2013

Arshiya

Complex is simple

ANNUAL REPORT 2012-13

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Sandesh R Chonkar
Executive Director

Ashish Bairagra
Independent Director and Chairman of the Audit Committee

Prof. G Raghuram
Independent Director

James Beltran
Independent Director

Rishabh P Shah
Independent Director

Mukesh Kacker
Independent Director

Major Suhas Thakar (Retd.)
Executive Director (w.e.f. 1st June 2013)

V. Shivkumar*
Executive Director (Resigned w.e.f 14th May, 2012)

Parind Badshah
Company Secretary

REGISTERED OFFICE
6th Floor, C-Wing, Twin Arcade, Military Road,
Marol Maroshi, Andheri (East), Mumbai-400 059
Maharashtra, India
Ph: +91 22 4049 5600/01 F: +91 22 4230 5555
Website: www.arshiyainternational.com

BANKERS
Axis Bank Limited
Bank of India
Bank of Baroda
Bank of Maharashtra
Central Bank of India
Corporation Bank
Dena Bank
Indian Overseas Bank
ING Vysya Bank
Karur Vysya Bank
Laxmi Vilas Bank
Oriental Bank of Commerce
Punjab National Bank
State Bank of Bikaner & Jaipur
State Bank of India
State Bank of Mysore
State Bank of Travancore
State Bank of Patiala
State Bank of Hyderabad
Syndicate Bank
The South Indian Bank
Tamilnad Mercantile Bank
UCO Bank

AUDITORS

MGB & Co
Jolly Bhawan-2, 1st Floor, 7, New Marine Lines,
Mumbai – 400 020

REGISTRAR & SHARE TRANSFER AGENT

Bigshare Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate,
Saki Vihar Road,
Andheri (East), Mumbai – 400 072
Email: info@bigshareonline.com
Tel:+91-22-2847 0652/ 40430200,
Fax: +91-22-28475207
Website: www.bigshareonline.com

ARSHIYA INTERNATIONAL LIMITED

Reg Off: 6th Floor, C-Wing, Twin Arcade, Military Road, Marol Maroshi, Andheri (East), Mumbai - 400 059.

NOTICE

NOTICE is hereby given that the Thirty - Second Annual General Meeting of the Members of **ARSHIYA INTERNATIONAL LIMITED** will be held on Wednesday, 7th August, 2013 at 3.30 p.m. at Hall of Culture (Nehru Centre), Dr. Annie Besant Road, Worli, Mumbai - 400 018 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013, Statement of Profit and Loss for the year ended on that date together with the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Mukesh Kacker, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sandesh Chonkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

   "RESOLVED THAT Major Suhas Thakar (Retd.), who was appointed as an Additional Director of the Company with effect from 1st June 2013 by the Board at its meeting held on 30th May, 2013, pursuant to Section 260 of the Companies Act, 1956, to hold office till this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956, along with requisite fees proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation."

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), and subject to the approval of the Central Government and such other approvals and sanctions as may be necessary, consent of the Company be and is hereby accorded to the appointment of Major Suhas Thakar (Retd.) as Executive Director of the Company for a period of 3 (three) years from 1st June 2013 to 31st May, 2016, upon terms and conditions including remuneration contained in the Agreement, a draft of which is placed before this meeting and hereby approved, and more particularly set out in the Explanatory Statement annexed hereto"

   RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of appointment of the Executive Director, the Company has no profits or the profits are inadequate, Major Suhas Thakar (Retd.) shall be entitled to the same remuneration as minimum remuneration subject to the necessary approval of the Central Government.

   RESOLVED FURTHER THAT authority be and is hereby given to the Board of Directors (which term shall be deemed to include the Remuneration and Compensation Committee of the Board of Directors) to alter and vary the terms and conditions of the said appointment and/or Agreement in such manner as may be agreed to between the Board of Directors and Major Suhas Thakar (Retd)**"**.

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

   "RESOLVED THAT the name of the Company be changed from "**ARSHIYA INTERNATIONAL LIMITED"** to **"ARSHIYA LIMITED"** subject to the approval of the Central Government i.e. the Registrar of Companies, Maharashtra, Mumbai, pursuant to Section 21 of the Companies Act 1956"

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956.

Item 5

The Board, at its meeting held on 30th May, 2013 appointed Major Suhas Thakar (Retd.) as an Additional Director of the Company with effect from 1st June, 2013 in terms of Section 260 of the Companies Act, 1956, read with Article 110 of the Articles of Association of the Company to hold office till the ensuing Annual General Meeting. The Company has received notice from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, along with the requisite deposit proposing his appointment as a Director at the ensuing Annual General Meeting.

Major Suhas Thakar (Retd.) is a qualified civil engineer with more than 40 years of experience. Commissioned into the Indian Army's Corps of Engineers, he was in the elite parachute brigade which was in the forefront in the 1971 Bangladesh War. Having been in various assignments including Kargil and Pokharan (India's nuclear test site) for 17 years, he was honoured by the Army Chief for outstanding services and devotion to duty. He moved to OIL India in Assam. He then joined CIDCO in Navi Mumbai where he was the Chief Engineer having developed large urban infrastructure which included townships, railway projects, roads and highways, IT Parks and SEZ's. Even in CIDCO he was commended by then CM Late Shri Vilasrao Deshmukh for outstanding services.

Major Thakar is currently the Chief Infrastructure & Regulatory Officer (CIRO) for the Arshiya Group & additionally wears multiple hats within the Organization. He joined Arshiya in December 2008 and was responsible for the planning, design and development and obtaining all regulatory approvals of the world class infrastructure which has been developed by your company. We are positive that with his diverse experience, phenomenal background in regulatory & implementation expertise, he will add considerable value to our Board.

Your Directors recommend the resolution at item no. 5 for the approval of the members.

None of the Directors other than the appointee director, is deemed to be concerned or interested.

Item 6

The Board, at its meeting held on 30th May, 2013, had appointed Major Suhas Thakar (Retd.) as Executive Director for a period of three years with effect from 1st June 2013, on salary, perquisites and benefits as recommended by the Remuneration Committee of the Board, subject to the approval of the shareholders at the forthcoming Annual General Meeting and the Central Government, if necessary. The Company would enter into agreement with the Executive Director as per the draft agreement being placed before the meeting.

The details of remuneration payable to the Executive Director are as given below:

1	**Basic Pay**	Rs. 5,48,000 per month
2	**House Rent Allowance**	50% of basic pay or provision of furnished accommodation
	Perquisites	
3	**Provident Fund contribution**	As per rules of company. Presently employer's contribution is 12% maximum on Rs 6,500/-.
4	**Gratuity**	As per rules of the Company. At present provision for gratuity is at the rate of 15 days' pay for every completed year of service as per Payment of Gratuity Act, 1972.
5	**Telephone**	Reimbursement of telephone Mobile/ internet/fax charges excepting personal long distance charges.
6	**Annual Leave**	One month leave with provision for encashment of un-utilized leave.
7	**Travelling & Entertainment expenses**	Reimbursement of entertainment, travelling and all other expenses incurred for the business of the Company as per the Rules of the Company.
8	**Leave Travel**	Rs 1,20,000/- p.a.
9	**Vehicle**	Provision of Company maintained car and chauffeur for official purpose.
10	**Domiciliary Medical Expenses**	Reimbursement upto a maximum of Rs. 15,000 p.a.
11	**Personal Accident**	As per rules of the company.
12	**Other benefits :- Performance Linked Incentives**	Subject to a maximum of Rs 35,00,000.

The aggregate of reimbursement/expenses towards Leave Travel, Mediclaim Insurance, Domiciliary Medical, Personal Accident Insurance etc. shall not exceed 10% of the basic pay.

Minimum Remuneration:

In the event of absence or inadequacy of profits in any financial year, during the currency of his appointment, Major Suhas Thakar, (Retd.) Executive Director of the Company shall be paid the same salary, perquisites and allowances as minimum remuneration.

The draft Agreement to be executed by and between the Company and Major Suhas Thakar (Retd.), Executive Director is available for inspection by the Members at the registered office of the Company, on any working day, between 11 a.m. and 1 p.m.

The approval of the Members is sought at the Annual General Meeting for appointment and payment of remuneration to Major Suhas Thakar (Retd.), Executive Director of the Company.

The above terms of appointment of Major Suhas Thakar (Retd.) may be treated as an abstract of the terms of contract pursuant to Section 302 of the Companies Act, 1956.
None of the Directors other than Major Suhas Thakar (Retd.), is considered to be interested.

Your Directors recommend the resolutions at item no. 6 for your approval.

Item 7

The Board of Directors of the Company at its meeting held on 3rd July, 2013 had decided to change the name of the company from **"Arshiya International Limited"** to **"ARSHIYA LIMITED"** subject to the approval of the members at the Annual General Meeting and the Central Government. i.e. the Registrar of Companies, Maharashtra, Mumbai.

Necessary application has been made for availability of name.

None of the Directors of the Company is concerned or interested in the resolution except to the extent of their shareholding in the Company.

The Board of Directors accordingly recommends the resolution as set out in Item No.7 for approval of Members.

By order of the Board of Directors

Parind Badshah
Company Secretary & Compliance Officer.

Registered Office:
6th Floor, C-Wing, Twin Arcade,
Military Road, Marol Maroshi,
Andheri (East),
Mumbai - 400 059.
Date: 5th July, 2013

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, in order to be effective, must be deposited at the registered office of the Company, not less than forty-eight hours before the commencement of the meeting. A proxy form is appended with the attendance slip.
3. Explanatory Statement under Section 173(2) of the Companies Act, 1956 is annexed hereto in respect of Item Nos. 5 to 7 of the Notice.
4. The details of Directors proposed for re-appointment under Item Nos. 2 and 3 of the Notice, as per requirement of Clause 49 of the Listing Agreement entered into with the Stock Exchanges, are annexed hereto.
5. Members/Proxies should bring duly filled in Attendance Slip in the form annexed hereto and tender the same at the entrance of the meeting hall.
6. Members are requested to bring their copy of the Annual Report at the meeting.
7. Representative of corporate members should send/carry a duly certified copy of the Board Resolution/Power of Attorney authorizing the attendance and voting at the meeting.
8. Members are requested to send their queries, if any, at least seven days in advance so that the information could be made available at the meeting.
9. The Register of Members and Share Transfer Books will remain closed from Saturday, the 27th July, 2013 to Wednesday, the 7th August, 2013 (both days inclusive).
10. Members are requested to notify change, if any, in its/his/her address to the Registrar & Share Transfer Agents of the Company quoting their folio number or to their respective Depository Participant, as the case may be, regarding shares held in physical or electronic form.
11. Members are requested to send all the correspondence concerning registration of transfers, transmissions, subdivision, consolidation of share certificates or any other share related matters to M/s. Bigshare Services Pvt. Ltd, Registrar & Share Transfer Agents, E/2 Ansa Industrial Estate, Saki Vihar Road, Andheri (East), Mumbai-400072.

12. Members desirous of making a nomination in respect of their shareholding in physical form under Section 109A of the Companies Act, 1956, are requested to send the same to the Company's Registrar & Share Transfer Agents in the prescribed form.

13. Non-resident Indian Members are requested to inform M/s Bigshare Services Pvt. Ltd, the Company's Registrar & Share Transfer Agents immediately of the following:

    a. The change in the residential status upon return to India for permanent settlement;

    b. The particulars of the bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number.

14. The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. The Shareholders can now receive various notices and documents through electronic mode by registering their e-mail addresses with the Company. The Members holding shares in electronic form are requested to register their e-mail addresses with their Depository Participants only.

15. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with Companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on 18th September, 2012 (date of last Annual General Meeting) on the website of the Company (www.arshiyainternational.com) as also on the Ministry of Corporate Affairs Website.

    Pursuant to the provisions of Sections 205A and 205C of the Companies Act, 1956, the amounts of dividends remaining unclaimed for a period of seven years are to be transferred to the Investor Education and Protection Fund.

    The details of dividend declared are given below:

Date of Declaration of Dividend	For the financial year	Dividend per share (Rs)	Due date of the proposed transfer to the Investor Education and Protection Fund
10.09.2007	2006-07	2.50	17.10.2013
24.09.2008	2007-08	0.80	01.11.2014
29.09.2009	2008-09	0.80	06.11.2015
24.09.2010	2009-10	1.00	01.11.2016
20.09.2011	2010-11	1.20	27.10.2017
18.09.2012	2011-12	1.40	25.10.2018

Members who have not encashed the Dividend Warrants for the above years are requested to write to the Company for revalidation of Dividend Warrants before such unclaimed dividend is transferred to the Investor Education and Protection Fund.

By order of the Board of Directors

Parind Badshah
Company Secretary & Compliance Officer

Registered Office:
6th Floor, C-Wing, Twin Arcade,
Military Road, Marol Maroshi,
Andheri (East),
Mumbai - 400 059.

Date: 5th July 2013

ANNEXURE TO NOTICE

DETAILS OF DIRECTORS TO BE APPOINTED / SEEKING RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING (Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Mr Mukesh Kacker	Mr Sandesh Chonkar	Major Suhas Thakar(Retd.)
Date of Birth	13.04.1957	16.07.1963	31.10.1951
Qualification	B.Sc. (Physics, Mathematics & Statistics) M.A. Master in Economics (Public Policy) from Harvard University. IAS – 1979 Batch	B. Com., CA	BE (Civil)
Date of Appointment	28.10.2009	28.10.2009	01.06.2013
Profile and Expertise	Vast experience of 32 years working with the Govt of India as an IAS officer. He was instrumental in planning and executing a major portion of Golden quadrilateral. As Jt. Secretary (Petroleum) he drafted the National Policy on Petrochemicals. Has been the MD for two state Public Sector Undertakings and Secretary to the Chief Minister. Due to his experience and expertise he was inducted as Member, Task Force on Infrastructure Development and Mega Projects. He is also the Director General of CUTS Institute of Regulation and Competition.	Senior Management experience spanning 22 years of which 15 years have been within the Arshiya Group. His expertise is in financial control, strategic planning, foreign trade documentation and business process development.	Vast experience of 40 years in the Armed forces. He was Chief Engineer in CIDCO, Navi Mumbai wherein he helped in developing large urban infrastructure including IT Parks, SEZ, Rail Projects, townships, etc.
Directorship held in other companies	Kacker & Daughter Infrastructure Consultancy Pvt Ltd Money Matters Financial Services Ltd Entertainment World Developers Ltd	Arshiya Technologies (India) Pvt Ltd Arshiya Supply Chain Management Pvt Ltd Goldrush Services Pte Ltd Cyberlog Technologies International Pte Ltd Arshiya Rail Infrastructure Ltd Arshiya Industrial & Distribution Hub Ltd Arshiya Northern FTWZ Ltd Arshiya Central FTWZ Ltd Arshiya Rail Siding & Infrastructure Ltd Arshiya Transport & Handling Ltd Arshiya Hongkong Ltd Arshiya Logistics LLC, Dubai.	Nil
Committee position held in other companies	Nil	Arshiya Rail Infrastructure Ltd Arshiya Industrial & Distribution Hub Ltd Arshiya Northern FTWZ Ltd Arshiya Central FTWZ Ltd	Nil
Shareholding (No. of Equity Shares)	Nil	58,750	Nil

DIRECTORS' REPORT

To
The Members of
Arshiya International Ltd.

Your Directors are pleased to present the 32nd Annual Report together with the Audited Accounts for the financial year ended 31st March, 2013.

FINANCIAL PERFORMANCE

A) SUMMARIZED FINANCIAL RESULTS- ARSHIYA INTERNATIONAL LTD.

(Rs. in Lacs)

	Year ended 31.03.13	Year ended 31.03.12
Income from operations and other Income	72432.06	63000.79
Expenditure	70337.45	54438.59
Profit/(Loss) Before Depreciation & Tax	2094.61	8562.20
Depreciation	1990.83	1642.79
Profit/(Loss) Before Tax & Exceptional Items	103.78	6919.41
Exceptional Items	1542.95	-
Provision for Taxation	(38.67)	2168.23
Profit/(Loss) After Tax	(1400.50)	4751.18
Balance B/f	7646.06	4332.11
Amount adjusted pursuant to scheme of amalgamation	(7646.06)	-
Amount available for Appropriation	(1400.50)	9083.29
Proposed Dividend	-	823.61
Dividend Tax	-	133.61
Transfer to General Reserve	-	480.00
Balance Carried to Balance Sheet	(1400.50)	7646.06

B) SUMMARIZED CONSOLIDATED FINANCIAL RESULTS - ARSHIYA INTERNATIONAL LTD AND ITS SUBSIDIARIES

(Rs. in Lacs)

	Year ended 31.03.13	Year ended 31.03.12
Income from Operations and other Income	114643.56	106487.38
Expenditure	127400.54	92300.74
Profit/(Loss) Before Tax & Exceptional Items	(12756.97)	14186.63
Exceptional Item	542.77	-
Tax Expense	(584.42)	2106.64
Profit/(Loss) After Tax before Minority Interest	(12715.32)	12079.99
Less: Minority interest	-	-
Net Loss for the year	(12715.32)	12079.99

On a Consolidated basis your Company has recorded a loss after tax over the previous year. The general overall slow down in industrial growth and sluggish trend had its negative impact on your Company's operations. Besides, Your Company had to face various constraints in the day to day operations due to regulatory and other issues which have been severely impacting the progressive and profitable operations of the Company such as:

- Stoppage of Transhipment of cargo from Mumbai Port to FTWZ
- Delays in Duty Drawback
- Non availability of Customs EDI System in FTWZ
- Import General Manifest (IGM) approvals for FTWZs
- Non recognition of Arshiya FTWZ as a port for import of few items especially Cars

However, the Company has taken up these issues at the highest levels of Government and it is expected that the issues will be resolved early to enable smoother day to day operations and better performance.

In the mean time, several initiatives and measures to rationalise expenses, costs, improve effective utilisation of human and material resources to the optimum level have been taken. In view of the above, various steps have been taken viz. downsizing of excess personnel to make it a lean and effective organisation, termination of certain contractual arrangements at different locations across the country to be cost effective, monitoring utilisation of equipment more efficiently and overall general cost control, austerity measures etc. to list a few.

Your Directors are contemplating to explore the Inventory/REPO financing of commodities by gobal financiers for clients in the Indian market, a non-existent business in India till now and which was being transacted out of Free Trade Zones in Singapore and Dubai to service the Indian market.

Your Directors felt it expedient to contain high finance costs, chanalise cash flow for operations leading to more productivity, Debt servicing and to make the resources available for the day to day operations of the Company, Your Directors felt the necessity to seek a Corporate Debt Restructuring (CDR) whereby the Company's obligations to pay interest and principal on borrowings could be deferred, availing of certain concessions like moratorium for payments etc. from the Bankers. Accordingly, the Company's CDR proposals are before the Bankers and the same are being favorably considered and the procedural process is under progress.

DIVIDEND:

In view of losses, the Directors regret their inability to recommend dividend for the financial year ended 31st March 2013.

BUSINESS AND FUTURE OUTLOOK:

World class logistics infrastructure on a pan India basis created by your Company provides for unified supply chain as a unique concept and serves as a one stop shop for all the needs of logistics. There is no doubt this has revolutionised the logistics space in the country.

Arshiya plans to capitalize on India's mammoth logistics opportunity by being India's only Unified Supply Chain Infrastructure and Solutions Group. With a rich legacy in the logistics and supply chain industry in India, Arshiya's unique business model makes it a pioneering company, not just in India, but world over.

(I) Arshiya Free Trade & Warehousing Zones (FTWZ):

Over the last few decades, India has been losing investments to neighbouring economies, which were being used by global corporations as bases for feeding India, due to lack of comparable infrastructure availability in India.

With FTWZs developed by Arshiya, our country will be able to leverage 'Soft Infrastructure' such as skilled manpower, cost competitiveness, regulatory framework, IT connectivity, as well as 'Hard Infrastructure' such as dedicated state-of-the-art mega logistics parks FTWZs, rail connectivity, industrial & distribution hubs, transport & handling and world class supply chain management services. FTWZ will be a game changer for international as well as domestic companies which are importing, exporting or re-exporting products to and from India.

The first FTWZ developed in Maharashtra near Mumbai/Panvel is a credential for FTWZ concept in India. With over 500 customer base domestic as well as international, India can be proud of providing a successful unified supply chain concept in the country.

Arshiya Northern FTWZ Limited (ANFTWZ), a subsidiary has developed an FTWZ at Khurja to cater to the needs of North India.

FTWZ provides assistance to various potential clients for import and export, who struggle hard to recover taxes and duties paid while import of the inputs and other merchandise. They face the burden of spending heavy amounts towards recovery expenses apart from the time consumption or have to forego the duties paid because of lack of provisions. Through FTWZ they reduce their cost burden because it being a deemed foreign territory.

FTWZ clients can also make use of the ICD facilities at Khurja to reduce the overall logistics costs. The state of the art railway siding at Khurja will further reduce the overall logistics cost between gateway ports and FTWZ/ICD.

Being a pioneer in FTWZ business in India, ANFTWZ is facing a few regulatory challenges which have been taken up at the highest level with concerned Government authorities and the authorities are appreciative of the issues and your Management hopes to get most of the issues resolved early.

(II) Arshiya Rail & Rail Infrastructure:

Arshiya Rail Infrastructure Limited (ARIL) started its operations in February 2009. Our unique model has resulted in Arshiya Rail being the second largest Private Container Train Operator (PCTO) in India. This company is operating total 21 container trains at present and mostly in domestic sector. The company stands atop with regard to freight transportation per annum among all PCTO. Being a pan India operator, the company renders services across all parts of India including major ports.

(III) Arshiya Industrial & Distribution Hub:

Your Directors are glad to inform that Arshiya Industrial & Distribution Hub Limited (AIDHL), a subsidiary is in the process of setting up an Inland Container Depot (ICD) at Khurja, U.P.

ICD of AIDHL will be located just 35 km distance from Sikandrabad Industrial Area (SIA) and the said SIA is clustered with a large number of major industries like Kajaria Ceramic, Orient Ceramics, Berger Paints, food grains, meat products etc.,who presently are doing their Import/Export business through other ICD's. Once the proposed Arshiya ICD becomes operational, SIA imports and exports will be covered, besides the imports and export business of Rudrapur and Haridwar Industrial Area and also exports of wheat, rice, cotton and sugar from Bulandshahr region. In addition to handling export cargo, ICD will also provide direct Rail connectivity from gateway port: JNPT and Mundra to Khurja which will increase the consignment velocity and also reduce the overall logistics cost.

Pursuant to the efforts of AIDHL, the Government of India, Ministry of Commerce and Industry has recently issued a Letter of Intent (LOI) for setting up of the ICD at Khurja.

Central Board of Excise and Customs (CBEC) is in the process of issuing a gazette notification in this regard.

(IV) Arshiya Supply Chain Management:

Arshiya Supply Chain Management Private Limited, a FTWZ Unit provides end-to-end supply & demand chain solutions and is committed to evolving end-to-end strategic solutions across supply chain management by using innovative technology.

As required under the listing agreements with Stock Exchanges, a consolidated Financial Statement of the Company and all its subsidiaries prepared in accordance with Accounting Standards 21 and 23 issued by the Institute of Chartered Accountants of India (ICAI) giving details of financial resources, assets, liabilities, income, profits, etc. of the Company, its associates and subsidiaries, after elimination of minority interest as a single entity, is annexed.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India dated

8th February, 2012, the annual accounts and other documents of the Subsidiary Companies are not being attached with the Annual Report of the Company. The Annual Accounts of the above referred subsidiaries as at 31st March, 2013, and related detailed information will be made available to any member of the Company/its subsidiaries seeking such information at any point of time and the same will also be available for inspection by any Member of the Company/ its subsidiaries at the Registered Office of the Company. In addition, the Annual Accounts of the said subsidiaries will be made available for inspection at the Registered Office of the respective subsidiary companies.

AMALGAMATION OF SUBSIDIARY COMPANIES

During the year, Arshiya FTWZ Limited (AFWZL) and Arshiya Domestic Distripark Limited (ADDL)wholly owned subsidiaries have been merged with the Company pursuant to the order under Section 391 to 394 of the Companies Act, 1956 dated 7th December, 2012 passed by Bombay High.

PREFERENTIAL ALLOTMENT :

The Company, during the year issued and allotted 136,00,000 Warrants of Rs. 145 each Convertible into equal number of Equity Shares of Rs. 2/- each in the capital of the Company to Promoter/Promoter Group pursuant to the Special Resolution passed at the Extra-Ordinary General Meeting held on 18th October, 2012 . Out of the above, 30,50,000 Warrants being fully paid up were converted into Equity Shares of Rs. 2/- each at a premium of Rs.143 per share as per the terms of issue. The proceeds of issue of Warrants have been utilised for the purposes they were issued.

CORPORATE GOVERNANCE

Your Company has been following the principles of good Corporate Governance over the years and lays strong emphasis on transparency, accountability and integrity. As per clause 49 of the Listing Agreement entered into with BSE and NSE, a separate section on Corporate Governance forms part of this Annual Report.

A Certificate from a Practising Company Secretary confirming compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement is also attached to this Report.

DIRECTORS

Mr. Mukesh Kacker and Mr. Sandesh Chonkar, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

Major Suhas Thakar (Retd.) has been appointed as Additional Director with effect from 1st June 2013, pursuant to the provisions of Section 260 of the Companies Act, 1956 to hold office till the ensuing Annual General Meeting of the Company. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his appointment as Director of the Company liable to retire by rotation. Members may approve the appointment of Major Suhas Thakar (Retd.) as Director of the Company.

Your Board has appointed Major Suhas Thakar (Retd.) as Executive Director of the Company for a period of 3 years with effect from 1st June 2013 upto 31st May, 2016 subject to approval of the Members at the forthcoming Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, with regard to the Directors' Responsibility Statement, the Directors confirm that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departures;

b) the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013, and of the loss of the Company for the year ended on that date;

c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the annual accounts have been prepared on a going concern basis.

SECRETARIAL AUDIT REPORT

Your Company had engaged Mr. P.K.B. Nambiar, Practising Company Secretary, to review Secretarial Compliance for the financial year ended 31st March, 2013. The Secretarial Compliance Certificate addressed to the Board of Directors of the Company forms part of this Annual Report.

The Secretarial Compliance Certificate, although not mandatory, is also obtained on a quarterly basis and reviewed by the Board.

HUMAN RESOURCES

For your Company, employees are the most valuable assets. Attracting, training, growing and retaining talented professionals continue to be the focus for Human Resources division of your Company. Pay for performance philosophy helps us in rewarding high performers thereby motivating talent and enhancing retention. Considering the current business need, there was rationalization of the human resource in the Company and accordingly the work force has been reduced during the year to make it to the optimum level.

HEALTH, SAFETY AND ENVIRONMENT:

As a responsible corporate citizen, your Company lays considerable emphasis on health, safety aspects of its human capital, operations and overall working conditions. Thus being constantly aware of its obligation towards maintaining and improving the environment, all possible steps are being taken to meet the toughest environmental standards on pollution, effluents, etc. across various spheres of its business activities.

Arshiya's Rail Infrastructure division especially plays a pivotal role in the mitigation of pollution and reduction of fuel used for road travel through its unique Rail solutions that it provides to corporations at pan-India level.

Your Company has implemented several proactive measures towards ensuring its logistics infrastructures especially the FTWZ in Mumbai and Khurja, along with the Industrial & Distribution Hub are environment friendly. Following measures are being implemented in Mumbai FTWZ, which will be followed across locations:

- Rain water harvesting.
- Development of green area: Re-plantation of 7000 trees in the FTWZ.Conservation of top soil by removing and storing it before the digging/ piling work. The top soil was re-used for developing the green areas.
- Developed water bodies as natural storage and utilizing the water from it, throughout the year.
- Provision provided in the storm water drainage system to allow ground water recharging.
- Sewage treatment plant in all the facilities – Mumbai FTWZ, Khurja FTWZ as well as the Khurja Industrial and Distribution Hub. Water treated in these plants is being re-utilized for watering of the landscaping.

CORPORATE SOCIAL RESPONSIBILITY

Your Company sincerely believes that growth needs to be sustainable in a socially relevant manner. Today's business environment especially in India therefore demands that corporates play a pivotal role in shouldering social responsibility. Your Company is committed to its endeavour in social responsibilities for benefit of the community.

Under the Corporate Social Responsibility (CSR) initiative of the Company 'Arshiya Cares', your Company has pledged to join hands with organizations who are working towards finding simple solutions to the infrastructure problems that India faces. Following CSR initiatives have been undertaken by your Company on the social front:

Emergency Fire Fighting Service:

The Mumbai FTWZ at Sai Village, Panvel has a 24x7 emergency fire fighting vehicle (Foam Tender) inside the zone managed by trained personnel.

This service is supported by dedicated infrastructure which includes

- Fire extinguishers and Signage (Fire safety plans)
- Ceiling based water sprinklers for the stores and office space
- Beam Detectors for Smoke and Fire Detection
- Fire Hydrant System with hose reels and underground water storage tanks
- Emergency Fire exit doors and staircases
- Building Management System with Monitoring and Public address systems to provide emergency response

Available 24x7 to the residents in the vicinity of Sai Village and Panvel area, free of charge through a toll free number

Emergency Ambulance Service: The Mumbai FTWZ at Sai Village, Panvel has a 24x7 emergency ambulance service dedicated for residents in the vicinity of Sai Village and Panvel area. Stationed in the premise of the zone, it is equipped with expert staff trained in Trauma treatment. This service is available to the local population free of charge through a toll free number.

Electricity Distribution Facility:

At the Mumbai FTWZ at Sai Village, Panvel, your Company has created additional capacity in its electrical infrastructure to enable supply of electricity to the surrounding villages.

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

- Information as required under Section 217(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are set out as under:

Conservation of Energy: The operations of the company involve low energy consumption. Adequate measures have been implemented to conserve energy such as –

- Roof of the warehouses at our FTWZs and Industrial & Distribution Hubs have been designed with MR24 standards. A provision of installation of solar panels has been made on the roofs to generate renewable energy
- Orientation of the warehouse buildings has been done in such a way that there is less heat transmission resulting in saving the electricity consumption by minimizing heat loss in the HVAC system.

Technology Absorption: Arshiya sincerely believes in utilising technology to improve productivity, efficiency and quality of its business operations and working environment.

Foreign Exchange Earnings and Outgo:

- Foreign Exchange received – Rs. 12,064.66 lacs
- Foreign Exchange incurred – Rs. 5,946.71 lacs
- **PARTICULARS OF EMPLOYEES**

Pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of employees are set out in the Annexure to the Directors Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all members of the Company. Any member, who is interested in obtaining such particulars about the employees, may write to the Company at Registered Office of the Company.

AUDITORS' REPORT

Though there are no qualifications in the Auditors Report there are certain issues which have been highlighted viz 1) Remuneration paid to the Chairman and Managing Director which has turned out to be in excess of the limits prescribed under Section 198 read with Schedule XIII of the Companies Act, 1956 hence it is subject to Central Government approval, the management is making necessary application to the Central Government in this behalf. 2) Financial stress on the Company which is reflected by an increase in receivables and payables, delay in full and final settlement dues, statutory dues are in arrears, dues to banks, a financial institution and a non banking institution are pending, certain lenders have filed cases against the Company and directors for dishonor of cheques, to mitigate this, Company has undertaken various cost cutting measures and have opted for a corporate debt restructuring plan which has been admitted and is under consideration of the CDR Cell and Company is also in the process of settling the full and final settlement dues.

Weakness in Internal control systems has been observed and the management is taking steps to further strengthen the internal control systems.

AUDITORS

M/s MGB & Co., Chartered Accountants, Mumbai, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment.

The Company has received a certificate from M/s MGB & Co., Chartered Accountants, Mumbai, confirming that their appointment, if made, would be in accordance with the provisions of Section 224 (1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors would like to express their gratitude for the assistance, support and co-operation received from Government of India, the State Governments and other Government agencies and departments, investors, bankers, financial institutions and all other stakeholders.

Your Directors also wish to place on record their deep sense of appreciation for the committed services by the executives, staff and workers of the Company.

For and on behalf of the Board of Directors

Place: Mumbai. **Ajay S Mittal**
Dated: 30th May, 2013. **Chairman & Managing Director**

ADDENDUM TO THE DIRECTORS' REPORT DATED 30TH MAY, 2013

The Members,
Arshiya International Ltd.

CHANG E OF NAME OF THE COMPANY

Your Directors felt the need to change the name of the Company from **"Arshiya International Limited"** to **"ARSHIYA LIMITED" to truly represent the current nature of business activities** as the Company does not have any international business operations. Accordingly, the Board has decided to change the name of the Company subject to the requisite approvals of Members at the ensuing Annual General Meeting and the Central Government. i.e. the Registrar of Companies, Maharashtra, Mumbai.

Your Directors propose the enabling resolution for the approval of the members at the ensuing Annual General Meeting and accordingly this forms a special business in the Notice.

AUDITORS

M/s MGB & Co., Chartered Accountants, Mumbai, the Auditors of the Company, have regretted their inability to be re-appointed as the Auditors of the Company at the ensuing Annual General Meeting.

Your Directors therefore, propose the appointment of M/s PKF Sridhar & Santhanam, Chartered Accountants (Firm Registration No. 003990S) as the Auditors of the Company at the ensuing Annual General Meeting. M/s PKF Sridhar & Santhanam, Chartered Accountants, have furnished a certificate in writing that their appointment as Auditors of the Company, if made, will be in accordance with the provisions of Section 224(1B).

The Members may appoint M/s PKF Sridhar & Santhanam, Chartered Accountants as the Auditors of the Company for the ensuing financial year.

For and on behalf of the Board of Directors

Place: Mumbai. **Ajay S Mittal**
Dated: 3rd July, 2013. **Chairman & Managing Director**

ANNEXURE TO DIRECTOR'S REPORT

SECRETARIAL AUDIT REPORT

The Board of Directors
Arshiya International Limited,
6th Floor, Twin Arcade "C" Wing,
Military Road, Andheri (East),
Mumbai - 400 059

I have examined the registers, records, books and papers of M/s. Arshiya International Limited (the Company) for the financial year ended on 31st March, 2013 (financial year) that are required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also in compliance with the Listing Agreement of Stock Exchanges. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained registers as per the provisions of the Act and the rules made there under and the entries therein have been duly recorded.
2. The Company has filed the forms, returns and documents required to be filed with the Registrar of Companies and Central Government under the Companies Act and the rules made there under and also with the Stock Exchanges as per the listing agreement with them.
3. The Company has closed the Register of Members and Share Transfer Registers in accordance with the provisions of the Act and the Listing Agreement.
4. The Annual General Meeting for the financial year ended on 31st March, 2012 was held on 18th September, 2012 after giving due notice to the members of the Company and the resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
5. One Extra Ordinary General Meeting was held during the financial year after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
6. The Company has made necessary entries in the register maintained under Section 301 of the Act.
7. The Company has not obtained any approvals from the Board of Directors, Members and the Central Government as there was no instance falling with in the purview of Section 314 of the Act.
8. The Company has complied with the provisions under the Act and rules made there under regarding transfer, transmission and issue of share certificates.
9. The Company has complied with the provisions of applicable laws in respect of transfer/transmission of shares.
10. The Company has complied with the provisions of the Act regarding composition of the Board and appointment of Directors on the Board of the Company.
11. The Directors of the Company have disclosed to the Board of Directors their interest in other firms / companies pursuant to the provisions of the Act and the rules made there under.
12. The Company has not bought back any shares during the year under report.
13. The Company has not invited / accepted any deposit including any unsecured loan falling within the purview of Section 58A of the Act .
14. The total borrowings by the Company from the financial institutions, banks and others are within the borrowing limits of the Company as laid down under Section 293(1)(d) of the Act.
15. The loans and investments made and guarantee or securities provided to other bodies corporate by the Company are within the limits and legal parameters .
16. The Company has generally complied with the provisions of the Act and Rules made under, where applicable .

Place: Mumbai
Date: 30th May, 2013

P. K.B.NAMBIAR
Company Secretary
C. P. 1090

MANAGEMENT DISCUSSION & ANALYSIS

GLOBAL ECONOMIC OUTLOOK

During FY 2012-13, the uncertainty across the regions had global impact in sluggish trade and tepid foreign direct investment. The global economy slowed down with the Global growth dropping to almost 3 percent with the advanced economies registering growth at about 1.2 percent only in 2012-13. Overall, growth in developing and emerging economies has been about 5.5 percent in 2012-13, with growth falling in China to about 7.8 percent and in India about 5 percent. The long-term global economy will be driven largely by structural transformations in the emerging economies. As China, India, Brazil, and others mature from rapid, investment-intensive 'catch-up' growth to a more balanced model, the structural 'speed limits' of their economies are likely to decline, bringing down global growth despite the expected recovery in advanced economies after 2013.

INDIA'S MACRO ECONOMIC OVERVIEW

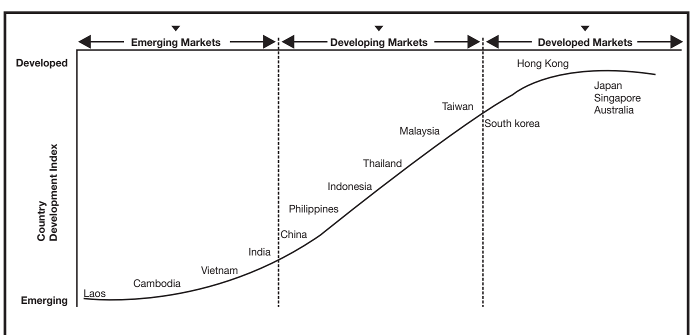
The Indian economy is estimated to have registered a growth rate of 5 per cent in 2012-13 in terms of gross domestic product following a growth of 6.2 per cent in 2011-12. Growth in 2012-13 is on the lower side, in the context of the decadal average of 7.9 per cent during 2003-04 to 2012-13. This is attributable mainly to weakening industrial growth in the context of tight monetary policy followed by the Reserve Bank of India (RBI) through most of past two years, and continued uncertainty in the global economy.

However, with the reform measures undertaken recently to improve investment sentiments in the economy as well as to improve the fiscal situation, along with the expectation of improvement in the global economic scenario, there is a possibility of revival of growth in FY 2013-14 assuming that monsoon is normal, the rate of inflation declines further and that the anticipated mild recovery of global growth takes place.

GLOBAL LOGISTIC INDUSTRY OUTLOOK

The year 2013 has been a challenging year globally especially for the transport and logistics industry due to downturn in the global economy, general slowdown in industrial activity and lower than expected improvement in the global trade. This all resulted in weak economic growth and decreasing freight volumes across all modes of transport. Logistics industry, especially in emerging market economies is seeing intense competition between the established and new players, resulting in lowered prices.

A comparative assessment of key supply chain and logistics characteristics of select countries in the Asia-Pacific region has been illustrated in Figure below:



Source: Report of the Working Group on Logistics (Planning Commission of India)

From above figure it is inferred that more a country ranks higher in terms of development index, the more developed it is in terms of its domestic logistics industry. India currently lags behind in terms of development index and hence it gets featured as a borderline case between emerging and developing logistics market.

DOMESTIC INDUSTRY OVERVIEW

The term Logistics is used to describe a system that ensures the delivery of the product in the entire supply pipeline. This includes transportation, packaging, storage and handling methods and information flow. Logistics market therefore comprises of transportation, warehousing, freight forwarding and value-added logistics services.

Warehouses and logistics parks are essential links in the logistics chain and availability of adequate warehousing capacity is crucial for efficient logistics operations. As recognition to this, imperative scenario 'Free Trade and Warehousing Zones (FTWZ)' have been conceptualised as a special category of Special Economic Zones (SEZ) with a focus on trading and warehousing. The FTWZ scheme envisages creation of world-class infrastructure for warehousing of various products, state-of-the-art equipment, transportation and handling facilities, commercial office-space, water, power, communications and connectivity, with one stop clearance of import and export formality, to support the integrated zones as 'international trading hubs'. These zones would be established in areas proximate to seaports, airports or dry ports so as to offer easy access by rail and road. Units in FTWZs shall necessarily be net foreign exchange earners.

The domestic logistics industry is hampered by poor physical and communications infrastructure. Slow movement of cargo due to bad road conditions, multiple check posts and documentation requirements, congestion at seaports due to inadequate infrastructure, and delay in procedural clearances, coupled with unreliable power supply and slow banking transactions, make it difficult to meet the deadlines for international customers. The Indian logistics industry has seen the emergence of a large number of players, both organised and unorganised, in the recent years. The domestic logistics industry is highly fragmented. The road transportation service provider segment is dominated by small trucking companies and individual truckers. The freight forwarding service provider segment is also represented by thousands of small customs brokers and clearing and forwarding agents. There are also a large number of participants in the warehousing service. Few service providers have the capability to provide more than one service and it is very rare that a single service provider has the capability to provide all the logistics services in a unified manner. Such fragmentation has led Indian industries to outsource packets of individual logistics functions to different service providers while retaining the overall control of logistics in-house, at heavy administrative and infrastructural costs. Due to its highly fragmented and underdeveloped nature, the domestic logistics industry is characterised by the absence of economies of scale. The volume of outsourcing by Indian shippers is presently very low (around 10 %) as compared to the developed countries wherein it is more than 50 % and sometimes as high as 80%. The unwillingness to outsource logistics on the part of Indian shippers may be attributed to scepticism about the possible benefits, perceived risk and losing control of sensitive organisational information, and vested interests in keeping logistics activities in-house. Moreover, the inability of service providers to go beyond basic services and provide value-added services such as small repair work, kitting/de-kitting, packaging/labelling, order processing, distribution, customer support, etc. has provided limited drivers to the shippers from resorting to outsourcing in a big way. Low penetration of Information Technology (IT) and lack of proper communications infrastructure also result in delays and lack of cargo in-transit visibility and real-time tracking ability. The absence of a seamless flow of information among the constituents of logistics service providers have often created a lot of uncertainty, unnecessary paperwork and delays, and lack of transparency in terms of cost structures and service delivery.

There exists a strong relationship between growth in international trade of a country and logistics infrastructure of that country is a widely accepted concept. While growth in trade induces requirement for supporting infrastructure, availability of infrastructure at competitive rates promotes trade and improve global competitiveness of a country. Availability of infrastructure is therefore a key determinant of foreign direct investment (FDI) inflows into a country. In a developing country like India an efficient logistics infrastructure has the potential to reduce cost of transportation and warehousing which in turn can contribute directly to global competitiveness of the country. Efficient logistics industry is therefore a catalyst to opening up of new market opportunities.

Industrial growth in the country has been a matter of concern in recent months as it has been stagnant and even declining. The Index of Industrial Production (IIP) growth rate was down to 0.7% during the April-December 2012 period. It is widely acknowledged that the state of the country's transport infrastructure and services was one among the critical factors responsible for this. Besides, it is also universally accepted that modern logistics services benefit companies for whom logistics is a critical element of their service offering or a large part of their overall costs. Hence, the logistics industry is vital to a country's industrial progress and regeneration, as an efficient logistics industry acts as a catalyst to opening up of new market opportunities.

It is a widely recognised and accepted concept that the logistics clusters create jobs that are difficult to move offshore and lead to economic growth in multiple sectors. Besides, logistics clusters are located strategically to enable efficient transportation and delivery services to large populations. Hence, the logistics industry is vital to a country's economic and social upliftment and regeneration.

Technology is a significant enabler for the logistics industry. Role of technology is in making a logistics Company become competitive in the growing markets. With the entry of multi-nationals, coupled with phenomenal growth witnessed in various industries in the country, there has been an ever growing demand for efficient logistics and supply chain management practices. Logistics industry in the country being mainly dominated by the unorganized sector and getting quality service from these players was a challenge for customers. However, with the emergence of organized players and the technology-led solutions, companies in the logistics sector are better equipped to deliver quality services to their customers.

The Union government is required to lend greater support to the country's logistics sector if the economy is to thrive as a regional distribution hub.

Roll out of the much-awaited Goods and Service Tax (GST) and its implementation is likely to eradicate the hurdles by simplifying tax structure. This move will open up the Country as one single market and bring down state level barriers. In the long-term, GST can be expected to stimulate companies in establishing large hubs in key strategic gateway locations coupled with smaller spoke warehouses nearer to metro/ urban consumption centres. As per the recent Union Budget (Budget 2013-14) overwhelming majority of the State Governments have agreed that there is a need for State Governments and the Central Government to pass the GST law.

The logistics industry in the long term is likely to experience a fundamental shift in the model mix from less efficient, usually uneconomic and environmentally unfriendly road-based transportation to rail. Projects like the envisioned dedicated freight corridor (DFC) would play an important role in the future. While the DFC Project is expected to mark a paradigm shift in the transportation scenario (resulting from the segregation of freight on trunk routes, improving service delivery and generating additional freight-carrying capacity) it is also likely to reduce green house gas emissions.

ARSHIYA'S BUSINESS OFFERINGS

Arshiya's businesses offer unique solutions by way of unified supply chain infrastructure and warehousing facilities alongwith value added services and capability of providing all related technology solutions and end-to-end transportations.

The Indian Logistics industry, hitherto dominated by un-organised players, now has innovative and 'game changing' solutions through Arshiya Group having created world class and competitive logistics infrastructure solutions such as:

- Free Trade and Warehousing Zones (FTWZs)
  - To enable EXIM (Export-Import) cargo consolidation, value optimisation, inventory financing and to allow India to become regional trading and transhipment hub.
- Industrial and Domestic Distribution Hubs
  - For Domestic cargo value addition, consolidation and light manufacturing.
- Rail Infrastructure Solutions
  - To comprise innovative customized containers for specific product types, service level agreements on timelines and delivery with key performance indicators.
  - State-of-the-art Rail Terminals with modern equipment to increase speed of loading/unloading and churn.

FREE TRADE ZONES - engines of growth across the world

Free Trade Zones (or Free Trade and Warehousing Zones – FTWZs in the Indian context), are a globally established concept and a key reason behind the success of economies such as Dubai, Singapore and China, are essentially an open market where international and domestic traders can meet to store their cargo, perform value addition and transact business with each other.

This business of international trading at Free Trade Zones is supported by an eco-system of global logistics and supply chain players which cater to the storage and value addition needs of these traders and by international financial institutions which finance international cargo through the provision of Warehouse Receipts. Established commodity exchanges like the London Metal Exchange (LME) and Dubai Multi Commodities Centre (DMCC) etc., maintain inventories in such Free Trade Zones.

As prominent examples of the success of Free Trade Zones:

- The Shanghai Free Trade Zone at Waigaoqiao in Shanghai has over 9,300 companies registered in the zone, including 135 of the Fortune 500 companies. From an economically backward country in 1970 to its gigantic success, FTZs have been the single most critical macroeconomic factor for China's rise. This one Free Trade Zone has handled trade volumes in excess of $100 billion in 2012.
- Singapore has managed to establish itself as a global trading and transshipment hub as the entire country is designated as a Free Port. Singapore Free Trade Zone has over 7,000 companies operating through these zones.
- The Jebel Ali Free Zone (JAFZA) in Dubai contributes over 26% of Dubai's GDP and generates 160,000 direct jobs by servicing over 6,400 companies from the zone and contributes to 25% of Dubai Port's container traffic.
- As an example of the potential of these zones, global commodities exchanges like the LME approved Warehouses exclusively in global Free Trade Zones and the cargo stored in these Warehouses are bought and sold either electronically (over the exchange) or are earmarked for physical delivery by global importers, exporters and end-users and are financed though Warehouse Receipts or LME Warrants by global financial institutions exclusively in Free Trade Zones.
- In the year 2012, a total of US$14.5 Trillion was traded electronically over the LME. Approximately 5% of this (or around US$ 725 Billion or around 7 Million Tonnes of Non Ferrous Metals Cargo) is cargo earmarked for physical delivery globally, which is bought and sold by traders or end-users and is financed through Warehouse Receipts or LME Warrants, thereby acting as a catalyst for global Trade.
- The Arshiya Group is in the process of tying up with prominent exchanges in India such as the NCDEX (National Commodity and Derivatives Exchange), MCX (Multi Commodity Exchange) and the DMCC (Dubai Multi Commodities Centre)to list Arshiya's FTWZ as a physical delivery location for precious metals and base metals cargo and in discussion for tie-up with global banks such as Deutsche Bank, Standard Chartered Bank, Standard Bank and BCV (Banque Cantonale Vaudoise), Switzerland in order to offer Warehouse Receipt financing in India for the first time. Such facilities are being leveraged by global traders within FTWZs in India.

Lastly, the present activities being carried out at FTWZs have in itself employment potential, and a huge opportunity for growth in trade volumes, economic growth and reduction in transaction costs and to attract foreign capital into India. In the previous financial year 2012-13, Arshiya's FTWZ in Mumbai alone has handled trade volumes in excess of US$1 Billion.

THE YEAR UNDER REVIEW

The Company has built on its business vision, and created world-class infrastructure facilities. The change in regulatory procedures – more explained below impacted the Company operations during the last two quarters of the year under review due to the following reasons:

- **Stoppage of Transhipment of cargo from Mumbai Port to FTWZ**
  - o Mumbai port customs in September 2012 stopped the movement of cargo from Mumbai port to FTWZ in Panvel which hampered the operations.
  - o Your Company is in discussion with the customs and ministry officials and awaits clarification for the same.
- **Delays in Duty Drawback**
  - o Lack of procedural clarity for claiming the duty drawback for exports made through FTWZ, due to this exporter is being deprived of major benefits that an FTWZ offers.
  - o Your Company is trying to get clarification regarding the same from customs and ministry officials.
- **Non-availability of Customs EDI system in FTWZ**
  - o EDI link system is used by customs for getting relevant notifications, instructions, exchanges rates, valuation references, historic data etc. to facilitate imports and exports.
  - o Non availability of EDI link system at FTWZ, has resulted in delays in the imports and exports procedures at FTWZ.
  - o Company has installed all the required data exchange facilities and IT connectivity for implementing the EDI and have requested the highest authorities for allowing EDI link at FTWZ.
- **Import General Manifest (IGM) approvals for FTWZs**
  - o An IGM is a regulatory document to be filed with customs by carrier of goods into the country, in this case the shipping lines.
  - o The IGM details the particulars of goods to be transshipped. The IGM specifies the location at which the goods would be cleared from customs.
  - o As per existing statutory provisions, the IGM cannot list an FTWZ as the end location. Due to this constraint, shipping lines are not moving their cargo to FTWZ.
- **Non- recognition of Arshiya FTWZ as a port for import of few items especially cars**
  - o Imports of cars into India are permitted from specified Ports/ICDs which does not include Arshiya FTWZ. About 1000+ cars were initially handled by Arshiya FTWZ, based on temporary approvals from DGFT. This approval was subsequently withdrawn.
  - o This resulted in car companies withdrawing their decision to use Arshiya FTWZ.
  - o However, the matter is presently under consideration as your Company has presented the case to highest governing authorities including DGFT and Finance and Commerce Ministries, that Arshiya FTWZ has all the required facility, customs systems and competent customs officials posted in FTWZ and hence should be treated at par with other ports eligible for importing cars.

- **Marketing FTWZs as a Concept**
  - o FTWZ is a new concept in India so marketing it is a challenge.
  - o Arshiya has undertaken a detailed customer awareness programme to educate its customer base about the advantages of using an FTWZ over the ordinary warehouses.

The above factors affected the utilization of capacity arising out of huge capital expenditure and consequently impacted the operations of the Company. The Company could not reach the scale of operations as planned and hence not succeeded in generating revenue to sustain smooth operations. Due to this the Company approached its term lenders under Corporate Debt Restructuring (CDR) mechanism for financial restructuring and expects the same to be completed during Q2 FY 2013 - 14.

FINANCIAL HIGHLIGHTS 2012-13 - Based On Standalone Financials

- Total turnover increased by 18.31% from Rs. 592.63 crore in 2011-12 to Rs. 701.15 cr in 2012-13
- EBIDTA decreased by 7.75% from Rs. 166.03 crore in 2011-12 to Rs. 153.16 cr in 2012-13
- EBIDTA margin reduced from 28.02% in 2011-12 to 21.84% in 2011-12
- Net Profit margin declined from 8.02 % in 2011-12 to -2.00 % in 2012-13

Segmental Performance

(Rs in crores)

	Turnover 11-12	Turnover 12-13	Y-o-Y increase
Forwarding	497.84	573.76	15.25%
FTWZs/Industrial & Distribution Hubs	94.79	127.39	34.39%
Rail & Rail Infrastructure	-	-	-
Software	-	-	-
Total turnover	592.63	701.15	18.31%

FINANCIAL HIGHLIGHTS 2012-13 – Based On Consolidated Financials

- Total turnover increased by 7.78% from Rs. 1057.33 cr in 2011-12 to Rs. 1139.59 cr in 2012-13
- EBIDTA decreased by 34.33% from Rs. 279.20 cr in 2011-12 to Rs. 183.34 cr in 2012-13
- EBIDTA margin reduced from 26.41% in 2011-12 to 16.09% in 2012-13
- Net Profit margin declined from 11.42% in 2011-12 to -11.16% in 2012-13

Segmental Performance

(Rs in crores)

	Turnover 11-12	Turnover 12-13	Y-o-Y increase
Logistics	613.41	626.14	2.08%
FTWZs/Distripark	171.56	211.40	23.22%
Containerised rail transport operations	271.61	301.79	11.11%
Software	0.75	0.26	(65.33)%
Total turnover	1057.33	1139.59	7.78%

THE YEAR THAT WILL FOLLOW

With the ongoing efforts of your company the year ahead may see more clarity on the regulatory aspects, movement of cargo and removal of restrictions on FTWZ. FTWZ to become trading hub and a possible conduit for increasing global trade of the country.

There could be good enough reason to believe for a robust, comprehensive and business-friendly policy for the FTWZ sector in very near future.

The Group may decide to reducing the freight forwarding and transportation business with more focus on maximizing the usage of the created assets. With the expected GST implementation and possible more FDI in retail, your Company stands to gain when implemented. During Q2 FY 2013-14, the Company expects to reschedule the interest and repayment period besides reduction in interest rates consequent to completion of the CDR by that time. The Company will also focus on completing the Phase II of its Panvel FTWZ Project, after implementation of CDR package.

RISK MANAGEMENT

The Enterprise Risk Management (ERM) initiative, at Arshiya encompasses practices related to identification, assessment, monitoring and investigation of various risks to our business. Risk management is integral and fundamental to Arshiya's business. Since Arshiya is operating in a highly competitive environment, it is exposed to various strategic and operational risks like trade related risks, financial risks, economic risks, liability and regulatory risks. The Company has processes in place to safeguard its assets and liability risks through adequate and appropriate insurance coverage and the Company proposes to further strengthen the same.

CAUTIONARY STATEMENT

Certain statements made in the management discussions and analysis report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections and so on, whether express or implied. Several factors could make significant difference to the Company's operations. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities and so on, over which the Company does not have any direct control.

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company emphasizes the need for full transparency and accountability in all its transactions, in order to protect the interests of its stakeholders. The Board being Trustee of the Shareholders acknowledges its responsibilities for the creation and safeguarding of wealth on their behalf. Your Company continuously endeavours to uphold the values of transparency, integrity, professionalism and accountability, and improve upon these aspects on an ongoing basis to help the Company move forward.

COMPLIANCE WITH CLAUSE 49 OF THE LISTING AGREEMENT

1. BOARD OF DIRECTORS

Composition of Board

The Board of Directors of the Company has an optimum combination of Executive , Non-Executive and Independent Directors, who have in depth knowledge of the business and industry. The composition of the Board is in conformity with Clause 49 of the Listing Agreement with the Stock Exchanges.

As at 31st March, 2013, the Company has eight Directors on its Board with an Executive Chairman. Of the eight Directors five are non-executive independent Directors. All the Independent Directors have confirmed that they meet the 'independence' criteria as mentioned under Clause 49 of the Listing Agreement.

Attendance at Board Meetings

During the year under consideration seven meetings of the Board were held with a gap not exceeding four months between two meetings i.e 14th May, 2012, 7th July, 2012, 13th August, 2012, 20th September, 2012, 12th November, 2012, 19th January, 2013 and 30th March, 2013.

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by each of them in other companies are given herein below:

Sr. No	Name of the Director	Category	Number of Board Meetings during the year 2012 - 13 & Director's Attendance		Directorships in other public Companies	Membership / Chairmanship of Committees in other Public Companies		Attendance at A.G.M. held on 18th Sept., 2012
			Held	Attended		Chairman	Member	
1	Mr. Ajay S Mittal	Executive	7	7	8	1	6	Present
2	Mrs. Archana A Mittal	Executive	7	5	3	-	2	Absent
3	Mr. Ashish Bairagra	Independent	7	7	4	-	1	Present
4	Mr. Rishabh Shah	Independent	7	5	-	-	-	Present
5	Mr. James Beltran	Independent	7	6	-	-	-	Absent
6	Prof. G Raghuram	Independent	7	5	7	1	3	Absent
7	Mr. Mukesh Kacker	Independent	7	6	2	-	-	Absent
8	Mr. Sandesh Chonkar	Executive	7	6	7	3	1	Absent
9	Mr. V. Shivkumar*	Executive	7	1	-	-	-	--

* <u>*Resigned on 14th May, 2012*</u>

Other Directorships do not include directorships in Private Limited Companies, Section 25 Companies and Companies incorporated outside India. Chairmanships of Board Committees include only Audit and Share Transfer & Investor Grievances Committee.

II. COMMITTEES

AUDIT COMMITTEE

The Company has an Audit Committee in compliance with the provisions of Section 292A of the Companies Act 1956 and Clause 49 of the Listing Agreement.

The Committee comprises of 2 (two) Non Executive Independent Directors and 1(One) Executive Director. Mr. Ashish Bairagra is the Chairman of the Audit Committee. Eight meetings of the Audit Committee were held during the year on the dates given below:

14th May, 2012, 7th July, 2012, 21st July, 2012, 13th August, 2012, 12th November, 2012, 4th February, 2013, 1st March, 2013 and 30th March, 2013.

Details of meetings attended by its members till 31st March, 2013 are given below:

Sr. No.	Name of Members	No. of meetings held	No. of meetings attended
1	Mr. Ashish Bairagra (Chairman)	8	8
2	Mr. Rishabh Shah (Member)	8	7
3	Mr. Sandesh Chonkar (Member)	8	7

Note: Prof. G. Raghuram was co-opted as a member for the meeting of the Audit Committee held on 14th May, 2012 in place of Mr. Rishabh Shah who had requested leave of absence at that meeting.

Mr. Ashish Bairagra Chairman of the Audit Committee was present at the Annual General Meeting held on 18th September, 2012 to answer Member's queries.

The meetings of Audit Committee are also attended by Statutory Auditors and Internal Auditors as special invitees. The Committee also invites such of the other Directors or Executives as it considers appropriate to be present at the meeting. The Company Secretary acts as the secretary to the Committee. Minutes of each Audit Committee meeting are placed before, and when considered appropriate, are discussed in the meeting of the Board. The Audit Committee, inter alia, reviews the adequacy of the internal control functions, and reviews the Internal Audit reports including those related to Internal Control weaknesses, if any. The Audit Committee is provided necessary assistance and information to carry out their functions effectively.

Powers and Terms of Reference of the Committee:

The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. The Committee's purpose is to oversee the accounting and financial reporting process of the Company, the audits of the Company's financial statements, the appointment, independence, performance and remuneration of the statutory auditors, the performance of internal auditors and the Company's risk management policies. The Committee, inter alia, performs the following functions:

1.	Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.	
2.	Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.	
3.	Approval of payment to statutory auditors for any other services rendered by them.	
4.	Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:	
	a.	Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
	b.	Changes, if any, in accounting policies and practices and reasons for the same.
	c.	Major accounting entries involving estimates based on the exercise of judgment by management.
	d.	Significant adjustments made in the financial statements arising out of audit findings.
	e.	Compliance with listing and other legal requirements relating to financial statements.
	f.	Disclosure of any related party transactions.
	g.	Qualifications in the draft audit report.
5.	Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.	
6.	Reviewing, with the management, the statement of uses / application of funds as and when raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.	

7.	Reviewing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
8.	Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9.	Discussion with internal auditors on any significant findings and follow up thereon.
10.	Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11.	Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12.	To look into the reasons for substantial defaults if any in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
13.	To review the functioning of the Whistle Blower mechanism, in case the same is existing.
14.	Carrying out any other function as is assigned to the Audit Committee.
15.	Such other powers & duties as may be required to be included in terms of Listing Agreement amended from time to time.

REMUNERATION COMMITTEE

The Remuneration Committee comprises of Mr. Ashish Bairagra, Chairman, Mr. Rishabh Shah and Prof G. Raghuram. Two members shall be the quorum for the meeting of the said Committee. The Secretary of the Company shall be the Secretary of the Committee. The minutes of the Meeting of the Committee shall be placed at the meeting of Board of Directors.

The broad terms of reference of the Remuneration Committee are as under:

To determine the Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment, including recommendation for fixation and periodic revision of compensation policy (including performance bonus, incentives, perquisites and benefits) for senior management personnel.

No meeting of the Remuneration Committee was held during the year under review.

COMPENSATION COMMITTEE

The Compensation Committee of the Board has been reconstituted at the meeting of the Board held on 14th May, 2012 consequent upon resignation of Mr. V. Shivkumar from the Board of the Company as follows:

a. Mr.Rishabh Shah Chairman
b. Mr.Ashish Bairagra Member
c. Mr.Sandesh Chonkar Member

The main functions of the committee are in respect of the Arshiya Stock Option Scheme (ESOS).

The Committee shall meet as and when required. Two Members shall be the quorum for the meeting of the said committee. The Secretary of the Company shall be the Secretary of the Committee. The minutes of the Meeting of the Committee shall be placed at the following meeting of the Board of Directors. No sitting fees shall be payable to the Members.

SHARE TRANSFER & INVESTOR GRIEVANCES AND ALLIED MATTERS COMMITTEE (earlier known as SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE)

The Share Transfer and Investor Relations Committee was renamed as Share Transfer & Investor Grievance and Allied Matters Committee with effect from 30th March, 2013.

The Committee had been reconstituted as follows by the Board at its meeting held on 14th May, 2012 consequent upon resignation of Mr. V. Shivkumar from the Board of the Company.

a. Mr. Rishabh Shah Chairman
b. Mr. Ashish Bairagra Member
c. Mr. Sandesh Chonkar Member

The broad terms of reference of the Committee are as under:

i)	To deal and approve share / securities transfers, request for split, issue of duplicate Shares certificate.
ii)	To delegate Authority to the Senior Executives for approval of transfer & Transmission of securities issued by the Company
iii)	To deal with the Investors complaints.
iv)	To maintain, develop and improve relations with the investors.

Details of meetings attended by its members are given below:

Sr. No.	Name of Members	No. of meetings held	No. of meetings attended
1	Mr. Rishabh Shah	3	3
2	Mr. Ashish Bairagra	3	2
3	Mr. Sandesh Chonkar	3	3

The meetings of the Share Transfer & Investor Grievance and Allied Matters Committee were held three times during the year on 22nd June, 2012, 18th October, 2012, and 1st March, 2013.

COMMITTEE OF DIRECTORS

The Committee of Directors comprises of Mr. Ajay S Mittal, Chairman, Mr. Ashish Bairagra, Mr. Sandesh Chonkar and Mr. Rishabh Shah. The Committee has been delegated with various powers of the Board to enable the Management to take various timely decisions in the best interest of the Company.

The Committee meets as and when required and the Minutes of the Committee of Directors are placed at the next meeting of the Board. With respect to other Committees, if the Board Meeting is held on the same day after any Committee Meeting then Chairman of such Committee briefs the Board of the discussions and decisions taken at such Committee Meeting and the minutes are accordingly placed in subsequent Board Meeting.

Sr. No.	Name of Members	No. of meetings held	No. of meetings attended
1	Mr. Ajay S. Mittal	22	21
2	Mr. Ashish Bairagra	22	22
3	Mr. Sandesh Chonkar	22	22
4	Mr. Rishabh Shah	22	21
5	Mr. V. Shivkumar*	22	3

** Resigned w.e.f 14th May, 2012*

CODE OF CONDUCT

The Company has laid down a code of conduct for all its Board Members and Senior Management Personnel of the Company which is posted on the Company's website. All the Board Members and Senior Management Personnel have affirmed compliance with the said Code of Conduct.

CODE ON INSIDER TRADING

The Company has framed and implemented a Code on Prevention of Insider Trading in accordance with the Code prescribed by SEBI (Prohibition of Insider Trading) Regulations, 1992. The Code is applicable to all Directors, Senior Management and Designated Employees.

III. SUBSIDIARY COMPANIES:

The Company has 9 subsidiary companies, including 5 step down subsidiaries as on 31.03.2013, including one Material non-listed Indian Subsidiary, and in compliance with the conditions specified in Clause 49 of the Listing Agreement, one Independent Director on the Board of the Company, has been appointed as Director on the Board of the Material non-listed Indian Subsidiary , as well as on its Audit Committee.

Clause 49 of the Listing agreement with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, defines a “material non-listed Indian subsidiary” as an unlisted subsidiary Company, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

IV. DISCLOSURES

a)	**Related Party Transactions** Transactions with related parties have been disclosed in Note No.32 of Notes forming part of the Standalone Financial Statements in the Annual Report. However, these transactions are not likely to have any conflict with the Company's interest. The Audit Committee has reviewed these transactions as per provisions of Clause 49 of the Listing agreement
b)	**Disclosure of Accounting Treatment** In the preparation of the financial statements, the Company has followed the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable.
c)	**Disclosure of Risk management** Your Company is well aware of risks associated with its business operations and various projects under execution. A comprehensive risk management system is being put in place involving classification of risk, adoption of risk mitigation measures and a strong mechanism to deal with potential risks and situation leading to rise of risks in an effective manner. Senior Professionals conversant with risk management systems have been entrusted with the said task with a brief to implement the risk management system.
d)	**Implementation of Compliance Management System** Your Company has in place a well-structured Legal Compliance Management System to monitor periodical compliances on regular basis and review reports are discussed at the Audit Committee meetings. Mr. Parind Badshah is the Compliance Officer with effect from 16th May, 2013.
e)	**Proceeds from Public Issues, Rights Issues and Preferential Issues etc.** The Company has issued 136,00,000 warrants of Rs.145 each convertible into Equity Shares of Rs 2/- each at a premium of Rs.143 per share, (on preferential basis) as authorised by the Extra Ordinary General Meeting held on 18th October, 2012. Subsequently the 30,50,000 fully paid equity shares were allotted on conversion of 30,50,000 fully paid up warrants. The Company has not issued Shares under the ESOS.
f)	**Management Discussion & Analysis** Management Discussion & Analysis Report forms part of Annual Report.
g)	**Disclosure regarding appointment or re-appointment of Directors:** The detailed profiles of Directors proposed for appointment / reappointment at the Annual General Meeting, are provided in the Annexure to the Notice of the Annual General Meeting.

Remuneration paid to Directors

Your Company benefits from the professional expertise and invaluable experience of the Independent Directors in their individual capacity as competent professionals/business executives in achieving corporate excellence. During the period, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors. The Company has not granted any stock options to any of its Non-Executive Directors.

Details of Sitting Fees/Remuneration paid to Non-executive and Executive Directors for the year ended March 31, 2013 are given below:

a) Non- executive Directors:

Sr. No.	Name of Director	Sitting Fees paid (Rs.)	No. of shares held (Face Value Rs. 2/- each)
1	Mr. Ashish Bairagra	1,80,000/-	8000
2	Mr. Rishabh Shah	1,35,000/-	7406
3	Prof. G. Raghuram	1,05,000/-	-
4	Mr. Mukesh Kacker	1,20,000/-	-
5	Mr. James Beltran	1,20,000/-	-

b) Executive Directors:

Sr. No.	Name of Director	Salary, Perquisites, Allowances and Commission paid (Rs.)	No. of shares held (excluding Stock Option)
1	Mr. Ajay S Mittal@- Chairman & Managing - Director	3,40,24,680	30,50,000
2	Mrs. Archana Mittal - Joint Managing Director	Nil	1,98,20,225
3	Mr. Sandesh Chonkar - Executive Director	Nil	58,750
4	Mr. V. Shivkumar* - Executive Director	Nil	Nil

Resigned with effect from 14th May, 2012

@The remuneration of Mr. Ajay S Mittal as sanctioned by the Shareholders was reduced by 50 % w.e.f 1st October, 2012.

Details of Stock Options Granted to & exercised by the Executive Directors under Arshiya Employee Stock Option Plan 2007 as on 31st March, 2013:

Name	Balance Option available 31.03.12	Lapsed during 2012 - 2013	Balance Entitlement
Mr. V. Shivkumar	22500	22500	-
Mr. Sandesh Chonkar	22500	22500	-

GENERAL BODY MEETINGS

a) Location, time and date where last three Annual General / Extra Ordinary General Meetings (AGMs / EGM) were held are given below:

Financial Year	Date & Time	Venue
2012-13	**EGM -18th October, 2012 at 11.00 am**	**Sai Palace Hotel, Mahakali Caves Road, Chakala, Mumbai 400093**
2011-12	AGM - 18th September, 2012 at 2:30 p.m.	Hall of Harmony (Nehru Centre), Dr. Annie Besant Road, Worli, Mumbai – 400 018
2010-11	20th September, 2011 at 3:30 p.m.	M C Ghia Hall, 4th Floor, BhogilalHargovindas Building, 18/20, K. DubashMarg, Kala Ghoda, Mumbai – 400 001
2009-10	24th September, 2010 at 3:00 p.m.	6th Floor, Oricon House, Maharashtra Chambar of Commerce Trust, 12, K. Dubhash Marg, Fort, Mumbai- 400001

In the last three AGMs/EGM, following special resolutions were passed

AGM / EGM	Special Resolution Passed
EGM held on18th October 2012	Under section 81(1A) for issue on preferential basis 1,36,00,000 warrants of Rs. 145/- each convertible into equity shares.
31st AGM held on 18th September, 2012	• Revision in remuneration of Mr. Ajay S Mittal, Chairman & Managing Director of the Company w.e.f 1st October, 2011 till the remaining period of his appointment i.e. 14th April, 2014 • Appointment of Mr. Ananya A Mittal, a relative of Mr. Ajay S Mittal, Chairman & Managing Director's and Mrs. Archana A Mittal, Joint Managing Director of the Company, as General Manager - Business Development. • Alteration of Articles of Association of the Company under section 31 of the Companies Act, 1956 by inserting new clause 72(4), 94A and 133.
30th AGM held on 20th September, 2011	• Appointment of Ms. Neha Srivastava, a relative of Mr. V. Shivkumar, Executive Director of the Company, as Manager HR. • Alteration of the Articles of Association of the Company by replacing Article 106 – the number of Directors shall not be less than 3 and not more than 12.
29th AGM held on 24th September, 2010	• Appointment of Mrs. Archana A Mittal as Joint Managing Director of the Company and approval of remuneration.

b) Resolution passed through Postal Ballot - None

Name and designation of Compliance Officer

Mr. Parind Badshah - Company Secretary and Compliance Officer w.e.f 16th May, 2013

Status of Investor complaints

The Company received 9 letters/complaints relating to share transfers, non-receipt of Annual Report, dividend etc. from the investors during the financial year ended 31.03.2013 and all of them were resolved satisfactorily.

MEANS OF COMMUNICATION

a) The quarterly, half-yearly and annual financial results are usually published in Free Press Journal (English) & Navshakti (Marathi) in compliance with the listing agreements. In addition the same are published in "The Economic Times"

b) The Company has its own website viz.www.arshiyainternational.com and the financial results and quarterly shareholding pattern along with other relevant information useful to the investors are uploaded on the website regularly.

c) The 'Investors' section on the Company's website keeps the investors updated on material developments in the Company by providing key and timely information like Financial Results, Annual Reports, Shareholding Pattern, presentations made to institutional investors and analysts etc. A brief profile of Directors is also on the Company's website. Members also have the facility of raising their queries/complaints on share related matters through a facility provided on the Company's website.

V. CEO / CFO Certification

In terms of the requirements of Clause 49(V) of the Listing Agreement, the CEO/CFO Certification is Annexed as Annexure-II to this Report.

VI. REPORT ON CORPORATE GOVERNANCE

Quarterly Corporate Governance Report is filed with the exchanges within the prescribed time.

VII. COMPLIANCE

The Company has complied with the requirements of the Stock Exchanges (expect that the result of the third quarter were taken on record after the time prescribed under the listing agreement, with due intimation to the stock exchanges), SEBI and other statutory authorities on all matters relating to capital market.

No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other Statutory Authorities.

Certificate of the Practicing Company Secretary regarding compliance of conditions of Corporate Governance is annexed to this Report.

GENERAL SHAREHOLDER INFORMATION:

a)	**Date Time and Venue of 32nd Annual General Meeting**	**Date: 7th August 2013** **Time:** 3.30 pm **Venue: Hall of Culture, Nehru Centre, Dr. A B Road, Mumbai 18.**
b)	**Financial Calendar -2013-2014 (Tentative)**	I) 1st Qtr Results–on or before 14th August, 2013 ii) 2nd Qtr Results–On or before 15th November, 2013 iii) 3rd Qtr Results-On or before 15th February, 2014 iv) Audited Results for the year-On or before 30th May, 2014
c)	**Date of Book Closure**	27th July, 2013 to 7th August, 2013
d)	**Dividend payment date**	NA
e)	**Listing on Stock Exchanges**	Bombay Stock Exchange Limited. National Stock Exchange of India Limited The Company has paid the Listing fees for the year 2013-2014.
f)	**Stock Code Symbol**	BSE : 506074 NSE: ARSHIYA
g)	**Demat ISIN Number For CDSL and NSDL**	INE968D01022

h) Market Price Data & Relative Performance:

The monthly high and low quotations of shares traded on BSE and BSE B / S&P BSE 500 during last financial year are as follows:

Month	Bombay Stock Exchange (BSE)*			B/S&P BSE 500	
	Month's High Price (in Rs. Per Share)	**Month's Low Price (in Rs. Per Share)**	**Month's Volume**	**Month's High**	**Month's Low**
Apr-12	161.70	142.50	8,88,797	6887.06	6585.99
May-12	163.20	131.00	20,13,717	6741.87	6129.37
Jun-12	138.50	121.15	4,30,103	6686.19	6088.62
Jul-12	146.30	117.00	8,93,676	6797.05	6407.78
Aug-12	136.70	111.50	4,79,386	6848.80	6560.62
Sep-12	143.65	113.00	11,18,665	7243.40	6582.88
Oct-12	148.85	126.50	8,86,854	7364.54	7070.76
Nov-12	138.70	113.65	8,38,593	7478.35	7057.34
Dec-12	135.00	115.60	6,47,554	7627.07	7460.59
Jan-13	132.00	35.00	86,26,813	7792.70	7600.10
Feb-13	39.70	30.10	24,08,184	7697.72	7138.74
Mar-13	33.45	19.00	15,70,801	7478.62	6976.75

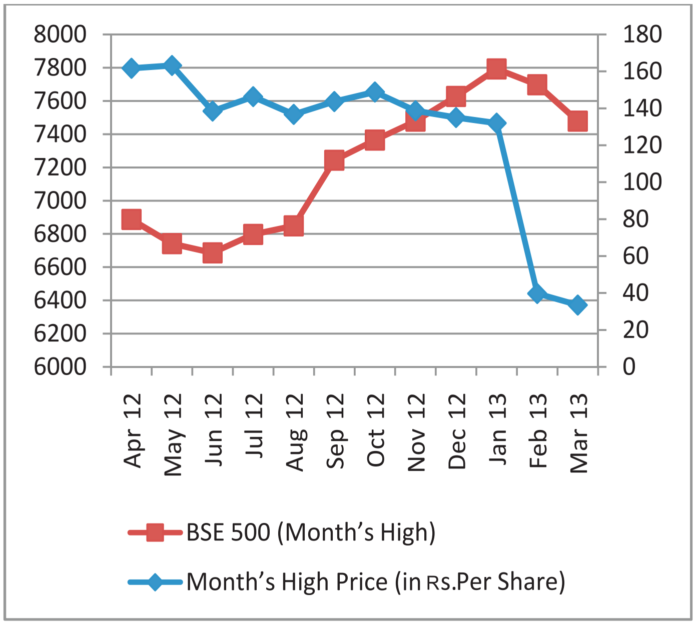
*Source: www.bseindia.com

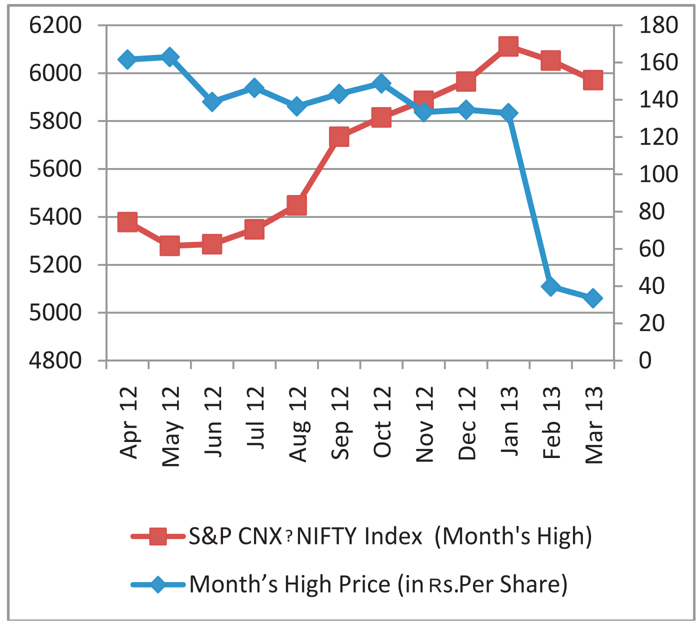
The monthly high and low quotations of shares traded on NSE and CNX Nifty during last financial year are as follows:

	National Stock Exchange (NSE)*		NSE CNX NIFTY*		
	Month's High Price (in Rs. Per Share)	**Month's Low Price (in Rs. Per Share)**	**Month's Volume**	**Month's High**	**Month's Low**
Apr-12	161.60	141.50	15,19,654	5378.75	5154.30
May-12	163.00	130.20	19,25,454	5279.60	4788.95
Jun-12	138.90	121.10	10,49,314	5286.25	4770.35
Jul-12	146.40	117.05	14,99,309	5348.55	5032.40
Aug-12	136.50	111.00	11,68,553	5448.60	5164.65
Sep-12	143.20	111.95	26,96,570	5735.15	5215.70
Oct-12	148.85	126.00	21,71,240	5815.35	4888.20
Nov-12	133.40	114.00	22,18,903	5885.25	5548.35
Dec-12	134.70	115.20	18,61,082	5965.15	5823.15
Jan-13	132.90	35.05	1,82,26,180	6111.80	5935.20
Feb-13	39.80	30.10	46,42,751	6052.95	5671.90
Mar-13	33.50	19.00	22,93,934	5971.20	5604.85

*Source: www.nseindia.com

i) Graphs





j) Registrar and Share Transfer Agent:

Bigshare Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (East), Mumbai-400 072

Tel.: 91-22-2847 0652/ 40430200
Fax.: 91-22-2847 5207
E-mail: info@bigshareonline.com

k) Share Transfer System:

All shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agent within 15 days of the lodgement, if documents are found in order. All requests for dematerialization of shares are processed and the confirmation is given to the respective depository's i.e National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) within 15 days.

l) (a) Category wise distribution of equity shareholding as at 31st March , 2013:

Category	No. of shares held (Rs. 2/- each)	%age of shareholding
Promoter & Promoter Group	22870225	36.9593
Mutual Funds/UTI	1200000	1.9393
Trust	9780	0.0158
Foreign Institutional Investors	5186657	8.3819
Bodies Corporate	11949654	19.3112
Individuals	15399058	24.8856
Clearing Member	442727	0.7155
Directors / Relatives	72956	0.1179
Employee	32278	0.0522
NRI	1480361	2.3923
Foreign National	450000	0.7272
Foreign Company	2785776	4.5019
GRAND TOTAL	**61879472**	**100.0000**

l) (b) Distribution of shareholding as on 31st March 2013:

Number of Equity shares held	Total Holders	% of total holders	Total Holding in Rs.	% of Total Capital
Jan-00	15699	94.4869	9639836	7.7892
5001 - 10000	401	2.4135	2959930	2.3917
10001 - 20000	234	1.4084	3586640	2.8981
20001 - 30000	88	0.5296	2188052	1.7680
30001 - 40000	43	0.2588	1552330	1.2543
40001 - 50000	28	0.1685	1293128	1.0449
50001 - 100000	50	0.3009	3783938	3.0575
100001-99999999	72	0.4334	98755090	79.7963
Total	**16615**	**100.0000**	**123758944**	**100.0000**

m) Dematerialization of shares and Liquidity:

Approximately 95.42% of the total number of shares are in dematerialized form as on 31st March 2013. The Equity shares of the Company are traded on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

n) Outstanding ADRs, GDRs, Warrants or any convertible instruments, conversion date and impact on Equity.

As on 31st March, 2013, there were no Outstanding ADRs or GDRs. Company has issued 1,36,00,000 warrants convertible into equity shares, out of which 30,50,000 warrants have been converted into equity shares of Rs. 2 each, during the financial year 2012-13.

o) Address for Investor Correspondence:

All routine correspondence regarding share transfers, transmission, dematerialization of shares, change of address, non-receipt of dividend etc. should be addressed to the Company's Registrar & Share Transfer Agents at:

Bigshare Services Pvt. Ltd.
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (East), Mumbai-400 072
Tel.: 91-22-2847 0652/ 40430200
Fax.: 91-22-2847 5207
E-mail: info@bigshareonline.com

For complaints/grievances, if any, members are requested to address the same to:

Arshiya International Ltd
6th Floor, C-Wing, Twin Arcade,
Military Road, Marol Maroshi,
Andheri (East),Mumbai- 400 059
Email : grv.redressal@arshiyainternational.com

Annexure I:

DECLARATION OF COMPLIANCE WITH CODE OF CONDUCT

In accordance with Clause 49 of the Listing Agreement with the Bombay Stock Exchange Ltd. and National Stock Exchange of India Limited, to the best of my knowledge and belief and on the basis of declarations given to me, I hereby affirm that all the Directors and the Senior Management Personnel have affirmed compliance with the Code of Conduct laid down by the Company as applicable to them for the financial year ended on 31st March, 2013.

AJAY S MITTAL
CHAIRMAN & MANAGING DIRECTOR

Date: 30th May, 2013
Place: Mumbai

Annexure II:

CERTIFICATION ON FINANCIAL STATEMENTS OF THE COMPANY

We, Ajay S Mittal, Chairman & Managing Director and Sandesh Chonkar, Executive Director & Chief Financial Officer of Arshiya International Limited certify that:

a) We have reviewed the financial statements and the cash flow statement of the Company for the year ended March 31, 2013 and that to the best of our knowledge and belief, we state that:
   i) these statements do not contain any materially untrue statement or omit any material fact or contain any statement that might be misleading;
   ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year ended March 31, 2013, which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and Audit Committee deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken or proposed to be taken to rectify these deficiencies.

(d) During the year:
   i) There has not been any significant change in internal control over financial reporting;
   ii) There have not been any significant changes in accounting policies except as disclosed in financial statements and
   iii) There have been no instances of significant fraud of which we have become aware that involve management or other employees having significant role in the Company's internal control system over financial reporting.

Ajay S Mittal
Chairman & Managing Director

Sandesh Chonkar
Executive Director & CFO

Date: 30th May, 2013
Place: Mumbai

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

ARSHIYA INTERNATIONAL LTD

I have examined the records concerning Compliance of the conditions of Corporate Governance by ARSHIYA INTERNATIONAL LTD for the year ended 31st March, 2013 as stipulated in clause 49 of the Listing Agreements entered into with the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).

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

In my opinion and to the best of my information and according to the explanations given to me and based on the records and documents furnished to me by the Management, of the Company, I certify that the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the above mentioned Listing Agreements.

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

P. K. B. NAMBIAR
Company Secretary

Place : Mumbai
Date : 30th May, 2013

FCS no. 1296
CP: 1090

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To
The members of
Arshiya International Limited

Report on the financial statements
We have audited the accompanying financial statements of **Arshiya International Limited** (''the company'') which comprise the balance sheet as at March 31,2013, the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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 March 31, 2013;
b) In the case of the statement of profit and loss, of the loss for the year ended on that date; and
c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

Emphasis of Matter
(i) We draw attention to Note 36 (b), relating to remuneration paid/provided to Chairman and Managing Director of the Company, has turned out to be in excess of the limits prescribed under Section 198 read with Schedule XIII to the Companies Act 1956 due to loss during the year, hence it is subject to the approval of the Central Government.

(ii) The company is under severe financial stress which is due to and evident from increased trade receivables and payables and majority of them are overdue, full and final settlement dues of resigned employees of Rs.23,253,374 are in arrears, statutory dues i.e. income tax deducted at sources, service tax and value added tax of Rs.176,189,607are in arrears, the dues (interest and repayment of borrowings) of banks and a financial institution and a non-banking finance company are delayed and Rs.2,385,428,587 are overdue, short-term funds are used for long-term purposes and certain lenders have filed court cases against the company and directors due to dishonour of cheques. To mitigate financial stress, the company has taken various steps including cost cutting exercise and opted for corporate debt restructuring (CDR) plan which is admitted and under consideration of the CDR cell.

Our opinion is not qualified in above matters.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 (“the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, 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 purpose 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;

   (iv) in our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act; and

   (v) on the basis of written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **MGB & Co**
Chartered Accountants
Firm Registration Number 101169W

Mohanlal Bhandari
Partner
Membership Number 012912
Mumbai, May 30,2013

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

(I) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. *However, the Company is in the process of updating and reconciling its records for the assets shifted and discarded from the leased premises surrendered/vacated during the year.*

(b) The fixed assets are physically verified by the management during the year as per the phased program designed to cover all the assets over a period, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. We are informed that discrepancies noticed on such verification as compared to book records of Rs. 54,276,945 have been properly dealt with in the books of account *except for assets under reconciliation as stated in (a) above.*

(c) During the year, there is no disposal of substantial part of fixed assets.

(ii) Considering the nature of business activity carried out by the Company, the company does not have any inventory. Hence, requirements of the clause (ii) of paragraph 4 of the order are not applicable.

(iii) (a) According to the information and explanations given to us, 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 Act.

(b) According to the information and explanations given to us, the Company has taken interest free unsecured loan from three parties (interest bearing loan from one party for part of the year) covered in the register maintained under section 301 of the Act. The year-end balance of such loans is Rs. 814,344,104 and the maximum amount outstanding during the year is Rs. 933,344,832.

(c) In our opinion, the rate of interest (wherever applicable) and other terms and conditions of such loans taken are prima facie not prejudicial to the interests of the Company.

(d) In respect of the aforesaid loans there is no overdue amount at the year-end considering the terms of the loan except interest outstanding of Rs. 5,602,932.

(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 with regard to purchase and sale of services *except weaknesses noticed in the internal control system with regard to purchase of fixed assets, purchase and sale of services of logistic division which needs to be strengthened and weaknesses to be corrected.* The Company's activities do not involve purchase of inventory and sale of goods.

(v) In our opinion and according to the information and explanations given to us,

(a) the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act have been so entered.

(b) the transactions made in pursuance of such contracts/arrangements exceeding value of Rupees five lakhs during the financial year are of special nature for which comparable prices are not available, hence we are unable to comment on the reasonableness of the price or otherwise of such transactions.

(vi) The Company has not accepted any deposits from the public during the year.

(vii) The internal audit function is carried out by a firm of Chartered Accountants. *In our opinion, the Company's internal audit system needs to be strengthened with regard to areas of coverage and timely completion.*

(viii) According to the information and explanations given to us, the Company is in the process of updating cost records in respect of the services rendered by the Company for which the maintenance of cost records has been prescribed under Section 209(1) (d) of the Act pursuant to the Companies (Cost Accounting Records) Rules, 2011 notified by the Central Government of India vide notification dated 3 June 2011.

(ix) According to the records of the Company examined by us and information and explanations given to us:

(a) The company is generally regular in depositing investor education and protection fund, custom duty, excise duty, cess and other material statutory dues to the extent applicable with the appropriate authorities *except that the company is not regular in depositing provident fund, employee state insurance, income tax, value added tax and service tax.* There are no undisputed amounts payable in respect of the aforesaid dues outstanding as at March 31, 2013 for a period of more than six months from the date they became payable *except income tax deducted at source of Rs.57,722,482, service tax of Rs.100,534 and works contract tax (VAT) of Rs.5,403,462.*

(b) There are no disputed dues on account of value added tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited. Details of disputed dues of income tax which have not been deposited are as under:

Name of the statute / Nature of dues	Amount in Rs.	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	4,350,076	Assessment year 2006–2007	Income Tax Appellate Tribunal
- Income tax	126,753,459	Assessment year 2008-2009 to 2010-2011	Commissioner of Income Tax (Appeals)

(x) The Company does not have accumulated losses at the end of the financial year and has not incurred any cash losses in the current financial year or in the immediately preceding financial year.

(xi) The Company has defaulted in repayment of dues to Banks and financial Institutions as under:

(Amount in Rs)

Delay in number of days	**Banks**		**Financial Institutions**	
	Interest	**Principal**	**Interest**	**Principal**
Upto 60 days	505,676,073	55,000,000	8,936,917	-
Upto 61-120 days	351,738,960	-	-	-
Upto 121-180 days	97,552,106	-	-	-
Unpaid as on March 31, 2013				
Upto 60 days	353,810,112	116,263,854	36,997,837	-
Upto 61-120 days	7,404,471	564,692,786	-	300,000,000
Upto 121-180 days	6,218,384	220,000,000	-	390,000,000
More than 180 days	-	110,000,000	-	-

(xii) 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) The Company is not a chit fund or a nidhi / mutual benefit fund / society.

(xiv) The Company is not dealing or trading in securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by subsidiaries from banks and financial institutions are prima facie not prejudicial to the interests of the Company.

(xvi) In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purpose for which they were raised.

(xvii) According to the information and explanations given to us, and the examination of the balance sheet of the Company and other records, on overall basis, *we report that short-term funds to the extent of Rs.900,936,605 have been used for long-term investments.*

(xviii) During the year, the Company has allotted warrants convertible into equity shares on preferential basis, in terms of Chapter VII of SEBI (ICDR) Regulations, 2009, to a party covered in the register maintained under section 301 of the Act. The price at which these warrants convertible into equity shares are issued is not prima facie prejudicial to the interest of the Company.

(xix) The Company has not issued any secured debentures during the year.

(xx) The Company has not raised any money by way of public issues during the year.

(xxi) Based on our audit procedures performed and according to the information and explanations given by the management, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

Mohanlal Bhandari
Partner
Membership Number 012912
Mumbai, May 30, 2013

Arshiya International Limited
Balance Sheet as at March 31

(Amount in Rs)

	Notes	2013	2012
Equity and Liabilities			
Shareholders' funds			
Share capital	2	123,758,944	117,658,944
Reserves and surplus	3	5,378,455,988	5,408,140,825
Money received against share warrants	2(e)	836,087,500	-
		6,338,302,432	**5,525,799,769**
Non-current liabilities			
Long-term borrowings	4	10,453,732,959	10,594,848,236
Deferred tax liabilities (net)	5	156,871,859	161,936,537
Other long-term liabilities	6	10,554,930	405,233,430
Long-term provisions	7	10,379,328	11,705,745
		10,631,539,076	**11,173,723,948**
Current liabilities			
Short-term borrowings	8	2,025,812,894	795,471,686
Trade payables	9	2,120,792,847	507,543,811
Other current liabilities	9	4,292,351,574	2,718,146,960
Short-term provisions	10	62,291,393	118,341,824
		8,501,248,708	**4,139,504,281**
Total		**25,471,090,216**	**20,839,027,998**
Assets			
Non-current assets			
Fixed assets	11		
- Tangible assets		6,646,030,031	5,842,760,865
- Intangible assets		138,320,488	180,714,194
- Capital work-in-progress		6,105,612,656	5,045,667,990
		12,889,963,175	**11,069,143,049**
Non-current investments	12	4,987,952,656	1,638,681,000
Long-term loans and advances	13	3,607,347,252	5,773,570,849
Other non-current assets	14	211,804,407	246,031,039
		8,807,104,315	**7,658,282,888**
Current assets			
Trade receivables	15	3,179,973,463	1,211,309,119
Cash and bank balances	16	50,752,058	258,195,329
Short-term loans and advances	13	345,129,874	325,553,408
Other current assets	14	198,167,331	316,544,205
		3,774,022,726	**2,111,602,061**
Total		**25,471,090,216**	**20,839,027,998**

Notes forming part of the financial statements 1-43

As per our attached report of even date

For **MGB & Co**
Chartered Accountants
Firm Registration Number 101169W

For and on behalf of the Board

Mohanlal Bhandari
Partner
Membership Number 012912

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Sandesh R Chonkar
Executive Director
& Chief Financial Officer

Parind Badshah
Company Secretary

Mumbai, May 30, 2013

Arshiya International Limited
Statement of Profit and Loss for the year ended March 31

(Amount in Rs)

	Notes	2013	2012
Revenue			
Revenue from operations	17	7,011,505,879	5,926,303,079
Other income	18	231,699,991	373,776,270
Total		**7,243,205,870**	**6,300,079,349**
Expenses			
Cost of operations	19	4,966,217,581	3,868,031,080
Employee benefits expense	20	325,467,149	366,265,379
Finance costs	21	1,322,167,428	804,057,540
Depreciation and amortization expense	11	199,083,491	164,279,237
Other expenses	22	419,892,343	405,505,221
Total		**7,232,827,992**	**5,608,138,457**
Profit before exceptional items and tax		10,377,878	691,940,892
Less: Exceptional items			
- Provision for diminution in value of investment and provision for doubtful loan	27	100,018,300	-
- Leasehold Improvements written off		54,276,945	-
Profit / (Loss) before tax		**(143,917,367)**	**691,940,892**
Tax expense			
- Current tax - current year		-	138,000,000
- Earlier years		(144,967)	-
- MAT credit entitlement		-	(28,033,536)
- Deferred tax		(3,722,327)	106,856,379
Profit / (Loss) after tax		**(140,050,073)**	**475,118,050**
Earnings per share [Equity Shares par value Rs.2 each]	35		
Basic and Diluted Earnings per Share		**(2.33)**	**8.08**
Notes forming part of the financial statements	1-43		

As per our attached report of even date

For **MGB & Co**
Chartered Accountants
Firm Registration Number 101169W

For and on behalf of the Board

Mohanlal Bhandari
Partner
Membership Number 012912

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Sandesh R Chonkar
Executive Director &
Chief Financial Officer

Parind Badshah
Company Secretary

Mumbai, May 30, 2013

Arshiya International Limited
Cash flow statement for the year ended March 31

(Amount in Rs)

		2013	2012
Cash flow from operating activities			
Profit/(Loss) before tax		(143,917,367)	691,940,892
Adjustments for			
Depreciation and amortization expense		199,083,491	164,279,237
Leasehold improvements written off		54,276,945	-
Interest expense		1,272,443,379	778,719,456
Interest income		(227,826,767)	(344,257,852)
Loss on sale of fixed assets (net)		284,072	83,269
Dividend income		-	(26,990,119)
Profit on redemption of units of mutual fund		-	(78,890)
Ancillary borrowing costs written off		34,522,686	17,055,346
Unrealised Foreign Exchange (gain)/ loss		(1,509,849)	6,440,751
Provision for doubtful debts		408,328	2,545,072
Provision for diminution in value of investment and doubtful loan (Refer note 27)		100,018,300	-
Employee compensation expenses		-	(3,268,091)
Operating profit before working capital changes		**1,287,783,218**	**1,286,469,071**
Adjustments for			
(Increase)/decrease in trade and other receivables		(2,018,426,774)	(304,470,298)
Increase/(decrease) in trade and other payables		1,436,955,677	370,015,927
Cash generated from operations		**706,312,122**	**1,352,014,700**
Direct taxes paid (net of refunds)		(85,365,385)	(157,176,032)
Net cash flow from operating activities	**(A)**	**620,946,737**	**1,194,838,668**
Cash flow from investing activities			
Purchase of fixed assets (including capital work-in-progress)		(2,244,575,777)	(3,333,314,307)
Proceeds from sale of fixed assets		359,110	618,052,412
Purchase of investments in units of mutual funds		-	(50,000,000)
Redemption of investments in units mutual funds		-	50,078,890
Advances received against land from subsidiaries refunded (net)		(53,456,549)	(177,915,705)
Investment in bank deposits having original maturity period of more than 3 months		27,494,998	98,466,674
Dividend received		-	26,990,119
Interest received		323,140,108	276,159,131
Net cash flow used in investing activities	**(B)**	**(1,947,038,110)**	**(2,491,482,786)**
Cash flow from financing activities			
Proceeds from issue of shares (including Securities Premium)		442,250,000	-
Money received against share warrants		836,087,500	-
Proceeds from long-term borrowings		1,315,858,217	5,678,065,581
Repayment of long-term borrowings		(114,858,653)	(740,319,114)
Proceeds from short-term borrowings			
- Banks		-	750,000,000
- Directors		814,344,104	-
- Inter-corporate deposits		1,991,395,404	1,248,000,000
Repayment of short-term borrowings			
- Banks		(54,980,053)	(509,725,268)
- Inter-corporate deposits		(2,088,792,293)	(1,263,000,000)
Increase/decrease in other borrowings (net)		568,374,046	(178,180,519)
Loan given to subsidiaries		(4,579,969,229)	(5,213,123,785)
Loan given repaid by subsidiaries		2,934,219,435	2,126,297,587
Ancillary borrowing costs incurred		(16,495,800)	(71,432,350)
Dividend paid		(95,723,316)	(82,047,698)
Interest paid		(809,621,945)	(779,126,231)
Net cash flow from financing activities	**(C)**	**1,142,087,417**	**965,408,203**
Net Increase / (Decrease) in cash and cash equivalents (A+B+C)		**(184,003,956)**	**(331,235,914)**
Opening cash and cash equivalents		228,462,004	559,697,918
Cash and cash equivalents acquired pursuant to Scheme of Amalgamation		4,055,682	-
Closing cash and cash equivalents		**48,513,730**	**228,462,004**
Add: Earmarked balances with banks		2,238,328	29,733,326
Closing cash and bank balances		**50,752,058**	**258,195,330**

Notes

1. The above Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard 3 (AS 3) ‘Cash Flow Statements' as specified in Companies (Accounting Standard) Rules, 2006.

2. Scheme of Amalgamation as referred in Note 40 has not been considered in the above cash flow statement, being a non- cash transaction.

3. During the year, investment in subsidiaries amounting to Rs. 1,341,949,316 (Rs. 503,500,000) is by conversion of loans given to subsidiaries and hence is not considered in the above cash flow statement being non-cash transaction.

4. Previous year's figures have been regrouped/ reclassified wherever necessary to confirm to current years' classification.

As per our attached report of even date

For **MGB & Co**
Chartered Accountants
Firm Registration Number 101169W

Mohanlal Bhandari
Partner
Membership Number 012912

Mumbai, May 30, 2013

For and on behalf of the Board

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Sandesh R Chonkar
Executive Director &
Chief Financial Officer

Parind Badshah
Company Secretary

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Note 1.1: Company Information

Arshiya International Limited (the 'Company') is engaged in the business of providing end-to-end logistics solutions by way of unified supply chain infrastructure and warehousing facilities along with value added services and end-to-end transportations.

The Company has developed a Free Trade Warehousing Zone at Sai village, Panvel in the state of Maharashtra. Government of India vide its notification no. S.O. 1158(E) dated May 4, 2009 has notified the aforesaid area as a Free Trade Warehousing Zone under the provisions of Special Economic Zone Act, 2005 and the Special Economic Zone Rules, 2006.

The Company's equity shares are listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange (NSE).

Note 1.2: Significant Accounting Policies

a. **Basis of preparation of financial statements**

The financial statements are prepared in accordance with the Indian Generally Accepted Accounting Principles ("GAAP") as a going concern under the historical cost convention on an accrual basis and comply in all material aspects with accounting standards under section 211(3C), Companies (Accounting Standards) Rules, 2006, the provisions of Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI).

b. **Use of estimates**

The preparation of financial statements in conformity with India GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as on the date of financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from these estimates. Any revision to estimates is recognized prospectively in current and future periods.

c. **Fixed assets**

i) Tangible assets are stated at cost of acquisition / construction (net of cenvat credit availed) net off accumulated depreciation, amortization and impairment losses, if any, except freehold land which is carried at cost. Cost of tangible assets includes taxes, duties, freight and other incidental expenses and borrowing costs incurred upto the date of commissioning.

ii) Intangible assets acquired are measured on initial recognition at cost and carried at cost net off accumulated amortiztion and impairment loss, if any.

iii) Capital work-in-progress: Tangible assets that are not yet ready for their intended use at the reporting date are carried at cost comprising of direct cost and related incidental expenses.

d. **Borrowing costs**

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

e. **Depreciation and Amortization**

i) Depreciation on tangible assets is provided on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

ii) Intangible assets are amortized on a straight line basis over the economic useful life as estimated by the management.

iii) Leasehold improvements are amortized over the period of lease.

f. **Leases**

i) **Finance lease**

Assets acquired under finance lease are capitalized and the corresponding lease liability is recognized at lower of the fair value of the leased assets and the present value of minimum lease payments at the inception of the lease. Initial costs directly attributable to lease are recognized with the asset under lease.

ii) **Operating lease**

Lease of assets under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

g. Investments

i) Investments intended to be held for more than a year, from the date of acquisition are classified as long term and are valued at cost. Provision for diminution, if any, in the value of long term investments is made to recognise a decline, other than temporary.

ii) Current investments are valued at lower of cost and fair value, computed individually for each investment.

h. Revenue recognition

i) Revenue from logistic operations is accounted on the basis of date of departure of the vessel/ aircraft for jobs related to export shipments and date of arrival of the vessel/ aircraft for jobs related to import shipments, considering substantial completion of contracted services.

ii) Revenue from allotment of warehousing space and open yard area to units is accounted on accrual basis as per agreed terms.

iii) Revenue from value added services and other activities is recognized based on completion of agreed contracted services.

iv) Interest income is accounted on time proportion basis.

v) Dividend income is recognized when the right to receive the dividend is established.

vi) Export benefits: Serve from India Scheme of EXIM Policy are recognized when utilized.

i. Employee benefits

a) Short-term employee benefits are recognised as an expense at the undiscounted amount in the Statement of Profit and loss of the year in which the related service is rendered.

b) Post-employment and other long-term benefits are recognised as an expense in the Statement of profit and loss at the present value of the amounts payable determined using actuarial valuation techniques in the year in which the employee renders services. Actuarial gains and losses are charged to the Statement of Profit and Loss.

c) Payments to defined contribution retirement benefit schemes are charged as expenses as they fall due.

j. Foreign currency transactions

a) Foreign exchange transactions are recorded at the exchange rate prevailing on the date of such transactions. Foreign currency monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary items are carried at cost.

b) Gains or losses arising on settlement / translation of monetary assets and liabilities at year end rates are recognised in the Statement of Profit and Loss except treatment as per amendment to AS-11 effective till 31 March 2020 (Refer Note 39(c)).

c) In respect of derivative contracts assigned to foreign currency monetary assets and liabilities, the difference due to change in exchange rate between the inception of derivative contracts and date of Balance Sheet and the proportionate premium / discount for the period upto the date of Balance Sheet is recognised in the Statement of Profit and Loss. Profit or Loss on settlement / cancellation of derivative contracts is recognised as an income or expense for the year in which they arise except treatment as per amendment to AS-11 effective till 31 March 2020.

k. Accounting for taxes on income

i) Current tax is determined as the amount of tax payable in respect of taxable income for the year computed as per the provisions of Income Tax Act, 1961.

ii) Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates.

iii) Minimum Alternate Tax (MAT) paid in accordance with tax laws, which give rise to future economic benefits in the form of adjustment of future tax liability, is recognized as an asset only when, based on convincing evidence, it is probable that the future economic benefits associated with it will flow to the Company and the assets can be measured reliably.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

l. Impairment of tangible and intangible assets

At each balance sheet date the Company reviews the carrying values of tangible and intangible assets to determine whether there is an indication that those assets have suffered impairment loss. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset of their present value.

m. Employee stock options

The Company calculates the employee stock compensation expense based on the intrinsic value method wherein the excess of market price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme, is recognized as deferred employee stock compensation expense and is amortized over the vesting period.

n. Provisions, Contingent Liabilities and Contingent Assets:

i) Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A provision is made when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date.

ii) Contingent Assets are not recognized or disclosed in the financial statements.

o. Earnings per Share

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year. Dilutive earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except when the results would be anti-dilutive.

p. Unamortized expenditure

Ancillary costs incurred in connection with the arrangement of borrowings are amortized over the tenure of borrowings.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs)

	2013	2012
2: Share Capital		
Authorised #		
85,000,000 (75,000,000) equity shares of Rs. 2 each	170,000,000	150,000,000
Issued, Subscribed and Paid up		
61,879,472 (58,829,472) equity shares of Rs.2 each, fully paid up	123,758,944	117,658,944
Total	**123,758,944**	**117,658,944**

Increased pursuant to the Scheme of Amalgamation (Refer note 40)

(a) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	2013		2012	
	Number of Shares	Amount (in Rs)	Number of Shares	Amount (in Rs)
At the beginning of the year	58,829,472	117,658,944	58,829,472	117,658,944
Add : Allotment on conversion of warrants	3,050,000	6,100,000	-	-
At the end of the year	**61,879,472**	**123,758,944**	**58,829,472**	**117,658,944**

(b) Terms and rights attached to equity shares

The company has only one class of equity shares having a par value of Rs 2 per share. Each equity shareholder is entitled to one vote per share. The final dividend when proposed by the Board of Directors is subject to the approval of shareholders in the Annual General Meeting.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in the proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% Equity shares (Rs 2 each fully paid) in the company

Name of the shareholder	2013		2012	
	Number of equity shares	Percentage (%) shareholding	Number of equity shares	Percentage (%) shareholding
Archana Mittal	19,820,225	32.03%	25,414,710	43.20%
Tree Line Asia Master Fund (Singapore) Pte Ltd	2,760,000	4.46%	3,176,000	5.40%
Naishadh Jawahar Paleja	2,976,270	4.81%	2,976,270	5.06%

(d) Employee Stock Option Plan (ESOP)

The Company has instituted an “Arshiya Stock Option Plan 2007” for grant of Options to the employees of the Company and its subsidiaries, convertible into one equity share of Rs 2 each. These Options vest over a period of 36 months from the date of grant and are to be exercised within a period of 12 months from the date of vesting.

The Compensation committee formed by Board of Directors has approved the grant of Options. Each Option confers on the employee a right to one equity share of Rs 2 each at an exercise price of Rs 210 per share. Under “Arshiya Stock Option Plan 2007” 1,411,700 and 133,900 options were granted under Tranche I (Date of grant February - 15, 2008) and Tranche II (Date of grant - April 24, 2008) respectively.

	Employees of Company	Employees of subsidiaries	Total
Options outstanding at the beginning of the year	-- (42,495)	-- (74,775)	-- (117,270)
Options granted / transferred during the year	-- (--)	-- (--)	-- (--)
Options forfeited / transferred during the year	-- (--)	-- (--)	-- (--)
Options exercised during the year	-- (--)	-- (--)	-- (--)
Options expired/lapsed during the year	-- (42,495)	-- (74,775)	-- (117,270)
Options outstanding at the end of the year	-- (--)	-- (--)	-- (--)
Options exercisable at the end of the year	-- (--)	-- (--)	-- (--)

Out of the total employee stock compensation credit of Rs. Nil (Rs 4,994,598) recognized during the year, the Company has credited Rs Nil (Rs 3,268,091) to the Statement of Profit and Loss and reduced from project cost Rs. Nil (Rs 1,227,375) on account of options granted to employees employed exclusively for its new projects. The balance credit of Rs. Nil (Rs 499,131) pertaining to the options granted to the employees of the subsidiary companies has been transferred to the subsidiary companies.

(e) Issue of convertible warrants

The Company has alloted 13,600,000 convertible warrants at Rs. 145/- per warrant to promoters / promoters group on preferential basis pursuant to a special resolution passed by the members of the Company at their extra ordinary meeting, held on October 18, 2012. Out of the above, 3,050,000 warrants have been converted into 3,050,000 equity shares of Rs. 2/- each fully paid up at a premium of Rs. 143/- per share on November 3, 2012 amounting to Rs. 442,250,000. Pending conversion of 10,550,000 warrants, amount received against these warrants of Rs. 836,087,500 is shown as "Money received against share warrants" in the financial statements. The above funds of preferential allotment have been utilised for repayment of short-term borrowings and working capital requirements of the Company.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs)

	2013	2012
3: Reserves and surplus		
Securities Premium		
As per last balance sheet	4,500,127,085	4,500,127,085
Add: Received during the year	436,150,000	-
Pursuant to Scheme of Amalgamation (Refer note 40)	484,291,000	-
	5,420,568,085	**4,500,127,085**
Amalgamation Reserve *		
As per last balance sheet	12,480,000	12,480,000
Foreign currency monetary item translation difference account [Refer note 39 (c)]	(8,559,558)	2,584,286
General Reserve		
As per last balance sheet	128,343,158	80,343,158
Add : Pursuant to Scheme of Amalgamation (Refer note 40)	(34,325,624)	-
Transferred from Statement of Profit and Loss	-	48,000,000
	94,017,534	**128,343,158**
Surplus in Statement of Profit and Loss		
As per last balance sheet	764,606,297	433,210,564
Add : Pursuant to Scheme of Amalgamation (Refer note 40)	(294,431,921)	-
Adjusted pursuant to Scheme of Amalgamation (Refer note 40)	(470,174,376)	-
Profit / (Loss) for the year	(140,050,073)	475,118,050
Less: Appropriations		
Proposed Dividend	-	82,361,261
Tax on Proposed Dividend	-	13,361,056
Transfer to General Reserve	-	48,000,000
	(140,050,073)	**764,606,297**
Total	**5,378,455,988**	**5,408,140,826**
* As per the Scheme of Amalgamation of erstwhile BDP (India) Private Limited with the Company approved by the Hon'ble High Court of Judicature at Bombay in earlier years, Amalgamation Reserve is free for all purposes.		

(Amount in Rs)

	Non-current		Current	
	2013	2012	2013	2012
4: Long-term borrowings				
Secured				
Term loan from				
- Banks	9,352,277,101	8,697,785,273	775,987,585	123,764,000
- Other parties	-	796,666,669	956,666,668	266,666,665
Vehicle loan from bank	1,249,065	-	270,553	-
Finance lease obligations	206,793	396,298	189,505	568,805
Unsecured				
Term loan from other parties	1,100,000,000	1,100,000,000	-	-
	10,453,732,959	**10,594,848,240**	**1,733,114,311**	**390,999,470**
Amount disclosed under the head "other current liabilities"	**-**	**-**	(1,733,114,311)	(390,999,470)
Total	**10,453,732,959**	**10,594,848,240**	**-**	**-**

a) Term loan from banks

i) Rs 10,105,783,486 (Rs 8,791,549,269) is secured by way of first charge on all the present and future movable and immovable fixed assets including intangible assets, assignment of rights and benefits but excluding Nagpur project assets and other than project assets of Khurja FTWZ project, Khurja Distripark Project, Rail Project of subsidiaries. The loan is also secured by second charge on company's current assets. Out of the above, Rs 4,779,993,878 (Rs 4,779,992,009) is repayable in 32 quarterly installments after moratorium period of 8 quarters from the date of first disbursement i.e. December 31, 2010 along with interest ranging from 13.00 % to 14.75% p.a. and balance Rs 5,325,789,607 (Rs 4,011,557,260) is repayable in 30 quarterly installments after moratorium period of 10 quarters from the date of first disbursement i.e. December 31, 2010 and carries interest ranging from 13.00% to 14.75% p.a. and penal interest of 2% p.a. Out of the above loan, Rs. 113,763,854 (Rs. Nil) is overdue as at March 31, 2013.

ii) Rs. 22,481,200 (Rs. 30,000,000) is secured by way of hypothecation charge over the assets financed viz furniture and fixtures, office equipments of MIDC office, Andheri (now transferred to FTWZ Panvel). It is also secured by subservient charge on all the present and future moveable and immoveable project assets, intangible assets, assignment of rights and benefits, existing & future receivables. The above loan carries interest of 15.00% to 15.25 % plus penal interest of 3% p.a. and is repayable in 20 equal quarterly installments starting from April 30, 2010. Out of the above loan, Rs. 2,500,000 (Rs. Nil) is overdue as at March 31, 2013.

b) Term Loan from other parties

i) Rs 690,000,000 (Rs 690,000,000) is secured by first charge on land belonging to company situated at Village Butibori at Nagpur, Maharashtra. The above loan carries interest @ 15.25% p.a. and penal interest of 4% p.a. Out of the above, Rs 390,000,000 is repayable in a single installment at the end of 3 years from the date of disbursement i.e. October 13, 2011 or on exercise of put/call option after 1 year from the date of disbursement and balance Rs 300,000,000 in single installment at the end of 3 years from the date of disbursement i.e. January 02, 2012 or on exercise of put/call option after 1 year from the date of disbursement. During the year, as per the terms of sanction letter the lender has excercised call option and recalled the above loan.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

ii) Rs. 266,666,667 (Rs. 373,333,334) is secured by first and exclusive charge by way of mortgage of Company's land at Khurja near Delhi. The above loan carries interest of 15% p.a. plus penal interest of 2% p.a. Out of the above, Rs. 80,000,000 is repayable in six equal monthly installments after a moratorium period of 6 months from the date of disbursement i.e. July 21, 2011 and balance in twelve equal monthly installments starting from thirteenth month from the date of disbursement. During the year, the Company has defaulted in making payment of four installments aggregating to Rs. 106,666,668 (Rs. Nil). Consequently, pursuant to the facility agreement the lender has recalled the balance outstanding amount of Rs. 160,000,000 (Rs. Nil).

c) Unsecured term loan from other parties

Rs. 1,100,000,000 (Rs. 1,100,000,000) is against pledge of 49% equity shares of Arshiya Northern FTWZ Limited held by Company (wholly owned subsidiary of the company) and by way of charge on Panvel FTWZ related receivables of one of its subsidiaries and by way of corporate guarantee issued by one of its subsidiaries. The loan carries interest @ 15.5% plus penal interest @ 2% p.a and is repayable in 36 equal monthly installments after a moratorium period of 24 months from the date of disbursement i.e. March 27, 2012.

d) All the above loans are personally guaranteed by two directors of the Company.

e) Vehicle loan and finance lease obligations are secured by way of hypothecation of vehicles.

f) Period and amount of continuing default in repayment of long-term borrowings and interest (overdue) as at March 31, 2013 are as under :

(Amount in Rs.)

Lender / period of delays	Principal	Interest	Total
1. Banks *			
0-60 days	116,263,854	316,288,094	432,551,948
2. Other parties			
0-60 days	160,000,000	47,994,235	207,994,235
61-120 days	353,333,332	2,378,082	355,711,414
121-180 days	443,333,332	-	443,333,332
	1,072,930,518	**366,660,411**	**1,439,590,929**

* All unpaid dues to banks are covered under Corporate Debt Restructuring Scheme submitted by the Company.

(Amount in Rs)

		2013	2012
5: Deferred tax liabilities (net)			
Deferred tax liabilities			
Fiscal allowance on fixed assets		256,842,462	165,446,584
Total (A)		**256,842,462**	**165,446,584**
Deferred tax assets			
Fiscal loss carried forward #		97,483,996	-
Foreign currency monetary translation difference account		(2,909,394)	838,473
Provision for doubtful debts		1,238,082	1,049,324
Other timing differences		4,157,919	1,622,251
Total (B)		**99,970,603**	**3,510,047**
# includes Rs. 1,342,354 acquired pursuant to Scheme of Amalgamation (Refer note 40)			
Deferred tax liabilities (net) (A-B)	**Total**	**156,871,859**	**161,936,537**
6: Other long-term liabilities			
Deposits from			
- Subsidiary		2,000,000	400,000,000
- Others		8,554,930	5,233,430
	Total	**10,554,930**	**405,233,430**
7: Long-term provisions			
Employee benefits		10,379,328	11,705,745
	Total	**10,379,328**	**11,705,745**
8: Short-term borrowings			
Secured			
- Short term loan from bank		495,000,000	549,980,053
- Working capital demand loan from banks		588,865,679	20,491,633
Unsecured			
- Loan from Directors		814,344,104	-
- Inter-corporate deposits		127,603,111	225,000,000
	Total	**2,025,812,894**	**795,471,686**

a) Short term loan from bank

Rs. 495,000,000 (Rs. 549,980,053) is secured by way of second charge on pari-passu basis on entire movable and immovable fixed assets of the company. The loan is also secured by way of personal guarantees of two Directors of the Company. The above loan is overdue as at March 31, 2013.

b) Working capital demand loan from banks

i) Rs. 189,172,893 (Rs. 20,491,633) is secured by way of first charge on company's current assets other than project assets of its Nagpur and Khurja FTWZ projects, Khurja Distripark and Rail Projects of subsidiaries and second charge on all the present and future movable and immovable assets including intangible assets, assignment of rights and benefits other than project assets of its Nagpur and Khurja FTWZ projects, Khurja Distripark and Rail projects of subsidiaries.

ii) Rs. 399,692,786 (Rs Nil) is secured by way of first charge ranking pari-passu by way of hypothecation of entire current assets of the Company (excluding those assets pertaining to its Nagpur and Khurja FTWZ projects, Khurja Distripark and Rail projects of its subsidiaries). The above loan is overdue as at March 31, 2013.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

c) **Unsecured loans**
Inter-corporate deposits of Rs. 122,500,000 (Rs. 225,000,000) are against pledge of shares of the company held by one of the directors of the company.

d) Period and amount of continuing default in repayment of short-term borrowings and interest (overdue) as at March 31, 2013 are as under :

(Amount in Rs.)

Lender / period of delays	Principal	Interest	Total
1. Banks *			
0-60 days	-	37,522,018	37,522,018
61-120 days	564,692,786	7,404,471	572,097,257
121-180 days	220,000,000	6,218,384	226,218,384
More than 180 days	110,000,000	-	110,000,000
2. Inter Corporate deposits			
0-60 days	5,103,111	30,775,048	35,878,159
121-180 days	22,500,000	-	22,500,000
	922,295,897	**81,919,921**	**1,004,215,818**

* All unpaid dues to banks are covered under Corporate Debt Restructuring Scheme submitted by the Company.

(Amount in Rs)

		2013	2012
9: Other current liabilities			
a) Trade payables	**(a)**	2,120,792,847	507,543,811
b) **Other liabilities**			
Current maturities of long-term borrowings (Refer note 4)		1,732,924,806	390,430,665
Current maturities of finance lease obligations (Refer note 4)		189,505	568,805
Interest accrued and due			
- Borrowings		448,580,332	-
- Others		15,755,856	-
Interest accrued but not due on borrowings		-	1,514,754
Unearned revenue		37,523	3,232,060
Unclaimed dividend (Refer note 31)		1,189,870	1,190,870
Advance received from subsidiaries against land (Refer note 38)		1,362,415,134	1,415,871,683
Others			
Creditors for			
- Capital expenses		372,242,242	791,039,724
- Expenses		147,096,662	65,689,612
Statutory dues		206,708,389	46,581,189
Trade advances received		5,211,254	2,027,599
	(b)	**4,292,351,574**	**2,718,146,960**
	Total (a+b)	**6,413,144,421**	**3,225,690,771**
10: Short-term provisions			
Employee benefits		14,282,874	22,619,508
Mark to market on derivative contracts		48,008,519	-
Proposed dividend		-	82,361,261
Tax on proposed dividend		-	13,361,056
	Total	**62,291,393**	**118,341,824**
12: Non-current investments			
In subsidiary companies - (Trade - unquoted)			
300,000 (300,000) Equity shares of Arshiya Hong Kong Limited of USD 1 each		53,250,000	53,250,000
2,500,000 (2,500,000) Equity shares of Cyberlog Technologies International Pte. Limited of SGD 0.10 each		60,500,000	60,500,000
100,000 (100,000) Equity shares of Arshiya International Singapore Pte Limited of SGD 1 each		3,431,000	3,431,000
1,600,000 (1,600,000) Equity shares of Arshiya Supply Chain Management Private Limited of Rs 10 each.		16,000,000	16,000,000
NIL (1,000,000) Equity shares of Arshiya FTWZ Limited of Rs 10 each #		-	209,500,000
NIL (1,000,000) Equity shares of Arshiya Domestic Distripark Limited of Rs 10 each #		-	295,000,000
8,604,976 (NIL) Equity shares of Arshiya Industrial & Distribution Hub Limited of Rs 10 each * @		960,194,316	-
11,050,000 (NIL) Equity shares of Arshiya Central FTWZ Limited of Rs. 10 each, fully		110,500,000	-
30,350,000 (30,350,000) Equity shares of Arshiya Rail Infrastructure Limited of Rs 10 each @		1,000,400,000	1,000,400,000
7,946,624 (NIL) Equity shares of Arshiya Northern FTWZ Limited of Rs 10 each * @		2,783,577,340	-
50,000 (50,000) Equity shares of Arshiya Transport and Handling Limited of Rs 10 each		500,000	500,000
10,000 (10,000) Equity shares of Arshiya Technologies (India) Private Limited of Rs 10 each		100,000	100,000
	Total	**4,988,452,656**	**1,638,681,000**
Less :			
Provision for diminution in the value of Investment (Refer note 26)		**500,000**	**-**
		4,987,952,656	**1,638,681,000**
(All the above equity shares are fully paid up)			
Aggregate book value of unquoted investments		**4,988,452,656**	**1,638,681,000**
Provision for diminution in the value of Investment		**500,000**	**-**

\# Cancelled pursuant to the Scheme of Amalgamation as referred in note 40
@ Includes i) 7,946,624 equity shares in Arshiya Northern FTWZ Limited, ii) 5,105,769 equity shares of Arshiya Industrial & Distribution Hub Limited and iii) 19,978,500 equity shares of Arshiya Rail Infrastructure Limited that pledged with lenders for loans granted to subsidiaries.

* 4,613,284 (Nil) and 3,645,200 (Nil) equity shares of Rs. 10/- each held in Arshiya Northen FTWZ Limited and Arshiya Industrial and Distribution Hub Limited respectively acquired pursuant to the Scheme of Amalgamation as referred in note 40, are yet to be trasferrred in the name of the Company.

Arshiya International Limited
Notes forming part of the financial statements
Note 11- Fixed assets

(Amount in Rs)

Description of assets	Gross Block				Depreciation / Amortization				Net Block	
	As at April 1, 2012	Additions	Deductions/ Adjustments	As at March 31, 2013	Upto March 31, 2012	For the year	Deductions/ Adjustments	Upto March 31, 2013	As at March 31, 2013	As at March 31, 2012
a) Tangibles										
Freehold Land	1,844,447,544	6,356,940	-	1,850,804,484	-	-	-	-	1,850,804,484	1,844,447,544
	2,988,494,608	848,874,110	-	3,837,368,718	50,269,804	52,289,511	-	102,559,315	3,734,809,403	2,938,224,805
Leasehold Improvements	229,114,240	16,208,463	132,270,557	113,052,146	102,075,202	48,649,676	77,993,612	72,731,266	40,320,880	127,039,038
Plant and Machinery	447,206,532	64,345,011	-	511,551,543	26,574,210	23,346,077	-	49,920,287	461,631,256	420,632,322
Computers	87,597,814	4,142,944	70,850	91,669,908	25,531,591	13,755,334	67,308	39,219,617	52,450,291	62,066,223
Equipments	338,546,418	74,657,028	268,105	412,935,343	16,965,815	17,157,110	34,174	34,088,751	378,846,591	321,580,603
Vehicles	20,607,072	2,215,944	527,969	22,295,047	6,561,844	1,999,384	253,009	8,308,219	13,986,828	14,045,229
Furniture and Fixtures	129,834,181	8,003,236	161,941	137,675,476	16,190,562	8,335,808	31,192	24,495,178	113,180,298	113,643,620
Total	**6,085,848,409**	**1,024,803,676**	**133,299,422**	**6,977,352,665**	**244,169,026**	**165,532,900**	**78,379,295**	**331,322,632**	**6,646,030,031**	**5,841,679,384**
Previous Year	3,210,551,049	2,875,925,665	628,305	6,085,848,409	107,173,117	137,002,840	6,931	244,169,026	5,841,679,383	
b) Intangibles										
Softwares	239,141,673	561,800	-	239,703,473	57,482,376	44,013,617	-	101,495,993	138,207,480	181,659,297
Trade Mark and Patents	233,700	-	-	233,700	97,322	23,370	-	120,692	113,008	136,378
Total	**239,375,373**	**561,800**	**-**	**239,937,173**	**57,579,698**	**44,036,987**	**-**	**101,616,685**	**138,320,488**	**181,795,675**
Previous Year	221,216,184	18,159,189	-	239,375,373	16,058,001	41,521,697	-	57,579,698	181,795,675	
Total	**6,325,223,782**	**1,025,365,476**	**133,299,422**	**7,217,289,838**	**301,748,724**	**209,569,887**	**78,379,295**	**432,939,317**	**6,784,350,519**	**6,023,475,059**
Capital work-in-progress									**6,105,612,656**	**5,045,667,990**

Notes:

1 Gross block includes cost of vehicles taken on finance lease Rs. 1,025,331 (Rs. 8,394,884).
2 Depreciation for the year includes Rs 10,486,396 (Rs 14,245,300) transferred to pre-operative expenses.
3 Exchange difference adjusted to fixed assets, refer note 39 (c).
4 Depreciation for the year includes Rs Nil (Rs 1,471,221) pertaining to earlier period
5 Capital work-in-progress includes Land and related expenses of Rs. 732,339,278 situated at Nagpur is formally under possesion of a lender as per the order of Hon'ble High Court.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs)

	Long term		Short term	
	2013	2012	2013	2012
13: Loans and advances				
(unsecured considered good unless otherwise stated)				
Capital advances	373,504,473	526,483,799	-	-
Deposits	93,304,856	102,893,969	955,200	24,989,229
Loans and advances to subsidiaries (Refer note 32)	2,959,840,457	5,026,348,346	10,317,130	50,884,669
Less: Provision for doubtful loan (Refer note 27)	99,518,300	-	-	-
	2,860,322,157	5,026,348,346	10,317,130	50,884,669
Share application money - subsidiary	80,000,000	-	-	-
Others				
Advance recoverable in cash of kind	-	-	83,694,795	17,119,447
Balances with government authorities				
- Direct tax (net of provisions)	157,085,061	71,574,709	-	-
- MAT Credit Entitlement	40,458,808	40,458,808	-	-
- Indirect taxes	-	-	240,180,492	210,644,376
Prepaid expenses	2,671,897	5,811,218	8,634,937	20,032,146
Staff advances	-	-	1,347,319	1,883,541
Total	**3,607,347,252**	**5,773,570,849**	**345,129,873**	**325,553,408**

(Amount in Rs)

	Non-current		Current	
	2013	2012	2013	2012
14: Other assets				
Interest receivable				
- Subsidiaries (Refer note 32)	-	-	156,977,507	251,644,402
- Fixed deposits	3,750	62,107	285,442	873,530
Unamortized ancillary borrowing costs	211,300,657	244,968,932	40,904,382	50,758,350
Margin money deposits with banks having original maturity period of more than 12 months (Refer note 16)	500,000	1,000,000	-	-
Mark to market gain on derivative contracts	-	-	-	13,267,924
		-	-	-
Total	**211,804,407**	**246,031,039**	**198,167,331**	**316,544,205**

(Amount in Rs)

	2013	2012
15: Trade receivables #		
(unsecured considered good, unless otherwise stated)		
Debts outstanding for a period exceeding six months		
-Considered good	455,914,302	5,061,635
-Considered doubtful	3,642,490	3,234,162
	459,556,792	**8,295,797**
Less: Provision for doubtful debts	3,642,490	3,234,162
	455,914,302	**5,061,635**
Other debts	2,724,059,161	1,206,247,484
Total	**3,179,973,463**	**1,211,309,119**
# includes Rs 515,734,693 (Rs 346,845,673) due from a subsidiary		

(Amount in Rs)

	Non-current		Current	
	2013	2012	2013	2012
16: Cash and bank balances				
Cash and cash equivalents				
Balances with banks in current accounts	-	-	36,817,548	222,209,439
Cash on hand	-	-	4,379,608	5,324,623
Remittances in transit	-	-	7,316,574	927,941
	-	**-**	**48,513,730**	**228,462,003**
Other bank balances				
Balances with bank in unclaimed dividend accounts	**-**	**-**	1,238,328	1,233,326
Margin money deposits with banks having original maturity period of more than 3 months but less than 12 months	-	-	-	25,000,000
Margin money deposits with banks having original maturity period of more than 12 months	500,000	1,000,000	1,000,000	3,500,000
	500,000	**1,000,000**	**2,238,328**	**29,733,326**
Less: Disclosed under other non-current assets (Refer note 14)	**500,000**	**1,000,000**	**-**	**-**
	-	**-**	**50,752,058**	**258,195,329**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs)

	2013	2012
17: Revenue from operations		
Revenue from		
- Logistic operations	5,735,815,706	4,907,711,132
- Free Trade Warehousing operations	1,273,893,071	947,947,107
Other operating revenue - export benefits	1,797,102	70,644,840
Total	**7,011,505,879**	**5,926,303,079**
18: Other income		
Interest income from		
- Subsidiaries	220,751,518	340,803,136
- Others	7,075,249	3,454,716
Profit on redemption of units of mutual fund	-	78,890
Dividend income from subsidiaries	-	26,990,119
Exchange difference (net)	3,769,628	-
Miscellaneous Income	103,597	2,449,409
Total	**231,699,992**	**373,776,269**
19: Cost of operations		
Logistic operations	4,937,866,942	3,857,949,115
Free Trade Warehousing operations	28,350,639	10,081,965
Total	**4,966,217,581**	**3,868,031,080**
20: Employee benefits expense		
Salary, bonus and other allowances	300,941,776	316,162,089
Contribution to provident and other funds	7,149,443	26,926,887
Staff welfare expenses	17,375,929	26,444,494
Employee stock compensation expense {Refer note 2(d)}	-	(3,268,091)
Total	**325,467,149**	**366,265,379**
21: Finance costs		
Interest expense		
- Borrowings	1,253,498,740	778,439,180
- Others	18,944,639	280,276
Other borrowing costs	49,724,050	25,338,084
Total	**1,322,167,429**	**804,057,540**
22: Other expenses		
Rent	102,842,995	85,397,132
Rates and taxes	19,660,233	16,095,035
Insurance	2,709,985	3,666,017
Electricity charges	30,286,411	27,321,295
Repairs and maintenance		
- Building	6,824,372	3,661,332
- Others	27,860,588	29,056,597
Communication expenses	13,807,393	16,609,980
Travelling and conveyance expenses	36,442,121	41,962,609
Vehicle expenses	14,470,578	18,728,884
Printing and stationery	4,754,368	5,441,945
Legal and professional fees	44,190,754	39,773,660
Security charges	31,046,247	31,688,460
Auditor's remuneration		
- Statutory audit fees	5,056,920	5,050,633
- Certification fees	269,080	113,058
- Reimbursement of expenses	82,579	18,095
Advertisement and business promotion expenses	13,586,513	20,905,498
Exchange difference (net)	-	6,815,681
Bad debts	-	323,899
Provision for doubtful debts	408,328	2,545,072
Loss on sale of fixed assets (net)	284,072	83,269
Miscellaneous expenses	65,308,808	50,247,070
Total	**419,892,343**	**405,505,221**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

23. a. Contingent liabilities not provided for:

(Amount in Rs)

Sr. no		2013	2012
i)	Disputed income tax demands	122,197,838	4,350,076
ii)	Claims against the Company not acknowledged as debts	167,741,290	55,222,057
iii)	Guarantees/ Letter of credit issued by banks (net of liabilities provided)	4,499,004	9,576,448
iv)	Guarantees given on behalf of subsidiaries. Loans outstanding (including interest accrued and due) against such guarantees is Rs 12,613,786,374 (Rs 11,256,501,746)	15,291,519,332	12,385,119,332

b. Capital and other commitments

i) Estimated amount of contracts remaining to be executed on capital and other account and not provided for (net of advances paid) is Rs 987,560,296 (Rs 1,214,173,468).

ii) The Company has also provided security (included in 22(a)(iv) above) to the lenders for loan granted of Rs 4,000,000,000 (Rs 4,000,000,000) to its subsidiary viz. Arshiya Rail Infrastructure Limited.

iii) The company has committed to provide continued need based financial support to subsidiaries.

24. The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence the disclosures, if any, relating to amounts unpaid as at the year end together with interest payable as required under the said Act have not been given. This has been relied upon by the auditors.

25. a. In the opinion of the management, current assets, loans and advances and current liabilities are approximately of the value stated, if realised / paid in the ordinary course of business. Provision for all known liabilities is adequate and is not in excess of amounts considered reasonably necessary.

b. The company has sent confirmation letters for confirming the balances as on March 31, 2013 of trade receivables, trade payables, advances and loans/credit facilities from banks/financial institutions. However, certain trade receivables, trade payables and loans/credit facilities from banks/financial institutions are subject to confirmation and reconciliation. The difference, if any, will be adjusted on final reconciliation/determination.

26. a. Revenue from logistic operations (Refer note 17) mainly comprises of freight and forwarding income, clearing and handling charges, other related income and also includes related commission income of Rs. 212,760,595 (Rs. 470,380,202).

b. Cost of logistic operations (Refer note 19) mainly comprises of freight and forwarding expenses, clearing and handling charges and other related expenses.

27. Details of exceptional items are as under

(Amount in Rs)

		2013	2012
a)	Leasehold improvements written off	54,276,945	--
b)	Provisions for (in respect of its wholly owned subsidiary Arshiya Transport and Handling Limited)		
	- Diminution in the value of investments in equity shares	500,000	--
	- Loan given considered doubtful	99,518,300	--
	Total	**154,295,245**	--

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

28. Disclosure pursuant to Accounting Standard 15 (Revised) – Employee Benefits

a. Brief descriptions of the plans

The Company's defined contribution plans are Provident Fund and Employees State Insurance where the Company has no further obligation beyond making the contributions. The Company's defined benefit plans include gratuity. The employees are also entitled to leave encashment as per the Company's policy.

b. Defined benefit plan – Gratuity (Funded)

(Amount in Rs)

	2013	2012
I. Actuarial assumptions		
Discount rate	8.00%	8.50%
Rate of return on plan assets	8.70%	8.60%
Future salary rise	7%	7%
Attrition rate	10%	10%
II. Change in defined benefit obligations		
Liability at the beginning of the year	21,846,143	12,378,449
Interest cost	1,856,922	1,021,222
Current service cost	7,685,610	5,297,377
Liability transferred by group companies	178,145	155,549
Liability transferred to group companies	(68,627)	(12,640,112)
Benefits paid	(2,432,886)	--
Actuarial (gain) / loss on obligations	(15,083,251)	15,633,658
Liability at the end of the year	13,982,056	21,846,143
III. Fair value of plan assets		
Fair value of plan assets at the beginning of the year	2,982,832	8,632,693
Expected return on plan assets	256,524	690,615
Transferred by group companies	--	166,152
Transferred to group companies	--	(6,334,582)
Benefits paid	(2,432,886)	--
Actuarial gain / (loss) on plan assets	90,130	(172,046)
Fair value of plan assets at the end of the year	896,600	2,982,832
Total Actuarial gain / (loss) on obligation	15,083,251	(15,805,704)
IV. Actual return on plan assets		
Expected return on plan assets	256,524	690,615
Actuarial gain / (loss) on plan assets	90,130	(172,046)
Actual return on plan assets	346,654	518,569
V. Liability recognized in the Balance Sheet		
Liability at the end of the year	13,982,056	21,846,143
Fair value of plan assets at the end of the year	896,600	2,982,832
Liability recognized in the Balance Sheet	13,085,456	18,863,311
VI. Percentage of each category of plan assets to total fair value of plan assets		
Insurer managed funds	100%	100%

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs)

VII. Expenses recognized in the Statement of Profit and Loss		
Current service cost	7,685,610	5,297,377
Interest cost	1,856,922	1,021,222
Expected return on plan assets	(256,524)	(690,615)
Net actuarial (gain) / loss to be on obligation	(15,173,381)	15,805,704
Expense recognized in Statement of Profit and Loss	(5,887,373)	21,433,688
VIII. Balance Sheet reconciliation		
Opening net liability	18,863,311	3,745,756
Expenses as above	(5,887,373)	21,433,688
Net transfer by group companies	178,145	(10,603)
Net transfer to group companies	(68,627)	(6,305,530)
Closing net liability	13,085,456	18,863,311
IX. Expected employers contribution in next year	10,256,000	21,580,100
As per actuarial valuation report		
X. Experience adjustments		
On plan liability (gain) / loss	(15,509,084)	16,660,776
On plan asset (loss) / gain	90,130	(172,046)

c. Leave Encashment (unfunded): (Amount in Rs)

	2013	2012
I. Actuarial assumptions		
Discount rate	8.50%	8.50%
Future salary rise	7%	7%
Attrition rate	10%	10%
II. Change in defined benefit obligations		
Liability at the beginning of the year	15,461,944	13,949,831
Interest cost	1,314,265	1,150,861
Current service cost	6,319,696	4,242,323
Liability transferred by group companies	154,026	286,630
Liability transferred to group companies	(79,500)	(7,116,749)
Benefits paid	(13,260,294)	(2,771,542)
Actuarial (gain) / loss on obligations	1,666,609	5,720,590
Liability at the end of the year	11,576,746	15,461,944
III. Liability recognized in the Balance Sheet	11,576,746	15,461,944
Liability at the end of the year	11,576,746	15,461,944
Liability recognized in the Balance Sheet		
IV. Expenses recognized in the Statement of Profit and Loss		
Current service cost	6,319,696	4,242,323
Interest cost	1,314,265	1,150,861
Net actuarial (gain) / loss	1,666,609	5,720,590
Expense recognized in Statement of Profit and Loss	9,300,570	11,113,774

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

V. Balance Sheet reconciliation		
Opening net liability	15,461,944	13,949,831
Expenses as above	9,300,570	11,113,774
Benefits Paid	(13,260,294)	(2,771,542)
Net transfer by group companies	154,206	286,630
Net transfer to group companies	(79,500)	(7,116,749)
Closing net liability	11,576,746	15,461,944
VI. Experience adjustments:		
On plan liability (gain) / loss	1,426,206	6,066,689

Note :

1) Gratuity credit of Rs. 252,978 (expense Rs.13,888,624) and leave encashment expenses of Rs. 3,549,368 (Rs 8,791,666) related to project employees has been transferred to pre-operative expenses. Net amount recognized as an expense and included in Note 20 “Employee benefits expense” are gratuity credit of Rs. 5,634,395 (Rs.7,545,064) and leave encashment expenses of Rs. 5,751,202 (Rs. 2,322,106)
2) The estimate of future salary increases has been done on the basis of current salary suitably projected for future, beginning from the end of the first year taking into considered the general trend in inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.
3) “Contribution to provident and other funds” is recognised as an expense in note 20 of the statement of Profit and Loss.

29. Segment information

Primary Segment Information

The Company operates in two primary reportable business segments, i.e. “Logistics operations and related services” and Free Trade Warehousing Zone (‘FTWZ’) operations” as per Accounting Standard 17 – “Segment Reporting”.

(Amount in Rs)

	Logistic operations	FTWZ operations	Unallocated	Total
Segment Revenue				
External sales	5,737,612,808 (4,978,355,972)	1,273,893,071 (947,947,107)	-- (--)	7,011,505,879 (5,926,303,079)
Other income	264,834 (2,406,155)	6,176,298 (--)	(-)2,567,908 (27,112,263)	3,873,225 (29,518,418)
Total Revenue	5,737,877,642 (4,980,762,127)	1,280,069,369 (947,947,107)	(-)2,567,908 (27,112,263)	7,015,379,104 (5,955,821,497)
Segment Results				
Segment results	683,852,878 (998,395,168)	936,945,825 (623,623,295)	(-)2,567,908 (27,112,263)	1,618,230,795 (1,649,130,725)
Unallocated corporate expenses	-- (--)	-- (--)	563,236,306 (522,728,230)	563,236,306 (522,728,230)
Operating profit	--	--	--	1,054,994,489 (1,126,402,496)
Interest expense	--	--	--	1,272,443,379 (778,719,456)
Interest income	--	--	--	227,826,767 (344,257,852)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Less: Exceptional Items: (Refer Note 26) Provision for diminution in value of Investment and doubtful loan of a subsidiary Leasehold improvements written off				100,018,300 (--) 54,276,945 (--)
Tax expense/ (-)Credit	--	--	--	(-)3,867,294 (216,822,842)
Profit /(-)Loss after Tax	--	--	--	(-)140,050,073 (475,118,049)
Other Information				
Segment assets	5,515,237,506 (3,028,930,699)	15,001,220,861 (13,263,598,819)	4,954,631,849 (4,546,498,480)	25,471,090,216 (20,839,027,998)
Segment liabilities	2,381,219,479 (544,917,331)	10,660,944,798 (10,196,907,357)	6,090,623,507 (4,571,403,541)	19,132,787,784 (15,313,228,229)
Capital expenditure	419,340 (22,419,937)	1,903,299,181 (3,720,755,290)	28,612,295 (43,331,490)	1,932,330,816 (3,786,506,717)
Depreciation and amortization expense	7,105,717 (6,469,158)	130,901,425 (131,350,248)	61,076,349 (40,705,130)	199,083,491 (178,524,536)
Non-cash expenses other than depreciation amortization	107,02,180 (4,762,724)	(-) 676,373 (28,306,329)	180,994,373 (2,516,769)	191,020,180 (35,585,822)

Secondary segment information

(Amount in Rs)

	India	Outside India	Total
Revenue	6,708,218,045 (5,512,372,806)	307,161,059 (443,448,691)	7,015,379,104 (5,955,821,497)
Carrying amount of assets	25,280,349,014 (20,541,868,348)	190,741,202 (297,159,654)	25,471,090,216 (20,839,028,002)
Capital expenditure	1,932,330,816 (3,786,506,717)	-- (--)	1,932,330,816 (3,786,506,717)

Notes:
Geographical segment and its composition are India and Rest of the world

i) The Company has identified India and Rest of the World as geographical segments for secondary segment reporting. Geographical sales are segregated based on the location of the customer who is invoiced or in relation to which the sale is otherwise recognized.

ii) Capital expenditure includes expenditure incurred on capital work in progress and capital advances.

30. Capital Projects

a. Capital work-in-progress includes Pre-operative expenses Rs 1,313,245,060 (Rs 608,125,676).

b. Borrowing costs (net) capitalized or transferred to capital-work-in-progress Rs 565,205,200 (Rs 397,321,404).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

c. The details of pre-operative expenses are as under:

(Amount in Rs)

	2013	2012
Expenditure upto previous year	**608,125,676**	**593,102,313**
Employee benefits expense	245,036,139	231,837,245
Electricity charges	3,092,434	6,010,631
Rent	35,885,511	65,736,703
Rates and taxes	8,156,278	19,943,742
Recruitment expenses	-	1,388,367
Travelling and conveyance expenses	8,652,710	14,567,804
Vehicle expenses	7,516,273	1,471,889
Legal and professional fees	19,315,816	24,020,637
Miscellaneous expenses	9,687,351	17,808,295
Security charges	522,317	764,457
Other financial charges	12,123,322	13,280,966
Interest expense	553,390,865	384,605,439
Miscellaneous income	(1,807,043)	(8,407,705)
Interest on fixed deposits	(308,987)	(565,001)
Depreciation / Amortization expense	10,486,396	14,245,300
Total	**1,519,875,058**	**1,379,811,082**
Less : Expenses allocated to Subsidiaries	--	29,145,220
Less : Amount allocated to fixed assets capitalized during the year	206,629,998	742,540,186
Balance carried to Balance Sheet	**1,313,245,060**	**608,125,676**

31. There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2013.

32. Related party disclosures, as required by Accounting Standard 18 “Related Party Disclosures” as given below.

Name of the entity	Country of Incorporation	Proportion of interest (including beneficial interest) / voting power (either directly / indirectly or through subsidiaries)
Direct Subsidiaries		
Arshiya Hong Kong Limited	Hong Kong	100% (100%)
Cyberlog Technologies International Pte Limited	Singapore	100% (100%)
Arshiya Supply Chain Management Private Limited	India	100% (100%)
Arshiya Domestic Distripark Limited#	India	-- (100%)
Arshiya FTWZ Limited#	India	-- (100%)
Arshiya International Singapore Pte Limited	Singapore	100% (100%)
Arshiya Transport and Handling Limited	India	100% (100%)
Arshiya Northern FTWZ Limited	India	100% (100%)
Arshiya Central FTWZ Limited $	India	100% (100%)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Arshiya Industrial & Distribution Hub Limited $$ (Previously Arshiya Northern Domestic Distripark Limited)	India	100% (100%)
Arshiya Rail Infrastructure Limited @	India	100% (100%)
Indirect Subsidiaries		
Held through Arshiya Hongkong Limited		
Arshiya Logistics LLC, Dubai	U.A.E.	100% (100%)
Held through Cyberlog Technologies International Pte Limited		
Cyberlog Technologies (UAE) FZE	U.A.E.	100% (100%)
Cyberlog Technologies Hong Kong Limited ##	Hong Kong	- - (100%)
Arshiya Technologies (India) Private Limited *	India	100% (100%)
Held through Arshiya Rail Infrastructure Limited		
Arshiya Rail Siding and Infrastructure Limited	India	100% (100%)

Note : Percentage given in bracket are of previous year .

@ 6.63 % (6.63%) held through Arshiya Hongkong Limited
* 9.89 % (9.89%) held through the Company
$ 48.33 % (48.33 %) held through Arshiya Hongkong Limited
$$ 14.05 % (16.44 %) held through Cyberlog Technologies (UAE) FZE
Merged with the Company w.e.f 1 April 2012 pursuant to the Scheme of Amalgamation as referred in Note 40
Deregistered / dissolved on March 28, 2013

a. (I) Key Management Personnel

Mr. Ajay S. Mittal – Chairman and Managing Director
Mrs. Archana A. Mittal – Joint Managing Director
Mr. Sandesh R. Chonkar – Chief Financial Officer and Executive Director
Mr. V. Shivkumar – Executive Director (resigned w.e.f . May 14, 2012)

(II) Relative of Key Management Personnel

Mr. Ananya Mittal – General Manager (Business Development) - August 6, 2012 to September 30, 2012.

b. Other related parties with whom transactions have taken place during the year or balances outstanding as at the reporting date.

Bhushan Steel Limited, Arshiya Lifestyle Limited.

Note:

The related party relationships have been determined by the management on the basis of the requirements of the AS-18 and the same have been relied upon by the auditors.

The nature and amount of transactions with the above related parties are as follows

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs)

	Subsidiary companies	Key management personnel and their relatives	Other related parties	Total
Revenue from operations	1,195,453,991 (1,000,644,205)	--	863,950,842 (559,260,565)	2,059,404,833 (1,559,904,770)
Rent paid	- (-)	-- (--)	1,788,771 (--)	1,788,771 (--)
Interest Income	220,751,518 (340,803,136)	-- (--)	(--)	220,751,518 (340,803,136)
Interest Expenses	-- (--)	6,225,480 (--)	(--)	6,225,480 (--)
Dividend income	-- (26,990,119)	-- (--)	-- (--)	-- (26,990,119)
Remuneration paid	-- (--)	34,440,523 (42,412,400)	-- (--)	34,440,523 (42,412,400)
Loans and advances given (including reim-bursement of expenses)	3,846,589,155 (3,796,555,765)	-- (--)	-- (--)	3,846,589,155 (3,796,555,765)
Loans and advances given repaid/adjusted (including reimbursement of expenses)	3,669,313,190 (2,018,491,477)	-- (--)	-- (--)	3,669,313,190 (2,018,491,477)
Loan and advances taken	-- (--)	1,171,862,053 (--)	-- (--)	1,171,862,053 (--)
Loans and advances taken repaid /adjusted ##	-- (--)	357,517,949 (--)	-- (--)	357,517,949 (--)
Loans and advances received against Land	86,500,000 (172,590,000)	-- (--)	-- (--)	86,500,000 (172,590,000)
Loans and advances received against Land refunded	139,956,549 (350,505,705)	-- (--)	-- (--)	139,956,549 (350,505,705)
Issue of Equity Shares on conversion of warrants	-- (--)	442,250,000 (--)	-- (--)	442,250,000 (--)
Share Application Money given	80,000,000 (--)	-- (--)	-- (--)	80,000,000 (--)
Money received against warrants	-- (--)	836,087,500 (--)	-- (--)	836,087,500 (--)
Sale of fixed assets	-- (617,514,307)	-- (--)	-- (--)	-- (617,514,307)
Purchase of fixed assets	-- (52,727,691)	-- (--)	-- (--)	-- (52,727,691)
Investments made @	1,341,951,516 (503,500,000)	-- (--)	-- (--)	1,341,951,516 (503,500,000)
Deposit received	17,000,000 (400,000,000)	-- (--)	-- (--)	17,000,000 (400,000,000)
Deposit received adjusted	415,000,000 (--)	-- (--)	-- (--)	415,000,000 (--)
Corporate guarantees / securities given	2,906,400,000 (1,240,019,332)	-- (--)	-- (--)	2,906,400,000 (1,240,019,332)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Balances as at March 31, 2013				
Loans and advances given	3,127,135,094 (5,328,877,418)	-- (--)	-- (--)	3,127,135,094 (5,328,877,418)
Trade receivables	515,734,693 (346,845,673)	-- (--)	170,171,405 (40,835,617)	532,806,098 (387,681,290)
Loans, advances and deposits received	1,364,415,134 (1,819,805,073)	814,344,104 (--)	-- (--)	2,178,759,238 (1,819,805,073)
Corporate guarantees / securities given	15,291,519,332 (12,385,119,332)	-- (--)	-- (--)	15,291,519,332 (12,385,119,332)
Investments outstanding	4,988,452,656 (1,638,681,000)	-- (--)	-- (--)	4,988,452,656 (1,638,681,000)

Note: The following transactions constitute more than 10% of the total related party transactions of same type

(Amount in Rs)

Nature of transactions	Name of the Party	2013	2012
Revenue from operations	Arshiya Supply Chain Management Private Limited	1,195,453,991	918,373,708
	Bhushan Steel Limited	863,950,842	559,260,565
Interest income	Arshiya Rail Infrastructure Limited	116,338,189	120,040,621
	Arshiya FTWZ Limited	--	94,974,603
	Arshiya Northern FTWZ Limited	56,088,610	--
	Arshiya Domestic Distripark Limited	--	100,478,298
	Arshiya Industrial & Distribution Hub Limited	43,314,351	--
Dividend income	Arshiya Hong Kong Limited	--	26,990,119
Rent Paid	Arshiya Lifestyle Limited	1,788,771	--
Interest Expenses	Mrs. Archana Mittal	6,225,480	--
Remuneration paid	Mr. Ajay S. Mittal	34,075,827	28,580,187
	Mrs. Archana A. Mittal	--	4,050,657
	Mr. Sandesh R. Chonkar	--	4,890,189
	Mr. V. Shivkumar	--	4,891,367
Loans and advances given	Arshiya Rail Infrastructure Limited	1,197,737,999	1,123,148,721
	Arshiya Northern FTWZ Limited	1,203,528,909	1,244,390,921
	Arshiya FTWZ Limited	--	564,525,000
	Arshiya Industrial & Distribution Hub Limited	1,110,496,656	--

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Loans and advances given repaid/adjusted	Arshiya Domestic Distripark Limited	--	417,650,000
	Arshiya Rail Infrastructure Limited	1,105,726,276	730,475,000
	Arshiya Northern FTWZ Limited	1,925,622,754	465,633,058
	Arshiya FTWZ Limited	--	216,600,000
Loans and advances taken	Mr. Ajay S Mittal	184,000,000	--
	Mrs. Archana Mittal	787,899,553	--
	Mr. Ananya Mittal	199,962,500	--
Loans and advances taken repaid/adjusted	Mrs. Archana Mittal	275,867,949	--
	Mr. Ananya Mittal ##	81,650,000	--
Loans and advances received against land	Arshiya Rail Infrastructure Limited	86,500,000	148,000,000
	Arshiya Industrial & Distribution Hub Limited		24,590,000
Loans and advances received against land refunded	Arshiya Domestic Distripark Limited	--	350,505,705
	Arshiya Rail Infrastructure Limited	139,956,549	--
Issue of equity shares on conversion of warrants	Mr. Ananya Mittal	442,250,000	--
Money received against warrants	Mr. Ananya Mittal	836,087,500	--
Share application money given	Arshiya Northern FTWZ Limited	80,000,000	--
Sale of fixed assets	Arshiya Industrial & Distribution Hub Limited	--	180,289,893
	Arshiya Domestic Distripark Limited	--	371,358,614
	Arshiya Rail Infrastructure Limited	--	65,865,800
Purchase of fixed assets	Arshiya Domestic Distripark Limited	--	52,727,691
Investments made @	Arshiya Industrial & Distribution Hub Limited	241,949,316	--
	Arshiya Domestic Distripark Limited	--	294,500,000
	Arshiya Northern FTWZ Limited	1,100,002,200	--
	Arshiya FTWZ Limited	--	209,000,000
Provision for diminution in value of Investments	Arshiya Transport and Handling Limited	500,000	--
Provision for doubtful Loan	Arshiya Transport and Handling Limited	99,518,300	--
Deposit received	Arshiya Supply Chain Management Private Limited	17,000,000	400,000,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

Deposit received adjusted	Arshiya Supply Chain Management Private	415,000,000	--
Corporate Guarantees / securities given	Arshiya Rail Infrastructure Limited	2,606,400,000	253,044,092
	Arshiya Supply Chain Management Private Limited	--	850,000,000
	Arshiya Northern FTWZ Limited	300,000,000	--
Closing Balances as at March 31			
Loans and advances given	Arshiya Domestic Distripark Limited	--	860,322,208
	Arshiya FTWZ Limited	--	1,729,238,211
	Arshiya Rail Infrastructure Limited	1,735,121,618	1,532,006,923
	Arshiya Industrial & Distribution Hub Limited	1,150,303,978	--
	Arshiya Northern FTWZ Limited	--	790,398,961
Trade receivables	Arshiya Supply Chain Management Private Limited	515,734,693	346,616,530
	Bhushan Steel Limited	17,071,405	40,835,617
Loans, advances and deposits taken	Arshiya Rail Infrastructure Limited	399,257,624	452,714,173
	Arshiya Central FTWZ Limited	931,463,233	931,463,233
	Arshiya Supply Chain Management Private Limited	2,000,000	400,000,000
	Mr. Ajay S Mittal *	302,312,500	--
	Mrs. Archana Mittal	512,031,604	--
Investments outstanding	Arshiya Industrial & Distribution Hub Limited	960,194,316	--
	Arshiya Domestic Distripark Limited	--	295,000,000
	Arshiya FTWZ Limited	--	209,500,000
	Arshiya Northern FTWZ	2,783,577,340	--
	Arshiya Rail Infrastructure Limited	1,000,400,000	1,000,400,000
Money received against warrants	Mr. Ajay S Mittal *	836,087,500	--
Corporate Guarantees / securities given	Arshiya Northern FTWZ Limited	3,103,700,000	2,803,700,000
	Arshiya Rail Infrastructure Limited	7,205,219,332	4,598,819,332
	Arshiya Supply Chain Management Private Limited	850,000,000	850,000,000
	Arshiya Industrial & Distribution Hub Limited	4,132,600,000	4,132,600,000

* Includes loan of Rs. 118,312,500/- and Rs.836,087,500 received against warrants which have been assigned in favour of Chairman and Managing Director.

##: Does not include Rs. 118,312,500 assigned in favour of Chairman and Managing Director.

@ Does not include investments of Rs. 2,512,320,140 acquired pursuant to the scheme of amalgamation (Refer Note: 40)

Note : Company has pledge its investments in subsidiaries for loan granted to subsidiaries (Refer Note: 12)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

33. Loans and Advances in the nature of Loans to subsidiaries (pursuant to Clause 32 of the Listing Agreement with Stock Exchange).

a. Loans and Advances to Subsidiary companies

(Amount in Rs)

Name of the Subsidiary (including indirect subsidiary)	Amount outstanding as on March 31, 2013	Maximum amount outstanding during the year
Arshiya Supply Chain Management Private Limited	10,317,130 (--)	32,137,000 (100,009,972)
Arshiya Domestic Distripark Limited * {Merged with the Company w.e.f. 1 April 2012 (Refer note 40)}	-- (860,322,208)	-- (1,178,708,744)
Arshiya FTWZ Limited ** {Merged with the Company w.e.f. 1 April 2012 (Refer note 40)}	-- (1,729,238,211)	-- (1,906,562,525)
Cyberlog Technologies International Pte Limited ***	-- (--)	-- (163,651)
Arshiya Rail Infrastructure Limited****	1,735,121,618 (1,532,006,923)	1,777,413,259 (1,532,006,923)
Arshiya Central FTWZ Limited	9,924,170 (900,000)	9,924,170 (900,000)
Arshiya Transport & Handling Limited	95,089,131 (50,884,669)	95,089,131 (50,895,846)
Arshiya Industrial & Distribution Hub Limited (Previously Arshiya Northern Domestic Distripark Limited)	1,108,938,772 (368,387,442)	1,279,173,658 (368,617,945)
Arshiya Northern FTWZ Limited	121,869,738 (790,398,961)	1,080,792,965 (1,093,164,238)
Arshiya Logistics LLC, Dubai	-- (--)	-- (319,116)

b. All loans and advances in the nature of loans are given in terms within the limits specified under section 372A of the Companies Act, 1956.

* Arshiya Domestic Distripark Limited has made investments in its following subsidiaries:

(Number of equity shares)

Sr. No.	Name of the Company	2013	2012
(i)	Arshiya Industrial & Distribution Hub Limited	--	7,147,450

Arshiya FTWZ Limited has made investments in following subsidiaries **(Number of equity shares)

Sr. No.	Name of the Company	2013	2012
(i)	Arshiya Central FTWZ Limited	--	11,050,000
(ii)	Arshiya Northern FTWZ Limited	--	4,613,284

*** Cyberlog Technologies International Pte Limited, Singapore has made investments in its following subsidiaries

(Number of equity shares)

Name of the Company	2013	2012
Arshiya Technologies India Private Limited	91,158	91,158

**** Arshiya Rail Infrastructure Limited has made investments in following subsidiaries

(Number of equity shares)

Name of the Company	2013	2012
Arshiya Rail Siding & Infrastructure Limited	50,000	50,000

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

34. Disclosure pursuant to Accounting Standard 19 – Leases

Finance Lease

The Company has acquired vehicles under finance lease. Details of lease rentals payable are as follows

(Amount in Rs)

	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum lease payments	216,720 (624,332)	216,601 (433,322)	-- (--)
Less: Finance charges payable	27,215 (55,527)	9,808 (37,024)	-- (--)
Present value of lease rentals	189,505 (568,805)	206,793 (396,298)	-- (--)

Operating Lease

a. In respect of assets given on cancellable operating lease

The company has entered into an agreement with its wholly owned subsidiary and others for leasing of part of the Pallet positions, Open yard area, Temperature Controlled Warehouse, Warehouse Floor space, Warehouse mezzanine floor space at its FTWZ Sai Village Panvel- Maharashtra.

Lease income recognised in respective of operating leases is Rs. 746,297,499 (723,724,037).

b. In respect of assets taken on non-cancelable operating lease

The Company has entered into operating lease arrangements for 3-5 years renewable at the option of the lessor and lessee. The lease arrangement provides escalations clause for increase in rent during the tenure of the lease. Under certain arrangements, refundable interest free deposits have been given.

(Amount in Rs.)

	2013	2012
Lease obligations Future minimum lease rental payments - not later than one year - later than one year but not later than five years - later than five years	 70,287,668 87,527,594 --	 137,823,700 308,156,812 19,383,617
Total	**157,815,262**	**465,364,129**

Lease rental payments in respect of operating leases are Rs 138,728,506 (Rs 151,133,834) and during the year Rs 35,885,511 (Rs 65,736,703) is capitalized.

35. Earnings per share has been computed as under:

	2013	2012
Profit/ (Loss) after tax (Amount in Rs.)	(140,050,075)	475,118,049
Weighted average number of shares for basic (Numbers)	60,074,540	58,829,472
Weighted average number of shares for diluted (Numbers)	60,074,540	58,829,472
Nominal value per share (Amount in Rs.)	2	2
Earnings per share – Basic and diluted (Amount in Rs.)	(2.33)	8.08

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

36. (a) Remuneration paid or provided in accordance with section 198 of the Companies Act, 1956 to the directors is as under:

(Amount in Rs)

	Chairman and Managing Director		Joint Managing Director		Executive Directors	
	2013	2012	2013	2012	2013	2012
Salaries and Allowances	31,500,000	25,500,000	--	3,600,000	--	9,025,004
Perquisites	51,147	--	--	--	--	--
Contribution to Provident Fund	2,524,680	3,080,187	--	450,657	--	756,552
Total	**34,075,827**	**28,580,187**	**--**	**4,050,657**	**--**	**9,781,556**

(b) In view of loss during the year, remuneration of Rs.32,930,806 paid/provided to Chairman and Managing Director of the Company, turned out to be in excess of the limits prescribed under Section 198 read with Schedule XIII to the Companies Act 1956. However, the Company is in the process of making application to the Central Government for approval of the excess remuneration paid/provided to Chairman and Managing Director.

Notes:

i) Salaries and allowances include basic salary, house rent allowance and leave travel allowance.

ii) Provision for post retirement benefits which is based on actuarial valuation done on an overall company basis and is not included in the above figures.

37. Taxation

In view of loss for the year as calculated as per the provisions of the Income Tax Act, 1961 (The "Act"), no provision for taxation has been made. However, while computing the provision for taxation, income tax, if any, payable due to disallowance of expenses u/s 40(a)(i) of the Act on account of non-payment / non -deduction of Tax Deducted at Source as per chapter XVIIB and disallowances of certain expenses, if any, u/s 43B due to non-payment on or before due date of filing return of income has not been considered, as according to the management, all above dues will be paid before due date of filing of return of income.

38. Current Liabilities include advances received from subsidiaries for transfer/sale of land, as under

(Amount in Rs)

	2013	2012
Arshiya Rail Infrastructure Limited	399,257,624	452,714,173
Arshiya Central FTWZ Limited	931,463,233	931,463,233
Arshiya Northern FTWZ Limited	31,694,277	31,694,277
Total	**1,362,415,134**	**1,415,871,683**

39. a. Derivative contracts entered into by the Company for hedging purpose and outstanding as at March 31, 2013

	Foreign currency amount			Equivalent amount (in Rs)	
Balances	**Currency**	**2013**	**2012**	**2013**	**2012**
Long-term borrowings	USD	55,356,476	29,105,953	3,005,484,261	1,486,732,079

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

b. Details of foreign currency transactions/ balances not hedged by derivative instruments or otherwise are as under:

		Foreign currency amount		Equivalent amount (in Rs)	
Balances	**Currency**	**2013**	**2012**	**2013**	**2012**
Bank balances	USD	893	16,866	48,056	682,561
Remittances in Transit	USD	135,920	18,332	7,316,574	927,941
Receivables	USD	5,113,232	6,804,689	275,245,300	344,453,364
	EUR	23,213	8,700	1,595,395	585,597
Payables	USD	1,341,353	998,795	73,841,470	51,358,046
	CAD	--	153	--	7,925
	SGD	--	778	--	31,889
	GBP	4,185	5,960	340,900	491,822
	EUR	11,729	104,736	822,851	7,211,100
	JPY	11,800	315,792	6,719	198,949
	HKD	--	14,190	--	95,357

c. The Company has adopted amended provisions of AS -11 as per Companies (Accounting Standards) Amendment Rules relating to "Effects of the changes in Foreign Exchange Rate". Accordingly, the Company has adjusted exchange loss of Rs. 50,060,361 (Gain Rs.10,518,105) to the cost of fixed assets and exchange loss of Rs 10,115,454 (Gain Rs. 2,749,820) is transferred to "Foreign Currency Monetary Item Translation Difference Account" to be amortized over the balance period of long term liabilities but not beyond March 31, 2020. Out of the above, exchange loss of Rs.1,555,896 (Gain Rs.165,534) is charged to the statement of profit and loss during the year and Rs 8,559,558 (Rs. 2,584,286) has been carried over.

40. Scheme of Amalgamation of Arshiya FTWZ Limited ("AFTWZL") and Arshiya Domestic Distripark Limited ("ADDL") with the Company.

a) A Scheme of Amalgamation ("The Scheme") of Arshiya FTWZ Limited ("AFTWZL") and Arshiya Domestic Distripark Limited ("ADDL") with the company as sanctioned by Hon'ble High Court, Bombay on 07 December 2012. The Scheme became effective on 04 January 2013 on filing with the Registrar of Companies and consequently, the entire undertaking of the transferor companies including all assets, liabilities and reserves, vested in the Company on appointed date 01 April 2012.The Scheme is, accordingly given effect in these accounts.

b) The Amalgamation is accounted for as per "Pooling of Interest" method prescribed under Accounting Standard 14 "Accounting of Amalgamations". Pursuant to the Scheme:

i) Assets and liabilities of AFTWZL and ADDL as at 1 April 2012 have been taken over at their book values.

ii) The book value of Company's investments in the equity shares of the AFTWZL and ADDL and inter-company loans and advances have been cancelled. Accordingly, no shares are allotted to shareholders of AFTWZL and ADDL respectively as all the shares of AFTWZL and ADDL are held by the Company on record date.

iii) The difference being shortfall of the net assets and reserves of ADDL and AFTWZL transferred to the Company, cancellation of inter-company investments etc., after making the above adjustments has been accounted as under :

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(Amount in Rs)

Assets and Liabilities	AFTWZL	ADDL	Total
Fixed Assets	--	22,562,249	22,562,249
Loans and Advances to subsidiaries	16,737,254	241,949,459	258,686,713
Investment in subsidiaries	1,794,075,140	718,245,000	2,512,320,140
Deferred Tax Assets	1,342,354	--	1,342,354
Cash and bank balances	1,927,794	2,127,889	4,055,682
Current liabilities and provisions	(9,497,461)	(10,050,180)	(199,497,752)
Unsecured Loans from Holding Company	(1,729,238,211)	(860,322,208)	(2,589,560,419)
Net Assets	**75,346,870**	**114,512,208**	**189,859,079**
Less :			
Inter-company investment cancelled	(209,500,000)	(295,000,000)	(504,500,000)
Reserves taken over			
Securities Premium	199,291,000	285,000,000	484,291,000
Debit Balance in Statement of Profit and loss	(123,944,130)	(170,487,791)	(294,431,921)
Shortfall			**504,500,000**
Adjusted in Reserves			
- Balance in statement of profit and loss (Refer note 3)			470,174,376
- General Reserve (Refer note 3)			34,325,624
		Total	**504,500,000**

c) Certain assets and liabilities acquired on amalgamation are yet to be transferred in the name of the company.

d) The authorized share capital amount of the Company has increased by 10,000,000 equity shares of Rs 2 each amounting to Rs. 20,000,000.

41. Prior period items included in Statement of Profit and Loss

(Amount in Rs)

	2013	2012
Revenue from logistics operations	(4,104,580)	(2,038,007)
Cost of logistic operations	11,337,533	1,741,449
Depreciation	--	1,471,221
Other operating revenue - export benefits	--	(2,284,742)
Net prior period expenses / (income)	**7,232,953**	**(1,110,079)**

42. Information pursuant to para 5 (viii) of Revised Schedule VI of the Companies Act 1956.

a. Earnings in foreign currency

(Amount in Rs)

	2013	2012
Revenue from logistics operations	307,161,059	470,438,810
Revenue from Free Trade Warehousing Zone	899,304,671	380,636,145
Dividend income	--	26,990,119
Total	**1,206,465,730**	**878,065,074**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

b. i) Expenditure in foreign currency

(Amount in Rs)

	2013	2012
Cost of logistics operations	592,271,936	194,764,809
Advertisement and Business promotion	91,629	2,061,691
Travelling expenses	1,897,756	483,760
Miscellaneous expenses	409,301	1,299,068
Total	**594,670,621**	**198,609,328**

ii) Remittances in Foreign Currency

Dividend remitted in Foreign Currency to 12 (Previous year 21) non-resident shareholders

(Amount in Rs)

For the year	Nature of Dividend	Number of Equity Shares	2013	2012
2011– 2012	Final Dividend	3,970,696	5,558,974	--
2010 – 2011	Final Dividend	6,698,766	--	8,038,519

c. Value of Imports on CIF basis

(Amount in Rs)

Particulars	2013	2012
Capital goods	2,681,897	57,392,072
Total	**2,681,897**	**57,392,072**

43. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with current year's classifications / disclosures. Current year's figures are not comparable with that of previous year's figure due to Scheme of Amalgamation as referred in note 40 and in view of capitalization in current and previous years.

Signatures to Notes forming part of Financial Statements

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

For and on behalf of the Board

Mohanlal Bhandari
Partner
Membership Number 012912

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Mumbai, 30 May 2013

Sandesh R Chonkar
Executive Director &
Chief Financial Officer

Parind Badshah
Company Secretary

STATEMENT RELATING TO SUBSIDIARIES

	Subsidiary Companies	Arshiya Hongkong Ltd.	Arshiya Hongkong Ltd.	Arshiya Logistics LLC. Dubai	Arshiya Logistics LLC. Dubai	Arshiya International Singapore Pte Ltd	Arshiya International Singapore Pte Ltd	Cyberlog Technologies International Pte Ltd	Cyberlog Technologies International Pte Ltd	Cyberlog Technologies UAE(FZE)
	Reporting Currency	HKD	HKD	AED	AED	SGD	SGD	USD	USD	AED
	Country	Hong kong	Hong kong	UAE	UAE	Singapore	Singapore	Singapore	Singapore	UAE
	Exchange Rate	7.00	7.00	14.79	14.79	43.81	43.81	54.36	54.36	14.79
			Rs.		Rs.		Rs.		Rs.	
1	Capital	23,24,510	1,62,73,430	3,00,000	44,38,350	1,00,000	43,81,240	4,00,743	2,17,82,373	1,50,000
2	Reserves	19,86,47,504	1,39,06,91,446	6,83,65,613	1,01,14,35,062	2,31,926	1,01,61,235	46,78,614	25,43,06,064	4,83,67,465
3	Total Assets	22,67,89,167	1,58,77,05,600	7,65,46,417	1,13,24,65,966	3,37,926	1,48,05,349	53,13,723	28,88,27,401	5,77,45,386
4	Total Liabilities	2,58,17,153	18,07,40,725	78,80,803	11,65,92,540	6,000	2,62,874	2,34,366	1,27,38,964	92,27,921
5	Investments other than Investments in Subidiaries	21,10,33,649	1,47,74,04,349	-	-	-	-	-	-	5,75,59,688
6	Turnover	-	-	3,59,34,979	53,16,40,047	-	-	28,089	15,26,778	1,76,400
7	Profit /(Loss) Before Taxation	(1,35,908)	(9,51,465)	64,61,492	9,55,94,543	(40,948)	(17,94,030)	(57,993)	(31,52,210)	42,984
8	Provision for Taxation	-	-	-	-		-		-	-
9	Profit/ (Loss) After Taxation	(1,35,908)	(9,51,465)	64,61,492	9,55,94,543	(40,948)	(17,94,030)	(57,993)	(31,52,210)	42,984
10	Proposed Dividend		-		-	-	-	-	-	-

	Subsidiary Companies	Cyberlog Technologies UAE(FZE)	Arshiya Technologies (India) Private Ltd	Arshiya Supply Chain Management Private Ltd	Arshiya Rail Infrastructure Ltd	Arshiya Rail Siding and Infrastructure Ltd.	Arshiya Industrial & Distribution HUB Ltd.	Arshiya Central FTWZ Ltd.	Arshiya Northern FTWZ Ltd.	Arshiya Transport and Handling Ltd.
	Reporting Currency	AED	INR	INR	INR	INR	INR	INR	INR	INR
	Country	UAE	India	India	India	India	India	India	India	India
	Exchange Rate	14.79								
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Capital	22,19,175	10,11,580	1,60,00,000	32,50,67,040	5,00,000	10,01,13,120	21,38,40,230	15,94,66,240*	5,00,000
2	Reserves	71,55,72,461	3,54,924	43,54,79,248	73,00,60,702	(1,03,920)	1,14,87,93,868	71,84,92,838	2,50,34,10,031	(10,22,40,976)
3	Total Assets	85,43,14,113	14,11,448	2,17,34,15,816	8,12,78,14,589	4,33,414	6,83,19,98,383	94,35,69,474	6,39,86,37,660	16,50,417
4	Total Liabilities	13,65,22,477	44,944	1,72,19,36,568	7,07,26,86,847	37,334	5,58,30,91,395	1,12,36,406	3,73,57,61,389	10,33,91,393
5	Investments other than Investments in Subidiaries	85,15,66,804	-	-	-	-	-	-	-	-
6	Turnover	26,09,750	-	2,03,23,75,675	3,01,79,21,501	-	26,67,808	-	67,02,93,292	11,22,220
7	Profit /(Loss) Before Taxation	6,35,927	(41,052)	(24,14,93,277)	(48,27,28,020)	(21,645)	(41,18,56,498)	(93,478)	(19,40,85,869)	(4,47,99,487)
8	Provision for Taxation	-	(1,02,158)	7,31,44,607	-	-	-	-	-	(1,84,68,787)
9	Profit/ (Loss) After Taxation	6,35,927	(1,43,210)	(16,83,48,670)	(48,27,28,020)	(21,645)	(41,18,56,498)	(93,478)	(19,40,85,869)	(6,32,68,274)
10	Proposed Dividend	-	-	-	-	-	-	-	-	-

* including share application money Rs 8,00,00,000

INDEPENDENT AUDITOR'S REPORT

To

The Board of Directors of

Arshiya International Limited

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of **Arshiya International Limited** ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the Consolidated Balance Sheet as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We did not audit the financial statements of subsidiaries of the Group whose financial statements reflect revenue of Rs. 5,645,852,547 and total assets of Rs.23,832,129,774 for the year then ended. These financial statements have been audited by other auditors. Our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of such other auditors which have been furnished to us.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

7. We report that consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements notified under section 211(3C) of the Companies Act, 1956.

8. Based on our audit and consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the group as referred in paragraph 5 above, and to the best of our information and according to the explanations given to us, in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;

(b) in the case of the Consolidated Statement of Profit and Loss, of the loss of the Group for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Emphasis on Matter

9. We draw attention to Note 39(b), relating to the remuneration paid/provided to Chairman and Managing Director of the Company has turned out to be in excess of the limits prescribed under Section 198 read with Schedule XIII to the Companies Act 1956 due to loss during the year, hence it is subject to the approval of the Central Government.

10. The Group is under severe financial stress which is due to and evident from huge capital expenses financed by debt, increased trade receivables and payables and majority of them are overdue, full and final settlement dues of resigned employees of Rs. 55,054,409 are in arrears, statutory dues i.e. income tax deducted at sources, service tax and value added tax of Rs.403,690,449 are in arrears, the dues (interest and repayment of borrowings) of banks and a financial institution and a non-banking finance company are delayed and Rs.3,149,942,069 are overdue, short-term funds are used for long-term purposes and certain lenders have filed court cases against the company and directors due to dishonour of cheques. To mitigate financial stress, the Group has taken various steps including cost cutting exercise and opted for corporate debt restructuring (CDR) plan which is admitted and under consideration of the CDR cell.

Our opinion is not qualified on above matters.

For **MGB & Co**

Chartered Accountants

Firm's Registration Number 101169W

Mohanlal Bhandari

Partner

Membership Number 012912

Mumbai, May 30, 2013

Arshiya International Limited
Consolidated Balance Sheet as at March 31

(Amount in Rs)

	Notes	2013	2012
Equity and Liabilities			
Shareholders' funds			
Share capital	2	123,758,944	117,658,944
Reserves and surplus	3	7,741,436,079	8,547,241,900
Money received against share warrants	2(e)	836,087,500	-
		8,701,282,523	**8,664,900,844**
Non-current liabilities			
Long-term borrowings	4	20,438,464,145	20,959,973,644
Deferred tax liabilities (net)	5	79,148,194	137,444,634
Other long-term liabilities	6	9,547,430	5,233,430
Long-term provisions	9	19,862,336	19,508,362
		20,547,022,105	**21,122,160,070**
Current liabilities			
Short-term borrowings	7	3,296,674,026	996,433,093
Trade payables	8	2,667,017,655	723,204,987
Other current liabilities	8	5,521,364,644	3,015,970,445
Short-term provisions	9	97,345,308	207,003,973
		11,582,401,633	**4,942,612,498**
Total		**40,830,706,261**	**34,729,673,412**
Assets			
Non-current assets			
Fixed assets	10		
- Tangible assets		23,738,528,234	14,339,788,454
- Intangible assets		741,337,918	818,880,576
- Capital work-in-progress		7,352,530,043	12,601,921,992
- Intangible assets under development		4,865,285	3,780,247
		31,837,261,480	**27,764,371,269**
Long-term loans and advances	11	1,159,466,853	1,895,543,552
Other non-current assets	12	236,093,200	275,488,515
		1,395,560,053	**2,171,032,068**
Current assets			
Current investments	13	-	200,089,228
Inventories	14	2,313,550	-
Trade receivables	15	6,237,445,736	3,108,920,382
Cash and bank balances	16	83,653,741	660,447,336
Short-term loans and advances	11	1,228,092,915	754,192,704
Other current assets	12	46,378,786	70,620,426
		7,597,884,728	**4,794,270,075**
Total		**40,830,706,261**	**34,729,673,412**

Notes forming part of the consolidated financial statements 1-40

As per our attached report of even date

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

Mohanlal Bhandari
Partner
Membership Number 012912

Mumbai, May 30, 2013

For and on behalf of the Board

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Sandesh R Chonkar
Executive Director &
Chief Financial Officer

Parind Badshah
Company Secretary

Arshiya International Limited
Consolidated statement of Profit and Loss for the year ended March 31

(Amount in Rs)

	Notes	2013	2012
Revenue			
Revenue from operations	17	11,395,890,727	10,573,297,545
Other income	18	68,465,717	75,440,480
Total		**11,464,356,443**	**10,648,738,025**
Expenditure			
Cost of operations	19	8,200,689,896	6,663,122,384
Employee benefits expense	20	759,126,846	659,981,865
Finance costs	21	2,506,673,758	1,059,748,017
Depreciation and amortization expense	10	602,422,135	313,597,113
Other expenses	22	671,140,871	533,625,050
Total		**12,740,053,506**	**9,230,074,429**
Profit/ (Loss) before exceptional items and tax		(1,275,697,063)	1,418,663,596
Less: Exceptional item	27	**54,276,945**	-
Profit / (Loss) before tax		**(1,329,974,007)**	**1,418,663,596**
Tax expense			
- Current tax - current year		-	272,120,803
- earlier years		(144,967)	297,160
- MAT credit entitlement		-	(151,971,176)
- Deferred tax		(58,296,606)	90,217,916
Profit / (Loss) after tax		**(1,271,532,434)**	**1,207,998,892**
Earnings per share (Equity share per value Rs. 2 each)	33		
Basic and Diluted Earnings per Share		(21.17)	20.53

Notes forming part of the consolidated financial statements 1-40

As per our attached report of even date

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

For and on behalf of the Board

Mohanlal Bhandari
Partner
Membership Number 012912

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Mumbai, May 30, 2013

Sandesh R Chonkar
Executive Director &
Chief Financial Officer

Parind Badshah
Company Secretary

Arshiya International Limited
Consolidated cash flow statement for the year ended March 31

(Amount in Rs)

		2013	2012
Cash flow from operating activities			
Profit / (Loss) before tax		**(1,329,974,007)**	**1,418,663,596**
Adjustments for :			
Depreciation and amortization expense		602,422,135	313,597,113
Leasehold improvements written off		54,276,945	-
Interest expense		2,441,194,631	1,019,070,470
Interest income		(10,470,597)	(5,195,906)
Loss on sale/discard of fixed assets (net)		284,072	925,764
Loss/(profit) on sale of subsidiaries		-	(4,196,297)
Profit on redemption of units of mutual funds		(736,286)	(321,892)
Ancillary borrowing costs written off		39,622,686	17,125,209
Provision for doubtful debts		408,328	2,988,850
Employee compensation expenses		-	(3,757,277)
Exchange adjustments (net)		29,576,612	101,907,848
Operating profit before working capital changes		**1,826,604,518**	**2,860,807,477**
Adjustments for :			
(Increase)/decrease in inventories		(2,313,550)	1,280,641
(Increase)/decrease in trade and other receivables		(3,734,175,702)	(1,101,604,613)
Increase/(decrease) in trade and other payables		2,609,439,592	116,948,490
Cash generated from operations		**699,554,858**	**1,877,431,996**
Direct taxes paid		(148,945,410)	(256,245,904)
Net cash flow from operating activities	**(A)**	**550,609,447**	**1,621,186,092**
Cash flow from investing activities			
Purchase of fixed assets (including capital work-in-progress)		(4,416,589,279)	(9,776,143,809)
Proceeds from sale of fixed assets		1,036,574	102,575,820
Purchase of investments in units of mutual funds		-	(250,089,227)
Redemption of investments in units of mutual funds		200,825,514	200,352,877
Sale of investments in subsidiaries		-	3,500,000
Investment in bank deposits having original maturity period of more than 3 months		28,733,637	250,107,672
Interest received		11,648,702	4,239,285
Net cash flow used in investing activities	**(B)**	**(4,174,344,852)**	**(9,465,457,382)**
Cash flow from financing activities			
Proceeds from issue of shares (including securities premium)		442,250,000	-
Money received against share warrants		836,087,500	-
Proceeds from long-term borrowings		1,686,391,358	9,315,368,001
Repayment of long-term borrowings		(407,899,653)	(1,007,608,182)
Proceeds from short-term borrowings			
Banks		-	860,447,731
Directors		814,344,104	-
Other parties (including inter-corporate deposits)		2,291,395,404	1,248,000,000
Repayment of short-term borrowings			
Banks		(54,980,053)	(620,172,999)
Other parties (including inter-corporate deposits)		(2,088,792,293)	(1,263,000,000)
Increase/(decrease) in other borrowings (net)		1,125,773,771	(67,732,788)
Dividend paid		(95,723,316)	(82,047,699)
Ancillary borrowing costs incurred		(16,495,800)	(78,623,821)
Interest paid		(1,457,244,258)	(1,056,310,377)
Net cash flow from financing activities	**(C)**	**3,075,106,764**	**7,248,319,867**
Net increase/(decrease in cash and cash equivalents (A + B + C)		**(548,628,641)**	**(595,951,423)**
Opening cash and cash equivalents		**630,044,054**	**1,224,361,214**
Less: Transferred on sale of subsidiaries		-	1,634,262
Closing cash and cash equivalents		**81,415,413**	**630,044,054**
Add: Earmarked bank balances		2,238,328	30,403,282
Closing cash and cash equivalents		**83,653,741**	**660,447,335**

Notes

1. The above cash flow statement has been prepared under indirect method as set out in Accounting Standard 3 (AS 3) 'Cash Flow Statements' as specified in Companies (Accounting Standard) Rules, 2006.
2. Scheme of Amalgamation as referred in Note 37 has not been considered in the above cash flow statement, being a non-cash transaction.

3. During the year, trade payable of Rs. 212,500,000 (Rs. Nil) is converted into inter-corporate deposit hence it is not part of the above cash flow statement, being non-cash transaction.

4. Previous year's figures have been regrouped/ reclassified wherever necessary to confirm to current years' classification.

As per our attached report of even date

For **MGB & Co.**
Chartered Accountants
Firm Registration Number 101169W

Mohanlal Bhandari
Partner
Membership Number 012912

Mumbai, May 30, 2013

For and on behalf of the Board

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Sandesh R Chonkar
Executive Director &
Chief Financial Officer

Parind Badshah
Company Secretary

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1: Corporate Information

Arshiya International Limited (hereinafter referred to as “the Parent Company”, “the Company” or“AIL”) together with its subsidiaries (collectively referred to as “Group”) is Flagship Company of the Arshiya Group. Arshiya is a pioneering Unified Supply Chain Infrastructure and Solutions Group headquartered in India. The Group business comprises Free Trade Warehousing Zone (FTWZ), Industrial & Distribution Hubs, Rail &Rail Infrastructure, Forwarding, Transport & Handling, Supply Chain Technology and Management Solutions.

1.1 Basis of Consolidation

The Consolidated Financial Statements (CFS) relate to the Company and its subsidiaries. The CFS have been prepared on the following basis.

i) The CFS of the Group are prepared under Historical Cost Convention on going concern basis in accordance with Generally Accepted Accounting Principles in India and Accounting Standard – 21 on “Consolidated Financial Statements” issued by the Institute of Chartered Accountants of India (ICAI), to the extent possible in the same manner as that adopted by the parent company for its separate financial statements by regrouping, recasting or rearranging figures, wherever considered necessary.

ii) The consolidation of the financial statements of the parent company and its subsidiaries is done to the extent possible on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Group financial statements. All significant inter-group transactions, unrealized inter-company profits and balances have been eliminated in the process of consolidation. Minority interest in subsidiaries represents the minority shareholders proportionate share of the net assets and net income.

iii) The excess of cost to the Company of its investment in the subsidiaries over the Company’s share of equity and reserves of the Subsidiaries is recognised in the financial statements as Goodwill, which is tested for impairment on every balance sheet date. The excess of Company’s share of equity and reserves of the subsidiaries over the cost of acquisition is treated as Capital Reserve.

iv) The CFS have been prepared using uniform accounting policies for like transactions and other events in similar circumstances except that:

a) In case of Arshiya Logistics LLC Dubai liability on account of employee benefits is provided on arithmetical / estimated basis instead of actuarial basis. This liability represents 1.57 % (0.48 %) of the total gratuity and leave encashment of the Group at the year end.

b) In case of the Parent Company, ancillary costs incurred in connection with the arrangement of borrowings is amortized over the tenure of borrowings, in conformity with Accounting Standards. However such ancillary costs incurred by subsidiaries pertaining to projects are capitalized Rs. Nil (Rs.10, 910,472) instead of amortization over the tenure of borrowings.

c) i) The CFS includes the Financial Statements of the parent company and the subsidiaries (as listed in the table below). Subsidiaries are consolidated from the date on which effective control is acquired and are excluded from the date of transfer/disposal.

Name of the entity	Country of Incorporation	Proportion of interest (including beneficial interest) / voting power (either directly / indirectly or through subsidiaries)
Direct Subsidiaries		
Arshiya Hong Kong Limited	Hong Kong	100% (100%)
Cyberlog Technologies International Pte Limited	Singapore	100% (100%)
Arshiya Supply Chain Management Private Limited	India	100% (100%)
Arshiya Domestic Distripark Limited #	India	-- (100%)
Arshiya FTWZ Limited #	India	-- (100%)
Arshiya International Singapore Pte Limited	Singapore	100% (100%)
Arshiya Transport and Handling Limited	India	100% (100%)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Arshiya Rail Infrastructure Limited @	India	100% (100%)
Arshiya Northern FTWZ Limited	India	100% (100%)
Arshiya Central FTWZ Limited $	India	100% (100%)
Arshiya Industrial & Distribution Hub Limited $$ (Previously Arshiya Northern Domestic Distripark Limited)	India	100% (100%)
Indirect Subsidiaries		
Held through Arshiya Hongkong Limited		
Arshiya Logistics LLC, Dubai	U.A.E.	100% (100%)
Held through Cyberlog Technologies International Pte Limited		
Cyberlog Technologies (UAE) FZE	U.A.E.	100% (100%)
Cyberlog Technologies Hongkong Limited ##	Hongkong	-- (100%)
Arshiya Technologies (India) Private Limited *	India	100% (100%)
Held through Arshiya Rail Infrastructure Limited		
Arshiya Rail Siding and Infrastructure Limited	India	100% (100%)

* 9.89 % (9.89%) held through Parent Company

@ 6.63 % (6.63%) held through Arshiya Hongkong Limited

$ 48.33 % (48.33 %) held through Arshiya Hongkong Limited

$$ 14.05 % (16.44 %) held through Cyberlog Technologies (UAE) FZE

\# Merged with parent company w.e.f. 1 April 2012 pursuant to the Scheme of Amalgamation as referred in Note 37

\## Deregistered/dissolved on March 28, 2013.

1.2 Significant Accounting Policies

a. Use of estimates

The preparation of CFS in conformity with India GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as on the date of financial statements and the reported amount of revenue and expenses of the year. Actual results could differ from these estimates. Any revision to estimates is recognized prospectively in current and future periods.

b. Fixed assets

i) Tangible assets are stated at cost of acquisition / construction (net of cenvat credit availed) net of accumulated depreciation, amortization and impairment losses, if any, except freehold land which is carried at cost. Cost of tangible assets includes taxes, duties, freight and other incidental expenses and borrowing costs incurred upto the date of commissioning.

ii) Intangible assets acquired are measured on initial recognition at cost and carried at cost net off accumulated amortization and impairment loss, if any.

iii) Capital work-in-progress: Tangible assets that are not yet ready for their intended use at the reporting date are carried at cost comprising of direct cost and related incidental expenses.

c. Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

d. Depreciation and Amortization

1. In case of the Parent Company and Indian subsidiaries

i) Free Trade Warehousing Zone / Distripark and Logistics operations

a) Depreciation on tangible fixed assets is provided on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

b) Intangible assets are amortized on a straight line basis over the economic useful life as estimated by the management.

ii) Rail freight and related services:

a) Depreciation on following tangible and intangible fixed assets is provided on straight line method based on useful life of the assets as estimated by the management which is higher than the rates prescribed under Schedule XIV to the Companies Act, 1956.

Assets	Estimated useful life
Wagons and Containers	20 years
Rail license fees	20 years *

b) Depreciation on other tangible fixed assets is provided on straight line method at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

* Rail License fees paid for transfer of Concession Agreement is amortised, after considering the matching concept of revenue, on a weighted average of agreement period, projected numbers of rakes to be utilised over the said period and annual usage period of the operational rakes since put to use. Rail License agreement period is twenty years from the date of commencement of commercial operations.

2. In case of certain overseas subsidiary companies

i) Certain overseas subsidiary companies provide depreciation on tangible fixed assets on straight line method based on the estimated useful life of the assets as determined by the management.

ii) Depreciation on intangible fixed assets is provided on straight line basis method based on the useful life as estimated by the management

3. The Group

Leasehold improvements are amortized over the period of the lease.

e. Investments

i) Investments intended to be held for more than a year, from the date of acquisition are classified as long-term and are valued at cost. Provision for diminution, if any, in the value of long term investments is made to recognise a decline, other than temporary.

ii) Current investments are valued at lower of cost and fair value, computed individually for each investment.

f. Inventories

Packing Material is valued at lower of cost and net realizable value .Cost of packing material is determined on weighted average basis.

g. Revenue recognition

i) Revenue from logistic operations is accounted on the basis of date of departure of the vessel/ aircraft for jobs related to export shipments and date of arrival of the vessel/ aircraft for jobs related to import shipments, considering substantial completion of contracted services.

ii) Revenue from allotment of warehousing space and open yard area to units is accounted on accrual basis as per agreed terms.

iii) Revenue from value added services and other activities is recognized based on completion of agreed contracted services

iv) Revenue from sale of user licenses for software application is recognized on transfer of the title of the user licenses.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

v) Revenue from rail and ancillary operations are accounted on the basis of delivery of cargo, considering substantial completion of contracted services.

vi) Warehouse management charges towards providing end- to- end supply chain solutions in retail distribution management is recognized based on the terms of contracts.

vii) Consultancy fees are recognized as revenue on completion of service based on the respective terms with the clients.

viii) Interest Income is accounted on time proportion basis.

ix) Dividend income is recognized when the right to receive the dividend is established.

x) Export benefits: Serve from India Scheme of EXIM Policy are recognized when utilized.

h. Foreign Currency Translation

i) Accounting of transactions

a) Foreign exchange transactions are recorded at the exchange rate prevailing on the date of such transactions. Foreign currency monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary items are carried at cost.

b) Gains or losses arising on settlement / translation of monetary assets and liabilities at year-end rates are recognised in the Statement of Profit and Loss except treatment as per amendment to AS-11 effective till 31 March 2020 (Refer Note 34(c)).

c) In respect of derivative contracts assigned to foreign currency monetary assets and liabilities, the difference due to change in exchange rate between the inception of derivative contracts and date of Balance Sheet and the proportionate premium / discount for the period upto the date of Balance Sheet is recognised in the Statement of Profit and Loss. Profit or loss on settlement / cancellation of derivative contracts is recognised as an income or expense for the year in which they arise except treatment as per amendment to AS-11 effective till 31 March 2020.

ii) Translation and exchange rates

Financial statements of overseas non-integral operations are translated as under:

a) Assets and liabilities at the exchange rate prevailing at the end of the year. Depreciation is accounted at the same rate at which assets are converted.

b) Revenue and expenses are at yearly average rates. Off balance sheet items are translated into Indian Rupees at year-end rates.

c) Exchange difference arising on translation of non-integral foreign operations are accumulated in the foreign currency translation reserve until the disposal of such operations.

i. Employee benefits

The Group has various schemes of employee benefits as per applicable local laws of the respective countries, viz., provident fund, gratuity and leave encashment. Provident and gratuity funds are administered through Trustee / Regional Provident Fund and Group's contribution thereto is charged to revenue every year. Gratuity and leave encashment are provided for on the basis of actuarial valuation as at the year-end by an independent actuary, except that in case of Arshiya Logistics LLC Dubai, liability on account of gratuity and leave encashment is provided on arithmetical / estimated basis instead of actuarial basis. (Refer Note 1.1 (iv) a)).

j. Leases

i) **Finance lease**

Assets acquired under finance lease are capitalized and the corresponding lease liability is recognized at lower of the fair value of the leased assets and the present value of minimum lease payments at the inception of the lease. Initial costs directly attributable to lease are recognized with the asset under lease.

ii) **Operating lease**

Lease of assets under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as expenses on accrual basis in accordance with the respective lease agreements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

k. Accounting for taxes on income

i) Current tax is determined as the amount of tax payable in respect of taxable income for the year computed as per the provisions of Income Tax Act, 1961.

ii) Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and measured using relevant enacted tax rates.

iii) Minimum Alternate Tax (MAT) paid in accordance with tax laws, which give rise to future economic benefits in the form of adjustment of future tax liability, is recognized as an asset only when, based on convincing evidence, it is probable that the future economic benefits as associated with it will flow to the group and the assets can be measured reliably.

l. Impairment of tangible and intangible assets

At each balance sheet date the Group reviews the carrying values of tangible and intangible assets to determine whether there is an indication that those assets have suffered impairment loss. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price and value in use, determined by discounting the estimated future cash flows expected from the continuing use of the asset to their present value.

m. Employee stock options

The Group accounts the employee stock compensation expense based on the intrinsic value method wherein the excess of market price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme of the Group, is recognized as deferred stock compensation expense and is amortized over the vesting period.

n. Provisions, Contingent Liabilities and Contingent Assets

i) Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A provision is made when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date.

ii) Contingent Assets are not recognized or disclosed in the financial statements.

o. Earnings per share

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year. Dilutive earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year, except when the results would be anti-dilutive.

p. Unamortised expenditure

Ancillary costs in connection with the arrangement of borrowings are amortized over the tenure of borrowings.

Arshiya International Limited

Notes forming part of the consolidated financial statements

(Amount in Rs)

	2013	2012
2: Share Capital		
Authorised #		
85,000,000 (75,000,000) equity shares of Rs. 2 each	**170,000,000**	**150,000,000**
Issued, Subscribed and Paid up		
61,879,472 (58,829,472) equity shares of Rs.2 each, fully paid up	123,758,944	117,658,944
Total	**123,758,944**	**117,658,944**

Increased pursuant to the Scheme of Amalgamation (Refer note 37)

(a) Reconciliation of number of equity shares outstanding at the beginning and at the end of the year

	2013		2012	
	Number of equity shares	Amount (in Rs)	Number of equity shares	Amount (in Rs)
At the beginning of the year	58,829,472	117,658,944	58,829,472	117,658,944
Add: Allotment on conversion of warrants	3,050,000	6,100,000	-	-
At the end of the year	**61,879,472**	**123,758,944**	**58,829,472**	**117,658,944**

(b) Terms and rights attached to equity shares

The company has only one class of equity shares having a par value of Rs 2 per share. Each equity shareholder is entitled to one vote per share. The final dividend when proposed by the Board of Directors is subject to the approval of shareholders in the Annual General Meeting.

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in the proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% Equity shares (Rs 2 each fully paid) of shares in the company

Name of the shareholder	2013		2012	
	Number of equity shares	Percentage (%) shareholding	Number of equity shares	Percentage (%) shareholding
Archana Mittal	19,820,225	32.03%	25,434,710	43.23%
Tree Line Asia Master Fund (Singapore) Pte Ltd	2,760,000	4.46%	3,176,000	5.40%
Naishadh Jawahar Paleja	2,976,270	4.81%	2,976,270	5.06%

(d) Employee Stock Option Plan (ESOP)

The Company has instituted an “Arshiya Stock Option Plan 2007” for grant of Options to the employees of the Company and its subsidiaries convertible into one equity Shares of Rs 2 each.

These Options vest over a period of 36 months from the date of grant and are to be exercised within a period of 12 months from the date of vesting.

The Compensation committee formed by Board of Directors has approved the grant of Options. Each Option confers on the employee a right to one equity shares of Rs 2 each at an exercise price of Rs 210 per share. Under “Arshiya Stock Option Plan 2007” 1,411,700 and 133,900 options were granted under Tranche I (Date of grant February - 15, 2008) and Tranche II (Date of grant - April 24, 2008) respectively.

	No. of options
Options outstanding at the beginning of the year	-- (117,270)
Options forfeited / transferred during the year	-- (--)
Options exercised during the year	-- (--)
Options expired/lapsed during the year	-- (117,270)
Options outstanding at the end of the year	-- (--)
Options exercisable at the end of the year	-- (--)

Out of the total employee stock compensation credit of Rs.Nil (Rs. 4,984,652) recognized during the year, on account of the option outstanding at the end of the year, the group has credited Rs.Nil (Rs 3,757,277) to the Statement of profit and loss in relation to the options granted to the non project employees and reduced from project cost Rs. Nil(Rs 1,227,375) on account of options granted to employees employed exclusively for its new projects.

(e) Issue of convertible warrants

The Company has alloted 13,600,000 convertible warrants at Rs. 145/- per warrant to promoters / promoters group on preferential basis pursuant to a special resolution passed by the members of the Company at their extra ordinary meeting, held on October 18, 2012. Out of the above, 3,050,000 warrants have been converted into 3,050,000 equity shares of Rs. 2/- each fully paid up at a premium of Rs. 143/- per share on November 3, 2012 amounting to Rs. 442,250,000. Pending conversion of 10,550,000 warrants, amount received against these warrants of Rs. 836,087,500 is shown as "Money received against share warrants" in the financial statements. The above funds of preferential allotment have been utilised for repayment of short-term borrowings and working capital requirements of the Company.

Arshiya International Limited

Notes forming part of the consolidated financial statements

(Amount in Rs)

	2013	2012
3: Reserves and surplus		
Securities Premium		
As per last balance sheet	4,500,127,084	4,500,127,084
Add: Pursuant to Scheme of Amalgamation (Refer note 37)	484,291,000	-
Received / adjusted during the year	436,150,000	-
	5,420,568,084	**4,500,127,084**
Amalgamation Reserve *		
As per last balance sheet	12,480,000	12,480,000
Foreign currency monetary item translation difference account [Refer note 34 (c)]	(8,559,558)	2,584,286
Foreign currency translation reserve	111,088,127	70,367,671
General Reserve		
As per last balance sheet	128,343,158	80,343,158
Add: Pursuant to Scheme of Amalgamation (Refer note 37)	(34,325,624)	-
Transferred from Statement of Profit and Loss	-	48,000,000
	94,017,534	**128,343,158**
Surplus in Statement of Profit and Loss		
As per last balance sheet #	3,833,339,701	2,769,063,125
Add: Pursuant to Scheme of Amalgamation (Refer note 37)	(449,965,376)	-
Profit / (Loss) for the year	(1,271,532,434)	1,207,998,892
Less: Appropriations		
- Proposed Dividend	-	82,361,261
- Tax on Proposed Dividend	-	13,361,056
- Transfer to General reserve	-	48,000,000
	2,111,841,891	**3,833,339,701**
Total	**7,741,436,079**	**8,547,241,900**

* As per the Scheme of Amalgamation of erstwhile BDP (India) Private Limited with the Company approved by the Hon'ble High Court of Judicature at Bombay in earlier years, Amalgamation reserve is free for all purposes.

Net off loss of Rs. 294,431,921 transferred to the company on Scheme of Amalgamation (Refer note 37)

(Amount in Rs)

	Non-current		Current	
	2013	2012	2013	2012
4: Long-term borrowings				
Secured				
Term loan from				
- Banks	18,530,115,885	18,256,597,236	1,772,526,585	660,956,000
- Other parties	800,000,000	1,596,666,669	956,666,668	266,666,665
Vehicle loan from bank	1,249,065	-	270,553	-
Finance lease obligations	7,099,195	6,709,739	189,505	2,029,443
Unsecured				
Loan from other parties	1,100,000,000	1,100,000,000	-	-
	20,438,464,145	**20,959,973,644**	**2,729,653,311**	**929,652,108**
Less:Amount disclosed under the head "other current liabilities" (Refer note 8)	-	-	(2,729,653,311)	(929,652,108)
Total	**20,438,464,145**	**20,959,973,644**	**-**	**-**

Repayment Schedule of Long-term borrowings

a) Term Loans from banks

Year	Amount in Rs.
2012-13	386,010,584
2013-14	1,386,510,808
2014-15	2,019,060,200
2015-16	2,422,758,561
2016-17	3,114,577,765
2017-18	3,099,139,380
2018-19	3,293,856,615
2019-20	3,165,209,898
2020-21	1,415,518,659
	20,302,642,470

Rate of interest on above loans varies from 11% to 15.5% p.a & penal interest of 2%p.a

b) Term Loans from other parties

Year	Amount in Rs
2012-13	956,666,668
2014-15	266,666,667
2015-16	266,666,667
2016-17	266,666,666
	1,756,666,668

Rate of interest on above loans varies from 15% to 15.5% p.a & penal interest of 2 to 3 %p.a

c) Unsecured term loans from other parties

Year	Amount in Rs.
2014-15	366,666,667
2015-16	366,666,667
2016-17	366,666,666
	1,100,000,000

Rate of interest on above loans is 15.5% p.a & penal interest of 2 % p.a

Arshiya International Limited

Notes forming part of the consolidated financial statements

Period and amount of continuing default in repayment of long-term borrowings and interest (overdue)as at March 31,2013. are as under:

(Amount in Rs)

Lender / period of delays	Principal	Interest	Total
1. Banks *			
0-60 days	270,901,854	673,948,039	944,849,893
61-120 days	115,109,000	83,943,959	199,052,959
121-180 days	-	53,162,577	53,162,577
2. Other parties			
0-60 days	160,000,000	47,994,235	207,994,235
61-120 days	353,333,332	2,378,082	355,711,414
121-180 days	443,333,332	-	443,333,332
	1,342,677,518	**861,426,892**	**2,204,104,410**

* All Unpaid dues to banks are covered under Corporate Debt Restructuring Scheme submitted by the Company.

(Amount in Rs)

		2013	2012
5: Deferred tax liabilities (net)			
Deferred tax liabilities			
Fiscal allowance on fixed assets		256,991,416	165,446,584
Total (A)		**256,991,416**	**165,446,584**
Deferred tax assets			
Fiscal loss carried forward		174,394,211	23,491,288
Foreign currency monetary translation difference account		(2,909,394)	838,472
Provision for doubtful debt		2,200,486	1,049,324
Other timing differences		4,157,919	2,622,866
Total (B)		**177,843,222**	**28,001,950**
Deferred tax liabilities (net) (A-B)	**Total**	**79,148,194**	**137,444,634**
6: Other Long-term Liabilities			
Deposits		9,547,430	5,233,430
	Total	**9,547,430**	**5,233,430**

(Amount in Rs)

		2013	2012
7: Short-term borrowings			
Secured			
Short-term loan from			
- Banks		495,000,000	549,980,053
- Other parties		300,000,000	-
Working capital demand loan from banks		1,347,226,811	221,453,040
			-
Unsecured			
Loan from directors		814,344,104	-
Inter-corporate deposits		340,103,111	225,000,000
	Total	**3,296,674,026**	**996,433,093**

Repayment Schedule of Short-term borrowings

a) Short -term loan from banks

Due Date	Year	Amount in Rs
7 August, 2012	2012-13	55,000,000
7 September, 2012	2012-13	55,000,000
7 October, 2012	2012-13	110,000,000
7 November, 2012	2012-13	110,000,000
7 December, 2012	2012-13	165,000,000
	Total	**495,000,000**

b) Short -term loan from other parties

Due Date	Year	Amount in Rs.
31 March, 2013	2012-13	150,000,000
30 June, 2013	2013-14	150,000,000
	Total	**300,000,000**

Arshiya International Limited

Notes forming part of the consolidated financial statements

Period and amount of continuing default in repayment of Short-term borrowings and interest (overdue)as at March 31,2013. are as under:

(Amount in Rs)

Lender / period of delays	Principal	Interest	Total
1. Banks *			
0-60 days		37,522,018	37,522,018
61-120 days	564,692,786	7,404,471	572,097,257
121-180 days	220,000,000	6,218,384	226,218,384
More than 180 days	110,000,000	-	110,000,000
2. Other parties			
0-60 days	150,000,000	7,201,233	157,201,233
3. Inter Corporate deposits			
0-60 days	26,353,111	37,067,958	63,421,069
61-120 days	22,500,000	2,111,610	24,611,610
121-180 days	-	4,155,103	4,155,103
More than 180 days	-	136,233	136,233
Total	**1,093,545,897**	**101,817,010**	**1,195,362,907**

* All Unpaid dues to banks are covered under Corporate Debt Restructuring Scheme submitted by the Company.

(Amount in Rs)

	2013	2012
8: Other current liabilities		
Trade payables	2,667,017,655	723,204,987
	2,667,017,655	**723,204,987**
Other liabilities		
Current maturities of long-term borrowings (Refer note 4)	2,729,463,806	927,622,665
Current maturities of finance lease obligations (Refer note 4)	189,505	2,029,443
Interest accrued but not due on borrowings	-	1,918,086
Interest accrued and due		
- Borrowings	963,243,904	-
- Others	22,624,554	-
Unearned revenue	37,523	3,232,060
Unclaimed dividend	1,189,870	1,190,870
Others		
Creditors for		
- Capital expenses	1,087,864,235	1,799,307,891
- Expenses	251,768,665	130,109,405
Statutory dues	423,556,680	134,150,750
Trade advances received	18,071,964	6,580,076
Deposit received	23,353,937	9,829,200
	5,521,364,644	**3,015,970,445**

(Amount in Rs)

	Long Term		Short Term	
	2013	2012	2013	2012
9 : Provisions				
Employee benefits	19,862,336	19,508,362	19,079,656	51,516,505
Proposed dividend	-	-	-	82,361,261
Tax on proposed dividend	-	-	-	13,361,056
Mark to market losses on derivative contracts	-	-	48,008,519	-
Provision for tax (net of advances)	-	-	30,257,133	59,765,152
Total	**19,862,336**	**19,508,362**	**97,345,308**	**207,003,973**
11: Loans and advances				
(unsecured considered good unless otherwise stated)				
Capital advances	484,158,291	1,484,427,247	-	-
Deposits	116,413,158	124,638,576	5,546,763	29,372,894
Others				
Advance recoverable in cash or kind	456,581	8,250,000	925,281,063	463,818,679
Balances with Government authorities				
- Direct taxes (net of provisions)	226,439,557	72,193,480	-	34,663,552
- MAT credit entitlement	164,635,802	164,635,802	-	-
- Indirect taxes	134,508,943	35,587,228	269,596,775	151,376,259
Prepaid expenses	540,051	5,811,219	26,000,527	29,804,406
Staff advances	-	-	1,667,787	3,589,494
Claims receivable	32,314,470	-	-	41,567,419
Total	**1,159,466,853**	**1,895,543,552**	**1,228,092,915**	**754,192,704**

Arshiya International Limited

Notes forming part of the consolidated financial statements

Note 10 - Fixed Assets

(Amount in Rs)

Description of Assets	Gross Block				Depreciation / Amortization				Net Block	
	As at April 1, 2012	Additions	Deductions/ Adjustments	As at March 31, 2013	Upto March 31, 2012	For the year	Deductions/ Adjustments	Upto March 31, 2013	As at March 31, 2013	As at March 31, 2012
a) Tangibles										
Freehold Land	3,641,792,989	1,100,922,511	-	4,742,715,500	-	-	-	-	4,742,715,500	3,641,792,989
Buildings	5,918,828,452	5,778,896,602	-	11,697,725,055	51,609,492	133,108,397	-	184,717,889	11,513,007,166	5,867,218,961
Leasehold Improvements	237,089,096	16,208,463	139,628,950	113,668,609	104,014,952	54,684,770	85,352,003	73,347,719	40,320,890	133,074,143
Rake	2,344,433,866	-	-	2,344,433,866	183,154,377	117,221,694	-	300,376,071	2,044,057,795	2,161,279,489
Containers	937,295,317	10,762,337	-	948,057,654	65,513,317	47,336,741	-	112,850,058	835,207,596	871,782,000
Railway Terminal	-	1,702,662,737	-	1,702,662,737	-	33,901,648	-	33,901,648	1,668,761,089	-
Plant and Machinery	879,479,522	859,556,345	-	1,739,035,866	27,215,973	60,615,704	-	87,831,678	1,651,204,189	852,263,548
Equipments	535,011,485	371,286,445	245,400	906,052,529	17,806,400	32,170,808	15,447	49,961,761	856,090,768	517,205,084
Furniture and Fixtures	202,968,325	99,247,968	1,305,895	300,910,398	21,044,778	15,405,568	39,981	36,410,365	264,500,033	181,923,547
Computers	116,398,860	30,633,061	68,234	146,963,687	28,821,670	20,277,701	65,036	49,034,336	97,929,351	87,577,190
Vehicles	33,857,631	2,245,944	23,299	36,080,276	8,186,128	3,362,011	201,720	11,346,419	24,733,857	25,671,503
Total	**14,847,155,542**	**9,972,422,413**	**141,271,778**	**24,678,306,177**	**507,367,088**	**518,085,041**	**85,674,187**	**939,777,943**	**23,738,528,234**	**14,339,788,454**
Previous year	5,966,426,537	8,999,001,140	118,272,135	14,847,155,542	252,556,483	271,258,335	16,447,730	507,367,088	14,339,788,454	
b) Intangibles										
Trade Mark and Patents	233,700	-	-	233,700	97,322	23,370	-	120,692	113,008	136,378
Softwares	346,035,126	17,434,125	-	363,469,251	58,353,594	67,819,953	-	126,173,546	237,295,704	287,681,532
Rail Licence Fees	500,000,000	-	-	500,000,000	28,835,581	27,133,460	-	55,969,041	444,030,959	471,164,419
Goodwill on consolidation	59,898,246	-	-	59,898,246	-	-	-	-	59,898,246	59,898,246
Total	**906,167,072**	**17,434,125**	**-**	**923,601,197**	**87,286,497**	**94,976,783**	**-**	**182,263,279**	**741,337,918**	**818,880,576**
Previous year	791,402,323	121,481,508	6,716,758	906,167,072	35,300,153	57,025,923	5,039,579	87,286,497	818,880,576	
Total (a+b)	**15,753,322,615**	**9,989,856,537**	**141,271,778**	**25,601,907,374**	**594,653,585**	**613,061,824**	**85,674,187**	**1,122,041,222**	**24,479,866,152**	**15,158,669,030**
Capital work-in-progress									7,352,530,043	12,601,921,992
Intangible assets under development									4,865,285	3,780,247

Notes:

1. Gross block includes cost of vehicles taken on finance lease of Rs 9,793,227 (Rs 19,783, 884).
2. Depreciation / Amortization for the year includes Rs. 10,639,689 (Rs. 14,687,145) transferred to pre-operative expenses.
3. Deductions / adjustments during the year to gross block and depreciation includes Rs.681,083 (Rs. 3,146,007) and Rs. 213,789 (Rs. 1,493,764) on account of translation reserve.
4. Exchange difference adjusted to fixed assets Refer note 34 (c) .
5. **The Group has constructed the building and open Warehouse at Vizag on lease hold land taken from Visakhapatnam Port Trust. As per the policy of the said Port Authority, the period of lease is One year, though in practice it is renewable every year. The group has considered the period of lease as perpetual lease, renewable every year. Accordingly, the cost of building is depreciated as per rates of Schedule XIV and not amortized as per period of lease**
6. Capital work-in-progress includes Land and related expenses of Rs. 732,339,278 situated at Nagpur is formally under possession of a lender as per the order of Hon'ble High Court.

Arshiya International Limited

Notes forming part of the consolidated financial statements

(Amount in Rs)

	Non-current		Current	
	2013	2012	2013	2012
12: Other assets				
Interest receivable on fixed deposits	3,750	62,107	374,404	1,494,152
Unamortized ancilliary borrowing costs	226,530,794	265,299,069	46,004,382	55,858,350
Mark to market gain on derivative contracts	-	-	-	13,267,924
Margin money deposits with banks having original maturity period of more than 12 months (Refer note 16)	9,558,656	10,127,339		-
Total	236,093,200	275,488,515	46,378,786	70,620,426

(Amount in Rs)

	2013	2012
13: Current Investments		
In mutual fund (quoted)		
Nil (199,441)Units of -SBI.SHF.Ultra Short Term Fund - Institutional Plan - Daily Dividend	-	200,089,228
Total	-	200,089,228
Aggregate amount of quoted Investments (Book Value)	-	200,089,228
Aggregate amount of quoted Investments (Market Value)	-	200,089,228
14: Inventories		
Packing Material	2,313,550	-
Total	2,313,550	-
15: Trade receivables		
(unsecured considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered good	2,368,041,822	239,144,493
Considered doubtful	4,086,268	3,677,940
	2,372,128,090	242,822,433
Other debts - considered good	3,869,403,914	2,869,775,890
	6,241,532,004	3,112,598,322
Less : Provision for doubtful debts	4,086,268	3,677,940
Total	6,237,445,736	3,108,920,382

(Amount in Rs)

	Non-current		Current	
	2013	2012	2013	2012
16. Cash and bank balances				
Cash and cash equivalents				
Balances with banks in current accounts	-	-	64,444,825	617,116,429
Cash on hand	-	-	9,654,014	11,999,684
Remittances in transit	-	-	7,316,574	927,941
	-	-	81,415,413	630,044,054
Other bank balances				
Balances with bank in unclaimed dividend accounts			1,238,328	1,233,326
Margin money deposit with banks having original maturity period of more than 3 months but less than 12 months	-	-	1,000,000	29,169,956
Margin money deposits with banks having original maturity period of more than 12 months	9,558,656	10,127,339	-	-
	9,558,656	10,127,339	2,238,328	30,403,282
Less: Amount of deposits disclosed under other non-current assets (Refer note 12)	(9,558,656)	(10,127,339)	-	-
Total	-	-	83,653,741	660,447,336

Arshiya International Limited
Notes forming part of the consolidated financial statements

(Amount in Rs)

	2013	2012
17. Revenue from operations		
Revenue from		
-Logistics operations	6,259,559,221	6,063,424,251
-Rail freight and related services	3,017,921,501	2,706,807,216
-Free Trade Warehousing operations and related services	2,114,004,952	1,715,610,609
-Sale of software and related services	2,607,951	7,511,341
Other operating revenues - Export benefits	1,797,102	79,944,128
Total	**11,395,890,727**	**10,573,297,545**
18. Other income		
Interest income	10,470,597	5,195,906
Profit on redemption of units of mutual funds	736,286	321,892
Exchange difference (net)	52,502,364	63,209,518
Profit on sale of subsidiaries	-	4,196,297
Miscellaneous Income	4,756,470	2,516,867
Total	**68,465,717**	**75,440,480**
19. Cost of operations		
Cost of Logistics operations	5,349,647,493	4,642,831,932
Rail freight and other operating charges	2,473,503,984	1,931,785,378
Cost of Free Trade Warehousing operations	377,538,419	88,505,073
Total	**8,200,689,896**	**6,663,122,384**
20. Employee benefits expense		
Salary, bonus and allowances	712,141,302	583,223,594
Contribution to provident and other funds	14,054,790	46,796,212
Staff welfare expenses	32,930,754	33,719,336
Employee compensation expenses (Refer Note 2 (d))	-	(3,757,277)
Total	**759,126,846**	**659,981,865**
21. Finance costs		
Interest expense	2,441,194,631	1,019,070,470
Other borrowing costs	65,479,128	40,677,547
Total	**2,506,673,758**	**1,059,748,017**
22. Other expenses		
Rent	168,306,491	114,726,305
Rates and taxes	20,750,533	17,281,729
Insurance	28,398,412	14,131,704
Electricity charges	44,074,050	28,705,677
Repairs and maintenance		
- Building	15,857,733	8,461,531
- Others	35,262,129	31,356,996
Communication expenses	23,996,511	21,927,081
Travelling and conveyance expenses	63,300,512	73,955,487
Vehicle expenses	23,872,822	20,740,598
Printing and stationery	5,829,542	6,362,478
Legal and professional fees	79,882,332	71,390,977
Security charges	46,608,716	32,365,241
Auditors remuneration	9,329,590	7,726,203
Advertisement and business promotion expenses	19,395,880	23,891,196
Bad debts	-	584,446
Provision for doubtful debts /(written back)	408,328	2,988,850
Loss on sale /discard of fixed assets (net)	284,072	925,764
Miscellaneous expenses	85,583,217	56,102,786
Total	**671,140,871**	**533,625,050**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

23. a. Contingent liabilities not provided for:

(Amount in Rs.)

Sr. No.		2013	2012
i)	Disputed income tax demands	122,197,838	4,350,076
ii)	Claims against the group not acknowledged as debts	177,906,242	66,925,457
iii)	Guarantees/ Letter of credit issued by banks (net of liabilities provided)	53,452,583	106,379,641
iv)	Custom duty on pending export obligation against import of capital goods.	264,678,216	369,516,181

b. Capital and other commitments

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances paid) Rs. 1,142,660,296 (Rs. 1,894,266,741).

ii) The company has committed to provide continued need based financial support to subsidiaries.

24. a) In the opinion of the management, the current assets, loans and advances and current liabilities are approximately of the value stated, if realised / paid in the ordinary course of business. Provision for all known liabilities is adequate and is not in excess of amounts considered reasonably necessary.

b) The Group has sent confirmation letters of the balances as on March 31, 2013 of trade receivables, trade payables, advances and loans/credit facilities from banks/financial institutions. However, certain trade receivables, trade payables and loans/credit facilities from banks/financial institutions are subject to confirmation and reconciliation. The difference, if any, will be adjusted on final reconciliation/determination.

25. a. Revenue from logistic operations (Refer note 17) comprise freight and forwarding income, clearing and handling charges and other related income and also includes related commission income of Rs.212,760,595 (Rs.470,380,202).

b. Cost of logistics operations (Refer note 19) and related services mainly comprise freight and forwarding expenses, clearing and handling charges and other related expenses.

26. a) Prior period items included in the Statement of Profit and Loss:

(Amount in Rs.)

	2013	2012
Revenue from logistics operations and related services	(4,104,580)	(2,038,007)
Cost of logistics operations	11,337,533	1,741,449
Depreciation	--	1,471,221
Other operating revenue-export benefits	--	(2,284,742)
Net prior period expenses / (income)	**72,32,953**	**(1,110,079)**

b) The group has given discount/rebate of Rs. 299,405,882 on fulfillment of conditions as mentioned in Service Agreement of certain customers, at the prescribed percentage on attaining/crossing the volume of business and the same has been adjusted in Revenue from operations.

27. Exceptional item represents leasehold improvements written off Rs. 54,276,945 (Rs. Nil) on account of premises vacated/ surrendered during the year.

28. Segment information

Primary Segment Information

The Group operates in four primary reportable business segments, i.e. “Logistic operations, “Free trade warehousing/ Distripark operations”, “Rail transport operations” and “software for supply chain and logistic management” as per the definition under Accounting Standard 17 – “Segment Reporting” as specified in the Companies (Accounting Standards) Rules, 2006.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

	Logistic Operations	FTWZ / Distripark Operations	Rail Transport Operations	Software	Unallocated	Total
Segment Revenue						
External sales	6,261,356,323 (6,134,069,091)	2,114,004,952 (1,715,610,609)	3,017,921,501 (2,716,106,504)	2,607,951 (7,511,341)	- (--)	11,395,890,727 (10,573,297,545)
Other income	(-) 970,178 ((-)3,251,781)	58,689,060 (72,792,950)	2,622,109 (153,674)	222,036 (427,588)	(-)2,567,908) (122,144)	57,995,119 (70,244,574)
Total revenue	6,260,386,145 (6,130,817,310)	2,172,694,011 (1,788,403,559)	3,020,543,610 (2,716,260,178)	2,829,987 (8,773,571)	(-)2,567,908 (122,144)	11,453,885,846 (10,643,542,119)
Segment Result						
Segment result	735,589,897 (1,272,343,900)	893,450,043 (1,245,961,632)	94,538,823 (446,774,014)	(2,495,579) ((-)9,935,300)	(-)2,567,908 (122,144)	1,718,515,277 (2,955,144,246)
Unallocated Expense					563,488,306 (522,606,086)	563,488,306 (522,606,086)
Operating profit						1,155,026,971 (2,432,538,161)
Interest expense						2,441,194,631 (1,019,070,470)
Interest income						10,470,597 (5,195,906)
Less: Exceptional item Leasehold improvements written off						54,276,945 (--)
Tax expense/(-) Credit						(-) 58,441,573 (210,664,703)
Profit / (-) Loss after tax						(-)1,271,532,434 (1,207,998,892)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

	Logistic Operations	FTWZ /Distripark Operations	Rail Transport Operations	Software	Unallocated	Total
Other Information						
Segment assets	7,920,366,292 (5,485,958,626)	30,224,099,766 (27,503,287,045)	7,728,490,375 (7,187,434,769)	912,787,278 (1,013,966,356)	5,054,650,148 (4,546,498,479)	51,840,393,859 (45,737,145,274)
Less: Elimination						11,009,687,598 (11,007,471,862)
Total assets						40,830,706,261 (34,729,673,412)
Segment liabilities	2,676,701,734 (961,146,701)	20,668,228,129 (22,109,928,072)	6,673,466,555 (5,649,661,281)	69,636,222 (174,611,685)	6,090,623,507 (4,573,987,828)	36,178,656,148 (33,469,335,567)
Less: Elimination						4,049,232,409 (7,401,978,713)
Total liabilities						32,129,423,739 (26,067,356,854)
Capital expenditure	593,869 (22,624,948)	3,160,193,901 (9,082,968,342)	574,442,873 (1,487,335,231)	-- (10,547,910)	28,612,295 (43,331,490)	3,763,842,937 (10,646,807,921)
Depreciation and Amortization expense	7,512,620 (8,854,690)	292,500,220 (134,476,821)	240,205,383 (143,010,866)	1,127,563 (1,236,750)	61,076,349 (40,705,130)	602,422,135 (328,284,258)
Non-cash expenses / (income) other than depreciation Amortization	10,786,029 (5,073,155)	29,918,984 (28,306,329)	-- (--)	-- (260,547)	80,892,224 (2,516,769)	121,597,237 (36,156,800)

Secondary Segment Information:

(Amount in Rs.)

	India	Rest of the world	Total
Revenue	10,612,693,766 (8,664,362,720)	841,192,080 (1,979,179,399)	11,453,885,846 (10,643,542,119)
Carrying amount of assets	39,466,800,297 (33,315,280,883)	1,363,905,964 (1,414,392,529)	40,830,706,261 (34,729,673,412)
Capital expenditure	3,763,703,146 (10,636,260,011)	139,791 (10,547,910)	3,763,842,937 (10,646,807,921)

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Notes:

a. Geographical segment and its composition are India and Rest of the world

b. The Group has identified India and Rest of the World as geographical segments for secondary segmental reporting. Geographical sales are segregated based on the location of the customer who is invoiced or in relation to which the sale is otherwise recognized.

c. Capital expenditure also includes expenditure incurred on capital work–in-progress and capital advances.

29. Capital Projects

a. Capital work-in-progress includes pre-operative expenses Rs.1,450,004,853 (Rs. 2,409,380,736)

b. Borrowing costs (net) of the year capitalised or allocated to capital work-in-progress Rs.1,161,595,239 (Rs. 1,545,559,435)

30. The details of pre-operative expenses are as under

(Amount in Rs.)

Nature of expenses	2013	2012
Expenditure upto previous year	2,409,380,736	1,784,519,433
Personnel cost	465,453,261	569,818,741
Electricity charges	13,034,410	22,027,876
Rent	36,037,016	72,732,038
Rates and taxes	8,221,070	37,549,763
Recruitment expenses	--	2,338,752
Travelling and conveyance	13,925,521	29,143,879
Vehicle expenses	14,214,156	10,499,552
Legal and professional fees	20,075,989	31,368,734
Miscellaneous expenses	32,293,849	34,480,079
Security expenses	2,120,075	9,760,512
Depreciation/Amortization expense	10,639,712	14,687,153
Other financial charges	17,519,243	38,700,562
Interest expense	1,144,226,058	1,508,024,571
Interest earned on fixed deposits	(150,062)	(565,001)
Interest on capital advances	--	(600,697)
Miscellaneous Income	(1,807,043)	(8,407,705)
Sub Total	**4,185,183,990**	**4,156,078,242**
Trial run Income	--	5,985,121
Less: Trial run expenses	--	566,434
Net Loss (Income) during trial run	--	(5,418,687)
Less : Amount allocated to fixed assets capitalized during the year	2,735,179,137	1,741,278,819
Balance carried to Balance sheet	**1,450,004,854**	**2,409,380,736**

31. Related party disclosures, as required by Accounting Standard 18 "Related Party Disclosures" as given below:

- **List of entities where control exists**

  The list of subsidiary companies is disclosed in note 1.1 (iv)(c) above.

- **Key management personnel**

  Mr. Ajay S Mittal – Chairman and Managing Director

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

Mrs. Archana Mittal – Joint Managing Director

Mr. V Shivkumar – Executive Director (resigned w.e.f . May 14, 2012)

Mr. Sandesh Chonkar – Chief Financial Officer & Executive Director

- **Relative of Key Management Personnel**

  Mr. Ananya Mittal – General Manager (Business Development) - August 6, 2012 to September 30, 2012.

- **Enterprises owned or significantly influenced by key management personnel or their relatives**

  Bhushan Steels Limited, Arshiya Lifestyle Limited.

Note:

The related party relationships have been determined by the management on the basis of the requirements of the AS-18 and the same have been relied upon by the auditors.

The nature and volume of transactions during the year with the above related parties are as follows:

(Amount in Rs.)

	Related parties		
	Key Management Personnel and their relatives	Enterprise owned or significantly influenced by Key Management Personnel or their relatives	Total
Revenue from operations	-- (--)	863,950,842 (559,260,565)	863,950,842 (559,260,565)
Managerial Remuneration	75,344,515 (78,444,739)	-- (--)	75,344,515 (78,444,739)
Rent Paid	1,788,771 (--)	-- (--)	1,788,771 (--)
Interest Expenses	6,225,480 (--)	-- (--)	6,225,480 (--)
Loans and advances taken	1,171,862,053 (--)	-- (--)	1,171,862,053 (--)
Loans and advances taken repaid /adjusted #	357 517 949 (--)	-- (--)	357,517,949 (--)
Issue of Equity Shares on conversion of warrants	442,250,000 (--)	-- (--)	442,250,000 (--)
Money received against warrants	836,087,500 (--)	-- (--)	836,087,500 (--)
Outstanding balances			
Trade receivables	-- (--)	17,071,405 (40,835,617)	17,071,405 (40,835,617)
Loans, advances and deposit received	814,344,104 (--)	-- (--)	814,344,104 (--)

Note:

The following transactions constitute more than 10% of the total related party transactions of the same type:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

Nature of transaction	Name of the Party	2013	2012
Revenue from Operations	Bhushan Steels Limited	863,950,842	559,260,565
Managerial Remuneration	Mr. Ajay S Mittal	34,075,827	28,580,187
	Mrs. Archana Mittal	16,784,402	20,633,883
	Mr.Sandesh R Chonkar	14,939,773	14,610,189
	Mr. V Shivkumar	9,179,817	14,620,480
Interest paid	Mrs. Archana Mittal	6,225,480	--
Rent paid	Arshiya Lifestyle Limited	1,788,771	--
Loans and advances taken	Mr. Ajay S Mittal	184,000,000	--
	Mrs. Archana Mittal	787,899,553	--
	Mr. Ananya Mittal	199,962,500	--
Loans advances taken repaid/adjusted	Mrs. Archana Mittal	275,867,949	--
	Mr. Ananya Mittal #	81,650,000	--
Issue of equity shares on conversion of warrants	Mr. Ananya Mittal	442,250,000	--
Money received against warrants	Mr. Ananya Mittal	836,087,500	--
Outstanding balances as on March 31,2013			
Trade receivables	Bhushan Steels Limited	17,071,405	--
Loans, advances and deposit taken	Mr. Ajay S Mittal *	302,312,500	--
	Mrs. Archana Mittal	512,031,604	--
Money received against warrants	Mr. Ajay S Mittal *	836,087,500	--

* Includes loan of Rs. 118,312,500 and Rs. 836,087,500 received against warrants which have been assigned in favour of Chairman and Managing Director.

\# Does not include Rs. 118,312,500 assigned in favour of Chairman and Managing Director.

32. Disclosure Pursuant to Accounting Standard - 19 Leases

a. Finance Lease

The Group has acquired assets under finance lease. Details of lease rentals payable are as follows:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

	Not later than one year	Later than one year but not later than five years	Later than five years
Minimum lease payment	216,720 (2,094,785)	7,903,673 (7,640,142)	-- (--)
Less: Finance charges payable in future	27,215 (65,342)	804,478 (930,403)	-- (--)
Present value of the lease rentals	189,505 (2,029,443)	7,099,195 (6,709,739)	-- (--)

b. Operating Lease

i) In respect of assets given on operating lease

The group has entered into cancellable agreements with customers for leasing of part of the Pallet positions, Open yard area, Temperature Controlled Warehouse, Warehouse Floor space, Warehouse mezzanine floor space at its FTWZ Sai Village Panvel-Maharashtra.
Lease income recognised in respective of operating lease is Rs. 6,276,469 (Rs.18,040,445)

ii) In respect of assets taken on operating lease:

The Group has entered into operating lease arrangements for leasing of office premises and railway rakes for 3 to 10 years renewable at the option of the lessor and lessee. The lease arrangement provides escalations clause for increase in rent during the tenure of the lease. Under certain arrangements, refundable interest free deposits have been given.

(Amount in Rs.)

	2013	2012
Lease obligations (Non-cancellable)		
Future minimum lease rental payments		
- not later than one year	137,310,312	166,236,760
- later than one year but not later than five years	366,732,953	308,670,812
- later than five years	106,215,979	19,383,617
Total	**610,259,244**	**494,291,189**

Lease rental payments in respect of all operating leases for the year are Rs. 231,161,689 (Rs. 189,717,985) and during the year Rs.36, 037,016 (Rs. 72,730,238) was capitalized and Rs 26,818,182(Rs. 2,261,442) are recoginsed in statement of profit & loss account as part of operation expenses.

33. Earnings per share

(Amount in Rs.)

	2013	2012
Profit/(Loss) after tax (Amount in Rs)	(1,271,532,434)	1,207,998,892
Weighted average number of shares for basic (Numbers)	60,074,540	58,829,472
Weighted average number of shares for diluted (Numbers)	60,074,540	58,829,472
Nominal value per share (Amount in Rs.)	2	2
Earnings Per Share – Basic and Diluted (Amount in Rs)	(21.17)	20.53

34. a. Derivative contracts entered into by the Group for hedging purpose and outstanding as at March 31, 2013 are as under:

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

	Foreign currency amount			Equivalent amount (in Rs)	
Balances	Currency	2013	2012	2013	2012
Long -term borrowings	USD	55,356,476	29,105,953	3,005,484,261	1,486,732,075

b. Details of foreign currency transactions/ balances not hedged by derivative instruments or otherwise are as under:

	Foreign currency amount			Equivalent amount (In Rs.)	
Balances	Currency	2013	2012	2013	2012
Bank balances	EUR	--	216	--	14,938
	SGD	--	210	--	8,660
	USD	1,929	310,647	104,356	15,915,723
Accounts receivable	USD	37,970,698	31,646,456	2,045,577,554	1,609,149,645
	EUR	101,423	31,127	6,970,842	2,095,173
	GBP	--	31	--	2,470
Accounts payable	USD	1,418,496	7,431,125	78,039,036	377,238,047
	GBP	4,185	5,960	340,900	491,822
	EUR	20,742	105,738	1,442,405	7,280,398
	JPY	11,800	315,792	6,719	198,949
	CAD	--	153	--	7,925
	HKD	--	14,190	--	95,357
	SGD	--	2,095	--	86,200

c. During the year, the Group has adopted amended provisions of AS -11 as per Companies (Accounting Standards) Amendment Rules relating to "Effects of the changes in Foreign Exchange Rate". Accordingly, the Group has adjusted exchange Loss of Rs 50,060,361(Gain Rs 10,518,105) to the cost of fixed assets and exchange Loss of Rs 10,115,454 (Gain Rs 2,749,820) is transferred to "Foreign Currency Monetary Item Translation Difference Account" to be amortized over the balance period of long term liabilities but not beyond March 31, 2020. Out of the above, exchange loss of Rs 1,555,896 Rs (Gain Rs 165,534) has been credited to the statement of profit and loss during the year and Rs 8,559,558 (Rs 2,584,286) has been carried over.

35. Payment to Auditors: (Amount in Rs.)

	2013	2012
For Standalone		
Audit Fees	5,056,920	5,050,633
Certification Fees	269,080	113,058
Reimbursement of expense	82,579	18,095
For Subsidiaries		
Audit Fee	2,819,523	2,459,664
Other matters	1,101,488	84,753
Total	**9,329,590**	**7,726,203**

36. Concession Agreement

The Group has Pan India license from Indian Railways for operation of transportation of containerized cargo by rail for a period of twenty years from the date of commencement of commercial operations (i.e 2 February, 2009). License fees amounting to Rs. 500,000,000 is amortized as per the accounting policy referred in Note 1.2(d)1(ii).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

37. Scheme of Amalgamation

(i) Accounting of Scheme of Amalgamation in Parent Company .

Scheme of Amalgamation of Arshiya FTWZ Limited (“AFTWZL”) and Arshiya Domestic Distripark Limited (“ADDL”) with the Company.

a) A Scheme of Amalgamation (“The Scheme”) of Arshiya FTWZ Limited (“AFTWZL”) and Arshiya Domestic Distripark Limited (“ADDL”) with the company was sanctioned by the Hon’ble High Court, Bombay on 07 December 2012. The Scheme became effective on 04 January 2013 on filing with the Registrar of Companies and consequently, the entire undertaking of the transferor companies including all assets, liabilities and reserves, vested in the Company on appointed date 01 April 2012.The Scheme is, accordingly given effect in these accounts.

b) The Amalgamation is accounted for as per “Pooling of Interest” method prescribed under Accounting Standard 14 “Accounting of Amalgamations”. Pursuant to the Scheme:

i) Assets and liabilities of AFTWZL and ADDL as at 1 April 2012 have been taken over at their book values.

ii) The book value of Company's investments in the equity shares of the AFTWZL and ADDL and inter-company loans and advances have been cancelled. Accordingly, no shares are allotted to shareholders of AFTWZL and ADDL respectively as all the shares of AFTWZL and ADDL are held by the Company on record date.

iii) The difference being shortfall of the net assets and reserves of ADDL and AFTWZL transferred to the Company, cancellation of inter-company investments etc., after making the above adjustments has been accounted as under :

(Amount in Rs)

Assets and Liabilities	AFTWZL	ADDL	Total
Fixed Assets	--	22,562,249	22,562,249
Loans and Advances to subsidiaries	16,737,254	241,949,459	258,686,713
Investment in subsidiaries	1,794,075,140	718,245,000	2,512,320,140
Deferred Tax Assets	1,342,354	--	1,342,354
Cash and bank balances	1,927,794	21,27,889	4,055,682
Current liabilities and provisions	(9,497,461)	(10,050,180)	(199,497,752)
Unsecured Loans from Holding Company	(1,729,238,211)	(860,322,208)	(2,589,560,419)
Net Assets	**75,346,870**	**114,512,208**	**189,859,079**
Less:			
Inter-company investment cancelled	(209,500,000)	(295,000,000)	(504,500,000)
Reserves taken over			
Securities Premium	199,291,000	285,000,000	484,291,000
Debit Balance in Statement of Profit and loss	(123,944,130)	(170,487,791)	(294,431,921)
Shortfall			**504,500,000**
Adjusted in Reserves			
- Balance in statement of profit and loss			470,174,376
- General Reserve			34,325,624
		Total	**504,500,000**

c) Certain assets and liabilities acquired on amalgamation are yet to be transferred in the name of the company.

d) The authorized share capital amount of the Company has increased by 10,000,000 equity shares of Rs 2 each amounting to Rs. 20,000,000.

(ii) Scheme of Amalgamation of Arshiya FTWZ Limited (“AFTWZL”) and Arshiya Domestic Distripark Limited (“ADDL”) with the Company is given effect in the unconsolidated financial statements of the Company as per “Pooling of interest method” prescribed under Accounting Standard 14 “ Accounting for Amalgamation” as referred in (i) above. Accordingly, securities

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

premium account of Rs. 484,291,000 pertaining to transferor companies (subsidiaries) is taken over by the company. Therefore necessary corresponding effect is given in balance of statement of Profit and Loss of Rs. 449,965,376 and General Reserve of Rs. 34,325,624.

38. Taxation

Tax provision is computed in accordance with tax laws of respective countries. However, while computing the provision for taxation, income tax, if any, payable due to disallowance of expenses u/s 40(a)(i) of the Income Tax Act, 1961 (the "ACT") on account of non-payment / non -deduction of Tax Deducted at Source as per chapter XVIIB and disallowances of certain expenses, if any, u/s 43B of the Act due to non-payment on or before due date of filing return of income has not been considered, as according to the management, all above dues will be paid before due date of filing of return of income.

39. (a) Remuneration paid or provided in accordance with section 198 of the Companies Act, 1956 to the directors is as under:

(Amount in Rs)

	Chairman and Managing Director		Joint Managing Director		Executive Directors	
	2013	2012	2013	2012	2013	2012
Salaries and Allowances	31,500,000	25,500,000	--	3,600,000	--	9,025,004
Perquisites	51,147	--	--	--	--	--
Contribution to Provident Fund	2,524,680	3,080,187	--	450,657	--	756,552
Total	**34,075,827**	**28,580,187**	**--**	**4,050,657**	**--**	**9,781,556**

(b) In view of loss during the year, remuneration of Rs.32,930,806 paid/provided to Chairman and Managing Director of the Company, turned out to be in excess of the limits prescribed under Section 198 read with Schedule XIII to the Companies Act 1956. However, the Company is in the process of making application to the Central Government for approval of the excess remuneration paid/provided to Chairman and Managing Director.

(c) In certain subsidiaries, remuneration to key managerial personnel aggregating to Rs.40,903,992 (Rs. 49,864,552) turned out to be in excess of the limits prescribed under Section 198 read with Schedule XIII to the Companies Act 1956. However, these subsidiaries are in the process of making application to the Central Government for approval of the excess remuneration paid/provided to such key managerial personnel.

Notes:

i) Salaries and allowances include basic salary, house rent allowance and leave travel allowance.

ii) Provision for post-retirement benefits which is based on actuarial valuation done on an overall company basis and is not included in the above figures.

40. The figures for the previous year have been regrouped where necessary to conform to current year classification. The Consolidated financial statements are not comparable in view of subsidiaries incorporated / acquired /divested during the current and previous year.

Signatures to Notes forming part of the consolidated financial statements

As per our attached report of even date

For MGB & Co.

Chartered Accountants

Firm Registration Number 101169W

For and on behalf of the Board

Mohanlal Bhandari
Partner
Membership Number 012912

Ajay S Mittal
Chairman & Managing Director

Archana A Mittal
Joint Managing Director

Sandesh R Chonkar
Executive Director &
Chief Financial Officer

Parind Badshah
Company Secretary

Mumbai, May 30, 2013

NOTES

ARSHIYA INTERNATIONAL LIMITED

Reg Off: 6th Floor, C-Wing, Twin Arcade, Military Road, Marol Maroshi, Andheri (East), Mumbai - 400 059.

ATTENDANCE SLIP

THIRTY SECOND ANNUAL GENERAL MEETING

Folio No. /DP.ID & CLIENT ID ....

No of Shares ....

I/We hereby record my/our presence at the 32nd **Annual General Meeting** of the Company to be held on Wednesday, 7th August, 2013 at 3.30 p.m. at Hall of Culture, Nehru Centre, Dr. Annie Besant Road, Worli, Mumbai – 400 018.

NAME & ADDRESS OF THE SHAREHOLDER :..

....

Member's/Proxy's Signature ....

Note: Shareholders/Proxy Holders are requested to bring this Attendance Slip with them when they come to the meeting and hand it over at the entrance after signing it.

PROXY FORM

THIRTY SECOND ANNUAL GENERAL MEETING

Folio No. /DP.ID & CLIENT ID ....

No of Shares ....

I/We .... resident of .... being a Member / Members of **ARSHIYA INTERNATIONAL LTD** hereby appoint .... resident of .... or failing him/her .... resident of .... as my/our proxy to vote for me/us on my/our behalf at the 32nd Annual General Meeting of the Company to be held on **Wednesday 7th August, 2013 and any adjournment thereof.**

....

Signature of the member

Affix a Revenue Stamp

Signed this .... day of .... 2013.

Note: 1. The Proxy Form should be signed across the Revenue Stamp as per specimen signature registered with the Company.

2. The Proxy Form duly completed and stamped must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

BOOK-POST

If undelivered, please return to:

Corporate Office
Arshiya International Ltd

301, Level 3, Ceejay House, Shiv Sagar Estate
F-Block, Dr. Annie Besant Road,
Worli, Mumbai – 400 018