



Arvind

Your Comfort Zone

Arvind Chemicals Limited

14th Annual Report & Accounts 2005-2006



ARVIND CHEMICALS LTD.

BOARD OF DIRECTORS	:	SHRI R. C. BAJORIA <i>Chairman</i> SHRI ARVIND BAJORIA <i>Managing Director & CFO</i> SHRI MANISH LOHIA <i>Director</i> SHRI SAURABH PODDAR <i>Director</i>
COMPANY SECRETARY	:	MS. PAYAL KEJRIWAL
AUDITORS	:	M/S B.SINGHAL & CO. 46, B. B. GANGULY STREET KOLKATA - 700 012
BANKERS	:	INDUSIND BANK LTD. HDFC BANK LTD.
REGISTERED OFFICE	:	15, GANESH CHANDRA AVENUE KOLKATA - 700 013 PHONE : +91 - 33 - 22368504 FAX : +91 - 33 - 22118014 EMAIL : info@arvindchemicals.com WEBSITE : www.arvindchemicals.com
REGISTRAR & SHARE TRANSFER AGENT	:	NICHE TECHNOLOGIES (P) LTD. D-511, BAGRI MARKET, 5TH FLOOR 71, B. R. B. BASU ROAD, KOLKATA - 700 001 PHONE : +91 - 33 - 2235 7270 / 3070 FAX : +91 - 33 - 2215 6823 EMAIL : nichetechpl@nichetechpl.com



NOTICE

TO THE SHAREHOLDERS :

Notice is hereby given that the FOURTEENTH ANNUAL GENERAL MEETING of the Members of ARVIND CHEMICALS LIMITED will be held at Jhajharia Committee Room, 15B, Hemanta Basu Sarani, 2nd floor, KOLKATA 700 001, on Wednesday, the 7th day of February, 2007 at 10.00 AM to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 30th September, 2006 and the Profit & Loss Account for the eighteen months period ended on that date together with the Reports of the Auditors and Directors thereon.
2. To declare Final Dividend @5% on Equity Shares.
3. To appoint a Director in place of Mr. Saurabh Poddar, who retires by rotation, and being eligible, offers himself for re- appointment.
4. To appoint Auditors of the company.

SPECIAL BUSINESS :

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that Shri Arvind Bajoria, who was appointed as an Additional Director at the meeting of the Board of Directors of the Company on 6th February, 2006 and whose term expires at this Annual General Meeting of the Company and for the appointment of whom the company has received a notice under Section 257 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by retirement by rotation."
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED that Shri Manish Lohia, who was appointed as an Additional Director at the meeting of the Board of Directors of the Company on 18th July 2006 and whose term expires at this Annual General Meeting of the Company and for the appointment of whom the company has received a notice under Section 257 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company whose period of office will be liable to determination by retirement by rotation."
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:



"RESOLVED that pursuant to Section 94 and other applicable provisions of the companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 7,00,00,000/- (Rupees Seven Crores) divided into 70,00,000 (Seventy Lakh) Equity Shares of Rs. 10/- each to Rs. 10,00,00,000 (Rupees Ten Crores) divided into 1,00,00,000 (One Crores) Equity Shares of Rs. 10/- each by creating further 30,00,000 (Thirty Lakh) Equity Shares of Rs. 10/- each which shall rank pari passu with the existing equity shares of the Company."

"RESOLVED further that pursuant to Section 16 and other applicable provisions of the Companies Act, 1956, the existing Clause V of the Memorandum of Association of the Company be and is hereby amended accordingly to incorporate therein the aforesaid increase in the Authorised Share Capital."

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

"RESOLVED that in accordance with the relevant provisions of the Memorandum and Articles of Association of the company and recommendation of the Board of Directors, and subject to the guidelines issued by the Securities and Exchange Board of India and such approvals as may be required in this regard, consent of the members be and is hereby accorded to the Board of Directors of the company (hereinafter referred to as the Board, which expression shall include a Committee of Directors duly authorized in this behalf), for capitalization of such sum standing to the credit of the free reserves of the company, as may be considered necessary by the Board, for the purpose of issue of bonus share of Rs.10/- each, credited as fully paid up shares to the holders of the existing equity shares of the company, whose names appear in the Register of Members, on such date as may be fixed in this regard by the Board of Directors, in the proportion of 2(two) equity share for every 1 (one) existing equity share held by them."

"RESOLVED further that the new equity shares shall be allotted subject to the Memorandum and Articles of Association of the Company and shall in all respect rank pari-passu with the existing fully-paid equity shares of the Company."

"RESOLVED further that no letter of allotment shall be issued to the allottees of the bonus shares and that the certificate(s) in respect of bonus shares shall be completed and thereafter be dispatched to the allottees thereof within the period prescribed or that may be prescribed in this behalf from time to time, except in respect of those allottees who hold the shares in dematerialized form."

"RESOLVED further that issue and allotment of the said bonus shares to the extent they relate to Non-Resident Indian (NRIs), Overseas Corporate Bodies (OCBs) and other foreign investors of the Company will be subject to the approval of the Reserve Bank of India, as may be necessary."



"RESOLVED further that for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be deemed necessary and expedient."

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

"RESOLVED that pursuant to Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time and all applicable guidelines for managerial remuneration issued by the Central Government from time to time and subject to such approvals, if any necessary, Shri Arvind Bajoria, Director of this Company be and is hereby appointed as a Managing Director of this Company with effect from 6th February 2006 for a period of 5 years on such terms and conditions as are set out hereunder with liberty to the Board (which term shall be deemed to include any committee constituted / to be constituted by the Board) from time to time to alter the said terms and conditions in such manner as may be agreed to between the Board and Shri Arvind Bajoria in the best interest of the Company and as may be permissible under law.' "

The terms and conditions of appointment of Shri Arvind Bajoria will be as under:

- 1) Designation : Managing Director
- 2) Date of Appointment : 6th February 2006
- 3) Remuneration / Perquisites : NIL
- 4) Tenure of Appointment: 5 years from date of appointment.

"RESOLVED FURTHER that Directors/ Company Secretary of the Company be and are hereby severally authorised to do all such acts, deeds, matters and things as may be deemed necessary and expedient for effecting this resolution."

Place: Kolkata
Dated the 20th day of December 2006

By Order of the Board
For ARVIND CHEMICALS LIMITED
Payal Kejriwal
Company Secretary



NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DULY COMPLETED, STAMPED AND LODGED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY FORM IS ENCLOSED HEREWITH.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Special Business is annexed. All documents referred to in the above notice and explanatory statement are open for inspection at the Registered Office of the Company between 2.00 PM and 4.00 PM on all working days from Monday to Friday.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 1st February, 2006 to 7th February, 2006 (both days inclusive).
4. The Final Dividend, as recommended by the Board, if declared at the said meeting, will be paid on or after 7th February, 2006 to those persons or their mandates:
 - (a) whose names appear as Beneficial Owners as at the end of the business hours on 1st February, 2006 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in electronic form; and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the company/Registrar and Share Transfer Agents on or before 1st February, 2006.
5. Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Company enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.
6. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company atleast ten days in advance, so as to enable the Company to keep the information ready at the meeting.
7. Members are requested to bring the admission slips along with their copies of the Report and Accounts to the meeting.
8. Any change of address of the members may please be notified to the Registrars and Share Transfer Agents of the Company quoting their registered folio.



9. Till date no dividend has been declared and paid by the Company and therefore pursuant to Section 205A of the Companies Act, 1956 there is no unclaimed/unpaid dividends upto the financial year 2004-05 and hence no amount is required to be transferred to the Investors' Education and Protection Fund, established under Section 205C (1) of the Companies Act, 1956.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5

Shri Arvind Bajoria was co-opted as an Additional Director of the Company with effect from 6th February, 2006 pursuant to Section 260 of the Companies Act, 1956, read with Article 93 of the Articles of Association of the Company. Shri Arvind Bajoria holds the office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member along with the requisite deposit, proposing the candidature of Shri Arvind Bajoria for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company other than Shri R.C.Bajoria and Shri Arvind Bajoria is concerned or interested in the resolution.

The Directors recommend the resolution as set out under Item no. 5 for the approval of the Shareholders.

ITEM NO. 6

Shri Manish Lohia was co-opted as an Additional Director of the Company with effect from 18th July, 2006 pursuant to Section 260 of the Companies Act, 1956, read with Article 93 of the Articles of Association of the Company. Shri Manish Lohia holds the office of Director upto the date of the ensuing Annual General Meeting. The Company has received notice in writing from a member along with the requisite deposit, proposing the candidature of Shri Manish Lohia for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company other than Shri Manish Lohia is concerned or interested in the resolution.

The Directors recommend the resolution as set out under Item no. 6 for the approval of the Shareholders.

ITEM NO. 7

The paid-up capital of the Company will exceed the authorised capital after considering the proposed issue of bonus shares. Keeping this in view and to enable the allotment of bonus shares, it is proposed to increase the authorised share capital to take care of future requirements. Your Directors recommend approval of the resolution as set out under Item No. 7 in the Notice convening this meeting, in the interest of the Company.



None of the Directors of the Company is concerned or interested in the said resolution except to the extent of further equity shares that they may be entitled to , if any.

ITEM NO. 8

The Board of Directors at their meeting held on 19th October 2006 recommended issue of bonus shares in proportion of two equity share for every one equity share held to the share holders of the company on a date to be fixed by the Board, by capitalizing a part of the amount standing to the credit of free reserves of the company.

The Company has to its credit an aggregate sum of Rs. 7.40 crores as free reserves as on 30th September , 2006. It is proposed to increase the capital base of the Company by capitalizing a part of the accumulated reserves and to distribute the same by the way of Bonus Shares to the existing shareholders of the Company. The said bonus shares shall rank pari-passu in all respect with the existing Equity shares of the Company.

The Directors recommend the resolution as set out under item No. 8 for the approval of the Shareholders.

None of the Directors of the Company is concerned or interested in the said resolution, except to the extent that they would be entitled to the bonus shares in relation to their holdings of equity shares in the Company.

ITEM NO. 9

The Board of Directors at its meeting held on 6th February, 2006 appointed Shri Arvind Bajoria as an Additional Director and thereafter designated him as the Managing Director of the Company for a period of five years with effect from 6th February, 2006 on such terms and conditions as are set out above. Shri Arvind Bajoria, is also a Managing Director of a sister concern Arvind International Ltd. Shri Arvind Bajoria has more than two decades of experience in chemical trading apart from setting up a green field projects in the field of PU foam manufacture. He has single handedly created the highly successful "Arvind" brand. An expert in the matters of logistic and management, Shri Bajoria represents the new breed of Indian entrepreneurs, fast, focussed and foresighted. Considering the competence and experience of Shri Arvind Bajoria the Board recommends his appointment as the Managing Director of the Company. Details relating to his appointment as set out in this notice have already been circulated to members as an abstract u/s.302 of the Companies Act, 1956.

None of the Directors of the Company other than Shri R.C.Bajoria and Shri Arvind Bajoria is concerned or interested in the resolution.

The Directors recommend the resolution as set out under Item no. 9 for the approval of the Shareholders.



INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT

Name of the Director	Mr. Saurabh Poddar	Mr. Manish Lohia	Mr. Arvind Bajoria
Date of Birth	28.12.1973	16.12.1966	29.07.1966
Date of appointment	28 th June 2002	18 th July 2006	6 th February 2006
Qualifications	B.Com	Chartered Accountant	B.Com
Expertise in specific functional areas	Finance	Finance	Finance & Management
Directorship in other Public Limited Companies	Nil	Nil	Arvind International Ltd. FCGL Investments Ltd
Chairmanship/Membership of Committees in other Public Limited Companies	Nil	Nil	Nil
Shareholding as on 30th September, 2006	Nil	Nil	269348

Place: Kolkata
Dated the 20th day of December 2006

By Order of the Board
For ARVIND CHEMICALS LIMITED
Payal Kejriwal
Company Secretary



DIRECTORS' REPORT

To
The Members,

Your Directors have immense pleasure in presenting the Fourteenth Annual Report and the audited financial results of the Company for the eighteen months period ended on 30th September 2006.

Financial Results/Highlights

Your Company has changed its financial year from "April-March" to "October – September" by extending its current financial year to comprising of 18 months ended September 30, 2006 with prior approval of the Registrar of Companies. Accordingly, the term "period under review" mentioned in this report should be construed as 18 months period starting from April 1, 2005 and ending on September 30, 2006, unless otherwise specifically indicated or the context provides otherwise.

FINANCIAL RESULTS	Period ended	Year ended
	<u>30.09.2006</u>	<u>31.03.2005</u>
	(Rs. in Lacs)	(Rs. in Lacs)
	(18 months)	(12 months)
Turnover	2521.16	762.54
Other Income	127.31	69.80
Total Income	2648.47	832.34
Add: Closing Stock	7124.15	1163.37
Less: Opening Stock	1163.37	13.12
Total Revenue	8609.25	1982.59
Less : Total Expenditure	8532.26	1874.04
Gross Profit	76.99	108.55
Less : Interest & Depreciation	48.43	39.74
Net Profit before tax	28.56	68.81
Less : Prior Period Expenses	0.68	28.41
Less: Provision for Fringe Benefit Tax	0.22	1.16
Profit before deferred tax liability	27.66	39.24
Deferred Tax Assets /(Liabilities)	11.77	(2.53)
Profit after Tax (PAT)	39.43	36.71
Balance brought forward	152.11	115.40
Balance carried forward	172.73	152.11
Earning per share (Rs.)	1.19	1.22



DIVIDEND

Your Directors are pleased to recommend a final dividend of 5% for the 18 months period ending on 30th September 2006.

BONUS ISSUE

Your Directors recommend an issue of bonus shares in the ratio of two fully paid equity shares for every one existing equity shares held by the members on the date to be fixed by the Board, by capitalizing the reserves.

PREFERENTIAL ISSUE

During the period under review your Company has allotted 3,00,000 equity shares on preferential basis to M/s Sakal Holdings Private Limited, Non Promoters at the rate of Rs.120 per share in due compliance with the SEBI Guidelines for Preferential allotment of shares.

LISTING

The shares of the company are listed on Bombay Stock Exchange Limited, (BSE) and The Calcutta Stock Exchange Association Limited (CSE). The company has been generally regular in complying with the provisions of the Listing Agreements. The listing fees have been paid in full to both the exchanges. The shareholders of the company have passed necessary resolutions for voluntary delisting of company's shares from the Stock Exchange at Ahmedabad and has also complied with various formalities as are required in terms of the SEBI guidelines. The confirmation of the same is awaited.

SUBSIDIARIES

Your Company does not have any subsidiary.

COMPLIANCE

The Company has not defaulted in payment of interest and/or repayment of loans to any of the financial institutions and /or banks.

CORPORATE GOVERNANCE

Your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance, as provided under the amended Clause 49 of the Listing Agreement with the Stock Exchanges with which the Company's shares are listed, are duly complied with. A separate report on Corporate Governance along with auditors' certificate for its due compliance and Management's Discussion and Analysis are annexed hereto and form a part of this Annual Report.



DIRECTORS

Shri Saurabh Poddar, Director of the Company retires by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for re-appointment.

Shri Arvind Bajoria was appointed as an Additional Director and thereafter as the Managing Director of the Company with effect from 6th February, 2006. His appointment requires the approval of the members at the ensuing Annual General Meeting. Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing his appointment as Director.

Shri Manish Lohia was appointed as an Additional Director of the Company with effect from 18th July, 2006. His appointment requires the approval of the members at the ensuing Annual General Meeting. Notice has been received from a member of the Company under Section 257 of the Companies Act, 1956 proposing his appointment as Director.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- a) in the preparation of annual accounts for the financial year ended 30th September, 2006, the applicable accounting standards had been followed and that no material departures have been made from the same.
- b) the Directors had selected such accounting policies and practices and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the period under review and of the profit of the Company for the period ended on that date;
- c) the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) the Directors had prepared the annual accounts for the 18 months period ended 30th September, 2006 on a 'going concern' and on accrual basis.

AUDITORS

M/s B.Singhal & Co., Chartered Accountants, retire as auditors of the Company at the ensuing Annual General Meeting and are eligible for re-appointment. As required under section 224 of the Companies Act, 1956, the Company has obtained a written certificate from them to the effect that their re-appointment as Auditors, if made, would be in conformity with the limits prescribed in the said section.



AUDITORS' REPORT

The Report of the Auditors read with the notes on the accounts, as annexed, are self-explanatory and needs no elaboration.

PUBLIC DEPOSITS

The Company has not accepted or renewed any Public Deposits, as defined under section 58A of the Companies Act, 1956, during the year.

DEMATERIALISATION OF SHARES

In terms of provisions of the Depositories Act, 1996, the shares of the company have already been dematerialised with the depositories M/S NSDL and M/S CDSL. The ISIN No. allotted to the company by the said NSDL/CSDL is INE146F01012 and in terms of the said Depositories Act, 1996, trading in the equity shares of the company on any Stock Exchange is permitted only in dematerialised form.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Particulars of conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in the annexure attached hereto and forms part of this report.

PARTICULARS OF EMPLOYEES

There being no employee drawing salaries and remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956, statement containing particulars of Employees in terms of the said provisions of Act is not applicable.

PERSONNEL / INDUSTRIAL RELATIONS

During the period under review, your Company maintained healthy, cordial and harmonious industrial relations at all levels. The enthusiasm and unstinting efforts of the employee have enabled your Company to remain at the forefront of the industry. Your Directors record their appreciation for this hard work and efficiency.

ACKNOWLEDGEMENTS

Your Directors also wish to place on record their appreciation and acknowledgement of the support and co-operation extended by the customers, suppliers, bankers, financial institutions, investors, media, Government and their agencies.

Place : Kolkata
Dated the 19th day of October, 2006

For and on behalf of the Board
R. C. BAJORIA
Chairman



ANNEXURE TO THE DIRECTORS' REPORT:

Information as required under Section 217(1)(e) read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors Report for the eighteen months period ended September 30,2006.

A. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

The company is taking adequate steps for reduction in non-essential loads to conserve power by increasing the production in each run.

(b) Additional investments and proposals are being implemented for reduction of consumption of energy. The efforts to conserve energy on others areas are in progress.

(c) Impact of above measures : More efficient utilisation of power & reduction in energy consumption.

(d) Total energy consumption and energy consumption per unit of production : As per Form A annexed.

B. TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption : As per Form B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

f) Total foreign exchange used and earned :

	Current Year	(Rs. In lacs) Previous Year
Total foreign exchange earning	Nil	Nil
Total foreign exchange outgo	Nil	19.32

FORM - A

Disclosure of particulars with respect to Conservation of Energy for the 18 months period ended 30th September 2006

PARTICULARS	Current Period (2005 - 2006)	Previous Year (2004 - 2005)
A. POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
— Unit(in Lacs/KWH)	0.58	0.25
— Rate (Rs/KWH)	5.34	6.20
— Total Amount (Rs. Lac)	3.09	1.55
b) Own Generation		
Through Diesel Generator		
— Unit(in Lac/ KWH)	0.14	0.04
— Units per litre of Diesel oi	3.04	3.04
— Cost(Rs./KWH)	10.73	8.92
B. CONSUMPTION PER UNIT OF PRODUCTION		
ELECTRICITY (UNIT/KG)		
—P.U FOAMS	0.20	0.09



FORM - B

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO
TECHNOLOGY ABSORPTION RESEARCH AND DEVELOPMENT (R & D)

The future course of action for carrying out research & development will be as under:

1. **Specific areas in which R&D proposed to be carried out by company:** The R&D activities of the company have been directed towards improvement in the existing product range as well as to develop new products. Continuous efforts have been made to achieve the above.
2. **Benefits derived:** With the introduction of R & D activities, the company has been able to improve the quality of its products, reduce the costs and has also improved environmental conditions.
3. **Future plan of action:** With the objects of attainment of better future and growth, new products will be developed and launched.
4. **Expenditure on R & D:**
 - a) Capital (if any)
 - b) Recurring
 - c) Total
 - d) Total R & D Expenditure as a percentage of total turnovers : NA

Expenditures are charged
under direct heads of revenue account

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Efforts made:**

Continuous efforts are made for improvements in the existing production process and products.
2. **Benefits :**

The company has been able to improve the quality of its products.

For and on behalf of the Board

R. C. BAJORIA

Chairman

Place : Kolkata

Dated the 19th day of October, 2006



ANNEXURE – 'A'
REPORT ON CORPORATE GOVERNANCE

1. **Philosophy of Corporate Governance:** The Company believes that Corporate Governance is a systematic process by which companies are directed and controlled keeping in mind the long-term interest of the stakeholders. It firmly believes that good Corporate Governance is the foundation of corporate excellence. The revised clause 49 of the Listing Agreement with the Stock Exchange dealing with Code of Corporate Governance is applicable from 31st December 2005. The company is fully compliant with all its provisions. The details of compliances are as follows:

2. **Board of Directors :**

Composition and category

The Board of Directors of the Company consists of persons with professional expertise. As on 30th September 2006 the constitution of the Board was :

Two Promoter , Non Executive Directors

Two Independent, Non Executive Directors

The composition of the Board of Directors as on 30th September 2006 and also the number of other Directorship or Board Committees of which he is a member/chairperson are as under:

Name of the Director	Category	No. of other Directorships*	No. of other Board Committee** position as	
			Member	Chairman
Mr. R.C.Bajoria	Promoter Non-Executive	Nil	Nil	Nil
Mr. Arvind Bajoria appointed w.e.f. 6 th February 06	Promoter Non-Executive	2	Nil	Nil
Mr. Saurabh Poddar	Independent Non-Executive	Nil	Nil	Nil
Mr. Manish Lohia appointed w.e.f. 18 th July 2006	Independent Non-Executive	Nil	Nil	Nil



- * *Directorship in Foreign Companies, Private Limited Companies and Companies covered under section 25 of the Companies Act, 1956 have not been considered.*
- ** *Only the positions held in other Committees, such as audit, remuneration and shareholders' grievance committee in Indian Public Limited Companies have been considered.*

Sl No.	Date	Board Strength	No. of Directors present
1.	26.04.2005	3	2
2.	30.04.2005	3	3
3.	06.05.2005	3	2
4.	30.05.2005	3	3
5.	04.06.2005	3	2
6.	05.06.2005	3	2
7.	30.07.2005	4	4
8.	31.08.2005	4	4
9.	29.10.2005	4	4
10.	03.01.2006	4	3
11.	25.01.2006	4	3
12.	06.02.2006	4	3
13.	29.04.2006	5	4
14.	23.05.2006	5	4
15.	04.07.2006	4	3
16.	18.07.2006	5	5
17.	04.09.2006	4	3

Attendance at Board Meeting and at Annual General Meeting (AGM) during the financial year:

Director	No. of meetings held during their tenure	No. of board meetings attended	Attendance at last AGM
<i>Shri R.C.Bajoria</i>	17	17	Yes
<i>Shri Arvind Bajoria*</i>	5	5	Not applicable
<i>Shri Saurabh Poddar</i>	17	7	No
<i>Shri Manish Lohia**</i>	2	2	Not applicable
<i>Shri S.L.Khandelwal***</i>	16	15	Yes
<i>Shri Sajjan Kumar Poddar****</i>	8	8	Yes



* Appointed w.e.f. 6th February 06

** Appointed w.e.f. 18th July 2006

*** Ceased w.e.f. 18th July 2006

**** Ceased w.e.f. 23rd May 2006

OTHER PROVISIONS OF THE BOARD :

The other provisions of the Board with regard to the minimum no. of meetings (4 meetings) in a year with a maximum time gap of four months between any two meeting and also the minimum information to be placed before the Board as prescribed in clause 49 of the Listing Agreement have been complied with. The Board reviews from time to time compliance report of all laws & regulations applicable to the Company, as well as the steps taken by company to rectify instances of non-compliances. The members of Board have complete freedom to express their opinion and decisions are taken after detailed discussion.

Non executive Director's compensation and disclosure :

No compensation either in form of sitting fees or otherwise is being paid to the non-executive director including the Managing Director.

3. Board Committees :

(a) Audit Committee :

i) Terms of Reference :

The terms of reference of the Audit Committee are in conformity with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956. These broadly cover the following:

- 1) To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- 2) To review and recommend to the Board about the appointment, re-appointment and if required the replacement or removal of statutory auditors and fixation of their fees.
- 3) To review with the management, the financial statements before submission to the Board, focusing primarily on Management Discussion and Analysis, Director's Responsibility Statement which forms part of the Director's Report, accounting policies, compliance with accounting standards, compliance with Stock Exchange and legal requirements and any related party transactions etc.
- 4) To review with the management, external and internal auditors, the adequacy of internal control systems & internal audit reports, if any, on internal control weaknesses.



- 5) To discuss with the Auditors on the scope and nature of Audit and also to have post Audit discussion to ascertain any area of concern.
- 6) To review the Company's financial and risk management policies.
- 7) A statement of material related party transactions, if any.
- 8) To undertake such other matters as may be delegated by the Board from time to time.

ii) Composition :

The present composition of the Audit Committee is as follows :

Mr. Manish Lohia (Chairman)*

Mr. Sajjan Kumar Poddar**

Mr. Saurabh Poddar

Mr. Arvind Bajoria***

Mr. S.L.Khandelwal****

*appointed w.e.f. 18th July 2006

**ceased w.e.f. 23rd May 2006

***appointed w.e.f. 6th February 2006

****ceased w.e.f. 18th July 2006

All the members of the Committee are Non-Executive Directors. Shri Manish Lohia, an Independent Director is a qualified Chartered Accountant, Shri Arvind Bajoria is a Promoter Director and Shri Saurabh Poddar is an Independent Director.

The Company Secretary acts as the Secretary to the Committee.

iii) Meetings and Attendance :

During the eighteen months period ended on 30th September, 2006, five meetings were held on the 30.07.05, 29.10.05, 25.01.06, 29.04.06 and 18.07.06.

The attendance of the Audit Committee Members is as follows:

Name	Held	Attended
Shri Manish Lohia	1	1
Shri Sajjan Kumar Poddar	4	4
Shri Saurabh Poddar	5	5
Shri Arvind Bajoria	2	2
Shri S.L.Khandelwal	5	5



The Statutory Auditors also attends the meeting whenever required. The minutes of the Audit Committee are also placed before the Board and discussed.

(b) Share Transfer Committee :

The Company has constituted a Share Transfer Committee with Shri R.C.Bajoria (Chairman), Shri Arvind Bajoria and Shri Manish Lohia as its members which meets at regular intervals as per the requirements to approve transfers, transmissions, and issue of duplicate share certificates, etc.

(c) Shareholders'/Investors' Grievance committee :

The Committee, at present, consists of the following members:

- i) Shri Manish Lohia (Chairman)
- ii) Shri R.C.Bajoria
- iii) Shri Arvind Bajoria

The Committee looks into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. The Committee met 5 times during the period under review.

The Company Secretary has been designated as the Compliance Officer by the Board and assigned with the responsibilities of overseeing shareholders'/investors' grievances under the supervision of the Committee. during the period under review, no complaints were received from the investors and as on 30th September , 2006, there was no pending complaint.

Code of Conduct

The Company has adopted a Code of Conduct which was made applicable to all its Directors, whether executive or non-executive and all Senior Management Personnel of the Company. All Board members and senior management personnel have affirmed compliance with the Company's code of conduct during the period. A declaration to this effect that all Board members and senior management personnel have complied with the Company's code of conduct during the period under review (since its adoption) and duly signed by the Managing Director and CFO of the Company is annexed and forms part of this Report. The aforesaid Code of Conduct has been posted on the website of the company.

Risk Management

The company has laid down procedures to inform Board of Directors about the risk assessment and minimisation procedures.



4. General Body Meetings:

a) The details of Annual General Meetings held in last 3 years:

Year	Meeting	Location	Date	Time
2004-2005	13 th AGM	Jhajharia Committee Room 15B, Hemanta Basu Sarani 2 nd floor, Kolkata – 700001	28.09.05	10.00 A.M.
2003-2004	12 th AGM	Jhajharia Committee Room 15B, Hemanta Basu Sarani 2 nd floor, Kolkata – 700001	28.09.04	10.00 A.M.
2002-2003	11 th AGM	Jhajharia Committee Room 15B, Hemanta Basu Sarani 2 nd floor, Kolkata – 700001	29.09.03	10.00 A.M.

b) Postal Ballot.

Special resolutions put through postal ballot last year : Yes,

- Items: 1) Increase in limit under section 372A to Rs. 50 crores.
2) Issue of equity shares on preferential basis.
3) Increase in borrowing powers under section 293(1)(d) to Rs. 200 crores
4) Delisting of the shares of the Company from Ahmedabad Stock Exchange.

The results of the Postal Ballot were declared on 30th August 2006 and the resolution was passed by majority.

Person who conducted the postal ballot exercise : Mr. S.K.Ghosh

5. Disclosures :

a) Disclosures on materially significant related party transactions:

The Company has not entered into any transactions of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large. The transactions undertaken during the year have been disclosed in Note No. 7 of Schedule XIX forming part of the Accounts for the eighteen months period ended 30th September 2006.



- b) The Company has regularly complied with the requirements of the regulatory authorities on the Capital markets and no penalties/strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority, during the last three years.
- c) The Company duly complies with all the mandatory requirements of Clause 49 of the Listing Agreement with the Stock Exchange. However, the Company has not adopted the non-mandatory requirements defined therein.

6. Means of Communication :

The quarterly, half-yearly and the annual financial results are published in English & Vernacular newspapers and are also furnished to the Stock Exchanges with whom the Company is listed enabling them to put them on their websites. As per the requirement of clause 51 of the Listing Agreement, all data relating to quarterly financial results, shareholding pattern etc. is provided on the specified website www.sebiedifar.nic.in The Management Discussion and Analysis Report forms part of the Annual Report.

7. General Shareholders' Information:

a) Annual General Meeting:

Date and Time : 7th February 2007, at 10.00 AM
Venue : Jhajharia Committee Room,
15B, Hemanta Basu Sarani,
2nd floor, Kolkata – 700001

b) Financial Year : 18 month extended period from 1st April 2005 to 30th September 2006.

c) Book Closure Date : 1st February 2007 to 7th February 2007
(Both days inclusive)

d) Dividend Payment Date : On or before 30 days from date of AGM.

e) Listing of Equity Shares on Stock Exchanges at

(i) The Calcutta Stock Exchange Association Ltd.

7, Lyons Range, Kolkata - 700001

(ii) Bombay Stock Exchange, Mumbai

P J Towers, Dalal Street, Fort, Mumbai – 400001



f) Listing Fees :

Annual Listing Fees for the year 2006-2007 have been paid to the above Stock Exchanges. The Company has also paid the Annual Custodian Fees to both the Depositories.

g) Depositories:

- (i) National Securities Depository Ltd.
Trade World, Kamala Mills Compound, Lower Parel, Mumbai - 400003
- (ii) Central Depository Services (India) Ltd.
P J Towers, 28th Floor, Dalal Street, Fort, Mumbai – 400001

h) Stock Code :

Stock Exchanges	Stock Code
The Calcutta Stock Exchange Association Ltd.	011066
The Stock Exchange, Mumbai	531881
ISIN of equity shares (on both the depositories)	INE146F01012

i) Market Price Data:

The Market Price of the Equity Shares of the Company during 2005–2006 is given in the table below :

Months	BSE		CSE
	High	Low	
April 2005	41.90	28.00	Not traded
May 2005	44.00	32.50	
June 2005	40.40	32.80	
July 2005	36.10	24.80	
August 2005	39.55	26.55	
September 2005	53.80	40.90	
October 2005	47.00	24.90	



Months	BSE		CSE
	High	Low	
November 2005	39.35	26.00	Not traded
December 2005	38.30	34.25	
January 2006	48.10	38.50	
February 2006	42.40	36.60	
March 2006	42.30	37.00	
April 2006	45.85	39.00	
May 2006	42.85	36.40	
June 2006	38.65	34.70	
July 2006	43.00	33.35	
August 2006	40.50	32.00	
September 2006	46.10	30.15	

* Data relating to BSE have been taken from its website.

j) **Share Price Performance :**

Financial Year	% change in Arvind Chemicals Share Price	% change in BSE Sensex
2005-2006	-9.33	91.43

k) **Registrar and Share Transfer Agents :**

Niche Technologies Private Limited,
D-511, Bagree' Market, 71, B. R. B. Basu Road,
Kolkata-700 001
Phones: +91-33-22357271/7270
Fax: +91-33-22156823
E-Mail: nichetechpl@nichetechpl.com



l) Share Transfer System :

Application for Transfer of shares held in physical form are received at the office of the Registrar & Share Transfer Agents. The Committee of Directors attend to Share Transfer formalities as and when required depending upon the requirements. Share held in dematerialised form are traded electronically in the Depository. The RTA of the Company periodically receives from the Depository, the beneficial holding so as to enable them to update their records and to send all corporate communications to the beneficial owners of the shares.

Physical shares received for dematerialisation are processed and computerised within a period of fifteen days from the date of receipt, provided they are found in order in every respect. Bad deliveries are immediately returned to the respective Depository Participant under advice to the shareholders.

m) Shareholding Pattern as on 30th September 2006:

Category	No. of Shares	% of Holding
Promoters & Promoter Group	1095405	33.19
Public Shareholding – Institutions & Non-Institutions	2204895	66.81
Shares held by Custodians and against which Depository Receipts have been issued	0	0
Total	3300300	100

n) Distribution of Shareholding as on 30th September 2006:

Shareholding Range	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shareholding
1 – 500	1202	79.18	356280	1.08
501 – 1000	46	3.03	414340	1.26
1001 – 2000	23	1.52	417640	1.27
2001 – 3000	36	2.37	942480	2.86
3001 – 4000	43	2.83	1627500	4.93
4001 – 5000	116	7.64	5730350	17.36
5001 – 10000	31	2.04	2021850	6.13
10001 and above	21	1.39	21492560	65.12
Total	1518	100	33003000	100



o) Dematerialisation of Shares and Liquidity :

About 2972662 Shares constituting 90.01% of the Shares capital have been held in dematerialised form as on 30th September 2006. The Equity Shares of Company are actively traded in the Bombay Stock Exchanges Ltd.

p) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, Conversion date and likely impact on equity : Nil

q) Plant Location:

E-226, RIICO Industrial Area, Bagru Extn, Bagru, Jaipur – 303007

r) Address for correspondence :

15, Ganesh Chandra Avenue

2nd Floor, Kolkata - 700013

Tel : (033) 22368504

Fax: (033) 22118014

Email: info@arvindchemicals.com

Website: www.arvindchemicals.com

For and on behalf of the Board

R.C.BAJORIA

Chairman

Place : Kolkata

Dated the 19th day of October, 2006



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

OVERALL REVIEW :

INDUSTRY STRUCTURE AND DEVELOPMENTS :

MANUFACTURING DIVISION :

The Polyurethane foam industry in India is quite unorganized with limited number of organized players. Though there has been consistent growth in the PU foam industry in India, the per capita consumption is still among the lowest in the world as compared to developed and developing countries. With the growing Indian Economy and huge thrust on the growth of infrastructure sector by the Indian Government, the PU Foam industry is likely to post much better growth rates in the coming years. Further, with the improving purchasing power of the Indian consumers and the growing awareness of the consumers for use of PU Foam as against the traditional usage of rubber foam and other materials, the demand for PU Foam is expected to increase substantially. With the continuous improvements in the conditions of the PU Foam industry, the products available are expected to become cheaper and more affordable with better quality standards.

TRADING DIVISION :

The Company trades in coke. Coke is a derivate of coking coal. It is the main source of heat and is also the reducing agent required to facilitate the conversion of metallurgical ores into metal during the smelting process. Coke has a huge demand in Steel industry, Cement industry, pit furnaces for small castings and gas producers among others. Coke has a huge demand globally and also in India, which is on the rise considering the fact that there is a global shift of Steel making from the developed to the developing countries and India is fast emerging as the chosen destination.

OPPORTUNITIES & THREATS :

MANUFACTURING DIVISION :

The product of the company constitutes polyurethane foam which is extensively used in the Transport, Automobile, Packaging, Electronics, Garments, Leather, Shoes and Furniture Industries. With the increase in industrial activities in the country, the demand for Polyurethane Foam is expected to increase which may result in better price realization for final products. With the improvement in per capita income and life style of Indian customers, demand for flexible PU Foam is expected to increase substantially. Increased penetration of products in rural and semi-urban markets will directly benefit the company. There are certain states in India where the opportunity for growth is high. The company will leverage this opportunity by various marketing initiatives such as brand building, restructuring dealers and introduction of new products.

The products of the company being material intensive , the profitability of the company depends on the movement of the prices and availability of the raw materials. The company operates in a globally competitive business environment. The entry of new players has made the market more competitive affecting the margins of all participants. The company is countering this threat by a stronger focus on reducing costs, increasing efficiency of operations and better quality.



TRADING DIVISION :

There is a huge gap between the Demand and Supply of Coke, and hence the company seeks to realize better prices with the continuous growth in Steel sector.

RISKS & CONCERNS

Various economic factors such as interest rates, import duties and taxes on finished products, foreign exchange rate could have an effect on the company's operations. The adverse market conditions and severe competition from old and established players coupled with rising input costs are the main concerns of the company.

OUTLOOK

With the Indian economy growing apace, demand conditions are expected to remain strong. The company has focused its attention to the fast growing segment of low value items with higher volumes and better margin prospects.

Presently, the per capita consumption of P.U. Foam in India is very low compared with other developing and developed countries. The usage of PU Foam in mattresses has been insignificant as compared to traditional usage of cotton, though the market for PU Foam mattress has been growing significantly. This sector is likely to create more demand in the coming years with the improving purchasing power of the Indian consumers, growing awareness about foam mattresses and reduction in its prices as market grows.

Further there is a considerable thrust on the development of infrastructure facilities by the Government, which is likely to give a boost to the overall economy.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES/INDUSTRIAL RELATIONS

The Company regards its human resources as one of its prime resources. A continuous effort for improving contribution of its human resources towards attainment of organizational goals has been the area of focus. Industrial relations during the year were cordial at both the plants and the offices of the company.

INTERNAL CONTROL SYSTEMS

The company maintains adequate internal control systems, which provide, among other things, reasonable assurance of recording the transactions of its operations in all material respects and of providing protection against significant misuse or loss of company assets. The internal control systems are supplemented by an extensive programme of internal audits, review by management, guidelines and procedures.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The Gross profit of the Company during the year under review was Rs.76.99 Lacs, and the net profit after tax stood at Rs.39.43 Lacs.



AUDITOR'S CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE CODE

To the Members of
Arvind Chemicals Ltd.

We have examined the compliance of conditions of Corporate Governance by Arvind Chemicals Limited for the eighteen months period ended on 30th September, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, and the representation made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

As required by the guidance note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained, there were no investors' complaints remaining unattended/pending for more than 30 days as at 30th September, 2006.

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

For B.Singhal & Co.
Chartered Accountants
(Manoj Agarwal)
Partner

Place: Kolkata
Dated the 19th day of October 2006

Membership No. 300/56259



MANAGING DIRECTOR (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To the Members of

M/s. Arvind Chemicals Limited

- i. Arvind Bajoria, Managing Director and Chief Financial Officer of **Arvind Chemicals Limited**, to the best of my knowledge and belief, certify that :
- 1) We have reviewed the balance sheet as at 30th September 2006 and profit & loss account, and all its schedules and notes on accounts, as well as the cash flow statements and the director's report for the 18 months period ended on that date.
 - 2) Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact or does not contain any statement that might be misleading;
 - 3) Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of the company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report and are in compliance with the existing accounting standards and/or applicable laws and regulations;
 - 4) To the best of our knowledge and belief, no transactions entered into by the company during the aforesaid period are fraudulent, illegal or violative of the company's code of conduct.
 - 5) We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the company, and we have
 - i) evaluated the effectiveness of the company's disclosure, controls and procedures over financial reporting; and
 - ii) disclosed in this report any change in company's internal control over financial reporting that occurred during the company's most recent accounting period that may have materially affected, or is reasonably likely to affect, the company's internal control over financial reporting.
 - 6) We have disclosed based on our most recent evaluation, wherever applicable, to the company's auditors and the audit committee of the company's Board of Directors



-
- i) All deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors, any material weakness in internal control over financial reporting including any corrective actions with regard to such deficiencies, if any;
 - ii) Significant changes in internal controls during the period covered by this report, if any;
 - iii) All significant changes in accounting policies during the period, if any and that the same have been disclosed in the notes to the financial statements.
 - iv) No instances of significant fraud of which we are aware, involving management or other employees who have significant role in the company's internal controls system
- 7) We further declare that all board members and senior management personnel have affirmed compliance with the code of conduct (since its adoption) during the period under review.

Place : Kolkata
Date : 19th day of October, 2006

Arvind Bajoria
Managing Director & Chief Financial Officer



AUDITORS' REPORT

TO THE MEMBERS

We have audited the attached Balance Sheet of **ARVIND CHEMICALS LIMITED**, as at 30th September, 2006, and also the Profit and Loss Account for the period from 01.04.2005 to 30.09.2006 annexed thereto, and the Cash Flow Statement for the period from 01.04.2005 to 30.09.2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. These 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit ;
- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;
- iii. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet and profit & Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable;
- v. On the basis of written representations received from the directors, as on 30th September, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September, 2006 from being appointed as a director in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956;



-
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
- a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2006 ; and
 - b) In the case of the profit and Loss Account, of the Profit for the period ended on that date;
 - c) In the case of the cash flow statement, of the cash flows for the period ended on that date.

46, B.B. Ganguly Street
1st Floor, Room No. 1
Kolkata - 700 012
Dated :19/10/2006

For B. SINGHAL & CO.
Chartered Accountants
(M. K. AGRAWAL)
Partner
M.No. 300/56259



AUDITORS' REPORT (Contd.)

Annexure Referred to in paragraph 1 of our Report of even date on the Accounts of ARVIND CHEMICALS LIMITED for the period ended 30th September, 2006.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details & situation of fixed assets.
- (b) These fixed assets have been physically verified by the management at reasonable intervals & no material discrepancies were noticed on such verification;
- (c) As explained to us, none of the fixed assets have been disposed off during the year
- (ii) (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory and discrepancies noticed on physical verification as compared to book records were not material & the same has been properly dealt with in the books of account.
- (iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, sub clauses (b), (c) and (d) of Clause (iii) of the said order are not applicable to the Company.
- (e) The Company has taken loan, unsecured from a director, covered in the register maintained under section 301 of the Companies Act, 1956.

No. of Parties	Taken during the Year	Balance as on 30.09.2006
One	3,18,049/-	3,18,049/-

- (f) The rate of interest and other terms and conditions of loan taken by the company, unsecured, is not prima facie prejudicial to the interest of the company; and
- (g) As explained to us, payment of the principal amount and interest are also regular.



-
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements or transactions that need to be entered in the register maintained under section 301 of the Act have been entered; and
- (b) According to the information and explanations given to us, we are of the opinion that such transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) During the year, the Company has not accepted deposits from public and as such compliance of provisions of section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules 1975 does not arise.
- (vii) As explained to us, the company has an adequate internal audit system commensurate with the size of the company and the nature of its business.
- (viii) Maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Act.
- (ix) (a) According to the records of the company, the company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Sales Tax, Service Tax, Wealth Tax, Excise Duty, Cess and Custom Duty. There is no amount outstanding as at 30.09.2006 for more than six months from the date they become payable except Sales Tax of Rs.5,63,496/-
- (b) According to the information and explanations given to us, there are no disputed dues of income tax, Sales Tax, Service Tax, Wealth Tax & Custom duty as on 30.09.2006.
- (x) According to the records of the Company, we are of the opinion that the company does not have any accumulated losses at the end of the financial year and it has not incurred cash losses in current financial year and in the immediately preceding financial year.
- (xi) According to the records of the Company, it has not defaulted in repayment of dues to Bank. The company has no amount due to debenture holders or financial institution during the year



- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of the said order are not applicable to the Company.
- (xiv) As explained to us, the Company has maintained proper records and all the transactions and contracts relating to it have been properly entered into.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) As explained to us, the working capital loan taken by the Company has been properly applied during the year..
- (xvii) According to the records examined by us and information and explanations given to us, funds raised on short term basis have not been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) There were no debentures issued by the Company and hence question of creating security or charge does not arise.
- (xx) The Company has not raised any money by public issue other than private placement during the year and hence the question of disclosure and verification of end use of such money does not arise.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

46, B.B. Ganguly Street
1st Floor, Room No. 1
Kolkata - 700 012
Dated :19/10/2006

For B. SINGHAL & CO.
Chartered Accountants
(M. K. AGRAWAL)
Partner
M.No. 300/56259



BALANCE SHEET AS AT 30th SEPTEMBER, 2006

		(Rs. in Lacs)	
	Schedule	As at 30-9-2006	As at 31-3-2005
SOURCES OF FUNDS :			
SHARE HOLDERS' FUND			
Share Capital	I	330.03	291.44
Reserves & Surplus	II	754.94	356.95
LOAN FUNDS			
Secured Loan	III	92.57	197.67
Unsecured Loan	IV	84.04	1169.10
DEFERRED TAX LIABILITY			
(Refer Note No. 4 of Schedule XX)		38.52	50.29
		<u>1,300.10</u>	<u>2,065.44</u>
APPLICATION OF FUNDS :			
FIXED ASSETS			
Gross Block	V	273.66	318.49
Less: Depreciation		65.88	64.60
Net Block		<u>207.77</u>	<u>253.89</u>
INVESTMENTS			
CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories	VII	7,185.76	1,198.44
b) Sundry Debtors	VIII	87.09	133.71
c) Cash & Bank Balances	IX	29.69	40.90
d) Loans & Advances	X	1,204.32	557.03
		<u>8,506.86</u>	<u>1,930.08</u>
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	XI	7,674.81	491.11
Provisions	XII	32.84	13.41
NET CURRENT ASSETS		<u>799.21</u>	<u>1,425.56</u>
MISCELLANEOUS EXPENDITURE	XIII	1.93	3.85
TOTAL		<u>1,300.10</u>	<u>2,065.44</u>
NOTES	XX		

(As per our separate report of even date attached hereto)

For **B. SINGHAL & CO.**

Chartered Accountants

M. K. AGRAWAL

Partner

M.No.300/56259

PAYAL KEJRIWAL
Company Secretary

ARVIND BAJORIA
Managing Director

R. C. BAJORIA
Chairman



Profit & Loss Account for the period ended 30th September, 2006

	Schedule	(Rs. in Lacs)	
		As at 30-9-2006	As at 31-3-2005
INCOME :			
Sales & Services(Net of Returns)	685.82		
Less: Excise Duty / Cess	96.49	589.33	459.40
Shares Sales	—	1,810.36	—
Chemicals Sales(High Seas)	—	121.48	76.47
Coke Sales	—	—	226.67
Other Income	XIV	127.31	69.80
Closing Stock	—	7,124.15	1,163.37
Total — (A)	—	<u>9,772.62</u>	<u>1,995.71</u>
EXPENSES :			
Opening Stock	—	1,163.37	13.12
Coke Purchases	—	6,467.32	226.67
Chemicals Purchases	—	—	197.98
Shares Purchases	—	1,475.56	1,009.98
Raw Materials consumed	XV	507.07	425.13
Manufacturing Expenses	XVI	15.56	11.14
Stores & Spares consumed	—	1.18	0.33
Repairs & Maintenance	XVII	4.85	2.80
Administrative & Other Expenses	XVIII	60.71	28.34
Interest	XIX	27.03	25.60
Depreciation	—	21.40	14.14
Total — (B)	—	<u>9,744.06</u>	<u>1,955.23</u>
Profit before taxation (A-B)	—	28.56	40.47
Prior Period Expenses	—	0.68	0.07
Less: Provision for Taxation	—	—	1.16
Provision for deferred Taxation for Current Year	—	(9.18)	2.53
Provision for deferred Taxation for Earlier Years (Refer Note No. 4 of Schedule XX)	—	(2.59)	—
Provision for Fringe Benefit Tax	—	0.22	—
Profit After Taxation	—	<u>39.43</u>	<u>36.71</u>
Add: Amount Brought Forward From Last Year	—	152.11	115.40
Available For Appropriations	—	191.55	152.11
Less: Appropriations	—	—	—
Proposed Dividends	—	16.50	—
Additional Income Tax on distributed Profits	—	2.31	—
Net Profit carried to Balance Sheet	—	<u>172.73</u>	<u>152.11</u>

(As per our separate report of even date attached hereto)

For B. SINGHAL & CO.

Chartered Accountants

M. K. AGRAWAL

Partner

M.No.300/56259

PAYAL KEJRIWAL

Company Secretary

ARVIND BAJORIA

Managing Director

R. C. BAJORIA

Chairman



CASH FLOW STATEMENT FOR THE PERIOD ENDED ON 30th SEPTEMBER, 2006

	Period ended 30-9-2006	Year ended 31-3-2005
	(Rs. in lacs)	
A. CASH FLOW FROM OPERATING ACTIVITIES :		40.40
Net Profit before taxes & extraordinary items	27.88	
<i>Adjustments for :</i>		
Depreciation	21.40	14.14
Provision for Gratuity	0.40	—
Share issue expenses (written off)	1.93	1.28
Loss on Sale of Investments	17.87	—
Loss on sale of Fixed assets	3.42	4.50
Interest Paid	27.03	25.60
Interest Income	(74.95)	(8.18)
Liabilities Written Back	(6.09)	(0.01)
Misc. Income	—	(0.06)
Surplus on OTS with Bank	(1.67)	—
Dividend Income	(38.85)	—
Profit on Sale of Investments	(1.28)	—
	<u>(50.81)</u>	<u>(61.54)</u>
Operating Profit before working Capital Changes	(22.92)	16.13
<i>Adjustment for :</i>		
(Increase)/Decrease/ in Trade & Other Receivables	(586.44)	752.99
(Increase)/Decrease in Inventories	(5,987.32)	(1,173.49)
Increase/(Decrease) in Trade & Other Payable	7,189.79	(679.89)
	<u>616.03</u>	<u>(1,100.39)</u>
Cash used for operations	593.10	(1,084.26)
Direct Taxes & fringe Benefit Tax paid (Including TDS)	(14.24)	4.72
	<u>578.87</u>	<u>(1,079.54)</u>
Net cash used in Operating Activities		
B. CASH FLOW FROM INVESTING ACTIVITIES :		(18.79)
Purchase of Fixed Assets	(31.65)	—
Purchase of Investments	(1.00)	—
Sale of Fixed Assets	52.96	5.08
Misc. Income	—	0.06
Dividend Income	38.85	—
Sale of Investments	75.36	(172.28)
Interest received (Gross)	74.95	8.18
	<u>209.47</u>	<u>(177.75)</u>
Net cash used in Investing Activities		
C. CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of Share Capital & Share Premium	415.96	76.10
Interest Paid	(27.03)	(25.60)
Proceeds from Long Term Borrowings	(103.43)	7.60
Proceeds from Short Term Borrowings/Finances	(1,085.05)	1,106.00
	<u>(11.21)</u>	<u>(93.19)</u>
Net Increase in Cash & Cash Equivalent		
Cash & Bank Balance (Opening Balance)	40.90	134.09
Cash & Bank Balance (Closing Balance)	29.69	40.90
	<u>(11.21)</u>	<u>(93.19)</u>

NOTE :

1. Above figures showing brackets/non-brackets indicate cash outflow & inflow respectively.
2. Above figures are rounded off to the nearest of rupee.

(As per our separate report of even date attached hereto)

For B. SINGHAL & CO.

Chartered Accountants

M. K. AGRAWAL

Partner

M.No.300/56259

PAYAL KEJRIWAL

Company Secretary

ARVIND BAJORIA

Managing Director

R. C. BAJORIA

Chairman



Schedules

SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET AS AT 30th SEPTEMBER, 2006 AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED ON THAT DATE

	(Rs. in Lacs.)	
	Period ended 30 th Sept. 2006	Year ended 31 st March 2005
I) SHARE CAPITAL		
AUTHORISED :		
70,00,000 Equity Shares of Rs. 10/- each	700.00	700.00
Issued subscribed & paid up		
33,00,300 (30,00,300) Equity of		
Rs.10/- each fully paid up in cash	330.03	300.03
(except 50,000 shares of Rs. 10/-	330.03	300.03
each issued other than in cash)		
Less: Calls-in Arrears	8.59	
Adjusted with Re-Issue of shares	8.59	8.59
	330.03	291.44
II) RESERVES & SURPLUS		
Capital Subsidy B/F	0.11	0.11
Capital Reserve on Forfeiture of Shares	14.79	—
Share Premium Account	204.73	
Add: Received from Re-Issue &	362.58	204.73
Issue of Shares	—	
Profit & Loss Account	—	
(As per account annexed)	172.73	152.11
	754.94	356.95
III) SECURED LOAN		
From Rajasthan Financial Corporation		
A) <i>Term Loan</i> -	80.93	114.69
(Including Interest accrued on above)		
B) <i>Working Capital Term Loan</i>	5.72	21.71
(Including Interest accrued on above)		
(Secured by way of equitable mortgage of		
Land, Building & hypothecation of Plant		
& machinery & current assets & personally		
guaranteed by the directors & their relatives.)		
-From Punjab National Bank	—	50.19
Cash Credit Account -		
(Secured by way of First Charge on Current		
Assets & Collateral security by way of		
equitable mortgage of Factory Land & Building		
at Rajarhat, Kolkata and other assets &		
personally guaranteed by the directors & their relatives		
Hire Purchase Loans	5.92	11.08
Secured against the respective assets purchased	92.57	197.67
IV) UNSECURED LOANS		
-From Body Corporates -Interest Free	80.86	1,169.10
-From Directors - Interest Free	3.18	—
	84.04	1,169.10


SCHEDULE : 5. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION					NETBLOCK	
	As on 01.04.05 Rs.	Ad. Duri. the year Rs.	Ded.Dur. the year Rs.	As on 30.09.06 Rs.	As on 01.04.05 Rs.	During the year Rs.	Dedu- ction Rs.	Adjust Short (Excess)	As on 30.09.06 Rs.	As At 30.09.06 Rs.	As At 31.03.06 Rs.
Freehold Land	11.11	---	---	11.11	---	---	---	---	---	11.11	11.11
Factory Building	52.67	---	---	52.67	9.42	2.61	---	---	12.03	40.64	43.25
Other Building	10.80	---	---	10.80	0.99	0.25	---	---	1.24	9.56	9.81
Plant & Machinery	198.55	30.55	72.54	156.56	41.61	13.75	18.68	---	36.68	119.87	156.93
D.G.Set	3.09	---	---	3.09	0.81	0.22	---	---	1.03	2.05	2.27
Laboratory Equipments	2.09	---	---	2.09	0.55	0.15	---	---	0.70	1.40	1.54
Electrical Installation	4.16	---	---	4.16	1.43	0.42	---	---	1.86	2.31	2.73
Fire Fighting Equipment	4.15	---	---	4.15	1.14	0.29	---	---	1.42	2.73	3.01
Furniture Fixture	1.24	0.06	---	1.30	0.39	0.12	---	---	0.51	0.79	0.85
Computer	2.82	0.60	---	3.42	2.69	0.13	---	---	2.82	0.60	0.13
Motor Vehicle	25.63	---	3.95	21.68	4.87	3.28	1.43	---	6.72	14.96	20.76
Air Conditioner	1.29	0.18	---	1.48	0.52	0.10	---	---	0.62	0.86	0.78
Office Equipments	0.89	0.26	---	1.15	0.17	0.08	---	---	0.25	0.90	0.72
Total	318.49	31.65	76.49	273.66	64.59	21.40	20.11	---	65.88	207.78	253.90
Previous Year	312.68	18.79	12.98	318.49	53.85	14.14	3.40	---	64.59	253.90	258.82



Schedules (Contd.)

		(Rs. in Lacs.)	
		As at	As at
		30 th Sept. 2006	31 st March 2005
SCHEDULE : VI INVESTMENTS (Taken at cost)			
1. LONGTERM (NONTRADE)			
A) QUOTED			
In Fully paid up Equity Share (Non Trade)			
	(At Cost)	<u>Face Value</u>	<u>Numbers</u>
Arvind International Ltd.	10	375,885 (375,885)	40.53 40.53
Gujarat NRE Coke Ltd(Inc. Bonus Shares)	10	639,714 (388,683)	209.19 301.13
Interstate Oil Carriers Ltd	10	112,400 (112,400)	11.24 11.24
B) UN-QUOTED			
In Fully paid up Equity/ Preference Share (Non Trade) (At Cost)			
Kaizen Organics Private Ltd.	10	14,250 (14,250)	1.75 1.75
Marley Foods Pvt. Ltd.	10	37,500 (37,500)	3.60 3.60
Arvind Polyflex Pvt. Ltd.	10	9,980 (NIL)	1.00 —
Rohit Polyproducts Private Ltd.	10	238,900 (238,900)	23.89 23.89
		<u>291.19</u>	<u>382.14</u>
		NIL	NIL
		<u>291.19</u>	<u>382.14</u>
Aggregate Book Value of Quoted Investments		260.96	352.90
Aggregate Book Value of Un-Quoted Investments		30.24	29.24
		<u>291.19</u>	<u>382.14</u>
Aggregate Market Value of Quoted Investments		242.48	381.56
SCHEDULE : VII) INVENTORIES			
(As certified by the management)			
Stock of Raw Materials (At Cost)		61.61	35.07
Stock of Chemicals (At Cost)		—	123.48
Stock of Finished Goods(At Cost or Market Value whichever is lower)		14.54	26.17
Stock of WIP (At Cost)		1.09	3.75
Stock of shares (at Cost)		641.20	1,009.97
Stock of Coke (at Cost)		6,467.32	—
		<u>7,185.76</u>	<u>1,198.44</u>



Schedules (Contd.)

	(Rs. in Lacs.)	
	As at 30 th Sept. 2006	As at 31 st March 2005
SCHEDULE : VIII) SUNDRY DEBTORS		
(Unsecured, considered good)		
Debts outstanding for a period		
Exceeding Six months		
- Considered Good	24.57	19.35
- Considered Bad & Doubtful	3.95	3.95
Less Than Six months	<u>62.52</u>	<u>114.35</u>
	91.04	137.65
Less : Provision for Bad debts	<u>3.95</u>	<u>3.95</u>
	<u>87.09</u>	<u>133.70</u>
SCHEDULE : IX) CASH & BANK BALANCES		
Cash in hand (As certified)	16.52	7.09 -
Balances with scheduled Banks		
In Current accounts	13.17	0.24
Balance in Fixed deposit A/C	—	33.57
(Receipts Lodged with Bank)		
	<u>29.69</u>	<u>40.90</u>
SCHEDULE : X) LOANS & ADVANCES		
(Unsecured considered good)		
Loans	272.00	368.66
Advances to suppliers & Others	82.80	133.34
Advances for Joint Venture Business	143.48	—
Advances for Capital Assets	238.00	—
Advances for Purchase of Shares	412.75	—
Share Application Money Refundable	12.00	21.29
Income Tax Deducted at Source	23.31	9.26
I. Tax Refundable	0.21	0.21
Income Tax Paid	14.05	14.05
Fringe Benefit Tax Paid	0.18	—
Security Deposit	1.91	1.91
Prepaid Expenses	0.49	1.46
Staff Advances	0.54	0.20
Balances with Excise (Including CENVAT Balances)	1.10	0.65
Excise Duty refund receivable	—	6.00
Balances of Service Tax on Transporter with Cess	0.02	—
Vat Input Credit Tax	1.48	—
	<u>1,204.32</u>	<u>557.03</u>



Schedules (Contd.)

	(Rs. in Lacs.)	
	As at 30 th Sept. 2006	As at 31 st March 2005
SCHEDULE : XI) CURRENT LIABILITIES		
Temporary Overdraft with Scheduled Banks in Current Accounts	—	27.58
Sundry Creditors :		
-For Expenses	3.70	5.48
-For Goods & Others	1,370.64	445.50
-For Machinery	5.59	12.06
Sales Tax Deferrment (GST/VAT)	7.45	0.01
Advance from Customers	20.62	0.48
Advance for Sale of Fixed Assets	62.50	—
Advance for Joint Venture Business	6,198.50	—
Other Liabilities	5.81	—
	7,674.81	491.11
SCHEDULE : XII) PROVISIONS		
Provision for Gratuity	0.40	—
Provision for Fringe Benefit Tax	0.22	—
Provision for Taxation	13.41	13.41
Provision for Proposed Dividend	16.50	—
Provision for Additional Income Tax on distributed profits	2.31	—
	32.84	13.41
SCHEDULE : XIII) MISCELLANEOUS EXPENDITURE (To the extent not w/off or adjusted)		
Share Issue Expenses	1.93	3.85
	1.93	3.85
SCHEDULE : XIV) OTHER INCOME		
Interest (Gross)(TDS- 1405462/- Pr. Year 122594/-)	74.95	8.18
Sundry Balances Written Back(Net)	6.09	0.02
Surplus on OTS with Bank	1.68	—
Miscellaneous Income	—	0.06
Dividend Income	38.85	—
Profit on Sale of Investments	1.28	61.54
Income from Foreign Exchange Difference(Net) .	0.26	—
Profit on Share Speculation(Net of STT)	4.20	—
	127.31	69.80



Schedules (Contd.)

SCHEDULE : XV) Raw Material Consumed

Opening Stock Of Raw Material	35.07	11.67
Add: Purchase(Net Of Return)	561.28	450.41
Freight Inward	0.59	0.89
TOTAL -(A)	<u>596.94</u>	<u>462.97</u>
Closing Stock of Raw Material	61.61	35.07
Sale Of Raw Material	28.26	2.77
TOTAL- (B)	<u>89.87</u>	<u>37.84</u>
Raw Material Consumed TOTAL - (A-B)	<u>507.07</u>	<u>425.13</u>

SCHEDULE : XVI) MANUFACTURING & OTHER EXPENSES

Labour Wages	6.06	3.20
Electricity Charges	3.09	1.53
Generator Fuel Expenses	1.55	0.40
Water Charges	0.02	0.04
Other Processing Expenses	4.83	5.97
	<u>15.56</u>	<u>11.14</u>

SCHEDULE : XVII) REPAIRS & MAINTENANCE

-To Plant & Machinery	2.25	1.89
-To Building	0.08	0.25
-To Others	1.02	0.67
-To Vehicle	1.50	—
	<u>4.85</u>	<u>2.81</u>

SCHEDULE : XVIII) ADMINISTRATIVE & OTHER EXPENSES

Salaries, Wages, Bonus	8.65	1.46
Cont. to PF & Other Funds	1.29	0.67
Food & Beverage	0.11	0.06
Rent & Maintenance	0.12	0.09
Insurance Charges	2.64	0.51
Rates & Taxes	0.88	0.39
Electric Charges	0.40	0.25
Bank Charges	0.32	0.60
Bank Finance Charges & LC charges	—	3.20



Schedules (Contd.)

Travelling & Conveyance Expenses	0.10	0.16
General Expenses	0.37	0.04
Motor Car Expenses	0.99	1.23
Postage & Telegram	0.08	0.06
Printing & Stationery	0.99	3.02
Legal , Professional & Service Charges	1.34	0.68
Telephone Expenses	1.52	0.52
Hire Purchase Charges	0.83	0.37
Listing Fees	1.27	0.10
Filing Fees	0.06	0.02
Advertisement Expenses	0.21	0.05
Sales Promotion	—	6.30
Loss on Sale of Machinery(Net)	2.70	4.50
Loss on Sale of Car	0.71	—
Loss on Sale of Investments	17.87	—
Share Issue Expenses written off	1.92	1.28
Freight Outward Charges	12.67	1.77
Discount Expenses on Machine	0.71	0.13
Service Charges	0.52	0.03
Sales Tax for Earlier Year	0.43	—
Auditors Remuneration :		
-As Audit & Tax Audit Fees	0.25	0.17
Internal Audit Fees	0.13	0.08
Miscellaneous Expenses	0.56	0.52
ISO Expenses	0.07	0.08
	<u>60.71</u>	<u>28.34</u>

SCHEDULE : XIX) INTEREST

To Rajasthan State Financial Corporation

-On Term Loan	21.19	15.10
-On W/C Loan	3.39	4.00

To Bank

-On Cash Credit to PNB	—	5.04
To Others	2.45	1.46

	<u>27.03</u>	<u>25.60</u>
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Schedules (Contd.)

SCHEDULE - XX) NOTES ON ACCOUNTS :

- 1) Depreciation has been provided on Straight Line Method at the rates specified in schedule XIV of the Companies Act, 1956.

2) **Additional Informations :**

Product	Current Period 30/09/2006		Previous Year 31/03/2005		
	Unit	Quantity Pcs.	Amount (Rs. in Lacs)	Quantity Pcs.	Amount (Rs. in Lacs)
A) i) FINISHED GOODS :					
1) MATTRESS (In Pcs.)					
Licensed Capacity		N.A.	N.A.	N.A.	N.A.
Installed Capacity (In Pcs.)		60,000	N.A.	60,000	N.A.
Opening Stock		1517	14.33	708	6.04
Production during the period/year		21918	Not Ascertainable	20,088	Not Ascertainable
Sales during the period/year		22123	196.48	19,279	166.72
Issue to other		8			
Closing Stock		1304	9.53	1,517	14.34
2) FOAM (In Kgs)					
Opening Stock		9847	11.10	3,220	3.38
Production/Transfer during the period/year		364747	Not Ascertainable	312,518	Not Ascertainable
Sales during the period/year		371890	372.33	305,891	278.69
Issue For Mattress		Not Ascertainable	Not Ascertainable		Not Ascertainable
Closing Stock		2704	3.53	9,847	11.1
3) SOFA CUM BED /Wonder Couch (In Pcs.)					
Opening Stock		---	---	---	---
Production/Transfer during the year		29	Not Ascertainable	20	Not Ascertainable
Sales during the year		29	0.94	20	0.67
Closing Stock		---	---	---	---
4) PILLOWS (In Pcs.)					
Opening Stock		3074	0.73	2,720	0.47
Production/Transfer during the year		19197	Not Ascertainable	32,309	Not Ascertainable
Sales during the year		17795	4.29	31,955	12.88
Closing Stock		4476	1.47	3,074	0.73



Schedules (Contd.)

	(Rs. in Lacs.)	(Rs. in Lacs.)
	<u>Amount</u>	<u>Amount</u>
B) Raw Material Consumed (100% indigenous)		
Opening Stock of Raw Material	35.07	11.67
Add : Purchases (Net)	561.28	450.41
Freight Inwards	0.59	0.89
Total — (A)	596.94	462.97
Less : Closing Stock of Raw Material	61.61	35.07
Sale Of Raw Material	28.26	2.77
Total — (B)	89.87	37.84
Raw Material Consumed (A-B)	507.07	425.13
C) Quantitative Informations In respect of Coke & Waste Coke		
	Current Period	Previous Year
Opening Stock	Qty.(M/T) — Rs. in Lacs —	— —
Add:purchases	Qty.(M/T) 52,079.89 Rs. in Lacs 6,467.32	1,952.74 226.67
Less:Sales	Qty.(M/T) — Rs. in Lacs —	1,952.74 226.67
Closing Stock	Qty.(M/T) 52,079.89 Rs. in Lacs 6,467.32	— —
D) Quantitative Informations in respect of Shares		
	Current Period	Previous Year
Opening Stock	Qty.(Nos.) 712,566 Rs. 1,009.98	— —
Add : purchases	Qty.(Nos.) 17,916,247 Rs. 1,475.56	712,566 1,009.98
Less:Sales	Qty.(Nos.) 4,960,393 Rs. 1,810.36	— —
Closing Stock	Qty.(Nos.) 13,668,420 Rs. 641.21	712,566 1,009.97
E) Quantitative Informations in respect of Chemicals		
	Current Period	Previous Year
Opening Stock	Qty.(M/T) 134.00 Rs. 123.48	— —
Add : purchases	Qty.(M/T) — Rs. —	224.00 —
Less : Sales	Qty.(M/T) 134.00 Rs. 121.48	90.00 121.48
Closing Stock	Qty.(M/T) — Rs. —	134.00 123.48



Schedules (Contd.)

	Current Period <u>Rs. in Lacs</u>	Previous Year <u>Rs. in Lacs</u>
3) Income & Expenditure In Foreign Currency		
— Income		
FOB value of Exports	NIL	NIL
— Expenditure		
Capital Expenditure	NIL	NIL
Chemicals Import	NIL	193.22
4) Deferred Taxation		
Deferred Taxation liability has been provided in accordance with the Accounting Standard 22 in respect of Accounting for Taxation on Income as issued by The Chartered Accountants of India.		
The Break up of the deferred tax liability is :		
	Upto Period 30.09.2006 <u>(Amount in '000)</u>	Upto Period 31.03.2005 <u>(Amount in '000)</u>
In respect of timing difference on account of -	Rs.	Rs.
— Depreciation (Deferred Tax Liability)	3,864	5,029
Gratuity u/s 43B (Deferred Tax Asset)	(12)	—
	<u>3,852</u>	<u>5,029</u>
Deferred Tax asset has not been recognised on Capital Gain (Losses) in view of uncertainty of future profit.		
5) Earnings Per Share (EPS)		
Earnings per Share has been computed as under :-		
	<u>Upto 30.09.2006</u>	<u>2004-2005</u>
a) Profit After Taxation (Rs.)	3,943,298	3,671,290
b) Total No. of Shares outstanding (Nos.)	3,300,300	3,000,300
c) Earnings per Share		
— Basic (Rs.)	1.19	1.22
— Diluted (Rs.)	1.19	1.26

6) Segment reporting

The company's operations predominantly relate to manufacturing of Foam & mattresses and Trading activities of Coke & Shares. The accounting principles consistently used in the preparations of the financial statements are applied to record income & expenditure in individual segments.



Schedules (Contd.)

Income & direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs are categorized in relation to the associated turnover of the segment. Certain expenses such as Administrative & selling expenses, which form a significant component of the total expenses, are not specifically allocable to specific segment as the underlying services are used interchangeably. The company believes that it is not practical to provide segment disclosures relating to those costs & expenses and accordingly these expenses are separately disclosed as "unallocated" and directly charged against total Income.

Business Segments for the Period Ended 30/9/2006 (Figures in Lac)

Particulars	Manufacturing	Trading	Total
Revenues	793.16	1,855.31	2,648.47
Less:-			
Identified Operating Expenses	720.31	1,851.17	2,571.48
Interest	27.03	—	27.03
Depreciation	21.35	0.05	21.40
SEGMENTAL OPERATING INCOME	24.47	4.09	28.56
Prior Period Expenses	0.62	0.06	0.68
Net Profit before taxes			27.88
Taxes Provision(Including Deferred Taxation)			(11.55)
Net Profit after taxes			39.43

Note : Manufacturing Activities include related jobbing activities done during the year.

7) Related Party Disclosures

Related Party Disclosures, as required by AS-18 as issued by The Institute Of Chartered Accountants of India:-

1) Relationships :

- i) Controlling Group/Other related parties where common control exists :-
 - a) Arvind International Limited
 - b) Arvind Coirfoam (p) Ltd.
 - c) Sri R C Bajoria
 - d) Sri Arvind Bajoria
- ii) Key Management Personnel :-
—Sri Arvind Bajoria



Schedules (Contd.)

II) The following Transactions were carried out with the related parties in the ordinary course of business :-

	Arvind International Ltd.	Arvind Coirfoam Pvt.Ltd.	Arvind Bajoria	Ruchika Trade-Link Pvt. Ltd.
	Amount (Rs. In Lacs)	Amount (Rs. In Lacs)	Amount (Rs. In Lacs)	Amount (Rs. In Lacs)
— Sales/Service Charges	188.85	18.31	1.80	—
— Purchases of goods & materials	585.56	19.90	—	3.61

Note : No amount has been written off during the year in relation to related party disclosures.

III. Closing Balances :-

Arvind International Ltd	Arvind Coirfoam Pvt. Ltd.	Ruchika Trade-Link Pvt. Ltd.
276.71	27.13	78.00
Lacs (Credit)	Lacs (Debit)	Lacs (Credit)

8) Figures in brackets relates to previous year.

9) Previous year figures are regrouped & rearranged wherever necessary.

10) Parties balances are subject to confirmations.

11) SIGNIFICANT ACCOUNTING POLICIES :

- i) Fixed Assets : Fixed assets have been stated at acquisition cost less depreciation.
- ii) Investments : Long Term Investments are stated at cost. No provision for diminution value of shares made in view of temporary in nature. Current investments are stated at cost.
- iii) Depreciation : Depreciation has been provided on Straight Line Method
- iv) Inventories: Finished Goods has been valued at cost or net realisable value which ever is lower, Raw Material & Stock of Stores & Spares are valued at cost. Chemicals, Coke, and Shares Stock are stated at cost.
- v) Revenue & Expenditure are recognised on accrual system of accounting.



Schedules (Contd.)

13) Informations Pursuant to Part IV of the Schedule VI of the Companies Act, 1956

BALANCE SHEET AND COMPANY'S GENERAL BUSINESS PROFILE

(In terms of amendment of Schedule VI Part IV)

I) REGISTRATION DETAILS

Registration No.	054815	State Code	21
Balance Sheet Date	30/09/06		

II) CAPITAL RAISED DURING THE YEAR (RS. IN '000)

Public Issue	Nil	Bonus Issue	Nil
Rights Issue	Nil	Private Placement	36,000

III) POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Rs. in '000)

TOTAL LIABILITIES	130,010	Total Assets	130,010
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SOURCES OF FUNDS

Paid up capital	33,003	Reserves & Surplus	75,494
Secured Loan	9,257	Unsecured Loans	8,404
Deferred Tax Liability	3,852		

APPLICATION OF FUNDS

Net Fixed Assets	20,777	Investments	29,119
Net Current Asset	79,921	Misc. Expenditure	193
Accumulated Losses	NIL		

IV) PERFORMANCE OF THE COMPANY

Total Income	977,262	Total Expenditure	974,406
Profit Before Tax	2,856	Profit after Tax	3,943
Earnings per Shares	1.19	Dividend Rate	Nil

(For Rs. 10/- Paid up)

V) GENERIC NAMES OF THREE PRODUCTS/SERVICES OF THE COMPANY

Item code No.	392,113
Product Description	Dealings in Coke/Coal, Shares Manufacturing of P.U. Foam Products

For B. SINGHAL & CO.

Chartered Accountants

M. K. AGRAWAL

Partner

M.No.300/56259

PAYAL KEJRIWAL
Company Secretary

ARVIND BAJORIA
Managing Director

R. C. BAJORIA
Chairman