 9.83       |

**B. Outstanding Litigations:**

**OUTSTANDING LITIGATIONS PERTAINING TO OUR COMPANY**

Following is a summary of various litigations involving our Company:

| Category                     | Initiated by:   | No. Of Cases | (Rs. In Lacs) |
|------------------------------|-----------------|--------------|---------------|
| Tax Proceedings              | Tax Authorities | 3            | 118.11        |
| Criminal Proceedings u/s 420 | Company         | 14           | 34.48         |
| Criminal Proceedings u/s 138 | Company         | 3            | 6.32          |
| Civil Proceedings            | Company         | 1            | 15.66         |

***Proceedings initiated against Our Company involving Revenue Departments:***

| Sr No | Type       | Background                                       | Current Status   | (Rs. In Lacs) |
|-------|------------|--|--|---------------|
| 1     | Income Tax | Demand Notice received for the year A.Y. 2006-07 | We have filed an appeal in Income Tax Appellate Tribunal (ITAT) against the demand notice, matter is in appeal in ITAT. Next date is on 01/03/2012 | 9.83          |
| 2     | Sales Tax  | Demand Notice received for the year F.Y. 2003-04 | We have filed for re-assessment & matter is for assessing stage.   | 33.80         |
| 3     | Sales Tax  | Demand Notice received for the year F.Y. 2004-05 | We have filed for re-assessment & matter is for assessing stage.   | 74.48         |

**OUTSTANDING LITIGATIONS PERTAINING TO OUR PROMOTERS**

There are no outstanding litigations pertaining to our Promoters.

**OUTSTANDING LITIGATIONS PERTAINING TO OUR SUBSIDIARIES**

There are no outstanding litigations pertaining to our Subsidiaries.

***Criminal Proceedings under Section 420 initiated by Our Company:***

| Sr No | Name Of Party      | Case No. & Court/ Jurisdiction  | Background  | Current Status   | (Rs. In Lacs) |
|-------|--------------------|---|---|--|---------------|
| 1     | Sar New Reflection | 102/S/99 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai.  | Accused is based in Chennai & shifted his business activity to new place & not ready to pay the outstanding amount  | Summons issued & accused not yet present in court. Next date is on 24/04/2012              | 2.59          |
| 2     | Mr. Ravikant       | 103/S/99 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai.  | Accused is based in Chennai & shifted his business activity to new place & not ready to pay the outstanding amount. Mr. Ravikant is the proprietor of Sar New Reflection & purchased small quantity of material in his personal name. | Summons have already been sent but report is still awaited. Next date is on 24/04/2012.    | 0.08          |
| 3     | Om Design          | The old case no. is 46/S/02, the new case no. is 107/SS/05 in the court of learned Addl. Chief Metropolitan Magistrate, Andheri Court at Mumbai.    | Accused is based in Chennai & shifted his business activity to new place & not ready to pay the outstanding amount.   | Warrant issued on 27/07/2009. Accused not yet present in court. Next date is on 27/03/2012 | 1.55          |
| 4     | Mr. Velumani       | The old case no. is 48/S/02, the new case no. is 108/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai | Accused is based in Chennai & shifted his business activity to new place & not ready to pay the outstanding amount. Mr. Velumani is the proprietor of Om Design & purchased small quantity of material in his personal name.          | Summons have already been sent but report is still awaited. Next date is on 27/03/2012     | 0.48          |



|    |  |  |   |   |       |
|----|--|--|---|---|-------|
| 5  | Sujatha's  | The old case no. is 50/S/02, the new case no. is 109/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai  | Accused has closed down business activity & not ready to pay the outstanding amount. During our follow up for the receivable amount, they are not entertaining our executive.                 | Warrant issued on 27/07/2009. Next date is on 27/03/2012  | 3.47  |
| 6  | Shrishti Sign Systems Pvt. Ltd.                          | The old case no. is 58/S/02, the new case no. is 110/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai  | Accused company is well known & carrying business activity in Calcutta. We have received confirmation letter for total outstanding due, but they are not ready to pay the outstanding amount. | Already made the application for fresh warrant on 22/12/2009. Next date is on 27/03/2012  | 16.63 |
| 7  | Litel Infrared Systems Pvt. Ltd.                         | The old case no. is 47/S/02, the new case no. is 116/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai  | Accused company is well known in business of supply of equipment & supplied us Infrared Systems that is not functioning as per our requirement & committed by the accused                     | Accused present after warrant issued. His advocate wants to settle the matter but not yet contacted us for any further discussion. We have to file application u/s 294 of CRPC. Next date is 17/04/2012 | 1.28  |
| 8  | Solenger Hi Tec Sign Lab.,                               | The old case no. is 60/S/02, the new case no. is 117/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai  | Accused is based in Tamil Nadu & not ready to pay the outstanding amount.   | Warrant already issued but accused not yet present in court. We will make application for non bailable warrant in next date which is on 17/04/2012  | 3.86  |
| 9  | Mr. Ameer Niwas, Proprietor of Sagar Advertiser          | The old case no. is 105/S/99, the new case no. is 269/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai | Accused is based in Kerala & closed down its business activity. The accused has not been located.   | Issued summons twice but report not received yet. We have made application for show cause notice to concern police station. Next date is 17/04/2012   | 0.78  |
| 10 | Mr. Sanjay Mehta, Proprietor of M/s New Bombay Neon Sign | The old case no. is 107/S/99, the new case no. is 271/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai | Accused company is based in Surat & not ready to pay the outstanding dues.  | Accused has filed application based on jurisdiction point & copy submitted to us. We have to file a reply on next date which is on 17/04/2012   | 0.69  |

|    |   |  |   |  |      |
|----|---|--|---|--|------|
| 11 | Mr. Surinder Khungar, Proprietor of Star Glow Signs | The old case no. is 106/S/99, the new case no. is 284/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai | Accused company is based in Delhi & not ready to pay the outstanding dues.  | Order passed as prematured application as on 26/05/2009. We have made application for certified copy. Next date is on 12/06/2012   | 0.45 |
| 12 | Mr. Jayesh Naik, Proprietor of Shivam Plastic       | The old case no. is 104/S/99, the new case no. is 285/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai | Accused is based in Baroda & is not ready to pay the outstanding dues.  | Submitted reply against accused discharge application & handed accused copy to Honorable Court & one more copy has been sent to accused on 07/05/2009 by courier. Next Date is for Arguments on 20/03/2012                     | 0.54 |
| 13 | Tony Arts & Advertising                             | The old case no. is 108/S/99, the new case no. is 286/SS/05 in the court of the learned Addl. Chief Metropolitan Magistrate, Andheri court at Mumbai | Accused has stopped business activity & shifted to other place. Our branch manager Bangalore office has tried to locate this client, but they were unable to trace the accused. | Summons already issued twice but the same was returned with remark "office closed, shifted to other place" Next date is on 17/04/2012  | 2.02 |
| 14 | Claud Neon Signs                                    | Case no. 1603/2009 in the Session Court at Mumbai  | Accused company is based in Delhi & not ready to pay the outstanding dues.  | Chief Metropolitan Magistrate, Andheri court has discharge the filed case no. 268/SS/05. We have filed criminal revision application at Session Court, Mumbai. After adjournment on 17/08/2010, further date is not yet given. | 0.73 |

***Criminal Proceedings under section 138 initiated by Our Company:***

| Sr No | Name Of Party   | Case No. & Court/ Jurisdiction   | Background   | Current Status   | (Rs. In Lacs) |
|-------|-----------------|--|--|--|---------------|
| 1     | The Shape Maker | Case no. 901/S/02 in the court of the learned Addl. Chief Metropolitan Magistrate, Borivali court. | Accused has stopped business activity in Chennai & shifted to other place & could not be traceable | Summons already issued twice but the same was returned. Court has issued show cause notice. Next date is on 27/07/2012 | 1.22          |
| 2     | High Sign       | Case no. 385/S/02 in the court of the learned Addl. Chief  | Accuse company has stopped business activity in Rajasthan & shifted to                             | Summons already issued twice but the same was returned.  | 0.10          |



**ARROW COATED PRODUCTS LIMITED**

|   |                     |   |  |   |      |
|---|---------------------|---|--|---|------|
|   |                     | Metropolitan Magistrate, Borivali court.  | other place & could not be traceable   | Court has issued fresh warrant. Next date is on 27/07/2012      |      |
| 3 | Mr. Naveen Vasistha | Case no. 13018/2005 in the court of the xiii the Addl. Chief Metropolitan Magistrate at Bangalore | Accused shifted from Secunderabad to other place & not ready to pay the amount due to internal partners dispute. | Warrant already issued & served through Police at his residence | 5.00 |

***Civil Proceedings initiated by Our Company:***

| <b>Sr No</b> | <b>Name Of Party</b> | <b>Case No. &amp; Court/ Jurisdiction</b>                     | <b>Background</b>  | <b>Current Status</b>   | <b>(Rs. In Lacs)</b> |
|--------------|----------------------|---|--|---|----------------------|
| 1            | Rainbow Digital      | Case no. 861/S/2008 in the High Court of Judicature at Bombay | Accused is not ready to pay the outstanding amount hence we have filed the matter in Andheri Court which has been dismissed. | First we have filed the matter in Andheri Court which has been dismissed. Therefore within limitation period we have filed suit in High court. After adjournment on 19-05-2010, further date is not yet given. Case is pending. | 15.66                |



## **GOVERNMENT APPROVALS**

### **Incorporation Details**

Certificate of Incorporation No. 11-69281 dated 30-10-1992 is issued to Arrow Coated Products Limited by the Registrar of Companies, Maharashtra. The Company Identification Number is L21010MH1992PLC069281.

### **Approvals in relation to the Issue**

#### *Corporate Approvals*

Our Board of Directors has, pursuant to a resolution dated September 04, 2009, authorized the Issue, subject to the approval of our shareholders under Section 81 (1) and (1A) of the Companies Act.

Our shareholders have, pursuant to a resolution dated September 29, 2009 under Section 81(1) and (1A) of the Companies Act, authorized the Offer.

#### *In-principle approval from BSE*

We have received in-principle approvals from BSE for the listing of the Equity Shares issued through this Rights Issue pursuant to letter dated September 30, 2010.

### **Approvals from SEBI**

#### *Observation Letter*

We have received Observation Letter No. CFD/ISSUES/DIL/SK/MS/OW/6590/2011 dated February 25, 2011 issued by SEBI for opening the Issue within 12 months from the date.

#### *Warrant Relaxation Letter*

We have received letter No. CFD/DIL/SK/MS/OW/27789/2011 dated August 30, 2011 for the relaxation under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 for obtaining listing and trading permission of warrants to be issued in the proposed rights issue.

### **Approvals pending and applied for by Our Company**

#### *Patents*

One of the strengths of the Company is the patents it holds. Besides the 20 patents granted to the Company there are another 40 patents which have been applied for worldwide by the company.

Except as stated above, our Company has received the necessary consents, licenses, permissions and approvals from the government and various governmental agencies required for its present business and no further approvals are required for carrying on its present business.

The objects clause of the Memorandum of Association enables our Company to undertake its existing activities.



**MATERIAL DEVELOPMENTS**

*Material developments since the last balance sheet*

Save as disclosed hereinafter, there have been no developments since March 31, 2011 which effect the operations, or financial condition of our company:

- I. The total overdue amount under secured loan as at year end was Rs. 231.32 lacs. The same has been repaid in August 2011 by taking a fresh facility from IndusInd Bank. Mr. Shilpan P. Patel and Ms. Jigisha S. Patel have given term deposits aggregating to Rs. 264 Lacs for availing this facility from the Bank. This facility was originally available upto November 17, 2011 but it is further extended for a period of 3 months i.e till February 17, 2012.



## **SECTION VIII - OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Present Issue**

This issue is pursuant to the resolution passed by the Board in their meeting held on September 4, 2009 and approved by the members of our Company under section 81(1A) of the Act at the Annual General Meeting held on September 29, 2009. The Company has decided to offer 53,50,198 Equity shares of Rs. 10/- each at par i.e. Rs. 10/- per share aggregating Rs. 535.02 Lacs to the existing Equity shareholders of the Company on rights basis in the ratio of one equity shares for the every one equity share held as on the Record Date i.e. February 11, 2012. In addition to the Rights Entitlement, for every 10 (ten) Equity Share(s) allotted in the Issue, 2 (two) Detachable Warrants will be issued and allotted.

### **Prohibition by SEBI**

Neither our Company, nor our Promoters, our Directors or any of the Promoter Group Entities, or companies or entities with which the Company's Directors are associated with, as directors or promoters, or persons in control of our Promoters have been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Neither we nor our Directors, our Promoters, Promoter Group Entities or relatives of Promoters have been identified as wilful defaulters by RBI / Government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

None of our Directors is associated with the Securities Market.

### **Eligibility for the Issue**

Arrow Coated Products Limited is an existing company registered under the Indian Companies Act, 1956, whose Equity Shares are listed on the Bombay Stock Exchange Ltd. (BSE) and Delhi Stock Exchange Association Ltd (DSE). However the Company had applied for delisting of its securities from Delhi Stock Exchange Association Ltd (DSE). It is eligible to offer this Issue in terms of SEBI (ICDR) Regulations.

Our Company is in compliance with the provisions specified in Part E of the Schedule VIII of the SEBI (ICDR) Regulations, 2009 Regulations i.e.:

- a) *"it has been filing periodic reports, statements and information in compliance with the listing agreement for the last three years immediately preceding the date of filing the Draft Letter of Offer with SEBI"*
- b) *"the reports, statements and information referred to in sub-clause (a) above are available on the website of any recognized stock exchange with nationwide trading terminals"*
- c) *"it has investor grievance-handling mechanism which includes meeting of the Shareholders' or Investors' Grievance Committee at frequent intervals, appropriate delegation of power by the board of directors of the issuer as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances"*.



**DISCLAIMER CLAUSE OF SEBI**

**AS REQUIRED, A COPY OF THE LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI.**

**“IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR FOR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT LETTER OF OFFER. THE LEAD MANAGER, ARYAMAN FINANCIAL SERVICES LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGER, ARYAMAN FINANCIAL SERVICES LIMITED HAS FURNISHED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) A DUE DILIGENCE CERTIFICATE DATED AUGUST 12, 2010 WHICH READS AS FOLLOWS:**

- 1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER PERTAINING TO THE SAID ISSUE;**
- 2) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**
  - A) THE DRAFT LETTER OF OFFER FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
  - B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED / ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - C) THE DISCLOSURES MADE IN THE DRAFT LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**



- 3) **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
- 4) **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOT APPLICABLE**
- 5) **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS / DRAFT PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS / DRAFT PROSPECTUS. – NOT APPLICABLE**
- 6) **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS/DRAFT PROSPECTUS. – NOT APPLICABLE**
- 7) **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – NOT APPLICABLE**
- 8) **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
- 9) **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE LETTER OF OFFER. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.**





- 10) WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT LETTER OF OFFER THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.
- 11) WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
- 12) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT LETTER OF OFFER:
  - A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND
  - B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.
- 13) WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.
- 14) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
- 15) WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.
- 16) WE ENCLOSE STATEMENT ON 'PRICE INFORMATION OF PAST ISSUES HANDLED BY US'. – SUBMITTED AT THE TIME OF FILING LETTER OF OFFER TO SEBI, MUMBAI.



Disclosure of Price Information of Past Issues Handled By Aryaman Financial Services Limited

| Sr. No | Issue Name                      | Issue Size Rs. (cr.) | Issue Price Rs. | Listing Date | Opening Price on Listing Date | Closing Price on Listing Date | % change in Price on listing date (Closing) vs. Issue Price | Benchmark index on listing date (Closing) | Closing price as on 10th calendar day from listing day | Benchmark index as on 10th calendar days from listing day (Closing) | Closing price as on 20th calendar day from listing day | Benchmark index as on 20th calendar days from listing day (Closing) | Closing price as on 30th calendar day from listing day | Benchmark index as on 30th calendar days from listing day (Closing) |
|--------|---------------------------------|----------------------|-----------------|--------------|-------------------------------|-------------------------------|---|---|--|---|--|---|--|---|
| 1      | Midvalley Entertainment Limited | 60.00                | 70.00           | Jan 27, 2011 | 73                            | 58.05                         | (17.07)   | 18684.43                                  | 58.00  | 18008.15  | 60.55  | 18273.80  | 86.05  | 17700.91  |

Summary Statement of Disclosure

| Financial Year | Total no. of IPOs | Total Funds Raised (Rs. Cr.) | Nos. of IPOs trading at discount on listing date |                |               | Nos. of IPOs trading at premium on listing date |                |               | Nos. of IPOs trading at discount as on 30 <sup>th</sup> calendar day from listing day |                |               | Nos. of IPOs trading at premium as on 30 <sup>th</sup> calendar day from listing day |                |               |
|----------------|-------------------|------------------------------|--|----------------|---------------|---|----------------|---------------|---|----------------|---------------|--|----------------|---------------|
|                |                   |                              | Over 50%   | Between 25-50% | Less than 25% | Over 50%  | Between 25-50% | Less than 25% | Over 50%  | Between 25-50% | Less than 25% | Over 50%   | Between 25-50% | Less than 25% |
| 2011-12        | -                 | -                            | -  | -              | -             | -   | -              | -             | -   | -              | -             | -  | -              | -             |
| 2010-11        | 1                 | 60                           | -  | -              | 1             | -   | -              | -             | -   | -              | -             | -  | -              | 1             |
| 2009-10        | -                 | -                            | -  | -              | -             | -   | -              | -             | -   | -              | -             | -  | -              | -             |

Note:

- In case the 10<sup>th</sup>, 20<sup>th</sup> and 30<sup>th</sup> calendar day from the date of listing fall on a holiday, the closing share price of the immediately preceding day has been taken into consideration
- BSE Sensex has been considered as Benchmark Index.



**THE FILING OF LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED RIGHTS ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MERCHANT BANKER ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.”**

**Caution / Disclaimer clause of the Issuer and the Lead Manager**

**The Issuer and the Lead Manager accepts no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by or at the instance of the Issuer and anyone placing reliance on any other source of information would be doing so at his / her / their own risk.**

**Investors who invest in the Issue will be deemed to have represented to the Issuer Company and Lead Manager and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire equity shares of our company, and are relying on independent advice / evaluation as to their ability and quantum of investment in this issue.**

The Lead Manager and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer with SEBI.

**Disclaimer with respect to jurisdiction**

This Letter of Offer has been prepared under the provisions of Indian Law and the applicable rules and regulations there under. The distribution of the Letter of Offer and the Issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons in whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

**Selling Restrictions**

The distribution of this Letter of Offer and the issue of Equity Shares with Detachable Warrants on a rights basis to persons in certain jurisdictions outside India may be restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer may come are required to inform themselves about and observe such restrictions. Our Company is making this Issue of Shares on a rights basis to the shareholders of our Company and will dispatch the Letter of Offer and CAFs to shareholders who have provided an Indian address. No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that the Letter of Offer has been filed with SEBI. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer may not be distributed in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and, those circumstances, this Letter of Offer must be treated as sent for information only and should not be copied or redistributed. Accordingly, persons receiving a copy of this Letter of Offer should not, in connection with the issue of the Equity Shares with Detachable Warrants, distribute or send the same in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. If this Letter of Offer is received by any person in any such territory, or by their agent or nominee, they must not seek to subscribe to the Equity Shares with Detachable Warrants. Neither the



## **ARROW COATED PRODUCTS LIMITED**

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delivery of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

### **Designated Stock Exchange**

The Designated Stock Exchange for the purpose of this Issue will be The Bombay Stock Exchange Limited.

### **Disclaimer Clause of the Bombay Stock Exchange Limited (BSE)**

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated September 30, 2010, permission to this company to use the Exchange's name in this Letter of Offer as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this letter of offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner;

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this letter of offer; or
- ii. warrant that this company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that this letter of offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription /acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Filing**

This Letter of Offer was filed with SEBI, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051. All legal requirements applicable till date of filing this Letter of Offer with the Stock Exchanges have been complied with.

### **Impersonation**

As a matter of abundant caution, attention of the applicants is specifically drawn to the provisions of subsection (1) of Section 68A of the Companies Act which is reproduced below:

#### ***"Any person***

- a. who makes in a fictitious name an application to a Company for acquiring, or subscribing for, any shares therein, or***
- b. otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years"***



### **Dematerialized Dealing**

The Company has agreements dated March 25, 2004 and April 07, 2004 with CDSL and NSDL respectively and its Equity Shares bear the ISIN No. INE570D01018.

### **Consents**

Consents in writing of the Auditors, Lead Manager, Legal Advisor, Registrar to the Issue and Banker to the Company to act in their respective capacities have been obtained and such consents have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the Stock Exchange.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the stock exchange.

To the best of the Company's knowledge there are no other consents required for making this Issue. However, should the need arise, necessary consents shall be obtained by the Company.

### **Issue Expenses**

The expenses for this Issue include lead management fees, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges, among others. The total expenses for this Issue are estimated to be approximately Rs. 18.96 Lacs, which is 3.54% of the issue size.

The estimated issue related expenses are as follows:

| <b>Nature of Expenses</b>  | <b>(Rs. In Lacs)</b> | <b>As a % of Issue Size</b> | <b>As a % of Total Issue Expenses</b> |
|--|----------------------|-----------------------------|---------------------------------------|
| Fees of Lead Manager, Registrar to the Issue, Legal Advisor, Company Law Consultant etc. | 9.00                 | 1.68%                       | 47.47%                                |
| Advertising & Marketing Expenses   | 2.50                 | 0.47%                       | 13.19%                                |
| Printing, stationery, distribution, postage, etc   | 4.00                 | 0.75%                       | 21.10%                                |
| Others (including but not limited to Stock Exchange and SEBI filing fees)                | 3.46                 | 0.65%                       | 18.25%                                |
| <b>Total Estimated Issue Expenses</b>  | <b>18.96</b>         | <b>3.54%</b>                | <b>100.00%</b>                        |

### **Investor Grievances and Redressal System**

The Company has adequate arrangements for redressal of Investor complaints and well-arranged correspondence system developed for letters of routine nature. The share transfer and dematerialization for the Company is being handled by our registrar and share transfer agent (System Support Services). Letters are filed category wise after having attended to redressal norm for response time for all correspondence including shareholders complaints is within 7 days.

The investor grievances arising out of the Issue will be handled by Ms. Jasbinder Kaur Neela, Compliance Officer, and System Support Services who are the Registrars to the Issue.

All grievances relating to the Issue may be addressed to the Registrars to the Issue giving full details such as folio no., name and address, contact telephone / cell numbers, email id of the first applicant, number and type of shares applied for, Application Form serial number, amount paid on application and the name



***ARROW COATED PRODUCTS LIMITED***

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of the bank and the branch where the application was deposited, along with a photocopy of the acknowledgement slip. In case of renunciation, the details of the Renouncee should be furnished.

The average time taken by the Registrar for attending to routine grievances will be 7 days from the date of receipt. In case of non-routine grievances where verification at other agencies is involved, it would be the endeavour of the Registrar to attend to them as expeditiously as possible. We undertake to resolve the Investor grievances in a time bound manner.

Investors are advised to contact the Compliance Officer in case of any pre-Issue / post-Issue related problems such as non-receipt of letters of allotment / share certificates / demat credit / refund orders etc.

**Ms. Jasbinder Kaur Neela**

Compliance Officer

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

Tel.: 022 – 4074 9000

Fax: 022 – 4074 9099

E-mail: [jkaur@arrowcoated.com](mailto:jkaur@arrowcoated.com)

Website: [www.arrowcoated.com](http://www.arrowcoated.com)

**Additional Confirmation of the compliance status of certain regulatory requirements / filings as required vide SEBI Observation letter dated February 25, 2011:**

We hereby confirm that we have complied during the financial year immediately preceding the date of this Letter of Offer with respect to the following:

- a. Provisions of the Listing Agreement with respect to reporting and compliance under Clauses 35, 40A, 41 and 49;
- b. Provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, with respect to reporting in terms of Regulation 8(3) pertaining to disclosure of changes in shareholding and Regulation 8A pertaining to disclosure of pledged shares;
- c. Provision of the SEBI (Prohibition of Insider Trading) Regulations, 1992, with respect to reporting in terms of Regulation 13.



## **IX. OFFERING INFORMATION**

### **PRINCIPAL TERMS OF THE ISSUE**

The Equity Shares now being offered are subject to the provisions of the Act and the terms and conditions of this Letter of Offer, the CAF, the Memorandum and Articles of Association of the Company, the approvals from the Government of India, FIPB and RBI, if applicable; Guidelines issued by SEBI; guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and / or other statutory authorities and bodies from time to time; Listing Agreements entered into by the Company with Stock Exchanges, terms and conditions as stipulated in the allotment advise or letter of allotment or Security Certificate and rules as may be applicable and introduced from time to time.

#### **Authority for the Issue**

This issue is pursuant to the resolution passed by the Board in their meeting held on September 4, 2009 and approved by the members of our Company under section 81(1A) of the Act at the Annual General Meeting held on September 29, 2009.

#### **Basis for the Issue**

The Equity Shares with Detachable Warrants are being offered for subscription to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of the Equity Shares held in the electronic form and on the register of members of our Company in respect of the Equity Shares held in the physical form at the close of business hours on the Record Date i.e. February 11, 2012.

#### **Rights Entitlement**

As your name appears as a beneficial owner in respect of the Equity Shares held in the electronic form or appears in the register of members as an Equity Shareholder as on the Record Date, you are entitled to the number of Equity Shares with Detachable Warrants specified in Block I of Part A of the enclosed CAF.

The eligible Equity Shareholders are entitled to 1 (one) Equity Shares for every 1 (one) fully paid-up Equity Shares held on the Record Date.

In addition to the Rights Entitlement, for every 10 (ten) Equity Share(s) allotted in the Issue, 2 (two) Detachable Warrant(s) will be issued and allotted.

#### **Ranking of equity shares**

The Equity Shares allotted pursuant to Letter of Offer shall rank pari-passu in all respects with the existing fully paid up Equity Shares of the Company including in respect of dividend, if any, declared by the Company, for the financial year, in which these Equity Shares are allotted.

#### **Mode of payment of dividend**

The dividend is paid to all the eligible shareholders in terms of the provisions of the Companies Act, 1956 with regard to payment of dividend. The unclaimed dividend if any are transferred to Investor Protection Fund as prescribed under the Act.



**Principal terms of the Issue: Equity Shares**

**Rights of the Equity Shareholder**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

**Face value**

Each Equity Share shall have the face value of Rs. 10/-.

**Issue Price**

Equity Share of face value of Rs. 10/- is being offered at a price of Rs. 10/- per share. For every 10 (ten) equity share offered through this Issue will have 2 (two) detachable warrant attached, hereinafter referred to as Warrant. The holder of each warrant shall be entitled to acquire one equity share of Rs. 10/- each per warrant exercised as is mentioned on page 151 of this Letter of Offer.

**Terms of payment**

On application, the aggregate amount in respect of the Equity Shares with Detachable Warrants applied for in the Issue at the rate of Rs. 10.00 per Equity Share with Detachable Warrant, shall be payable (“Application Money”).

A separate cheque / demand draft / pay order in respect of the Application Money must accompany each CAF. Payment should be made in cash (not more than Rs. 20,000) or by cheque / demand draft / pay order drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub-member of the Bankers Clearing House located at the center where the CAF is accepted. Outstation cheques / demand drafts / pay orders will not be accepted and CAFs accompanied by such outstation cheques / demand drafts / pay orders are liable to be rejected. Payments in cash in excess of the amount specified above will not be accepted.

Pursuant to the RBI Circular DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stock Invest Scheme has been withdrawn and accordingly, payment through Stock Invest will not be accepted in the Issue. Where an applicant has applied for additional Equity Shares with Detachable Warrants and is allotted a lesser number of Equity Shares with Detachable Warrants than applied for, the excess Application Money paid shall be refunded. The excess Application Money will be refunded within 15 days from the Issue Closing Date, and if there is a delay beyond eight days from the stipulated period, our Company and every Director of our Company who is an officer in default shall be jointly and severally liable to repay the money with interest for the delayed period, at the rates stipulated under sub-sections (2) and (2A) of Section 73 of the Companies Act.

**For Equity Shareholders wishing to apply through the newly introduced ASBA process for rights issues, kindly refer section titled “Procedure for Application through the Applications Supported By Blocked Amount (“ASBA”) Process” on page 167 of this Letter of Offer.**





### **Rights entitlement ratio**

As your name appears as beneficial owner in respect of Equity Shares held in electronic form or appear in the register of members as an Equity Shareholder of the Company as on February 11, 2012, i.e. the Record Date, you are entitled to the number of Equity Shares set out in Part A of the enclosed CAF.

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of one Equity Share for every one Equity Share held as on the Record Date.

### **Market Lot**

The market lot for the Equity Shares and the Detachable Warrants in dematerialized mode is one. In case of holding of Equity Shares in physical form, our Company will issue to the allottees (a) one certificate for the Equity Shares allotted to each folio (a "Share Certificate") and (b) one certificate for the Detachable Warrants ("Warrant Certificate"). Upon receipt of a request from an Equity Shareholder or Warrant Holder, the company will split such Certificate into smaller denominations within 10 working days from the receipt of the request from such Equity Shareholder or Warrant Holder. Our Company shall not charge a fee for splitting such Certificates.

**Investors may please note that the Equity Shares and the Detachable Warrants can be traded on the Stock Exchanges in dematerialized form only.**

### **Nomination facility**

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose. Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares to be allotted in this Issue under the same folio.

**In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires change in the nomination, they are requested to inform their respective DP.**

### **Restrictions on transfer and transmission of shares and on their consolidation / splitting**

There are no restrictions on transfer and transmission and on their consolidation / splitting of shares issued pursuant to this Issue.

### **Principal terms of the Issue: Warrants**

#### **Warrant Entitlement**

An eligible Equity Shareholder is entitled to receive 2 Detachable Warrant(s) for every 10 Equity Share(s) allotted in the Issue. The Detachable Warrants so issued can be freely and separately traded until they are tendered for exercise. At any time prior to the expiry of the Notice Period, the holders of Detachable Warrants will be entitled to exercise their right to apply for one Equity Share(s) at the Warrant Exercise Price for each Detachable Warrant held.

The Equity Share entitlement in respect of each Detachable Warrant shall be proportionately adjusted for any bonus issue made by the Company prior to the Warrant Exercise Period so as to ensure that the benefit to the Warrant Holder is not prejudiced and remains the same as if the bonus issue had not been declared. For example, if the Company declares a bonus issue prior to the Warrant Exercise Period in the ratio of 1:1, then the number of Equity Shares to be issued pursuant to the exercise of every Detachable Warrant would double.

The face value of each Equity Share is Rs. 10/-. In the event of any sub-division or consolidation of the face value of the Equity Shares, the Equity Share entitlement on each Detachable Warrant shall be



proportionately increased or decreased such that the aggregate nominal value of the entitlement remains the same as the nominal value of the Equity Shares immediately prior to such sub-division or consolidation, e.g., in case the Company decides to reduce the face value of the Equity Shares to Re. 1/- each, then upon exercise of each Detachable Warrant by paying the Warrant Exercise Price, the holders of such Detachable Warrants will get ten Equity Shares of Re. 1/- each instead of one Equity Share of Rs. 10/-.

However, in case the Company announces a rights issue prior to the exercise of the Detachable Warrants, neither would any adjustment be made to the Equity Share entitlement in respect of each Detachable Warrant nor would there be any reservations for the holders of such Detachable Warrants.

### **Fractional Entitlements**

Subject to the provisions of this Letter of Offer, the Articles of Association and the approval of the Designated Stock Exchange, the Board of Directors will proceed to allot the Detachable Warrants in the following manner:

- For every 10 Equity Share(s) allotted in the Issue, 2 Detachable Warrant(s) will be issued.
- If the Equity Shares allotted in the Issue is less than 10 (Ten), then the fractional entitlement of such holders will be ignored.
- If the Equity Shares allotted in the Issue is not a multiple of 10, then the fractional entitlement of such holders will be rounded off to the nearest integer.
- 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.

### **Rights of Warrant Holders**

- Subject to the above, the Detachable Warrant shall be transferable and transmittable in the same manner and to the same extent and be subject to the same restrictions and limitations and other related matters as in the case of Equity Shares of the Company.
- The Detachable Warrant shall not confer upon the holders thereof any right to receive any notice of the meeting of the Shareholders of the Company or Annual Report of the Company and or to attend / vote at any of the General Meetings of the Shareholders of the Company held, if any.
- Save and except the right of subscription to the Company's Equity Shares as per the terms of the Issue of Detachable Warrants, the holders of the Detachable Warrants in their capacity as Detachable Warrant holders shall have no other rights or privileges.
- The equity shares arising from the exercise of warrants shall be subject to the Memorandum and Articles of Association of the Company and shall rank pari passu in all respects with existing equity shares of the Company including dividends. Except that the shares arising from conversion of warrants shall be eligible for dividends only after payment of Warrant exercise price and allotment of the equity shares.
- The Warrant holder's inter-se, shall rank pari passu without any preference or priority of one over the other or others.
- The share entitlement on each Warrant and its exercise price shall be proportionately adjusted for any further corporate action done by the Company like bonus issue or sub - division or consolidation of the face value of equity shares till the date of allotment of shares consequent upon exercise of warrants.

A separate register of warrant holders would be maintained by the Company.

### **Warrant Exercise Price**

The Warrant Exercise Price for the Detachable Warrants shall be determined as follows:



## **ARROW COATED PRODUCTS LIMITED**

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Warrant Exercise Price shall be the higher of (a) and (b) below:

- (a) Floor Price being Rs. 10/-; and
- (b) The Warrant Exercise Price for the Detachable Warrants shall be determined in accordance with the following formula:

$$\text{Warrant Exercise Price} = (A_{26} + A_2) / 2$$

where  $A_{26}$  is the average of the weekly closing prices of the Equity Shares on the BSE in the 26 weeks immediately preceding the date fixed by the Company for the determination of the Warrant Exercise Price of the Detachable Warrants (the “Relevant Date”) and  $A_2$  is the average of the weekly closing prices of the Equity Shares on the BSE in the two weeks immediately preceding the Relevant Date.

If trading in the Equity Shares of the Company has been suspended for any period of time in the foresaid 26 week period, the formula for the Warrant Exercise Price specified above shall be subject to such adjustments as the Board may, in its sole and absolute discretion, deem equitable.

The Warrant Exercise Price will be notified in one English national daily newspaper with wide circulation, one Hindi national daily newspaper with wide circulation and one regional language newspaper with wide circulation at the place where the Registered Office is situated. The Warrant Exercise Price will also be specified, along with the Notice Period and other details, on the Warrant Exercise Application Form to be dispatched by registered post to each of the Warrant Holders at their address in India registered with the Registrar to the Issue from time to time.

### **Exercise Period of Warrants**

The warrant exercise period for the Detachable Warrants commences at any time before the expiry of 18 months from the date of allotment of the Detachable Warrants. The Detachable Warrants may be exercised at any time during and prior to the expiry of notice period as may be fixed by our Company in its sole discretion (the “Notice Period”) within the Warrant Exercise Period. For purposes of determining the Warrant Holders and their respective entitlements, our Company shall fix the record date(s) during the Warrant Exercise Period for the Detachable Warrants (the “Warrant Record Date”), with the approval of the Stock Exchanges of such Warrant Record Date.

### **Any Detachable Warrant that is not exercised prior to the expiry of the Notice Period shall lapse.**

The exercise of the Detachable Warrants during the Notice Period(s) will be carried out without the need for our Company to take any further approvals. However, the Warrant Holders should independently check if they require any approvals.

The Notice Period(s) will be notified in one English national daily newspaper with wide circulation one Hindi national daily newspaper with wide circulation and one Marathi language newspaper with wide circulation at the place where the Registered Office is situated.

### **The Application Form will be sent by the Company to all the warrant holders on the record date**

The application form for exercise of warrants shall be sent by the Company to all the warrant holders, whose name appears in the register of warrant holders of the Company on the record date. The Application Form would also be available to all warrant holders on request with the Registrar during the Warrant Exercise Period and can be downloaded from the Company’s website [www.arrowcoated.com](http://www.arrowcoated.com). During the Warrant Exercise Period, the Warrant holder should send their application to the Registrar and Transfer Agent of the Company by filling up the said application form. It should be accompanied by a cheque / demand draft for the requisite amount.



**Procedure for issue of equity shares in exchange of Warrants**

Warrant holders can apply for such number of shares as they desire by surrendering relevant warrants (1 equity share per warrant) together with the appropriate amounts as per procedure detailed below:

**In case of Warrant held in Physical Mode**

During the Warrant Exercise Period, the Warrant holder should send his application for issue of Equity Shares to the Registrar of the Company by filling up the requisite particulars on the Warrant Exercise Application Form and by discharging on the reverse of the Warrants certificate.

| Category of Investor  | Warrant A - Pay order / demand draft to be issued in favor of |
|---|---|
| For Resident Shareholders / Applicants and Non-resident Equity Shareholders / Applicants applying on a non-repatriation basis | “ACPL – Warrant Issue” payable at Mumbai                      |
| For Non-resident Equity Shareholders / Applicants applying on a repatriation basis  | “ACPL – Warrant Issue – NR” payable at Mumbai                 |

For making the payment, Non-resident Equity Shareholders / Applicants are required to follow the similar procedures as specified in ‘Mode of payment for Non-Resident Equity Shareholders/ Applicants’ on page 163 of this Letter of Offer.

**In case of Warrant held in Dematerialized Mode**

The Registrar and Transfer Agent of the Company, M/s. System Support Services will, before the warrant exercise period open a special depository account with CDSL “**ACPL – Warrant Conversion Escrow Account**” with a Depository Participant (the “Special Depository Account”). The Company will open the Special Depository Account through the Registrar with CDSL at least 2 days prior to the commencement of the warrant exercise period. Shareholders of ACPL having the depository account with NSDL must use inter depository delivery instruction slip for the purpose of crediting their warrants in favour of the Special Depository Account with the CDSL. Beneficial owners who wish to tender their warrants for conversion, will be required to send their application for issue of equity shares on the prescribed application form sent separately, accompanied by a cheque / demand draft along with a photocopy of the delivery instruction in “off market” mode or counterfoil of the delivery instruction in “off market” mode, duly acknowledged by the depository participant (“DP”) in favour of the special depository account, to the Registrars, M/s System Support Services before the close of warrant exercise period.

**In case the warrants along with the cheques / drafts towards full payment of the Warrant Exercise Price do not reach the Registrar by the end of warrant exercise period then the same shall lapse.**

Warrants with payments for lesser amounts shall be rejected & returned. Any excess conversion price beyond the call option price shall be refunded by the Company. Shares allotted on exercise of valid warrants will be dispatched / credited to the applicant’s electronic account within 15 days from the expiry of warrant exercise period, subject to requisite approvals from the statutory authorities. On allotment, Company shall apply for listing of resulting equity shares.

**Variance in the terms of the Warrants**

The rights, privileges and conditions attached to the warrants may be modified or varied or abrogated with the consent of the holders of the warrants by a Special Resolution passed at a meeting of the warrant holders, provided that nothing in such resolution shall be operative against the Company when such resolution modifies or varies the terms and conditions governing the warrants if the same is not acceptable to the Company. At a meeting of the warrant holders, every warrant holder, and in the case of joint holders the one whose name stands first in the Register, shall be entitled to vote, either in person or by proxy, in respect of such warrants. The warrant holder will be entitled to one vote on a show of hands and his / her voting rights on a poll shall be in proportion to the outstanding number of the warrants held by him / her. The quorum for such meetings shall be at least five warrant holders present in person. The



proceedings of the meeting of the warrant holders shall be governed by the provisions contained in the Articles and such other rules in force for the time being to the extent applicable and in relation to matters not otherwise provided for in terms of the Issue.

### **Separate ISIN for warrants and their listing and trading**

Our Company's existing Equity Shares are currently traded on BSE under the ISIN INE570D01018. The fully paid-up Equity Shares proposed to be issued pursuant to the Issue shall be listed and admitted for trading on BSE under the existing ISIN. The Detachable Warrants proposed to be issued pursuant to the Issue shall be listed and admitted for trading on BSE under a separate ISIN. All steps for the completion of the necessary formalities for listing and commencement of trading of the Equity Shares and the Detachable Warrants allotted pursuant to the Issue shall be taken within seven working days of the finalization of the basis of allotment. Our Company has made applications to BSE seeking "in-principle" approval for the listing of the Equity Shares and the Detachable Warrants issued pursuant to the Issue in accordance with Clause 24(a) of the Listing Agreements and has received such approval from BSE pursuant to letter no. DCS/PREF/NP/IP-RT/609/10-11 dated September 30, 2010. Our Company will apply to the Stock Exchanges for final approval for the listing and trading of the Equity Shares and the Detachable Warrants. The Equity Shares which will arise upon the exercise of the Detachable Warrants shall be listed for trading on BSE under the existing ISIN for the fully paid-up Equity Shares of our Company. No assurance can be given regarding the active or sustained trading in the Equity Shares or the price at which the Equity Shares offered under the Issue will trade either after the listing or at the time of exercise of the Detachable Warrants.

Similarly, no assurance can be given regarding the active or sustained trading in the Detachable Warrants or the price at which the Detachable Warrants being allotted under the Issue will trade after their listing.

### **Caution:**

- Each warrant application form shall be accompanied by a single instrument of payment. Clubbing of folios / securities for the purpose of making a consolidated payment is not permitted.
- Cheques / DD should be payable at Mumbai for the full amount and payments for less amount will be rejected.
- Investors are advised not to close or transfer their demat account between the period of application for exercise of warrant(s) till the time of allotment/receipt of credit in their account so as to avoid rejection of credit from the Depositories and resultant delay in receiving the intimation of allotment.

### **Minimum Subscription**

If the Issuer does not receive the minimum subscription of ninety percent of the issue, the entire subscription shall be refunded to the applicants within fifteen days from the date of closure of the Issue. If there is delay in the refund of subscription by more than 8 days after the issuer becomes liable to pay the subscription amount (i.e. fifteen days after closure of the issue), the Issuer will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

The Issue will become under-subscribed, if the number of shares applied for falls short of the number of shares offered, after considering the number of shares applied for as per the entitlement plus additional shares.

The Promoters and the each members of the Promoter Group holding Equity Shares in our Company have vide their letter dated December 15, 2011 undertaken to fully subscribe for their Rights Entitlement. They have also undertaken to apply for the Equity Shares with Detachable Warrants in addition to their rights entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining approvals required under applicable law, if any. Such subscription for Equity Shares with Detachable Warrants over and above their rights entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Further, such acquisition by them of additional Equity



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Shares with Detachable Warrants shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI (SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue. In connection with Detachable Warrants issued and allotted by our Company in the Issue, the Promoters and each members of the Promoter Group may apply for the issue of such Equity Shares as may arise from the exercise of the Detachable Warrants issued and allotted to them in the Issue and such exercise shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI (SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue.

As such, other than meeting the requirements indicated in the section titled “Objects of the Issue” on page 48 of this Letter of Offer, there is no other intention or purpose for the Issue, including any intention to delist our Company, even if, as a result of any allotment in the Issue to the Promoters and/or members of the Promoter Group, the shareholding of the Promoters and/or Promoter Group in our Company exceeds the current shareholding. The Promoters and/or members of the Promoter Group intend to subscribe for any undersubscribed portion of the Issue as per the provisions of applicable law. Allotment to the Promoters and/or members of the Promoter Group of any undersubscribed portion, over and above their Rights Entitlement, shall be completed in compliance with the Listing Agreements and other applicable laws prevailing at that time relating to continuous listing requirements. For further details please refer to section titled “Basis of Allotment” beginning on page 174 of this Letter of Offer.

### **Joint-Holders**

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship subject to provisions contained in the Articles of Association of the Company.

### **Offer to non-resident equity shareholders / applicants**

Applications received from NRIs and non-residents for allotment of Equity Shares and Detachable Warrants shall be inter alia, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of receipt and refund of application moneys and the allotment of Equity Shares and the Detachable Warrants, issue of letter of allotment / share and warrant certificates, dividends, etc. General permission has been granted to any person resident outside India to purchase shares offered on rights basis by an Indian company in terms of FEMA and regulation 6 of notification No. FEMA 20/2000-RB dated May 3, 2000. The Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of the Equity Shares and Detachable Warrants, payment of dividend etc. to the non-resident shareholders. The Equity Shares and the Detachable Warrants purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

FII's will not need permission of the FIPB / RBI for investment in the Issue to the extent of their Rights Entitlement. However, in case of applications from such entities in excess of their Rights Entitlement, allotment will be subject to restrictions under applicable laws, including existing ceilings on FII holdings in the Company and the sectoral caps on FDI in the Company, as applicable.

Letter of Offer and CAF to non resident Equity Shareholders shall be dispatched only to their address mentioned in the Register of Members in India as provided under Section 53 of the Companies Act.

### **Notices**

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation and one Hindi national daily and one regional language daily newspaper with wide circulation at the place where registered office of the Company is situated and / or will be sent by ordinary post to the registered holders of the Equity Share from time to time.



**Issue of duplicate equity share certificate / Warrant Certificate**

If any Equity Share certificate(s) / Warrant certificate is / are mutilated or defaced or the cages for recording transfers of Equity Shares are fully utilized, the Company against the surrender of such certificate(s) may replace the same, provided that the same will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible.

If any Equity Share certificate(s) / Warrant Certificate is / are destroyed, stolen, lost or misplaced, then upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity / surety and / or such other documents as the Company may deem adequate, duplicate Equity Share certificate(s) shall be issued.

**Option to subscribe Equity Shares / Warrants in dematerialized form**

Applicants to the Equity Shares / Warrants of the Company issued through this Issue shall be allotted the securities in dematerialized form at the option of the applicant. The CAF shall contain space for indicating number of shares applied for in demat and physical form or both. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made.

Responsibility for correctness of information filled in the CAF vis-à-vis such information with the applicant's depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant's depository participant.

The Equity Shares / Warrants pursuant to this Offer allotted to Investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice / refund order, if any would be sent directly to the applicant by the Registrar to the Issue. Renounees will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue in demat form. In case these details are incomplete or incorrect, the application is liable to be rejected.

**INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.**



## **ISSUE PROCEDURE**

The CAF would be printed in black ink for all shareholders. In case the original CAF is not received by the applicant or is misplaced by the applicant, the applicant may request the Registrars to the Issue, System Support Services, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. The applicant can renounce the right to apply for equity shares offered either in full or in part in favour of any other person or persons. Such renounees can only be Indian Nationals / Limited Companies incorporated under and governed by the Act, statutory corporations / institutions, trusts (unless registered under the Indian Trust Act), minors (through their legal guardians), societies (unless registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust / society is authorised under its constitution / bye laws to hold equity shares in a company and cannot be a partnership firm, more than three persons including joint-holders, HUF, foreign nationals (unless approved by RBI or other relevant authorities) or to any person situated or having jurisdiction where the offering in terms of this Letter of Offer could be illegal or require compliance with securities laws

### **Option available to the Equity Shareholders**

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to. Equity Shareholder shall have the following options:

- Apply for his entitlement in full;
- Apply for his entitlement in full and apply for additional Equity Shares;
- Apply for his entitlement in part;
- Apply for his entitlement in part and renounce the other part;
- Renounce his entire entitlement.

### **Additional equity shares**

The equity shareholders are eligible to apply for additional equity shares provided the applicant has applied for all the equity shares offered to him without renouncing them in full or in part.

The application for the additional equity shares shall be considered and allotment shall be made at the sole discretion of the Board and in consultation if necessary with the Designated Stock Exchange. This allotment of additional equity shares will be made on equitable basis with reference to number of shares held by the applicant on the record date.

Renounees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

### **Renunciation**

This Issue shall be deemed to include a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favour of any other person or persons subject to the approval of the Board. Such renounees can only be Indian Nationals (including minor through their natural / legal guardian) / limited companies incorporated under and governed by the Act, statutory corporations / institutions, trusts (registered under the Indian Trust Act), societies (registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust/society is authorized under its constitution / bye laws to hold equity shares in a company and cannot be a partnership firm, foreign nationals or nominees of any of them (unless approved by RBI or other relevant authorities) or to any person situated or having jurisdiction where the offering in terms of this Letter of Offer could be illegal or require compliance with securities laws of such jurisdiction or any other persons not approved by the Board.

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to other Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s) / renounee(s) obtaining the approval of the FIPB and /





or necessary permission of the RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions should be attached to the CAF. Applications not accompanied by the aforesaid approval are liable to be rejected.

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies (“OCBs”) have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of renounees shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s). Your attention is drawn to the fact that the Company shall not allot and / or register any Equity Shares in favor of:

- More than three persons including joint holders
- Partnership firm(s) or their nominee(s)
- Minors
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)

The right of renunciation is subject to the express condition that the Board / Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renounee(s) without assigning any reason thereof.

#### **Procedure for renunciation**

##### **To renounce the whole offer in favour of one renounee**

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favor renunciation has been made should complete and sign Part C of the CAF. In case of joint renounees, all joint renounees must sign Part C of the CAF.

##### **To renounce in part / or renounce the whole to more than one person(s)**

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renounees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed. **Please note that the Warrant being attached to equity shares offered, cannot be renounced separately. Any renouncement of equity shares automatically renounees the right to entitlement of warrant.**

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

##### **Renounee(s)**

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

##### **Change and / or introduction of additional holders**

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are



not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

**Please note that:**

- Part A of the CAF must not be used by any person(s) other than those in whose favour this Issue has been made.  
If used, this will render the application invalid.
- Request by the applicant for the Split Application Form should reach the Company on or before February 28, 2012.
- Only the person to whom this Letter of Offer has been addressed to and not the renounee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split form(s) will be sent to the applicant(s) by post at the applicant’s risk.

**How to Apply**

Applications should be made on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Manager or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given elsewhere in the Letter of Offer. Payment should be made in cash (not more than Rs. 20,000/-) or by cheque / bank draft / drawn on any Bank (including a Co-operative Bank) which is situated at and is a member or a sub-member of the bankers clearing house located at the centre where the CAF is submitted and which is participating in the clearing at the time of submission of the application. Outstation cheques / money orders / postal orders will not be accepted and CAFs accompanied by such cheques / money orders / postal orders are liable to be rejected.

The CAF consists of four parts:

- Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares
- Part B: Form for renunciation
- Part C: Form for application for renounees
- Part D: Form for request for split application forms

| <b>Option</b> | <b>Option Available</b>  | <b>Action Required</b>   |
|---------------|--|--|
| 1             | Accept whole or part of your entitlement without renouncing the balance.   | Fill in and sign Part A of the CAF (All joint holders must sign)   |
| 2             | Accept your entitlement in full and apply for additional Equity Shares   | Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)  |
| 3             | Renounce your entitlement in full to one person (Renounee) (Joint renounees not exceeding three are considered as one renounee). | Fill in and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand over the entire CAF to the renounee. The renounees must fill in and sign Part C of the CAF (All joint renounees must sign) |



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|---|---|--|
| 4 | <p>Accept a part of your entitlement and renounce the balance to one or more renounee(s)</p> <p>OR</p> <p>Renounce your entitlement to all the Equity Shares offered to you to more than one renounee</p> | <p>Fill in and sign Part D (all joint holders must sign) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once. On receipt of the Split Form take action as indicated below.</p> <ol style="list-style-type: none"> <li>1) For the Equity Shares you wish to accept, if any, fill in and sign Part A of one split CAF (only for option 1).</li> <li>2) For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand over the split CAFs to the renounees.</li> <li>3) Each of the renounees should fill in and sign Part C for the Equity Shares accepted by them.</li> </ol> |
| 5 | <p>Introduce a joint holder or change the sequence of joint holders</p>   | <p>This will be treated as a renunciation. Fill in and sign Part B and the renounees must fill in &amp; sign Part C.</p>   |

**For applicants residing at places other than designated Bank Collecting branches.**

Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post / speed post to the Registrars to the Issue, along with bank drafts, net of bank charges and postal charges, payable at Mumbai in favor of “ACPL - Rights Issue” crossed “A/c Payee only” so that the same are received on or before closure of the Issue (i.e. March 6, 2012). The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue, are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

All application forms duly completed together with cash / cheque / demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected with the Company, the Lead Manager and the Registrars not having any liabilities to such applicants.

**Non-resident Equity Shareholders**

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares, issue of letters of allotment / certificates / payment of dividends etc.

**Availability of duplicate CAF**

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. Thus in case the original and duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.



**Request for Split Forms**

- Request for split forms should be addressed to the registrar to the issue so as to reach them on or before the last date for receiving of request for split forms by filling in Part D of the CAF.
- Requests for Split Forms will be entertained only once.

**Application on Plain Paper**

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper. The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Arrow Coated Products Limited.
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number / DP ID No. and Client ID No.
- Number of shares held as on Record Date
- Certificate numbers and distinctive numbers, if held in physical form.
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for out of entitlement
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Amount paid on application at the rate of Rs. 10/- per Equity Share of face value of Rs. 10/- each
- Particulars of cheque / draft
- Savings / Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order
- In case of Non Resident Shareholders, NRE / FCNR / NRO account no., name and address of the Bank and branch should be given
- PAN number of the applicant and in case of joint applicants, for each of the applicant, irrespective of the total value of the equity shares applied pursuant to this issue.
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company and
- Payments in such cases, should be through a cheque / demand draft payable at Mumbai be drawn in favor of "ACPL - Rights Issue" and marked "A/c payee only" in case of resident shareholders and non-resident shareholders applying on non-repatriable basis and in favor of "ACPL - Rights Issue NR", in case of non-resident shareholders applying on repatriable basis and marked "A/c payee only".

Please note that those who are making the application on plain paper shall not be entitled to renounce their rights and should not utilize the original CAF for any purpose including renunciation even if it is received subsequently. If the applicant violates any of these requirements, he/she shall face the risk of rejection of both the applications. The Company shall refund such application amount to the applicant without any interest thereon.

**Application under Power of Attorney**

In case of application under power of Attorney or by Limited Companies or Bodies Corporate or Societies registered under the applicable laws, a certified copy of the Power of Attorney or the relevant authority, as the case may be, along with the certified copy of Power of Attorney or the relevant authority, as the case may be, along with the certified copy of Memorandum & Article of Association or Bye-Laws, as the case may be, must be lodged separately by registered post at the office of the Registrar to the Issue simultaneously with the submission of the CAF, indicating the serial number of CAF and the



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name of the bank and the branch office where the application is submitted within 7 days of closure of the offer, failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the company, then the same need not be furnished again. However, the serial number of the Registration under which the Power of Attorney has been registered with the Company must be mentioned below the signature of the Applicant.

### **Quoting of Permanent Account Number in the application forms**

**In terms of circular no. SEBI/CFD/DIL/DIP/28/2007/29/11 dated November 29, 2007, every applicant shall disclose the Permanent Account Number (PAN), allotted under the Income Tax Act, 1961, in the application form, irrespective of the amount for which application is made. Application forms without this information will be considered incomplete and are liable to be rejected.**

### **Note on cash payment (Section 269 SS)**

Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, if the amount payable is Rs. 20,000/- or more, subscriptions against applications for securities should not be effected in cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts. In case payment is effected in contravention of this provision, the application is liable to be rejected.

### **Last date of application**

The last date for receipt of the duly filled in CAF by the Bankers to the Issue, together with the amount payable on application is March 6, 2012.

If the CAF together with the amount payable is not received by the Banker to the Issue / Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the section entitled "Basis of Allotment".

### **Incomplete Application**

CAF's, which are not complete or are not accompanied with the application money amount payable, are liable to be rejected.

### **Mode of payment for Resident Shareholders / Applicant**

Payment(s) must be made by cheque / demand draft and drawn on any bank (including a co-operative bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the centre where the CAF is submitted. A separate cheque / draft must accompany each CAF. Only one mode of payment should be used. Money orders, postal orders and outstation cheques will not be accepted and applications accompanied by any such instruments will be rejected. Shareholders/Applicants residing at places other than those mentioned in the CAF and applicants who wish to send their applications but not having collection centres should send their application by Registered Post, only to the Registrar to the Issue enclosing a Cheque / Demand draft, net of bank charges and postal charges, drawn on a clearing Bank and payable at Mumbai only before the closure of the issue.

Such cheque / drafts should be payable to "ACPL - Rights Issue". All cheque / drafts must be crossed 'A/c Payee only'. No receipt will be issued for the application money received. However, the Collection Centre receiving the application will acknowledge receipt of the application by stamping and returning



the acknowledgement slip at the bottom of each CAF. The Company is not responsible for any postal delay/ loss in transit on this account.

**Mode of payment for Non-Resident Equity Shareholders/ Applicants**

As regards the application by non-resident Equity Shareholders, the payment must be made by demand draft / cheque payable at Mumbai (net of demand draft charges and postal charges) or funds remitted from abroad in any of the following ways:

**A) Application with repatriation benefits**

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or
- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained and drawn on Mumbai; or
- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable at Mumbai; or
- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.
- Non resident investors applying with repatriation benefits should draw cheques / drafts in favour of “**ACPL - Rights Issue NR**” payable at Mumbai and must be crossed “account payee only” for the full application amount.

**B) Application without repatriation benefits**

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques / drafts submitted by non residents should be drawn in favour of the Bankers to the Issue and marked “**ACPL – Rights Issue**” or “**ACPL – Rights Issue NR**” payable at Mumbai and must be crossed “Account Payee only” for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on the Issue Closing Date. A separate cheque or bank draft must accompany each CAF. Applicants may note that where payment is made by drafts purchased from NRE / FCNR / NRO accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE / FCNR / NRO account should be enclosed with the CAF. Otherwise the application shall be considered incomplete and is liable to be rejected.

**Note:**

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares / Warrant can be remitted outside India, subject to tax, as applicable according to IT Act.
- In case Equity Shares / Warrant are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares/Warrant cannot be remitted outside India.
- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAFs before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.
- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines / rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.



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- Our Company is not responsible for any delay / loss in transit on this account and applications received through mail after closure of the Issue are liable to be rejected.

### **Investments by FIIs**

In accordance with the current regulations, the following restrictions are applicable for investment by FIIs:

The Issue of Equity Shares under this Issue and the issue of Equity Shares on exercise of Warrants to a single FII should not exceed 10% of the post-issue paid up capital of the Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts the investment on behalf of each sub-account shall not exceed 5% of the total paid up capital of the Company.

### **APPLICATIONS WILL NOT BE ACCEPTED BY THE LEAD MANAGER OR THE COMPANY**

### **Rights Entitlement**

As your name appears in the Register of Members of the Company on the Record Date, you are entitled to this Rights Offer on the basis mentioned above. The number of equity shares to which you are entitled as a Shareholder of the company is shown in part A of the CAF.

### **Bank details of the applicant**

The applicant must fill in the relevant column in the CAF giving particulars of saving Bank / Current Account Number and the Name of the Bank with whom such account is held, to enable the registrar to the issue to print the said details in the refund orders, if any, after the name of the Payees. Please note that provision of Bank Account details has now been made mandatory and applications not containing such details are liable to be rejected.

### **Application number on the Cheque or Demand Draft**

To avoid any misuse of instruments, the applicants are advised to write the application number and name of the first applicant on the reverse of the cheque / demand draft.

### **General instructions for applicants**

All applications should be made on the printed CAF provided by the Company and should be complete in all respects. Applications, which are not complete in all respects or are made otherwise than as herein provided or not accompanied by proper application money in respect thereof will be refunded without interest

- Please read the instructions in the enclosed CAF carefully.
- All communications in connection with your application for the equity shares including any change in your registered address should be addressed to the registrar to the issue.
- Application Forms must be filled in ENGLISH in BLOCK LETTERS.
- Signatures should be either in English or Hindi or the languages specified in the Eighth Schedule to the Constitution of India. Signatures other than in the aforementioned languages or thumb impressions must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal.
- In case of Joint Holders, all joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures recorded with the Company.
- In case of joint applicants, refunds and all payments will be made to the person whose name appears first on the application form and all communications will be addressed to him/her. To prevent any fraudulent encashment of refund orders by third parties, the Sole/First Applicant must indicate



Saving / Current Account number and the name of the bank and its branch with whom such account is held in the space provided in the CAF for the purpose so that Refund Orders are printed with these details after the name. Applications without this information are liable to be rejected.

- The Application Form should be presented to the Bank in its entirety. If any of the Part(s) A, B, C and D of the Application Form(s) is /are detached or separated, such application will forthwith be rejected.
- All shareholders must submit the CAF along with remittance only to the Bankers to the Issue mentioned elsewhere in this Letter of Offer and not to the Company, the Registrar or the Lead Manager.
- Any dispute or suit action or proceedings arising out of or in relation to this Letter of Offer or in respect of any matter or thing herein contained and claimed by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court where Registered Office of the Company is situated.
- The last date for receipt of CAF along with the amount payable is March 01, 2012. However, the Board will have the right to extend the same for such period as it may determine from time to time, but not exceeding 30 days from the date of opening of the subscription list. If the CAF together with the amount payable thereunder is not received by the bankers to the issue on or before the closure of the banking hours on the aforesaid date, or such date as may be extended by the Board, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board shall be at liberty to dispose the Rights hereby offered. For further instructions please read CAF carefully.

#### **Grounds for technical rejection**

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- Bank account details (for refund) are not given;
- Age of first applicant not given;
- PAN not given irrespective of the amount of application;
- In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the Application Form and for renounees if the signature does not match with the records available with their depositories;
- If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;
- Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;
- Applications not duly signed by the sole/joint Applicants;
- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;
- Applications accompanied by Stockinvest;
- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Applications by US persons;
- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.





**PROCEDURE FOR APPLICATION THROUGH THE APPLICATIONS SUPPORTED BY BLOCKED AMOUNT (“ASBA”) PROCESS**

SEBI, by its circular dated August 20, 2009, introduced in Rights Issue - Application Supported by Blocked Amount (ASBA) wherein the application money remains in the ASBA Account until allotment. Mode of payment through ASBA in Rights Issue became effective on August 20, 2009. Since this is a new mode of payment in Rights Issues, set forth below is the procedure for applying under the ASBA procedure, for the benefit of the shareholders.

**This section is only to facilitate better understanding of aspects of the procedure which is specific to ASBA Investors. ASBA Investors should nonetheless read this document in entirety. Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Shareholder do not exceed the applicable limits under laws or regulations.**

The Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Equity Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Equity Shareholders do not exceed the applicable limits under laws or regulations.

The lists of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.pdf>. For details on designated branches of SCSBs collecting the CAF, please refer the above mentioned link.

**ASBA Process**

An ASBA Investor can submit his application through CAF / plain paper, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Investor or bank account utilized by the ASBA Investor is maintained. The SCSB shall block an amount equal to the application amount in the ASBA Account specified in the CAF, physical or electronic, on the basis of an authorization to this effect given by the account holder at the time of submitting the CAF. The application data shall thereafter be uploaded by the SCSB in the web enabled interface of the Stock Exchanges as prescribed under circular issued by SEBI -SEBI/CFD/DIL/DIP/38/2009/08/20 dated August 20, 2009 or in such manner as may be decided in consultation with the Stock Exchanges. The amount payable on application shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the amount against the allocated Equity Shares to the separate account opened by the Company for Rights Issue or until failure of the Issue or until rejection of the ASBA application, as the case may be. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Investors to the separate account opened by the Company for Rights Issue. In case of withdrawal / failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

**The Lead Manager, our Company, its directors, affiliates, associates and their respective directors and officers and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to applications accepted by SCSBs, Applications uploaded by SCSBs, applications accepted but not uploaded by SCSBs or applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for applications uploaded by SCSBs, the amount payable on application has been blocked in the relevant ASBA Account.**

Equity Shareholders who are eligible to apply under the ASBA Process



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The option of applying for Equity Shares in the Issue through the ASBA Process is only available to Shareholders of the Company on the Record Date and who:

- Is holding Equity Shares in dematerialised form and has applied for entitlements or additional Securities in the Issue in dematerialised form;
- Have not renounced his entitlements in full or in part;
- Have not split the CAF;
- Are not renounees
- Who applies through a bank account with one of the SCSBs.

### **CAF**

The Registrar will dispatch the CAF to all Equity Shareholders as per their entitlement on the Record Date for the Issue. Equity Shareholders desiring to use the ASBA Process are required to submit their applications by selecting the ASBA Option in Part A of the CAF only. Application in electronic mode will only be available with such SCSB who provides such facility. The Equity Shareholder shall submit the CAF/plain paper application to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB. The Equity Shareholder shall submit the CAF to the SCSB for authorizing such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

Equity Shareholders applying under the ASBA Process are also advised to ensure that the CAF is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the CAF will be blocked by the SCSB.

### **Application on Plain Paper**

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain a duplicate CAF and wanting to apply under ASBA process may make an application to subscribe for the Issue on plain paper. The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must be submitted at a designated branch of a SCSB on or before the Issue Closing Date and should contain the following particulars:

- Name of the issuer, being Arrow Coated Products Limited;
- Name and address of the Equity Shareholder, including any joint holders;
- Registered folio number / DP ID number and client ID number;
- Number of Equity Shares held as on the Record Date;
- Rights Entitlement;
- Number of Equity Shares with Detachable Warrants applied for;
- Number of additional Equity Shares with Detachable Warrants applied for, if any;
- Total number of Equity Shares with Detachable Warrants applied for;
- Savings / Current Account Number along with name and address of the SCSB and Branch from which the money will be blocked;
- The permanent account number (PAN) of the Equity Shareholder and where relevant, for each joint holder, except in respect of Central and State Government officials and officials appointed by the court (e.g., official liquidators and court receivers) who, in terms of a SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, subject to submitting sufficient documentary evidence in support of their claim for exemption, provided that such transactions are undertaken on behalf of the Central and State Government and not in their personal capacity;



- Signature of the Equity Shareholders to appear in the same sequence and order as they appear in the records of our Company;
- In case of Non Resident Shareholders, NRE / FCNR / NRO A/c no., name and address of the SCSB and Branch
- In the application, the ASBA Investor shall, inter alia, give the following confirmations/declarations:
  - a) That he / she is an ASBA Investor as per the SEBI ICDR Regulations and
  - b) That he / she has authorized the SCSBs to do all acts as are necessary to make an application in the Issue, upload his / her application data, block or unblock the funds in the ASBA Account and transfer the funds from the ASBA Account to the separate account maintained by the Company for Rights Issue after finalization of the Basis of Allotment entitling the ASBA Investor to receive Equity Shares in the Issue etc

The Equity Shareholder shall submit the plain paper application to the SCSB for authorising such SCSB to block an amount equivalent to the amount payable on the application in the said bank account maintained with the same SCSB.

If an applicant makes an application in more than one mode i.e both in the Composite Application Form and on plain paper, then both the applications may be liable for rejection.

#### **Acceptance of the Issue**

You may accept the Issue and apply for the Equity Shares offered, either in full or in part, by filling Part A of the CAF sent by the Registrar, selecting the ASBA process option in Part A of the CAF and submit the same to the SCSB before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board of Directors of the Company in this regard.

#### **Mode of payment**

The Shareholder applying under the ASBA Process agrees to block the entire amount payable on application (including for additional Equity Shares, if any) with the submission of the CAF, by authorizing the SCSB to block an amount, equivalent to the amount payable on application, in a bank account maintained with the SCSB. After verifying that sufficient funds are available in the bank account provided in the CAF, the SCSB shall block an amount equivalent to the amount payable on application mentioned in the CAF until it receives instructions from the Registrar.

Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per Registrar's instruction allocable to the Shareholders applying under the ASBA Process from bank account with the SCSB mentioned by the Shareholder in the CAF. This amount will be transferred in terms of the SEBI ICDR Regulations into the separate bank account maintained by the Company as per the provisions of section 73(3) of the Companies Act, 1956. The balance amount remaining after the finalisation of the Basis of Allotment shall be either unblocked by the SCSBs or refunded to the investors by the Registrar on the basis of the instructions issued in this regard by the Registrar to the Issue and the Lead Managers to the respective SCSB.

The Shareholders applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the CAF.

The SCSB may reject the application at the time of acceptance of CAF if the bank account with the SCSB details of which have been provided by the Shareholder in the CAF does not have sufficient funds equivalent to the amount payable on application mentioned in the CAF. Subsequent to the acceptance of the application by the SCSB, the Company would have a right to reject the application only on technical grounds.



**Options available to the Shareholder applying under the ASBA Process**

The summary of options available to the Shareholders is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the CAF received from Registrar:

| <b>Sr. No.</b> | <b>Option Available</b>  | <b>Action Required</b>   |
|----------------|--|--|
| 1              | Accept whole or part of your entitlement without renouncing the balance. | Fill in and sign Part A of the CAF (All joint holders must sign)   |
| 2              | Accept your entitlement in full and apply for additional Equity Shares   | Fill in and sign Part A of the CAF including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign) |

**The Shareholder applying under the ASBA Process will need to select the ASBA option process in the CAF and provide required details as mentioned therein. However, in cases where this option is not selected, but the CAF is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that CAF would be treated as if the Shareholder has selected to apply through the ASBA process option.**

**Additional Equity Shares**

The equity shareholder is eligible to apply for additional Equity Shares over and above the number of Equity Shares that he is entitled too, provided that he have applied for all the Shares offered without renouncing them in whole or in part in favour of any other person(s). Applications for additional shares shall be considered and allotment shall be made at the sole discretion of the Board, in consultation with the Designated Stock Exchange and in the manner prescribed under “Basis of Allotment” on page 174 of this Letter of Offer.

If you desire to apply for additional shares, please indicate your requirement in the place provided for additional Securities in Part A of the CAF.

**Renunciation under the ASBA Process**

Renounees cannot participate in the ASBA Process.

**Last date of Application**

The last date for submission of the duly filled in CAF is March 01, 2012. The Issue will be kept open for a minimum of 15 (fifteen) days and the Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date i.e. February 21, 2012. If the CAF together with the amount payable is not received by the SCSB on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under “Basis of Allotment” on page 174 of this Letter of Offer.

**OPTION TO RECEIVE SECURITIES IN DEMATERIALIZED FORM**

**SHAREHOLDERS UNDER THE ASBA PROCESS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY UNDER THE ASBA PROCESS CAN ONLY BE ALLOTTED IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY**



### **Issuance of Intimation Letters**

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches, a list of the ASBA Investors who have been allocated Equity Shares in the Issue, along with:

- The number of Equity Shares to be allotted against each successful ASBA;
- The amount to be transferred from the ASBA Account to the separate account opened by the Company for Rights Issue, for each successful ASBA;
- The date by which the funds referred to in para above, shall be transferred to separate account opened by the Company for Rights Issue; and
- The details of rejected ASBAs, if any, along with reasons for rejection to enable SCSBs to unblock the respective ASBA Accounts.

### **General instructions for Shareholders applying under the ASBA Process**

- Please read the instructions printed on the CAF carefully.
- Application should be made on the printed CAF / plain paper and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and / or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected. The CAF / plain paper application must be filled in English.
- The CAF / plain paper application in the ASBA Process should be submitted at a Designated Branch of the SCSB and whose bank account details are provided in the CAF and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or Lead Manager to the Issue.
- All applicants, and in the case of application in joint names, each of the joint applicants, should mention his/her PAN number allotted under the Income-Tax Act, 1961, irrespective of the amount of the application. CAFs / plain paper application without PAN will be considered incomplete and are liable to be rejected.
- All payments will be made by blocking the amount in the bank account maintained with the SCSB. Cash payment is not acceptable. In case payment is affected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon.
- Signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Thumb impression and Signatures other than in English or Hindi must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Equity Shareholders must sign the CAF /plain paper application as per the specimen signature recorded with the Company / Depositories.
- In case of joint holders, all joint holders must sign the relevant part of the CAF / plain paper application in the same order and as per the specimen signature(s) recorded with the Company. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.
- All communication in connection with application for the Securities, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Shareholder, folio numbers and CAF number.
- Only the person or persons to whom Securities have been offered and not renounee(s) shall be eligible to participate under the ASBA process.



**Do's:**

- Ensure that the ASBA Process option is selected in part A of the CAF and necessary details are filled in. In case of non-receipt of the CAF, the application can be made on plain paper with all necessary details as required under the para “Application on plain paper” appearing under the procedure for application under ASBA.
- Ensure that you submit your application in physical mode only. Electronic mode is only available with certain SCSBs and not all SCSBs and you should ensure that your SCSB offers such facility to you.
- Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- Ensure that the CAF / plain paper application is submitted at the SCSBs whose details of bank account have been provided in the CAF / plain paper application.
- Ensure that you have mentioned the correct bank account number in the CAF / plain paper application.
- Ensure that there are sufficient funds (equal to {number of Equity Shares applied for} X {Issue Price per Equity Shares as the case may be}) available in the bank account maintained with the SCSB mentioned in the CAF / plain paper application before submitting the CAF to the respective Designated Branch of the SCSB.
- Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the CAF / plain paper application, in the bank account maintained with the respective SCSB, of which details are provided in the CAF / plain paper application and have signed the same.
- Ensure that you receive an acknowledgement from the SCSB for your submission of the CAF / plain paper application in physical form.
- Each applicant should mention their Permanent Account Number (“PAN”) allotted under the Income Tax Act.
- Ensure that the name(s) given in the CAF / plain paper application is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the CAF is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the CAF / plain paper application.
- Ensure that the Demographic Details are updated, true and correct, in all respects.

**Don'ts:**

- Do not apply on duplicate CAF after you have submitted a CAF / plain paper application to a Designated Branch of the SCSB.
- Do not pay the amount payable on application in cash, money order or by postal order.
- Do not send your physical CAFs / plain paper application to the Lead Manager to Issue / Registrar / Collecting Banks (assuming that such Collecting Bank is not a SCSB) / to a branch of the SCSB which is not a Designated Branch of the SCSB / Company; instead submit the same to a Designated Branch of the SCSB only.
- Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.
- Do not instruct their respective banks to release the funds blocked under the ASBA Process.



**Grounds for Technical Rejection for ASBA Process:**

In addition to the grounds listed under “Grounds for Technical Rejection” mentioned on page 167 of this Letter of Offer, applications under ASBA Process may be rejected on following additional grounds:

- Application for entitlements or additional shares in physical form.
- DP ID and Client ID mentioned in CAF / plain paper application not matching with the DP ID and Client ID records available with the Registrar.
- Sending CAF / plain paper application to the Lead Manager / Issuer / Registrar / Collecting Bank (assuming that such Collecting Bank is not a SCSB) / to a branch of a SCSB which is not a Designated Branch of the SCSB / Company.
- Renouncee applying under the ASBA Process.
- Insufficient funds are available with the SCSB for blocking the amount.
- Funds in the bank account with the SCSB whose details are mentioned in the CAF / plain paper application having been frozen pursuant to regulatory orders.
- Account holder not signing the CAF / plain paper application or declaration mentioned therein.
- Application on split form.

**DEPOSITORY ACCOUNT AND BANK DETAILS FOR SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS**

**IT IS MANDATORY FOR ALL THE SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE CAF / PLAIN PAPER APPLICATION. SHAREHOLDERS APPLYING UNDER THE ASBA PROCESS MUST ENSURE THAT THE NAME GIVEN IN THE CAF / PLAIN PAPER APPLICATION IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE CAF / PLAIN PAPER APPLICATION IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE CAF / PLAIN PAPER APPLICATION.**

**Shareholders applying under the ASBA Process should note that on the basis of name of these Shareholders, Depository Participant’s name and identification number and beneficiary account number provided by them in the CAF / plain paper application, the Registrar to the Issue will obtain from the Depository demographic details of these Shareholders such as address, bank account details for printing on refund orders / advice and occupation (“Demographic Details”). Hence, Shareholders applying under the ASBA Process should carefully fill in their Depository Account details in the CAF / plain paper application.**

These Demographic Details would be used for all correspondence with such Shareholders including mailing of the letters intimating unblock of bank account of the respective Shareholder. The Demographic Details given by Shareholders in the CAF / plain paper application would not be used for any other purposes by the Registrar. Hence, Shareholders are advised to update their Demographic Details as provided to their Depository Participants. By signing the CAF / plain paper application, the Shareholders applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Letters intimating allotment and unblocking or refund (if any) would be mailed at the address of the Shareholder applying under the ASBA Process as per the Demographic Details received from**



**the Depositories. Refunds, if any, will be made directly to the bank account in the SCSB and which details are provided in the CAF and not the bank account linked to the DP ID. Shareholders applying under the ASBA Process may note that delivery of letters intimating unblocking of bank account may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Shareholder in the CAF / plain paper application would be used only to ensure dispatch of letters intimating unblocking of bank account.**

**Note that any such delay shall be at the sole risk of the Shareholders applying under the ASBA Process and none of the SCSBs, Company or the Lead Manager shall be liable to compensate the Shareholder applying under the ASBA Process for any losses caused to such Shareholder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Shareholders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such applications are liable to be rejected.

#### **Disposal of Investor Grievances**

All grievances relating to the ASBA may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked on application, account number of the ASBA Bank Account and the Designated Branch or the collection centre of the SCSB where the CAF / plain paper application was submitted by the ASBA Investors.

#### **Basis of Allotment**

The Basis of Allotment shall be finalized by the Board of the Company or Committee of Directors of the Company authorized in this behalf by the Board of the Company. The Board of the Company or the Committee of Directors as the case may be, will proceed to allot the equity Share in consultation with BSE in the following order of priority.

- (a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.
- (b) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Book Closure Date in consultation with the Designated Stock Exchange.
- (c) Allotment to the renouncees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Committee of Directors but in consultation with the Designated Stock Exchange.
- (d) Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full allotment under (a), (b) and (c) above.

The present Rights Issue is not underwritten. However, the Promoters and the each members of the Promoter Group holding Equity Shares in our Company have vide their letter dated December 15, 2011 undertaken to fully subscribe for their Rights Entitlement. They have also undertaken to apply for the Equity Shares with Detachable Warrants in addition to their rights entitlement to the extent of any undersubscribed portion of the Issue, subject to obtaining approvals required under applicable law, if any.





Such subscription for Equity Shares with Detachable Warrants over and above their rights entitlement, if allotted, may result in an increase in their percentage shareholding above their current percentage shareholding. Further, such acquisition by them of additional Equity Shares with Detachable Warrants shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI (SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue. In connection with Detachable Warrants issued and allotted by our Company in the Issue, the Promoters and each members of the Promoter Group may apply for the issue of such Equity Shares as may arise from the exercise of the Detachable Warrants issued and allotted to them in the Issue and such exercise shall be exempt from the obligation to make an open offer under Sub-regulation (2) of Regulation 3 of the SEBI (SAST) Regulations, 2011 in terms of the provision of Sub-regulation (4) of Regulation 10 of the SEBI (SAST) Regulations, 2011 subject to the Acquirer has not renounced any of his entitlements in this Rights Issue.

Allotment to the Promoter of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time.

### **Underwriting**

The present Issue is not underwritten.

### **Allotment / Refund Order**

In case of those shareholders who have opted to receive their Right Entitlement Shares in dematerialized form by using electronic credit under the depository system, an advice regarding the credit of the Equity Shares shall be given separately. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue.

In case of those applicants who have opted to receive their Rights Entitlement in physical form, the Company will issue the corresponding share certificates under section 113 of the Companies Act or other applicable provisions, if any.

Any refund orders of an amount equivalent to exceeding Rs. 1,500 will be dispatched by registered post / speed post to the sole / first applicant's registered address. However, refund orders for value less than Rs. 1,500 shall be sent to the applicants by way of certificate of posting. Such cheques or pay orders will be payable at par at all the centres where the applications were originally accepted and will be marked 'A/c payee' and would be drawn in the name of the sole / first applicant. Adequate funds would be made available to the Registrar to the Issue for the dispatch of refund orders.

The Company shall ensure at par facility is provided for encashment of refund orders / pay orders at the places where applications are accepted.

### **Mode of payment of refund**

Applicants should note that on the basis of name of the applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the Depositories, the applicant's bank account details including nine digit MICR code. Hence, applicants are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to applicants at the applicant's sole risk and neither the Lead Manager nor the Company shall have any responsibility and undertake any liability for the same.



The payment of refund, if any, would be done through various modes in the following order of preference:

- 1) ECS - Payment of refund would be done through ECS for Investors having an account at any centre where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds in electronic mode is mandatory for Investors having a bank account at the centres where ECS facility has been made available by the RBI (subject to availability of all information for crediting the refund through ECS), except where the Investor, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
- 2) NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the Investors’ bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method. Our Company in consultation with the Lead Managers may decide to use NEFT as a mode of making refunds. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational\ feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed herein.
- 3) Direct Credit - Applicants having bank accounts with the Refund Banker(s), in this case being, IndusInd Bank shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
- 4) RTGS - Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the CAF. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant’s bank receiving the credit would be borne by the applicant.
- 5) For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value less than Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts.

#### **Printing of Bank Particulars on Refund Orders**

As a matter of precaution against possible fraudulent encashment of refund orders due to loss or misplacement, the particulars of the applicant’s bank account are mandatorily required to be given for printing on the refund orders. Bank account particulars will be printed on the refund orders/refund warrants, which can then be deposited only in the account specified. In case the share held in demat mode, such bank account particulars will be obtained from the Depository. The Company will in no way be responsible if any loss occurs through these instruments falling into improper hands either through forgery or fraud.

#### **Interest in case of delay on allotment / dispatch**

The Company will issue and dispatch allotment advice / share certificates / demat credit and/ or letters of rejection along with refund order or credit the allotted securities to the respective beneficiary accounts, if any, within a period of 15 days from the Issue Closing Date. If such money is not repaid within eight 8 from the day the Company becomes liable to pay it, the Company shall pay that money with interest as stipulated under Section 73 of the Companies Act.



**Disposal of application and application money**

No receipt will be issued for the application moneys received. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF / application on plain paper will acknowledge its receipt. In the event of shares not being allotted in full, the excess amount paid on application will be refunded to the applicant within 15 days of the Issue Closing date.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto. In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within 15 days from the close of the Issue in accordance with section 73 of the Act.

**Undertakings by the Company**

- 1) The complaints received in respect of the Issue would be attended to be as expeditiously and satisfactorily
- 2) All steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the securities are to be listed are taken within seven working days of finalization of Basis of Allotment
- 3) The funds required for making refund to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrars to the Issue by the Issuer
- 4) That where the refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicants within 15 days of the closure of the issue giving details of the Bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- 5) Adequate arrangement shall be made to collect all ASBA applications and to consider them similar to Non-ASBA applications while finalizing the Basis of Allotment
- 6) The dispatch of Share Certificates / refund orders and demat credit is completed and the allotment and listing documents will be submitted to the Stock Exchanges within two working days of finalization of Basis of Allotment
- 7) The certificates of the securities / refund orders to the Non-Resident Indians shall be dispatched within specified time
- 8) At any given time there shall be only one denomination for the shares of our Company.
- 9) We shall comply with such disclosure and accounting norms specified by SEBI from time to time.



**Utilization of Issue Proceeds**

The Board of Directors declares that:

- 1) All monies received out of this Issue shall be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Companies Act;
- 2) Details of all monies utilized out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized; and
- 3) Details of all unutilized monies out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.
- 4) Our Company may utilize the funds collected in the Issue only after the Basis of Allotment is finalized.

**Important**

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.
- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and super scribed 'ACPL RIGHTS ISSUE' on the envelope) to the Registrar to the Issue at the following address:

**System Support Services**

209, Shivai Indl. Estate,  
Near Park-Davis,  
89, Andheri Kurla Road,  
Saki Naka, Andheri East,  
Mumbai – 400 072.  
Tel: 022 – 2850 0835  
Fax: 022 – 2850 1438  
Contact Person: Mr. Mahendra Mehta

**It is to be specifically noted that this Issue of Equity Shares is subject to the section entitled 'Risk Factors' beginning on page 8 of this Letter of Offer.**

The Issue will not be kept open for more than 15 days unless extended, in which case it will be kept open for a maximum of 30 days.



## **X. OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered or are to be entered into by our Company.

These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered and Corporate Office of our Company situated at Arrow House, 5-D, Laxmi industrial Estate, New link Road, Andheri (west), Mumbai – 400 053 from 10.00 a.m. to 5.00 p.m., from the date of this Letter of Offer until the Issue Closing Date, on all working days.

#### **(A) Material Contracts**

- (a) Memorandum of Understanding dated September 29, 2009 between our Company and the Lead Manager to the Issue.
- (b) Memorandum of Understanding dated July 15, 2010 between our Company and the Registrar to the Issue.
- (c) Tripartite Agreement dated March 25, 2004 among the Company, CDSL and System Support Services, Registrar to the Issue.
- (d) Tripartite Agreement dated April 07, 2004 among the Company, NSDL and System Support Services, Registrar to the Issue.

#### **(B) Documents**

- 1) Certified true copy of the certificate of incorporation of our Company dated October 30, 1992.
- 2) Memorandum of Association and Articles of Association of our Company.
- 3) Shareholders' resolution passed at the AGM held on September 29, 2011 appointing M/s. J.A. Rajani & Co., Chartered Accountants as statutory auditors of our Company.
- 4) Copy of the Board Resolution dated September 04, 2009 and Shareholder's Resolution dated September 29, 2009 authorising the Issue and other related matters.
- 5) Copy of the Board resolution dated August 12, 2010 approving the Draft Letter of Offer and Board resolution dated January 30, 2012 approving this Letter of Offer.
- 6) Copy of the Minutes of Board Resolution dated October 27, 2010 re-appointing Mr. Shilpan Patel as the Managing Director of our Company.
- 7) Consents of the Directors, Company Secretary, Auditor, Lead Manager(s) to the Issue, Registrar to the Issue and the Legal Advisor to the Issue to our Company to include their names in this Letter of Offer to act in their respective capacities.
- 8) Board Resolution for Appointment of Compliance Officer and consent thereto.
- 9) Letter dated July 26, 2011 from the Auditor of our Company confirming the Statement of Tax Benefits as disclosed in this Letter of Offer.
- 10) The Report of the Auditors dated May 19, 2011 as set out herein in relation to the audited financials of our Company for the FY 2010-11.



***ARROW COATED PRODUCTS LIMITED***

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- 11) Annual Reports of our Company for the last five financial years.
- 12) Certified true copy of the JV agreement between NagraID Arrow Secure Cards Pvt. Ltd. And NagraID S.A. Switzerland.
- 13) Certified true copy of the sales agency agreement between ACPL and Landqart AG.
- 14) In-principle listing approval dated September 30, 2010 received from the BSE.
- 15) SEBI Observation Letter No. CFD/ISSUES/DIL/SK/MS/OW/6590/2011 dated February 25, 2011 issued by SEBI for the Issue.
- 16) Due Diligence Certificate dated August 12, 2010 from the Lead Manager.
- 17) Prospectus dated March 28, 1994 for the public issue of 44,80,000 equity shares of face value Rs.10/- each of our Company.
- 18) Certified true copy of Chartered Accountants Certificate dated October 01, 2010 stating the actual utilization of funds raised through the unsecured loans.
- 19) SEBI letter No. CFD/DIL/SK/MS/OW/27789/2011 dated August 30, 2011 for the relaxation under Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 for obtaining listing and trading permission of warrants to be issued in the proposed rights issue.



**DECLARATION**

No statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made there under. All the legal requirements connected with the said Issue as also the guidelines, instructions, etc. issued by SEBI, Government and any other competent authority in this behalf, have been duly complied with.

We hereby certify that all disclosures made in this Letter of Offer are true and correct.

**Signed by all the Directors of the Company**

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**MR. SHILPAN PATEL**  
*Chairman & Managing Director*

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**MR. HARESH MEHTA**  
*Non-Executive Director*

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**MR. VIJAY DHAR**  
*Non-Executive Independent Director*

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**MR. FAREDUN TARAPORWALA**  
*Non-Executive Independent Director*

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**DR. ANIL SAXENA**  
*Non-Executive Independent Director*

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**MR. GULABCHAND YADAV**  
*Vice President (Finance)*

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**MS. JASBINDER KAUR NEELA**  
*Company Secretary & Compliance Officer*

Date: January 30, 2012  
Place: Mumbai