

**22<sup>nd</sup>**  
**ANNUAL REPORT**  
**2010-11**



**aarvee**  
**DENIMS & EXPORTS LTD.**

**DE.EXTASE**  
THE COMPLETE CASUAL WARDROBE

*The complete sourcing destination of the world*

**YARN ✦ FABRIC ✦ GARMENT ✦ RETAIL**



## AARVEE DENIMS AND EXPORTS LTD.



### BOARD OF DIRECTORS

|                         |                              |
|-------------------------|------------------------------|
| Shri Vinod P. Arora     | Chairman & Managing Director |
| Shri Ashish V. Shah     | Managing Director            |
| Shri Kalpesh V. Shah    | Whole Time Director          |
| Shri Parmanand T. Arora | Director                     |
| Shri Rajesh P. Arora    | Director                     |
| Shri Sanjay S. Majmudar | Independent Director         |
| Shri Ashok C. Gandhi    | Independent Director         |
| Shri Arvind D. Sanghvi  | Independent Director         |
| Shri Tilak Raj Kapoor   | Independent Director         |
| Shri Amol R. Dalal      | Independent Director         |

### AUDIT COMMITTEE

|                         |          |
|-------------------------|----------|
| Shri Sanjay S. Majmudar | Chairman |
| Shri Ashok C. Gandhi    | Member   |
| Shri Amol R. Dalal      | Member   |

### SHARE TRANSFER COMMITTEE

|                      |          |
|----------------------|----------|
| Shri Vinod P. Arora  | Chairman |
| Shri Ashish V. Shah  | Member   |
| Shri Kalpesh V. Shah | Member   |

### REMUNERATION COMMITTEE

|                         |          |
|-------------------------|----------|
| Shri Sanjay S. Majmudar | Chairman |
| Shri Ashok C. Gandhi    | Member   |
| Shri Amol R. Dalal      | Member   |

### SHAREHOLDER'S GRIEVANCE COMMITTEE

|                      |          |
|----------------------|----------|
| Shri Amol R. Dalal   | Chairman |
| Shri Vinod P. Arora  | Member   |
| Shri Kalpesh V. Shah | Member   |

### SENIOR EXECUTIVES

|                      |                                 |
|----------------------|---------------------------------|
| Shri Nipun V. Arora  | Vice President (Administration) |
| Shri Pankaj V. Arora | Vice President (Marketing)      |
| Shri Pankil K. Shah  | Vice President (Garmenting)     |
| Shri K. K. Mohale    | Chief Executive                 |
| Shri U. L. Pandwar   | Finance Controller              |
| Shri Amish Shah      | Company Secretary               |

### BANKERS

|                      |                         |
|----------------------|-------------------------|
| Bank of Baroda       | Standard Chartered Bank |
| Punjab National Bank | Bank of India           |
| IDBI Bank Ltd.       |                         |

### AUDITORS

|                          |                          |
|--------------------------|--------------------------|
| N. C. Shah & Associates  | Joint Statutory Auditors |
| Deloitte Haskins & Sells | Joint Statutory Auditors |

### REGISTERED OFFICE & MILLS:

| REGISTERED OFFICE (Unit I)  | Unit II   |
|---|---|
| 188/2, Ranipur Village<br>Opp. CNI Church, Narol<br>Ahmedabad 382 405 | S. No. 215-217, Village Sari<br>Sarkhej Bavla Highway,<br>Ta. Sanand, Dist.<br>Ahmedabad. |

### Unit III

191, Moje shavadi, Narol-Sarkhej Highway, Ahmedabad-382 405

### DELHI OFFICE :

417, Kucha Brijnath, Chandni Chowk, Delhi – 110 006.

### MUMBAI OFFICE :

102, Techno Residency, Plot No. 84, Junction of L.N Road and Hindu Colony Road No.2, Dadar (E), Mumbai – 400014

### SHARE TRANSFER AGENT :

Mr. Nitin Joshi

### Sharepro Services (India) Pvt Ltd.

416-420, 4th Floor Devnandan Mall, Opp.Sanyash Ashram, Ellisbridge, Ahmedabad -380006 , Gujarat,  
Tel Nos. 079 26582381 to 84, Fax No 079 26582385  
Email sharepro@shareproservices.com

## CONTENTS

|  |    |
|--|----|
| Notice .....                                   | 1  |
| Directors' Report .....                        | 8  |
| Report on Corporate Governance .....           | 13 |
| Management Discussion and Analysis .....       | 22 |
| Auditors' Report .....                         | 25 |
| Balance Sheet .....                            | 28 |
| Profit and Loss Account .....                  | 29 |
| Schedules to the Accounts .....                | 30 |
| Notes Forming Parts of Accounts .....          | 37 |
| Balance Sheet Abstract .....                   | 54 |
| Cashflow Statements .....                      | 55 |
| Green Initiative in Corporate Governance ..... | 57 |
| De-Extase Discount Coupen .....                | 59 |

## NOTICE

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of the Members of AARVEE DENIMS AND EXPORTS LIMITED will be held on Friday 30<sup>th</sup> day of September, 2011 at 10.00 a.m. at Registered office of the Company situated at Survey No. 188/2, Ranipur Village, Opp. CNI Church, Narol, Ahmedabad - 382 405 to transact the following business :

### ORDINARY BUSINESS:-

1. To receive, consider and adopt the Balance Sheet as on 31<sup>st</sup> March, 2011, the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2011 and the reports of the Directors and Auditors thereon;
2. To appoint Director in place of Shri Rajesh Arora, who retires by rotation in terms of Articles 131 of the Articles of Association of the Company and being eligible, offers him for reappointment.
3. To appoint Director in place of Shri Sanjay Majmudar, who retires by rotation in terms of Articles 131 of the Articles of Association of the Company and being eligible, offers himself for reappointment;
4. To appoint M/s Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Registration No. 117365W) and M/s N.C. Shah & Associates, Chartered Accountants, Ahmedabad (Registration No. 109692W) as Joint Statutory Auditors to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration apart from reimbursing out-of-pocket expenses incurred in the normal course of their duties.

### ORDINARY BUSINESS

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

"RESOLVED THAT in supersession of the resolution passed by the Members of the Company in the Extra Ordinary General Meeting (EGM) held on 28.07.2005, pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors borrowing any sum or sums of money, from time to time from any one or more other persons, firms, bodies corporate, or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge on the Company's assets and properties whether movable or stock in trade (including raw materials, stores, spares and components in stock or in transit and work in progress) and all or any of the undertakings of the Company notwithstanding that the moneys to be borrowed together with moneys already borrowed by Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of ₹1000 Crores only (Rupees One Thousand Crores only) exclusive of interest, and the Directors are hereby further authorised to execute such deeds of debentures and debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit, receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Directors may think fit."

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

"**RESOLVED THAT** in supersession of the resolution passed by the Members of the Company in the Thirteenth Annual General Meeting held on 28.07.2005, pursuant to the provisions of Section 293(1)(a) of the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors, to the creation by the Board of Directors of the Company of such mortgages, charges and hypothecations in addition to the existing mortgages, charges, and hypothecations created by the Company as the Board may direct on such of the assets of the Company, both present and future, in such manner as the Board may direct together with power to take over the management of the Company in certain events, to or in favour of all or any of the financial institutions/banks/any other investing agencies/trustees for the holders of debentures/bonds/

other instruments which may be issued to and subscribed by all any of the financial institutions/banks/any other investing agencies or any other person(s)/ bodies corporate by private placement or otherwise, to secure rupee/ foreign currency loans, debentures, bonds or other instruments of an equivalent aggregate value not exceeding ₹1000 Crores only (Rupees One Thousand Crores only) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, cost, charges, expenses and all other monies payable by the Company to the aforesaid parties or any of them under the Agreements/Arrangements entered into by the Company in respect of the said loans/debentures/ bonds or other instruments."

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956 read with the Director's Relatives (Office or Place of profit ) Rules, 2003 including any statutory modifications of re-enactment thereof and as recommended by the Remuneration Committee and also approved by a Selection Committee, consent and approval of the Company be and is hereby accorded to revise the remuneration structure of Shri Nipun V. Arora, a relative of Shri Vinod P. Arora, Chairman and Managing Director, Shri Rajesh Arora, Director and Shri Parmanand Arora, Director of the Company, to hold and continue to hold an office or place of profit as Vice President (Administration) for the further period of 5 years effective from 1<sup>st</sup> October, 2011, in the Company on the revised remuneration stated below :

Remuneration: Shri Nipun V. Arora, shall be paid the following remuneration:

|   |                          |        |   |
|---|--------------------------|--------|---|
| A | Salary                   | :      | ₹ 1,00,000/- per month. Salary may be increased within the range of ₹ 1,00,000/- per month to ₹ 1,50,000/- per month during the period of appointment, in such increments as may be decided by the Remuneration Committee of Directors from time to time.                   |
| B | Perquisites and Benefits | :      | In addition to Salary, he will be allowed perquisites and benefits as under:  |
|   |                          | (i)    | <b>Housing:</b> Furnished/ Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962. |
|   |                          | (ii)   | <b>Medical reimbursement:</b> Expenses incurred for self and his family as per company rules.   |
|   |                          | (iii)  | <b>Leave Travel Concession:</b> For self and his family, incurred in accordance with the company rules.   |
|   |                          | (iv)   | <b>Club Fees:</b> Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.  |
|   |                          | (v)    | <b>Personal Accident Insurance:</b> Premium as per company rules  |
|   |                          | (vi)   | Contribution to Provident Fund, Superannuation Fund, Annuity Fund /Contribution to Gratuity as per company rules.   |
|   |                          | (vii)  | Encashment of leave not availed of, as per company rules.   |
|   |                          | (viii) | Provision of car and telephone as per company rules.  |
|   |                          | (ix)   | Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.   |

**"RESOLVED FURTHER THAT** the Remuneration Committee of Directors of the Company be and is hereby authorised to determine, modify, consolidate and/or revise the terms and conditions of appointment of Shri Nipun V. Arora, including designation and remuneration within the above limits, in any manner from time to time and to do such acts, deeds and things as may be necessary for giving effect to the above resolution."

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

**"RESOLVED THAT** pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956 read with the Director's Relatives (Office or Place of profit) Rules, 2003 including any statutory modifications of re-enactment thereof and as recommended by the Remuneration Committee and also approved by a Selection Committee, consent and approval of the Company be and is hereby accorded to revise the remuneration structure of Shri Pankaj V. Arora, a relative of Shri Vinod P. Arora, Chairman and Managing Director, Shri Rajesh Arora, Director and Shri Parmanand Arora, Director of the Company, to hold and continue to hold an office or place of profit as Vice President (Marketing) for the further period of 5 years effective from 1<sup>st</sup> October, 2011, in the Company on the revised remuneration stated below :

Remuneration: Shri Pankaj V. Arora, shall be paid the following remuneration:

|   |                          |        |   |
|---|--------------------------|--------|---|
| A | Salary                   | :      | ₹ 1,00,000/- per month. Salary may be increased within the range of ₹ 1,00,000/- per month to ₹ 1,50,000/- per month during the period of appointment, in such increments as may be decided by the Remuneration Committee of Directors from time to time.                   |
| B | Perquisites and Benefits | :      | In addition to Salary, he will be allowed perquisites and benefits as under:  |
|   |                          | (i)    | <b>Housing:</b> Furnished/ Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962. |
|   |                          | (ii)   | <b>Medical reimbursement:</b> Expenses incurred for self and his family as per company rules.   |
|   |                          | (iii)  | <b>Leave Travel Concession:</b> For self and his family, incurred in accordance with the company rules.   |
|   |                          | (iv)   | <b>Club Fees:</b> Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.  |
|   |                          | (v)    | <b>Personal Accident Insurance:</b> Premium as per company rules  |
|   |                          | (vi)   | Contribution to Provident Fund, Superannuation Fund, Annuity Fund /Contribution to Gratuity as per company rules.   |
|   |                          | (vii)  | Encashment of leave not availed of, as per company rules.   |
|   |                          | (viii) | Provision of car and telephone as per company rules.  |
|   |                          | (ix)   | Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.   |

**"RESOLVED FURTHER THAT** the Remuneration Committee of Directors of the Company be and is hereby authorised to determine, modify, consolidate and/or revise the terms and conditions of appointment of Shri Pankaj V. Arora, including designation and remuneration within the above limits, in any manner from time to time and to do such acts, deeds and things as may be necessary for giving effect to the above resolution."

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

**"RESOLVED THAT** pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956 read with the Director's Relatives (Office or Place of profit) Rules, 2003 including any statutory modifications of re-enactment thereof and as recommended by the Remuneration Committee and also approved by a Selection Committee, consent and approval of the Company be and is hereby accorded to revise the remuneration structure of Shri Pankil K. Shah, a relative of Shri Ashish V. Shah, Managing Director and Shri Kalpesh V. Shah, Whole-time Director to hold and continue to hold an office or place of profit as Vice President (Marketing) for the further period of 5 years effective from 1<sup>st</sup> October, 2011, in the Company on the revised remuneration stated below :

Remuneration: Shri Pankil K. Shah, shall be paid the following remuneration:

|   |                          |        |   |
|---|--------------------------|--------|---|
| A | Salary                   | :      | ₹ 1,00,000/- per month. Salary may be increased within the range of ₹ 1,00,000/- per month to ₹ 1,50,000/- per month during the period of appointment, in such increments as may be decided by the Remuneration Committee of Directors from time to time.                   |
| B | Perquisites and Benefits | :      | In addition to Salary, he will be allowed perquisites and benefits as under:  |
|   |                          | (i)    | <b>Housing:</b> Furnished/ Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof. The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962. |
|   |                          | (ii)   | <b>Medical reimbursement:</b> Expenses incurred for self and his family as per company rules.   |
|   |                          | (iii)  | <b>Leave Travel Concession:</b> For self and his family, incurred in accordance with the company rules.   |
|   |                          | (iv)   | <b>Club Fees:</b> Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.  |
|   |                          | (v)    | <b>Personal Accident Insurance:</b> Premium as per company rules  |
|   |                          | (vi)   | Contribution to Provident Fund, Superannuation Fund, Annuity Fund /Contribution to Gratuity as per company rules.   |
|   |                          | (vii)  | Encashment of leave not availed of, as per company rules.   |
|   |                          | (viii) | Provision of car and telephone as per company rules.  |
|   |                          | (ix)   | Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.   |

**"RESOLVED FURTHER THAT** the Remuneration Committee of Directors of the Company be and is hereby authorised to determine, modify, consolidate and/or revise the terms and conditions of appointment of Shri Pankil K. Shah, including designation and remuneration within the above limits, in any manner from time to time and to do such acts, deeds and things as may be necessary for giving effect to the above resolution."

By order of Board of Directors

Place : Ahmedabad  
Date : 10<sup>th</sup> August, 2011

Amish P. Shah  
Company Secretary



**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 only) instead of self and the proxy need not be a member of the Company. Proxy in order to be effective must be recorded at the registered office of the Company not less than 48 hours before the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business is annexed.
3. Pursuant to Section 154 of the Companies Act, 1956 the Register of Members and Share Transfer Books of the Company will remain closed from Wednesday 21<sup>st</sup> September 2011 to Friday 30<sup>th</sup> September 2011 (both days inclusive).
4. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend which remains unpaid/ unclaimed for a period of 7 years is transferred to the "Investor Education and Protection Fund (IEPF)", constituted by the Central Government and member(s) would not be able to claim any amount of dividend so transfer to the IEPF. As such member(s) who have yet not encashed his/her/their dividend warrant(s) is/are requested in his/her/their own interest to write to the Registrar & Share Transfer Agent of the Company, immediately for claiming outstanding dividend declared by the Company during the year 2003-04.
5. The Shareholders are requested to notify immediately change if any, in their address to the Company/Share Transfer Agent of the Company **Sharepro Services (India) Pvt Ltd.** 416-420, 4th Floor Devnandan Mall, Opp.Sanyash Ashram, Ellisbridge, Ahmedabad -380006
6. Members are requested to bring their copy of Annual Report at the meeting and produce Attendance Slip at the Entrance where the Annual General Meeting will be held.
7. The documents, referred to in the proposed resolution are available for inspection at the registered office of the Company during the working hours except on holidays, prior to the date of Annual General Meeting.
8. Listing Fees for the year 2011-12 has been paid to the Bombay Stock Exchange and National Stock Exchange.
9. Members holding the Share in physical mode are requested to immediately notify the Company or its Share Transfer Agent about any change of address or bank Particulars. Members holding Shares in dematerialized form are requested to immediately notify their respective Depository Participants about any change of address and their Bank Particulars.
10. As per the Circular No. MRD/Dop/Cir-05/2009 dated May 20, 2009 issued by Securities and Exchange Board of India (SEBI) it is mandatory to quote PAN for transfer of shares in physical form, Therefore, the transferee(s) are requested to furnish a copy of PAN to the Registrar & Share Transfer Agent of the Company.
11. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
12. As required in terms of paragraph IV (G) of the Clause 49 of the Listing Agreement the details of Directors retire by rotation and eligible for reappointment are furnished below.

|                      |   |
|----------------------|---|
| Shri Rajesh P. Arora | Is 51 years. His educational qualification is B.Com. He has more than 25 years of experience in textile business. He looks after group marketing and is based at Delhi. Mr. Vinod Arora and Mr. Parmanand Arora, directors of the company are related to him.           |
| Shri Sanjay Majmudar | Is 48 years. His educational qualification is B.Com. LL.B, FCA. He is Practicing Chartered Accountant (CA) at Ahmedabad and has more than 24 years of rich and varied experience of corporate finance, project financing, taxation, corporate laws, joint ventures etc. |

By order of Board of Directors

Place : Ahmedabad  
Date : 10<sup>th</sup> August, 2011

Amish P. Shah  
Company Secretary

## **EXPLANATORY STATEMENT PURSUANT TO THE PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956**

### **ITEM No. 5**

Under Section 293 (1) (d) of the Companies Act, 1956 the Board of Directors of a Company can not, except with the consent of the Members in general meeting, borrow monies, apart from temporary loans obtained from the company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the company, that is to say, reserves not set apart for any specific purpose. The Members at the Extra Ordinary General Meeting (EGM) of the Company held on 28th July, 2005, had accorded their approval to the Board of Directors borrowing upto ₹500 Crores.

It is proposed to increase the said limit from ₹ 500 Crores to ₹1000 Crores in view of the proposed Expansion Programme of the Company. The consent of the Members is, therefore, sought in accordance with the provisions of Section 293 (1) (d) of the Act, to enable the Directors to borrow monies to the extent of ₹1000 Crores.

Members are requested to accord their approval to the proposed resolution.

None of the Directors of the Company is interested or concerned in the proposed resolution.

### **ITEM No. 6**

The Members' consent in terms of Section 293 (1) (a) of the Companies Act, 1956 was obtained at the Extra Ordinary General Meeting of the Company held on 28th July, 2005 for the creation of mortgages, charges and hypothecations on both present & future assets of the Company in respect of financial assistance not exceeding ₹500 Crores.

To meet the capital expenditure and working capital requirement in future, the Company may obtain further financial assistance from financial institutions/banks/investing agencies by way of loans (including foreign currency loans), issue of debentures/bond/other instruments on private placement basis or otherwise as set out in the resolution. The present available limit of ₹500 Crores will not be sufficient to secure the financial assistance therefore the resolution proposes the creation of mortgages, charges and hypothecations on both present & future assets of the Company upto a value not exceeding ₹1000 Crores.

Members are requested to accord their approval to the proposed resolution.

None of the Directors of the Company is interested or concerned in the proposed resolution.

### **ITEM No. 7**

It is proposed to revise remuneration structure of Shri Nipun V. Arora, as Vice President (Administration) for the functions performed by him in the Company. Remuneration Committee has recommended his revised remuneration structure, which was also approved by Selection Committee of the Company. The Board has, at its meeting held on 30<sup>th</sup> May, 2011, approved the revised remuneration structure of him as aforesaid period of 5 (five) years effective from 1<sup>st</sup> October, 2011 on the terms and conditions including remuneration stated in the resolution, subject to prior approval of the shareholders. Shri Nipun V. Arora, being a relative of Shri Vinod P. Arora, Chairman and Managing Director, Shri Rajesh Arora, Director and Shri Parmanand Arora, Director of the Company, requires this revision, approval under the provisions of Section 314(1B) of the Act.

Shri Nipun V. Arora, aged 37 years, holds Bachelor's degree in Commerce. Shri Nipun V. Arora, is having more than 12 years experience with exposure to handle all administrative and commercial matters efficiently. He has also been involved in Commercial, Human Resources and Administration functions. In view of increase in quantum of business, to achieve the long term goal of the Company the management has proposed to revise the remuneration structure of Shri. Nipun V. Arora, as Vice President (Administration).

Shri Nipun V. Arora, being a relative, Shri Vinod P. Arora, Chairman and Managing Director, Shri Parmanand Arora, Director



and Shri Rajesh Arora, Director are deemed to be interested in the resolution. None of the other directors of the Company is in any way concerned or interested in the resolution.

The Board recommends the resolutions forming part of the notice for your approval as Special Resolution.

**ITEM No. 8**

It is proposed to revise remuneration structure of Shri Pankaj V. Arora, as Vice President (Marketing) for the functions performed by him in the Company. Remuneration Committee has recommended his revised remuneration structure, which was also approved by Selection Committee of the Company. The Board has, at its meeting held on 30<sup>th</sup> May, 2011, approved the revised remuneration structure of him as aforesaid period of 5 (five) years effective from 1<sup>st</sup> October, 2011 on the terms and conditions including remuneration stated in the resolution, subject to prior approval of the shareholders. Shri Pankaj V. Arora, being a relative of Shri Vinod P. Arora, Chairman and Managing Director, Shri Rajesh Arora, Director and Shri Parmanand Arora, Director of the Company, requires this revision, approval under the provisions of Section 314(1B) of the Act.

Shri Pankaj V. Arora, aged 32 years, holds Bachelor's degree in Commerce. Shri Pankaj V. Arora, is having more than 8 years experience with exposure to handle total international and domestic marketing functions of the company. In view of increase in quantum of business, to achieve the long term goal of the Company the management has proposed to revise the remuneration structure of Shri. Pankaj V. Arora, as Vice President (Marketing).

Shri Pankaj V. Arora, being a relative, Shri Vinod P. Arora, Chairman and Managing Director, Shri Parmanand Arora, Director and Shri Rajesh Arora, Director are deemed to be interested in the resolution. None of the other directors of the Company is in any way concerned or interested in the resolution.

The Board recommends the resolutions forming part of the notice for your approval as Special Resolution.

**ITEM No. 9**

It is proposed to revise remuneration structure of Shri Pankil K. Shah, as Vice President (Garment) for the functions performed by him in the Company. Remuneration Committee has recommended his revised remuneration structure, which was also approved by Selection Committee of the Company. The Board has, at its meeting held on 30<sup>th</sup> May, 2011, approved the revised remuneration structure of him as aforesaid period of 5 (five) years effective from 1<sup>st</sup> October, 2011 on the terms and conditions including remuneration stated in the resolution, subject to prior approval of the shareholders. Shri Pankil K. Shah, being a relative of Shri Ashish V. Shah, Managing Director and Shri Kalpesh V. Shah, Whole-time Director of the Company, requires this revision, approval under the provisions of Section 314(1B) of the Act.

Shri Pankil K. Shah, aged 31 years, holds Master degree in Business Administration (MBA) and Bachelor's degree in Commerce. Shri Pankil K. Shah, is having more than 7 years experience with exposure to handle total garment division of the Company. In view of increase in quantum of business, to achieve the long term goal of the Company the management has proposed to revise the remuneration structure of Shri. Pankil K. Shah, as Vice President (Garment).

Shri Pankil K. Shah, being a relative, Shri Ashish V Shah, Managing Director, and Shri Kalpesh V. Shah, Whole time Director are deemed to be interested in the resolution. None of the other directors of the Company is in any way concerned or interested in the resolution.

The Board recommends the resolutions forming part of the notice for your approval as Special Resolution.

By order of Board of Directors

Place : Ahmedabad  
Date : 10<sup>th</sup> August, 2011

Amish P. Shah  
Company Secretary

## DIRECTORS' REPORT

To  
The Members,  
**AARVEE DENIMS AND EXPORTS LTD.**

We are delighted to present the report on our business and operations for the year ended March 31, 2011

### FINANCIAL RESULTS

The highlights of the Financial Results are given below:

|  | ( ₹in Lacs)                      |                                  |
|--|----------------------------------|----------------------------------|
| <b>FINANCIAL RESULTS</b>                                   | <b>Year ended<br/>31.03.2011</b> | <b>Year ended<br/>31.03.2010</b> |
| Sales & Operating Income                                   | <b>49495</b>                     | 37847                            |
| <b>Operating Profit</b>                                    | <b>8174</b>                      | 6224                             |
| Add: Other Income  | <b>68</b>                        | 101                              |
| Less: Net Interest & Finance Cost                          | <b>1929</b>                      | 1485                             |
| Exceptional Items (Gain)/ Loss                             | <b>(349)</b>                     | (502)                            |
| Less: Depreciation   | <b>2357</b>                      | 2321                             |
| <b>Profit before tax</b>                                   | <b>4305</b>                      | 3021                             |
| Provision for Tax & Deferred tax                           | <b>961</b>                       | 724                              |
| <b>Profit after Tax</b>                                    | <b>3344</b>                      | 2297                             |
| <b>Appropriations / Adjustments</b>                        |                                  |                                  |
| <b>PROFIT FOR THE YEAR</b>                                 | <b>3344</b>                      | 2297                             |
| Balance of profit / (loss) brought forward                 | <b>9651</b>                      | 8525                             |
| Preference Dividend  | -                                | 512                              |
| Equity Dividend  | <b>117</b>                       | 234                              |
| Corporate Dividend Tax (including Edu. cess and surcharge) | <b>19</b>                        | 127                              |
| Capital Redemption Reserve                                 | -                                | 299                              |
| General Reserves   | -                                | -                                |
| <b>Profit carried to Balance Sheet</b>                     | <b>12858</b>                     | 9651                             |

### DIVIDEND

The Company has already declared and paid interim dividend @ 5% on the fully paid-up equity share capital of the Company as recommended by the Board of Directors of the Company in its meetings held on 11<sup>th</sup> August, 2010 for the year 2010-11. To conserve resources for ongoing expansion and growth your Directors do not recommended any final dividend for the year.

### REDEMPTION OF FOREIGN CURRENCY CONVERTIBLE BONDS:

During the year the Company has bought back zero coupon foreign currency convertible bonds (FCCBs) with the face value of USD 5.00 million (approx ₹23.26 crore) out of total outstanding FCCB of USD 12.50 million, at discount to their face value, as per RBI approval.

**PERFORMANCE DURING THE YEAR:**

Turnover of the company for the year is ₹ 49495 lacs compared to ₹ 37847 lacs showing increase by 30.78 %. The Operating Profit for the current year is ₹ 8174 lacs (₹ 6224 lacs) which is 31.33 % higher than the preceding year. Profit after tax is ₹ 3344 lacs (2297 lacs). Provision for tax ₹ 903 lacs & Provision for Deferred Tax ₹ 150 lacs is made for the current year which was last year ₹ 543 lacs and ₹ 825 lacs respectively.

**BUSINESS OVERVIEW:**

With the help of Strong domestic consumption and export demands the denims and textiles industry wrote the success story of good profitability and development. In spite of various challenges like high price of cotton, colour & chemicals, power & fuel and interest costs the Indian denim industry has managed to hold its own and grow rapidly. It emerges that the last years both domestic markets and exports have grown. The domestic market has grown from US\$30 billion to US\$47-52 billion and the total market from US\$46 to US\$78 billion. This is remarkable because in a world filled with uncertainty one is witnessing 11 % growth over a five year period. Cotton textiles have registered a growth of 10.8 % in the financial year 2010-11, while textile products including wearing apparel have registered a growth of 4.3 %. The main drivers for denims & textiles industries growth are the favorable young demographic profile, rapidly increasing incomes, more organized retail and penetration of brands into smaller towns and cities, the advent of international buying houses, more garment exports, government initiatives like the Technology Up gradation Fund Schemes (TUFs) and other positive factors.

Your Company have reported very good turnover and profit for the year ended 31<sup>st</sup> March, 2011.

Demand of denims in domestic market as well as in the international market is growing at significant growth rate considering this your Company has framed an expansion plan to increase its Denim capacity from existing 60 Million MTR to 84 Million MTR. The expansion plan has been divided in two phase. The first phase for 12 Million Mtr was completed in March 2011 and the second phase is expected to be completed by December 2011.

**CORPORATE GOVERNANCE**

Pursuant to the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance with Corporate Governance guidelines as stipulated and Management Discussion & Analysis report have been attached by way of separate Section as part of this Annual Report.

**DIRECTORS**

Shri Rajesh Arora and Shri Sanjay Majmudar retire by rotation as per the provisions of Articles of Association of the Company. Your Directors recommend their reappointment.

**AUDITORS**

Auditors of the Company M/s. N.C. Shah & Associates, Chartered Accountants and M/s. Deloitte Haskins & Sells, Chartered Accountants, will retire at the conclusion of the ensuing 22<sup>nd</sup> Annual General Meeting from the office of the Auditors and being eligible offer themselves for re-appointment from the end of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. The Company has received a certificate from them certifying that their appointment, if made, would be within the limits specified under Section 224(1-B) of the Companies Act, 1956.

The notes to the accounts referred to in the Auditors' Report are Self-explanatory and therefore do not call for any further comments. The Company has adequate system of internal control procedures commensurate with the size of the Company and the nature of its business to keep check on the activities of the various departments.

**COST AUDITOR**

The Central Government had vide their Order No. 52/552/CAB-2000 dated 10<sup>th</sup> August, 2000 directed an audit of the cost

accounts maintained by the Company in respect of textiles business. For conducting the cost audit for this business for the financial year ended March 31, 2011, the Central Government has approved the appointment of M/s. N. D. Birla & Co, Cost auditors.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and or preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a going concern basis.

#### **DEPOSITS**

For the Financial year ending March 31, 2011 the company has accepted fixed deposits to the tune of ₹ 301.12 lacs. The Company repaid the deposits amounting to ₹ 266.30 lacs and the outstanding deposits at the end of the year were amounting to ₹ 247.52 lacs.

#### **INSURANCE**

All properties and insurable interests of the company including building, plant and machinery and stocks wherever necessary and to the extent required have been adequately insured.

#### **PARTICULARS OF EMPLOYEES**

Particulars required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended have not been provided since no employee is drawing remuneration in excess of prescribed limits as per above provisions.

#### **CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY BY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Details required to be disclosed under section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 are set out in Annexure of this Report.

#### **ACKNOWLEDGEMENTS**

Your Directors place on record their appreciation for the contribution made by employee at all levels. Your Company's growth was made possible by employee's support, co-operation, commitment, solidarity and hard work.

Your Directors wish to take this opportunity to express their deep sense of gratitude to the Central and State Governments, Bankers, Financial Institutions, Shareholders, Retail Partners and Customers for their co-operation and support and look forward to their continued support in future.

For and on behalf of the Board of Directors

**Vinod P. Arora**

Chairman and Managing Director

Place : Ahmedabad

Date : 30<sup>th</sup> May, 2011

**ANNEXURE TO DIRECTORS' REPORT**  
**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND**  
**FOREIGN EXCHANGE EARNINGS AND OUTGO**  
**SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956**

**THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988**

**A. CONSERVATION OF ENERGY**

**I MEASURES TAKEN FOR CONSERVATION OF ENERGY**

1. Use of Energy efficient CFL lights and changed Electronics Ballast in place of copper Ballast.
2. Fixed transparent fiberglass sheet on roof for day light to minimize electrical lighting in the productions units during day time.
3. Installed condensate recovery pump system of forbs marshall in indigo dying sizing machine and process machine. Same hot water is used in Boiler to save fuel in steam Boilers.
4. Installed capacitors to improve power factor (p.f). We are maintaining average p.f of 0.98 to 0.99
5. Installed AC variable drive in all dying Jigger to save energy as well as to minimize maintenance cost.
6. Separate cleaning line of compressed Air in loomshed and other departments for machine cleaning to minimize Air losses.

**FORM - "A"**

**II. POWER & FUEL CONSUMPTION**

| Particulars                         | 2010-11        | 2009-10 |
|-------------------------------------|----------------|---------|
| 1. Electricity                      |                |         |
| (a) Purchased Units KWH in Lac      | <b>427.53</b>  | 197.92  |
| Total Amount (₹ in Lac)             | <b>2491.64</b> | 1174.32 |
| Rate/unit (₹/KWH)                   | <b>5.83</b>    | 5.93    |
| (b) Thermal based Power Plant       |                |         |
| Fuel/Lignite (MT)                   | <b>26.362</b>  | 25,462  |
| Units KWH (Lac)                     | <b>91.19</b>   | 114.87  |
| Amount ( ₹ in Lac)                  | <b>778.80</b>  | 646.54  |
| Cost/ Unit KWH                      | <b>8.54</b>    | 5.63    |
| (c) Wind Turbine (Units KWH in Lac) | <b>304.67</b>  | 405.47  |
| 2. Coal & Lignite                   |                |         |
| Quantity (in MT)                    | <b>21382</b>   | 27,498  |
| Total Cost(Rs in Lac)               | <b>884.16</b>  | 972.99  |
| Cost/MT                             | <b>4135</b>    | 3538    |

**III CONSUMPTION PER UNIT OF PRODUCTION**

|                   | <b>2010-11</b>      |                  | <b>2009-10</b>      |                  |
|-------------------|---------------------|------------------|---------------------|------------------|
|                   | FABRIC<br>(PER MTR) | YARN<br>(PER KG) | FABRIC<br>(PER MTR) | YARN<br>(PER KG) |
| Electricity (KWH) | 1.14                | 1.22             | 1.27                | 1.21             |
| Coal (Kg)         | 0.48                | Nil              | 0.39                | Nil              |

Consumption of Electricity unit per kg. of yarn is on account of increase in production of fine counts.

**B. TECHNOLOGY ABSORPTION**

**1. Research & Development Expenditure**

|    |  |     |
|----|--|-----|
| a. | Capital                                      | NIL |
| b. | Recurring                                    | NIL |
| c. | Total  | NIL |
| d. | Total R&D Expenditure as % of total turnover | NIL |

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(₹ in Lac)

| <b>Particulars</b>       | <b>2010-11</b> | <b>2009-10</b> |
|--------------------------|----------------|----------------|
| Foreign Exchange Earning | 10482.40       | 4498.98        |
| Foreign Exchange Outgo   | 3470.94        | 4312.66        |

For and on behalf of the Board of Directors

**Vinod P. Arora**  
Chairman and Managing Director

Place : Ahmedabad  
Date : 30<sup>th</sup> May, 2011



## REPORT ON CORPORATE GOVERNANCE

### 1. Brief statement on Company's philosophy on code of governance

Transparency, fairness, disclosure and accountability are central to the working of the company and its board of directors. Aarvee has complied with the requirement of the corporate governance in terms of clause 49 of the listing agreement. The fundamental concern of corporate governance is to ensure the conditions whereby a company's directors and managers act in the interest of the company and its various stakeholders. Your company has always been guided by a strong conviction of adhering to transparency, accountability and integrity. The company strongly believes in maintaining a simple and transparent corporate structure driven solely by business needs. Shareholders interests are utmost and the management is only a trustee of the shareholders capital to carry out the activities in a truthful manner.

### 2. Board of Directors

Composition & particulars of Directors

The Board of Directors of the company is having optimum combination of Executive & Non-Executive Directors as suggested in the Corporate Governance norms. The current strength of the Board is ten comprising three Executive Directors and seven Non-executive Directors, of these seven Non-Executive Directors, five are independent Directors and two are Non-Executive Directors.

|                                |  |
|--------------------------------|--|
| <b>Executive Directors</b>     | Shri Vinod P. Arora , Chairman & Managing Director (Promoter)<br>Shri Ashish V. Shah, Managing Director (Promoter)<br>Shri Kalpesh V Shah. Whole-time Director |
| <b>Non Executive Directors</b> | Shri Rajesh P. Arora<br>Shri Parmanand T. Arora  |
| <b>Independent Directors</b>   | Shri Sanjay S. Majmudar<br>Shri Ashok C. Gandhi<br>Shri Arvind D. Sanghvi<br>Shri Amol R Dalal<br>Shri Tilak Raj Kapoor  |

#### Number of Board Meetings held & the dates on which held

| Date                           | Board Strength | No of Directors Present |
|--------------------------------|----------------|-------------------------|
| 28 <sup>th</sup> May, 2010     | 10             | 06                      |
| 11 <sup>th</sup> August 2010   | 10             | 06                      |
| 3 <sup>rd</sup> November 2010  | 10             | 10                      |
| 5 <sup>th</sup> February, 2011 | 10             | 09                      |

Details of Directors, Attendance of Directors at the Board Meetings, at the Annual General Meeting held on 30<sup>th</sup> September, 2010 and number of memberships held by Directors in the Board/Committee of other Companies

| Sr. No. | Name  | Category           | Attendance particulars |                        | No. of other Directorship & Committee membership/ chairmanship |                      |                        |
|---------|---|--------------------|------------------------|------------------------|--|----------------------|------------------------|
|         |   |                    | Board Meeting          | AGM held on 30.09.2010 | Other Directorship   | Committee Membership | Committee Chairmanship |
| 1.      | Shri Vinod P. Arora<br>(Chairman & Managing Director) | Promoter Executive | 4                      | Yes                    | 2  | -                    | -                      |
| 2.      | Shri Ashish V. Shah<br>(Managing Director)            | Promoter Executive | 4                      | Yes                    | -  | -                    | -                      |

|     |  |                       |   |     |   |   |   |
|-----|--|-----------------------|---|-----|---|---|---|
| 3.  | Shri Kalpesh V. Shah<br>(Wholetime Director) | Promoter<br>Executive | 4 | Yes | - | - | - |
| 4.  | Shri Parmanand T. Arora<br>Non-Executive     | Promoter              | 2 | -   | - | - | - |
| 5.  | Shri Rajesh P. Arora<br>Non-Executive        | Promoter              | 2 | -   | - | - | - |
| 6.  | Shri Sanjay S. Majmudar<br>Non executive     | Independent           | 4 | Yes | 4 | 3 | - |
| 7.  | Shri Ashok C. Gandhi<br>Non executive        | Independent           | 4 | -   | 6 | 7 | - |
| 8.  | Shri Arvind D. Sanghvi<br>Non executive      | Independent           | 1 | -   | 2 | - | - |
| 9.  | Shri Tilak Raj Kapoor<br>Non executive       | Independent           | 2 | -   | - | - | - |
| 10. | Shri Amol R. Dalal<br>Non executive          | Independent           | 4 | Yes | 1 | - | - |

- Directorship in other companies mentioned above excludes directorships in private limited companies.
- While calculating the number of Chairmanship/Membership in Committees of other Companies, Membership/ Chairmanship of only Audit Committee and Shareholders' Grievance Committee have been considered pursuant to clause 49 of the Listing Agreement. None of the Directors is a member in more than ten committees and act as a chairman in more than five committees across all companies in which he is a Director.

#### **Appointment/Reappointment of Directors:**

The Directors who retire by rotation and who are eligible for re-appointment are:

- Shri Rajesh P. Arora** is 51 years. His educational qualification is B.Com. He has more than 25 years of experience in textile business. He looks after group marketing and is based at Delhi. Mr. Vinod Arora and Mr. Parmanand Arora, directors of the company are related to him.
- Shri Sanjay Majmudar** is 48 years. His educational qualification is B.Com. LL.B, FCA. He is practicing chartered accountant at Ahmedabad and has more than 24 years of rich and varied experience of corporate finance, project financing, taxation, corporate laws, joint ventures etc. None of directors are related to him.

### **3. Audit Committee**

#### **(I) Brief Description of terms of reference:**

The broad terms of reference of the Audit Committee include:

- To supervise financial reporting process and to ensure financial and accounting control.
- To ensure compliance with the accounting policies of the Company.
- To interact with the internal and statutory auditors to ascertain the quality and veracity of Company's transactions and to review the manner in which they are performing their responsibilities.
- To review the internal audit function.
- To review and discuss the financial statements before they are presented to the Board of Directors.
- To review financial and risk management policies.
- To approve the appointment of Chief Financial Officer (CFO) or equaling officer in the Company.
- To carrying out such other functions as may be specifically referred to the committee by the Board of Directors and / or other Committee of Directors of the Company.

**Internal Control**

Management feels that the internal controls in place are sufficient considering the size, nature and complexities of the operations of the company. Audit committee overlooks the operation and if required, modifications are put in place. The internal audit function is also reviewed by the audit committee of the board. Mr. Alpesh Suthar, Manager (Internal Audit) is reviewing the internal control systems of the company and to report it to the management and Audit committee.

**(II) Composition of Audit Committee**

Constitution of Audit Committee meets with the requirements of Corporate Governance guidelines as well as the provisions of section 292 A of the companies Act, 1956.

Audit Committee constituted by the Board of Directors consists of three Independent Directors, viz. Shri Sanjay S. Majmudar as Chairman of the Committee, Shri Ashok C. Gandhi and Shri Amol R. Dalal, as members.

**(III) Meetings and Attendance during the year**

Audit Committee met on 28<sup>th</sup> May, 2010, 11<sup>th</sup> August, 2010, 3<sup>rd</sup> November, 2010 and 5<sup>th</sup> February, 2011 to consider quarterly / yearly financial results of the Company during the financial year under review.

Details of attendance of members of Audit Committee at the Audit Committee meeting held during the year 2010-11 are as under:

| Sr.No. | Name of Member       | Attendance Particulars |
|--------|----------------------|------------------------|
| 1.     | Shri Sanjay Majmudar | 4                      |
| 2.     | Shri Ashok Gandhi    | 4                      |
| 3.     | Shri Amol Dalal      | 4                      |

**4. Remuneration Committee**
**(I) Brief Terms of reference and Remuneration Policy:**

The remuneration Committee has been constituted to recommend and review remuneration of Directors and senior management personnel from time to time. The remuneration policy of the Company is to reward the performance and achievements of the Directors periodically.

**(II) Composition of the Committee:**

Remuneration Committee consists of three Independent Directors viz. Shri Sanjay S. Majmudar as Chairman of the Committee, Shri Ashok C. Gandhi and Shri Amol R. Dalal as members.

**(III) Meetings and Attendance**

One meeting of the committee was held on 11<sup>th</sup> August, 2010; whereas all members of the committee were remain present. The committee reviewed the remuneration structure of three executive directors of the Company and appointment of three Vice president of the Company under the provision of Section 314(1B) of the Companies Act, 1956 read with the Director's Relatives (Office or Place of Profit) Rules, 2003.

**(IV) Details of remuneration of Directors**

The aggregate value of salary and perquisites paid to Managing/Whole time Directors for the financial year ended March 31, 2011 is as under:

|    |   |             |
|----|---|-------------|
| 1. | Shri Vinod P. Arora, Chairman & Managing Director | ₹ 27,60,000 |
| 2. | Shri Ashish V. Shah, Managing Director            | ₹ 19,50,000 |
| 3. | Shri Kalpesh V. Shah, Whole-time Director         | ₹ 13,80,000 |

The sitting fees paid during the financial year 2010-11 for attending the Board & Committee Meetings are as follows:

|                         |          |
|-------------------------|----------|
| Shri Sanjay S. Majmudar | ₹ 21,000 |
| Shri Amol R. Dalal      | ₹ 21,000 |
| Shri Ashok C. Gandhi    | ₹ 21,000 |
| Shri Arvind D. Sanghvi  | ₹ 4,000  |

## 5. Shareholder Committee

### (I) Share Transfer Committee

The Board has long back constituted a Share Transfer Committee consisting of three executive Directors.

The Committee meets at frequent intervals, to approve inter-alia, transfer/transmission of shares, deletion of names, split/consolidation of shares etc. Details of shares transfer/transmissions approved by the Committee are placed at the Board Meetings from time to time.

Committee consists of Shri Vinod P. Arora, Shri Ashish V. Shah & Shri Kalpesh V. Shah.

### (II) Shareholders' Grievance Committee

The Shareholders Grievance Committee specifically looks into redressing of shareholders and investors' complaints such as transfer of shares, non-receipt of declared dividends and to ensure expeditious share transfer process.

The Company has constituted the Shareholders' Grievance Committee under the Chairmanship of Shri Amol Dalal, Independent - Non Executive Director of the Company with a view to monitor the redressal of Investors' grievances. The other two members of the Committee are Shri Vinod P. Arora, Chairman and Managing Director and Shri Kalpesh V. Shah, Whole time Director. The Committee met four times during the year viz. 10<sup>th</sup> April, 2010, 6<sup>th</sup> July, 2010, 11<sup>th</sup> October, 2010 and 8<sup>th</sup> January, 2011 and all the three members of the Committee were present at the above meetings.

The details of the Complaint received/solved/pending during the year are as below:

| Sr. No. | Nature of Complaint                                   | Complaints received | Complaints solved | Complaints pending |
|---------|---|---------------------|-------------------|--------------------|
| 1.      | Non receipt of Shares Certificate after transfer etc. | Nil                 | Nil               | Nil                |
| 2.      | Non receipt of Dividend Warrants                      | 08                  | 08                | Nil                |
| 3.      | Query regarding Demat credit                          | 01                  | 01                | Nil                |
| 4.      | OTHERS  | Nil                 | Nil               | Nil                |
|         | <b>Total</b>  | <b>09</b>           | <b>09</b>         | <b>Nil</b>         |

## 6. General Body Meetings

### (I) Annual General Meetings

The details of the last Three Annual General Meetings of the Company held at the registered office of the Company are as under:

| Annual General meeting | Date                             | Time       | No. of Special Resolution passed |
|------------------------|----------------------------------|------------|----------------------------------|
| 21 <sup>st</sup> AGM   | 30 <sup>th</sup> September, 2010 | 10.00 A.M. | 6                                |
| 20 <sup>th</sup> AGM   | 30 <sup>th</sup> September, 2009 | 10.00 A.M. | -                                |
| 19 <sup>th</sup> AGM   | 29 <sup>th</sup> September, 2008 | 10.30 A.M. | -                                |

No special resolution was put through postal ballot in the last AGM nor is any resolution proposed for this year.

No Extra Ordinary General Meeting was held in the last financial year.

**7. Code of Business Conduct and Ethics**

The Board has laid down comprehensive Code of Business Conduct and Ethics. The Board Members and Senior Management Personnel are responsible for and are committed to setting the standards of Conduct contained in this code and for updating this standards, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This code is being adhered to in letter and in spirit. This Code has posted on the Company's website i.e. [www.aarvee-denims.com](http://www.aarvee-denims.com). The Confirmation of Managing Director for the Compliance of the Code of Business Conduct and Ethics is as under:

*I hereby confirm that:*

*"The Company hereby affirms that it has complied with the Code of Business Conduct and ethics and received affirmation from Board Members and senior management Personnel of its compliance."*

*Ashish V. Shah*  
*Managing Director*

**8. Insider Trading**

The Board has laid down Code of Conduct for Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations 1992. All the directors and senior management personnel who are expected to have access to unpublished price sensitive information concerning the Company is responsible for adherence to this code.

**9. CEO/CFO Certification:**

The managing Director has certified to the Board as required under clause 49(v) of the Listing Agreement for the year ended 31<sup>st</sup> March, 2011.

**10. Risk Management Policy**

Business Risk Evaluation and Management is an ongoing process with in the Company. During the year under review a detailed exercise on Risk Management was carried out covering the entire gamut of business operation and Audit Committee and Board Members are reviewing and updating the said policy every quarter.

**11. Disclosures**

None of the transactions with any of the related parties were in conflict with the interests of the Company.

So far no Penalties or strictures have been imposed on the Company by any Stock Exchange or SEBI or any Statutory Authority on any matter related to Capital Market.

**12. Means of Communication**

Financial Results are published normally in leading English financial newspaper and in Vernacular daily Newspaper.

The Company supply copies of the Financial Results and Annual Report of the Company to various Analysts, registered Share Brokers, various Government Departments & Agencies, and other Investors and all those interested in getting the same as and when request received from them for the same. The Financial Results of the Company are available on the Company's website i.e [www.aarvee-denims.com](http://www.aarvee-denims.com)

Management Discussion & Analysis is a part of Annual Report attached herewith.

**13. General Shareholder Information****A. 22<sup>nd</sup> Annual General Meeting**

Day, Date, Time : Friday, 30<sup>th</sup> September, 2011 at 10.00.a.m.

Venue AARVEE DENIMS AND EXPORT LTD.  
Registered Office at 188/2, Ranipur Village, Opp. CNI Church, Narol,  
Ahmedabad - 382 405

**B. Financial Calendar**

The Company follows April to March as its financial calendar. The results for every quarter beginning from April will be declared within the time period prescribed under the Listing Agreement.

**C. Date of Book Closure**

**From 21<sup>st</sup> September to 30<sup>th</sup> September 2011** (both days inclusive)

**D. Listing on Stock Exchanges**

The Company's shares are listed on Bombay Stock Exchange Ltd and National Stock Exchange Ltd. The Company has paid the listing fees to the stock exchange for the year 2011-12.

**E. Stock Code and ROC Code**

Bombay Stock Exchange Ltd. - 514274

National Stock Exchange Ltd. - AARVEEDEN

ISIN No. allotted to the Company for Dematerialisation of Equity Shares - INE273D01019

The Company is registered in the State of Gujarat, India

Having Corporate Identity Number (CIN) is: L17110GJ1988PLC010504

**F. Market Price :**

High, Low during each month in last financial year - Highest & Lowest Share Price of the company as quoted on The Stock Exchange, Mumbai (BSE) and National Stock Exchange Ltd (NSE) during the period from April - 2010 to March - 2011 is produced hereunder:

| Month & year     | BSE<br>SENSEX* | BSE               |                  | NSE               |                  |
|------------------|----------------|-------------------|------------------|-------------------|------------------|
|                  |                | High Price<br>(₹) | Low Price<br>(₹) | High Price<br>(₹) | Low Price<br>(₹) |
| April - 2010     | 17558.71       | 75.50             | 57.75            | 82.20             | 57.50            |
| May - 2010       | 16944.63       | 71.00             | 48.00            | 64.00             | 54.50            |
| June - 2010      | 17700.90       | 63.95             | 53.05            | 65.00             | 51.20            |
| July - 2010      | 17868.29       | 67.90             | 58.25            | 67.95             | 58.20            |
| August - 2010    | 17971.12       | 93.80             | 62.15            | 93.70             | 64.35            |
| September - 2010 | 20069.12       | 91.50             | 77.00            | 93.00             | 77.00            |
| October - 2010   | 20032.34       | 93.00             | 78.50            | 93.00             | 78.15            |
| November - 2010  | 19521.25       | 93.15             | 69.00            | 92.95             | 65.15            |
| December - 2010  | 20509.09       | 83.85             | 60.00            | 85.00             | 63.25            |
| January - 2011   | 18327.76       | 84.00             | 62.70            | 84.00             | 60.15            |
| February - 2011  | 17823.40       | 71.00             | 52.15            | 79.35             | 50.00            |
| March - 2011     | 19290.18       | 66.00             | 53.10            | 67.00             | 50.60            |

\* Closing prices on the last working day of month.

**G. Registrar and Share Transfer Agent**

Mr. Nitin Joshi

Sharepro Services (India) Pvt Ltd.

416-420, 4th.Floor Devnandan Mall, Opp.Sanyash Ashram, Ellisbridge, Ahmedabad -380006 , Gujarat

Tel Nos.079 26582381 to 84 Fax No 079 26582385

Email sharepro@shareproservices.com



**H. Share Transfer System**

Equity Shares of the Company received from the Investors for the purpose of Transfer in their name are being processed for transfer at interval of every fortnight depending upon load in each calendar month and after completing the procedure of Share Transfer are being returned to the Transferors within a period of ranging from two to three weeks, provided the documents lodged with the Registrars/company are clear in all respects.

**I. Distribution of Shareholding as on 31-03-2011**

| No. of Shares | Shareholders |                | Shareholding    |                |
|---------------|--------------|----------------|-----------------|----------------|
|               | Number       | %              | Number          | %              |
| Upto 500      | 9970         | 93.835         | 1364022         | 5.814          |
| 501-1000      | 361          | 3.398          | 295711          | 1.261          |
| 1001-2000     | 125          | 1.176          | 190306          | 0.811          |
| 2001-3000     | 38           | 0.358          | 101214          | 0.431          |
| 3001-4000     | 16           | 0.151          | 56123           | 0.239          |
| 4001-5000     | 19           | 0.179          | 89712           | 0.382          |
| 5001-10000    | 30           | 0.282          | 218410          | 0.931          |
| Above 10000   | 66           | 0.621          | 21144302        | 90.130         |
| <b>Total</b>  | <b>10625</b> | <b>100.000</b> | <b>23459800</b> | <b>100.000</b> |

**J. Shareholdings Pattern As On 31-03-2011**

| Sr. No.  | Category                                  | No. of Shares held | % of Shareholding |
|----------|---|--------------------|-------------------|
| <b>A</b> | <b>PROMOTERS' HOLDINGS</b>                |                    |                   |
|          | Promoters                                 |                    |                   |
|          | Indian Promoters/Person Acting in Concert |                    |                   |
|          | Foreign Promoters                         | 13795029           | 58.50             |
|          | <b>Sub Total</b>                          | <b>13795029</b>    | <b>58.80</b>      |
| <b>B</b> | <b>Institutional Investors</b>            |                    |                   |
|          | a. Mutual Funds                           |                    |                   |
|          | b. Banks                                  | 674                | 0.00              |
|          | c. Insurance Companies                    | 493758             | 2.10              |
|          | d. FIs                                    |                    |                   |
|          | e. Foreign Financial Institution          | 3373100            | 14.38             |
|          | <b>Sub -Total</b>                         | <b>3867532</b>     | <b>16.46</b>      |
|          | Non Institutional Investors               |                    |                   |
|          | a. Private Corporate Bodies               | 163541             | 0.70              |
|          | b. Indian Public                          | 4105239            | 17.50             |
|          | c. NRIs                                   | 1528459            | 6.52              |
|          | <b>Sub -Total</b>                         | <b>5797239</b>     | <b>24.72</b>      |
|          | <b>Grand - Total</b>                      | <b>23459800</b>    | <b>100.00</b>     |

**K. Dividend declared for the last 10 years**

| Financial Year   | % Dividend per shares |
|--|-----------------------|
| 2002-03  | 10                    |
| 2003-04  | 10                    |
| 2004-05 (Interim Div.)                                       | 5                     |
| 2004-05 (Final Div.)   | 10                    |
| 2005-06 (I Interim Div.)                                     | 5                     |
| 2005-06 (II Interim Div.)                                    | 5                     |
| 2005-06 (III Interim Div.)                                   | 5                     |
| 2005-06 ( Final Div.)  | 5                     |
| 2006-07 (Interim Div.)                                       | 5                     |
| 2006-07 (Final Div.)   | 5                     |
| 2009-10 (Interim Div.)                                       | 5                     |
| 2009-10 (Final Div.)   | 5                     |
| 2010-11 (Interim Div. to be considered as Final Div 2010-11) | 5                     |

**L. Dematerialisation of Shares and liquidity**

| Electronic / Physical* | No of Shares    | %             |
|------------------------|-----------------|---------------|
| NSDL                   | 22188832        | 94.58         |
| CDSL                   | 459455          | 1.96          |
| Physical               | 811513          | 3.46          |
| <b>TOTAL</b>           | <b>23459800</b> | <b>100.00</b> |

\* As on 31<sup>st</sup> March, 2011

As on 31<sup>st</sup> March, 2011, 22648287 (96.54%) Equity Shares of the Company were dematerialised.

**M. Plant Location**
**Spinning Plant**

Survey No. 215-217, Village Sari, Sarkhej-Bavla Highway, Tal. Sanand, Dist. Ahmedabad - 382 210.

**Weaving Plant**

188/2, Ranipur Village, Opp. CNI Church, Near Narol Circle, Ahmedabad 382 405.

**Spinning & Weaving Plant**

191, Moje - shawadi, Narol - Sarkhej Highway, Ahmedabad - 382 405

**N. Address for correspondence**

For any grievance or assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares, and please write to: [cs@aarvee-denims.com](mailto:cs@aarvee-denims.com)

**The Company Secretary**

Amish P. Shah

Aarvee Denims And Export Ltd.,

Registered Office: - 188/2, Ranipur Village, Opp. CNI Church, Narol, Ahmedabad 382 405.

Tele : (079)30417000, E-mail: [cs@aarvee-denims.com](mailto:cs@aarvee-denims.com)

**Amish P. Shah**  
Company Secretary



**AARVEE DENIMS AND EXPORTS LTD.**



**N. C. Shah & Associates**

Chartered Accountants  
191/1, New Cloth Market,  
Ahmedabad - 380 002.

**Deloitte Haskins & Sells**

Chartered Accountants  
'Heritage', 3<sup>rd</sup> Floor, Nr. Gujarat Vidhyapith,  
Off Ashram Road, Ahmedabad - 380 014.

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

**To the Members of**

**Aarvee Denims and Exports Limited,**

We have examined the compliance of conditions of corporate governance by **Aarvee Denims and Exports Limited** ('the Company') for the year ended on March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

**For N. C. Shah & Associates**

Chartered Accountants  
(Registration No.109692W)

**Nitin C. Shah**

*Proprietor*  
Membership No.34633

AHMEDABAD, 30<sup>th</sup> May 2011

**For Deloitte Haskins & Sells**

Chartered Accountants  
(Registration No.117365W)

**Gaurav J. Shah**

*Partner*  
Membership No. 35701

AHMEDABAD, 30<sup>th</sup> May 2011

## MANAGEMENT DISCUSSION AND ANALYSIS

### Forward-looking statements

All statements that address expectations or projections about the future, but not limited to the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realized. The Company's actual results, performance or achievements could thus differ from those projected in any forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events.

### OVERALL REVIEW:

The worldwide trade of textiles and clothing has enhanced up the GDP of India to a huge scope as this sector has brought in a huge amount of revenue in the country. In the past years, the industry size has extended so swiftly to fetch the domestic and international demands. The textile industry is one of the important sectors in the Indian economy as it contributes approximately 14 percent to the total industrial production. The textile industry in India is claimed to be the major revenue earners in terms of foreign exchange among all other industrial sectors in India. This industry provides shortest employment to around 35 million people, which has made it one of the most beneficial industrial sectors in the country.

The denim players have seen some harsh time consequence of drastically raise in cotton and manpower cost. Even though, the world denim market is likely to grow continuously for the next few years. Demands of denims fabrics and apparels are rising at 5 to 8 percent every year. Over 50 percent of denim production is based in Asia with China, India, Turkey, Pakistan and Bangladesh. At present the global production is 6 billion meters per annum out of these 2.75 billion meters is produced by China. India is producing only 0.75 billion meters per annum. The present scenario of denim is opening a lot of opportunities for India as the biggest global producer of denims as China is withdrawing because of multiple reasons.

### Indian Market

The year 2010 witnessed the golden period for the textile and denims industry in India. With the help of Better capacity utilization and an improved product mix the domestic denim market has grown at 15 to 20 per cent and is expected to grow further. The main drivers for growth of denims industries in India are the favorable young demographic profile, rapidly increasing incomes, more organized retail and penetration of brands into smaller towns and cities, the advent of international buying houses, more garment exports and other positive factors. According to the recent research, the Indian denim industry is said to be growing with 350 million meters of denim consumption currently with a 10% Compound Annual Growth Rate (CAGR) and is expected to reach about 510 million meters in 2015. India has never been able to compete with China because of the higher cost structure and other state incentive, as of now China has become more expensive. India's devaluation has become much more competitive. Now the export orders are coming to India in a bigger way.

Cotton price increase in the last one year have actually played a spoilsport and have not helped anyone neither the mills, nor the retailers and of course not the consumers. It has created a lot of uncertainty in the market and is still doing so. The cotton prices had increased dramatically last year and peaked during Feb this year. However, the prices have started crashing with a better forecast of cotton production. Industries hoping for stability in cotton prices in this year 2011-12. Instead of lots of challenges the denims industry is performing well with help of better domestic demands & better utilization of its available resources.

### Export Market

The Indian textile industry contributes significantly to India's export earnings. The export basket consists of wide variety of items containing cotton yarn and fabrics, man-made yarn and fabrics, denims, wool and silk fabrics, made-ups and range of garments. USA, EU Member States and Canada etc are the major importers of India's textile goods. The Indian textile industry contributes 17 per cent to the country's export earnings. As per a Ministry of Textiles press release dated November 2, 2010, India has the potential to increase its textile and apparel share in the world trade from the current level of 4.5 per cent to 8 per cent and reach US\$ 80 billion by 2020.

### Review of Operations:

The year under review was a crucial year as far as cotton prices are concerned, However the situation seems to be in control

in recent future. Yet Company has better product portfolio, it has own distribution and marketing network enable the company to keep a close tab on the change in consumer preferences and tastes accordingly change its product mix.

Lowest distribution Costs and higher realizations enables your company one of the highest operating margins among denim manufactures. Hike in the Cotton prices could have affected the company's cost of production but the above advantageous factors have strengthened the company's position in this situation.

**Company views and growth plans**

Once again on the way for Growth stream during the second half under review Company has enhanced its manufacturing capacity from 60 mn meters to 84 mn meters. The expansion plan has been divided in two phase. The first phase for 12 mn meters was completed in March 2011 and the second phase is expected to be completed by December 2011. Through this the company has reduced the incremental cost of Raw Material marginally.

**Internal Control System and their adequacy:**

The Company has appropriate internal control systems for business processes, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations etc. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The system is improved and modified continuously to meet with changes in business conditions, statutory and accounting requirements. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

**RISK MANAGEMENT:**

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates and commodity prices, risk of product concentration and other business risks.

**Foreign Exchange Risk**

Your Company's policy is to hedge its long-term foreign exchange risk as well as short-term exposures within the defined parameters

**Interest Rate Risk**

Your Company is exposed to interest rate fluctuations on its Rupee denominated borrowings. It uses a judicious mix of fixed and floating rate debts within the stipulated parameters. The Company continuously monitors its interest rate exposures and whenever required, uses derivative instruments to minimise interest rate risk and interest costs. In view of the continuous risk mitigating strategy adopted by the Company, it does not perceive interest rate risk as having any material impact on its profitability, at any point of time.

**Commodity Price Risk**

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through purchase contract or forward booking for cotton - its main raw material and inventory management. The Company's reputation for quality and the existence of a strong marketing network mitigates the impact of price risks on finished goods.

**Risk of Product Concentration**

The company has risk of too much dependence on single product i.e. Denim. To de-risk the same, the company has already started the process reducing too much dependence on single product and going forward non-denim fabric and garmenting. As a policy, the Company is focusing on exports especially associating with big international brands. Already Walmarts, V.F. Corp, Zaza etc. are the big players to whom the Company is exporting. In the coming year, the export volume is likely to expand further.

**Other Business Risks**

Apart from the risk on account of interest rate, foreign exchange and regulatory changes, the business of the company is exposed to certain operating business risks, which are managed by regular monitoring and corrective actions.

**FINANCIAL PERFORMANCE AND REVIEW:**

|                     | <b>SALES</b> | <b>EBIDTA</b> | <b>PBT</b> | <b>PAT</b> |
|---------------------|--------------|---------------|------------|------------|
| 2010-11 (In Crores) | 494.95       | 82.42         | 43.05      | 33.44      |
| 2009-10 (In Crores) | 378.47       | 63.25         | 30.21      | 22.97      |
| <b>% INCREASE</b>   | <b>31%</b>   | <b>30%</b>    | <b>43%</b> | <b>46%</b> |

The net profit for the year was at ₹ 33.44 crore one of the highest operating margins among denim manufactures. ADEL has already declared and paid interim dividend of 5 % for the financial year 2010-11, No further dividend is declared, Hence making total dividend of 5 % for the financial year 2010-11 amounting to ₹ 1.17 crore (excluding dividend distribution tax).

**Financial Review**

During this year ADEL delivered superior financial performance with improvements across key parameters. Turnover achieved for the year ended 31 March, 2011 was ₹ 494.95 crore, a growth of 31 % over the previous year. Increase in revenue was due to 15% rise in volumes and a 21 % rise in prices. During the year Export were 23 % of total sales, the increment was 133%.

**Consumption of raw materials** increased by 42.60% from ₹ 203.52 crore to ₹ 290.23 crore, mainly due to increase in Cotton prices.

**Employee Cost** was ₹ 19.74 crore for the year as against ₹ 16.63 crore in the last year on account of increment of salary & wages.

**Power and Fuel** cost was increased by 14.51 % from 45.81 crore to ₹ 52.46 crore. This was mainly on account of increase in production volume.

**Operating profit** before other income and interest increased by 49% from ₹ 58.17 crore to ₹ 39.03 crore. Other income was at ₹ 11.60 crore against ₹ 12.47 of previous year mainly includes Discount on FCCB, Exchange gain and Export Incentive.

**Interest Cost** was higher at ₹ 19.29 crore as against ₹ 14.85 crore increase is mainly due to increased utilization of working capital. Depreciation (including depletion and amortisation) was slightly higher at ₹ 23.57 crore against ₹ 23.21 crore in the previous year.

**Profit After Tax** was ₹ 33.44 crore as against ₹ 22.97 crore for the previous year, an increase of 45.58%. Earning per share (EPS) for the year was ₹ 14.25 as compared ₹ 9.19 in the last year.

There was increase in the overall debt of the Company by ₹ 24.34 crores. There was increase of ₹ 14.74 crores in working capital facilities availed by the company. Decrease of ₹ 22.94 crores in FCCB is due to buyback of FCCB and exchange rate fluctuation. The term loan was increased by ₹ 1.21 crores to ₹ 23.36 crores as fresh loan was taken during the year for general and corporate purpose. Corporate loan decreased by ₹ 13.38 crores due to the regular payments. New facility of buyers credit was added during the year and the outstanding balance of buyers credit is ₹ 5.99 crores.

**Working capital and liquidity:**

The inventory turnover ratio has decreased to 4.49 times from 5.25 times in last year. The level of receivables decreased from 76 days in the last year to 67 days this year due to the regular follow up and recovery system.

**Conclusion:**

To conclude, ADEL has reported outstanding performance leveraging strategic strengths and benefit of modest improvement in the business environment. With open-up of international market and increase of denim consumption in local and export market, denim fabrics demand is expected to increase. Considering future demand of denims the company has introduced expansion plan which will help to fulfill requirement of market.

The significant challenge however will be the increase in Raw material (cotton) prices. On the successful implementation of the strategic initiatives and eyeing on the growing overseas home textiles market for which company is putting up new capacities. In this way we are confident of delivering superior value to our shareholders in continuum.



**N. C. Shah & Associates**

Chartered Accountants  
191/1, New Cloth Market,  
Ahmedabad - 380 002.

**Deloitte Haskins & Sells**

Chartered Accountants  
'Heritage', 3<sup>rd</sup> Floor, Nr. Gujarat Vidhyapith,  
Off Ashram Road, Ahmedabad - 380 014.

**AUDITORS' REPORT  
TO THE MEMBERS OF  
AARVEE DENIMS AND EXPORTS LIMITED**

1. We have audited the attached Balance Sheet of **AARVEE DENIMS AND EXPORTS LIMITED** ("the Company") as at 31st March, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report as follows:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st March, 2011 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

**For N. C. Shah & Associates**

Chartered Accountants  
(Registration No.109692W)

**Nitin C. Shah**

Proprietor  
Membership No.34633  
AHMEDABAD, 30<sup>th</sup> May 2011

**For Deloitte Haskins & Sells**

Chartered Accountants  
(Registration No.117365W)

**Gaurav J. Shah**

Partner  
Membership No. 35701  
AHMEDABAD, 30<sup>th</sup> May 2011

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- i. Having regard to the nature of the Company's business, clauses (x), (xii), (xiii) and (xiv) of paragraph 4 of CARO are not applicable.
- ii. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.  
 In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - (a) The Company has taken unsecured loans aggregating Rs 403.50 lacs from 4 parties during the year. At the year-end, the outstanding balance of such loans taken aggregated ₹ 2180.63 lacs. (Number of parties - 9) and the maximum amount involved during the year was ₹ 2412.04 lacs (number of parties - 9).
  - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, prima facie not prejudicial to the interests of the Company.
  - (c) The payments of principal amounts and interest in respect of such loans are as per stipulations.
- v. There is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transaction is in excess of ₹5 lakhs in respect of any party, the transactions have been made at prices which are prima facie reasonable having regard to the prevailing market prices at the relevant time.
- vii. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.

- viii. In our opinion, the Company has an adequate internal audit system commensurate with the size and the nature of its business.
- ix. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- x. According to the information and explanations given to us in respect of statutory dues:
- The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2011 for a period of more than six months from the date they became payable.
  - Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on 31st March, 2011 on account of disputes are given below:

| <b>Nature of Dues</b> | <b>Forum where Dispute is pending</b> | <b>Period to which the amount relates</b> | <b>Amount involved (₹ in lacs)</b> |
|-----------------------|---------------------------------------|---|------------------------------------|
| Service Tax           | Gujarat High Court                    | July 2003 to March 2007                   | 56.93                              |

- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks, financial institutions and debenture holders.
- xii. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xiii. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- xiv. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long- term investment.
- xv. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 at a price which is prima facie prejudicial to the interests of the Company.
- xvi. According to the information and explanations given to us, during the period covered by our audit report, no debentures have been issued by the Company.
- xvii. During the year, the Company has not raised any money by way of public issue.
- xviii. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

**For N. C. Shah & Associates**

Chartered Accountants  
(Registration No.109692W)

**Nitin C. Shah**

Proprietor  
Membership No.34633  
AHMEDABAD, 30<sup>th</sup> May 2011

**For Deloitte Haskins & Sells**

Chartered Accountants  
(Registration No.117365W)

**Gaurav J. Shah**

Partner  
Membership No. 35701  
AHMEDABAD, 30<sup>th</sup> May 2011

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

|   |                 |                                   | (₹ in Lacs)                       |
|---|-----------------|-----------------------------------|-----------------------------------|
|   | <b>SCHEDULE</b> | <b>As at<br/>31st March, 2011</b> | <b>As at<br/>31st March, 2010</b> |
| <b>SOURCES OF FUNDS</b>                               |                 |                                   |                                   |
| <b>SHARE HOLDERS' FUNDS :</b>                         |                 |                                   |                                   |
| Share Capital   | 1               | <b>2,345.98</b>                   | 2,345.98                          |
| Reserves & Surplus                                    | 2               | <b>17,519.36</b>                  | 14,049.56                         |
|   |                 | <b>19,865.34</b>                  | 16,395.54                         |
| <b>LOAN FUNDS</b>                                     |                 |                                   |                                   |
| Secured Loans   | 3               | <b>15,897.88</b>                  | 15,022.84                         |
| Unsecured Loans                                       | 4               | <b>9,673.22</b>                   | 8,114.16                          |
|   |                 | <b>25,571.10</b>                  | 23,137.00                         |
| <b>DEFERRED TAX LIABILITY (Net)</b>                   |                 |                                   |                                   |
| (Refer Note 11 of Schedule 19)                        |                 | <b>2,974.42</b>                   | 2,824.96                          |
| <b>TOTAL</b>  |                 | <b>48,410.86</b>                  | 42,357.50                         |
| <b>APPLICATION OF FUNDS</b>                           |                 |                                   |                                   |
| <b>FIXED ASSETS</b>                                   |                 |                                   |                                   |
| Gross Block   | 5               | <b>46,065.62</b>                  | 41,586.50                         |
| Less : Depreciation / Amortisation                    |                 | <b>14,459.78</b>                  | 12,851.33                         |
| Net Block   |                 | <b>31,605.84</b>                  | 28,735.17                         |
| Capital Work-in-Progress                              |                 | <b>3,054.84</b>                   | 1,668.08                          |
|   |                 | <b>34,660.68</b>                  | 30,403.25                         |
| <b>INVESTMENTS</b>                                    |                 |                                   |                                   |
|   | 6               | <b>0.64</b>                       | 20.25                             |
| <b>CURRENT ASSETS, LOANS AND ADVANCES</b>             |                 |                                   |                                   |
| Inventories   | 7               | <b>11,035.36</b>                  | 7,202.56                          |
| Sundry Debtors  | 8               | <b>9,104.38</b>                   | 7,883.19                          |
| Cash and Bank Balances                                | 9               | <b>969.70</b>                     | 431.24                            |
| Loans and Advances                                    | 10              | <b>1,647.10</b>                   | 1,740.79                          |
|   |                 | <b>22,756.54</b>                  | 17,257.78                         |
| <b>Less : Current Liabilities &amp; Provisions</b>    |                 |                                   |                                   |
| Current Liabilities                                   | 11              | <b>7,401.42</b>                   | 3,560.04                          |
| Provisions  |                 | <b>1,605.58</b>                   | 1,763.74                          |
| <b>NET CURRENT ASSETS</b>                             |                 | <b>13,749.54</b>                  | 11,934.00                         |
| <b>TOTAL</b>  |                 | <b>48,410.86</b>                  | 42,357.50                         |
| Significant Accounting Policies and Notes on Accounts | 19              |                                   |                                   |

As per our attached report of even date

**For N.C.Shah & Associates**  
Chartered Accountants

**Nitin C. Shah**  
Proprietor  
M. No. 34633

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Gaurav J. Shah**  
Partner  
M. No. 35701

For and On Behalf of the Board of Directors

**Vinod P. Arora**  
Chairman & Managing Director

**Amish Shah**  
Company Secretary

Place : Ahmedabad  
Date : 30<sup>th</sup> May, 2011

**Ashish V. Shah**  
Managing Director

**U. L. Pandwar**  
Financial Controller

Place : Ahmedabad  
Date : 30<sup>th</sup> May, 2011



**AARVEE DENIMS AND EXPORTS LTD.**



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

(₹ in Lacs)

|   | <b>SCHEDULE</b>                         | <b>2010-11</b>                              | <b>2009-10</b>        |
|---|---|---|-----------------------|
| <b>INCOME</b>   |   |   |                       |
| Gross Sales   |   | <b>48,751.98</b>                            | 37,477.47             |
| Less : Excise Duty  |   | -   | -                     |
| <b>Net Sales</b>  |   | <b>48,751.98</b>                            | 37,477.47             |
| Other Income  | 12                                      | <b>1,160.11</b>                             | 1,242.96              |
| Increase/ (Decrease) in Stock   | 13                                      | <b>123.67</b>                               | (1,476.50)            |
|   |   | <b>50,035.76</b>                            | 37,243.93             |
| <b>EXPENDITURE</b>  |   |   |                       |
| Material Costs  | 14                                      | <b>29,024.34</b>                            | 20,355.93             |
| Manufacturing and Operating costs   | 15                                      | <b>7,834.26</b>                             | 6,658.03              |
| Employment Costs  | 16                                      | <b>1,974.39</b>                             | 1,662.68              |
| Administrative, Selling and General Expenses                                | 17                                      | <b>2,611.62</b>                             | 1,723.25              |
| Interest and Finance Charges  | 18                                      | <b>1,928.62</b>                             | 1,484.71              |
| Depreciation / Amortisation   |   | <b>2,357.14</b>                             | 2,320.80              |
|   |   | <b>45,730.37</b>                            | 34,205.40             |
| <b>Profit Before Tax</b>  |   | <b>4,305.39</b>                             | 3,038.53              |
| Provision For Tax   |   |   |                       |
| - Current Tax   |   | <b>903.00</b>                               | 543.13                |
| - Wealth Tax  |   | <b>0.09</b>                                 | 0.03                  |
| - Deferred Tax  |   | <b>149.45</b>                               | 825.21                |
| Mat Credit Entitlement  |   | <b>(91.03)</b>                              | (541.99)              |
| Mat Credit Entitlement of earlier years                                     |   | -   | (102.27)              |
| <b>PROFIT FOR THE YEAR AFTER TAX</b>  |   | <b>3,343.88</b>                             | 2,314.42              |
| Add/(Less) : Prior Year Income / (Expense) (Net)                            |   | -   | 17.10                 |
| <b>NET PROFIT</b>   |   | <b>3,343.88</b>                             | 2,297.32              |
| BALANCE OF PROFIT BROUGHT FORWARD   |   | <b>9,651.09</b>                             | 8,525.44              |
| <b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>                                  |   | <b>12,994.97</b>                            | 10,822.76             |
| <b>APPROPRIATIONS :</b>   |   |   |                       |
| Capital Redemption Reserve  |   | -   | 299.13                |
| Dividend on 13% Preference shares   |   | -   | 511.58                |
| Interim Dividend on Equity shares   |   | <b>117.30</b>                               | 117.30                |
| Final Dividend on Equity Shares   |   | -   | 117.30                |
| Corporate Dividend Tax  |   | <b>19.48</b>                                | 126.36                |
| Balance Carried to Balance Sheet  |   | <b>12,858.19</b>                            | 9,651.09              |
|   |   | <b>12,994.97</b>                            | 10,822.76             |
| Earnings Per Share  |   |   |                       |
| Basic and Diluted earnings per share of face value of ₹ 10 each (in Rupees) |   | <b>14.25</b>                                | 9.19                  |
| (Refer Note No. 10 of Schedule 19)  |   |   |                       |
| Significant Accounting Policies and Notes on Accounts                       | 19                                      |   |                       |
| As per our attached report of even date                                     |   | For and On Behalf of the Board of Directors |                       |
| <b>For N.C.Shah &amp; Associates</b>  | <b>For Deloitte Haskins &amp; Sells</b> |   |                       |
| Chartered Accountants   | Chartered Accountants                   |   |                       |
| <b>Nitin C. Shah</b>  | <b>Gaurav J. Shah</b>                   | <b>Vinod P. Arora</b>                       | <b>Ashish V. Shah</b> |
| Proprietor  | Partner                                 | Chairman & Managing Director                | Managing Director     |
| M. No. 34633  | M. No. 35701                            |   |                       |
|   |   | <b>Amish Shah</b>                           | <b>U. L. Pandwar</b>  |
|   |   | Company Secretary                           | Financial Controller  |
| Place : Ahmedabad   |   | Place : Ahmedabad                           |                       |
| Date : 30 <sup>th</sup> May, 2011   |   | Date : 30 <sup>th</sup> May, 2011           |                       |

**Schedules forming part of the Balance Sheet**

|   | As at<br>31st March, 2011 | (₹ in Lacs)<br>As at<br>31st March, 2010 |
|---|---------------------------|--|
| <b>SCHEDULE - 1 : SHARE CAPITAL</b>   |                           |  |
| <b>AUTHORISED</b>   |                           |  |
| 35,000,000 Equity Shares of ₹ 10/- each   | <b>3,500.00</b>           | 3,500.00                                 |
| 15,000,000 13% Cumulative Redeemable Non Convertible Preference Shares of ₹ 10/- each | <b>1,500.00</b>           | 1,500.00                                 |
|   | <b>5,000.00</b>           | 5,000.00                                 |
| <b>ISSUED, SUBSCRIBED AND PAID UP :</b>   |                           |  |
| 23,459,800 Equity Shares of ₹ 10/- each fully paid up                                 | <b>2,345.98</b>           | 2,345.98                                 |
| <b>TOTAL</b>  | <b>2,345.98</b>           | 2,345.98                                 |
| <b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>  |                           |  |
| <b>GENERAL RESERVE</b>  |                           |  |
| Balance as per last Balance Sheet   | <b>562.73</b>             | 562.73                                   |
|   | <b>562.73</b>             | 562.73                                   |
| <b>CAPITAL REDEMPTION RESERVE</b>   |                           |  |
| Balance as per last Balance Sheet   | <b>1,499.13</b>           | 1,200.00                                 |
| Add : Transferred from Profit and Loss Account  | -                         | 299.13                                   |
|   | <b>1,499.13</b>           | 1,499.13                                 |
| <b>SECURITIES PREMIUM ACCOUNT</b>   |                           |  |
| Balance as per last Balance Sheet   | <b>2,336.61</b>           | 2,102.82                                 |
| Add : Reversal of premium on redemption of FCCB*                                      | <b>598.78</b>             | 649.07                                   |
| Less : Provision for premium on redemption of FCCB*                                   | <b>336.08</b>             | 415.28                                   |
| Note: *Refer Note No.5 of Schedule 19   | <b>2,599.31</b>           | 2,336.61                                 |
| <b>PROFIT &amp; LOSS ACCOUNT</b>  | <b>12,858.19</b>          | 9,651.09                                 |
| <b>TOTAL</b>  | <b>17,519.36</b>          | 14,049.56                                |



**Schedules forming part of the Balance Sheet**

|  | (₹ in Lacs)               |
|--|---------------------------|
|  | As at<br>31st March, 2011 |
|  | As at<br>31st March, 2010 |
| <b>SCHEDULE - 3 : SECURED LOANS</b>                  |                           |
| From Banks   |                           |
| a) Working Capital Loans- (Refer Note 1 below)       | 10,516.09                 |
| b) Corporate Loans (WCTL) - (Refer Note 2 & 5 below) | 2,418.00                  |
| c) Term Loans - In Rupee (Refer Note 2 & 5 below)    | 2,336.12                  |
| d) Buyers Credit - (Refer Note 3 below)              | 598.81                    |
| e) Vehicle Loans (Refer Note 4 below)                | 28.86                     |
| <b>TOTAL</b>   | <b>15,897.88</b>          |

**Notes:**

- Loans are Secured by hypothecation of all current assets of Unit -I (Narol), Unit- II (Sari), Unit- III (Narol) and second charge on the fixed assets of Unit -I (Narol), Unit- II (Sari), Unit- III (Narol) and hypothecation of 2 Windmills located at Lamba and 1 Windmill located at Kutch
- Secured by mortgage of all fixed assets of Unit- I (Narol), Unit- II (Sari), Unit- III (Narol) and Second charge on the current assets of Unit- I (Narol), Unit- II (Sari), Unit- III (Narol).
- Specific charge on assets purchased from the proceeds of Loan.
- Secured by way of hypothecation of respective motor vehicles purchased.
- Term Loans & Corporate Loans include loans of ₹2,058.19 Lacs (Previous Year ₹ 2,689.41 Lacs) repayable within one year.

**SCHEDULE - 4 : UNSECURED LOANS**

|   |                 |                 |
|---|-----------------|-----------------|
| a) Fixed Deposits*  | 229.52          | 123.70          |
| b) From Banks*  | 3,848.40        | -               |
| c) From Directors   | 18.00           | 89.00           |
| d) From Others  |                 |                 |
| - From companies/firms in which directors are interested                              | 2,180.63        | 2,242.15        |
| - Trade Deposits  | 47.92           | 16.81           |
| e) Zero Coupan Foreign Currency Convertible Bonds<br>(Refer Note No.5 of Schedule 19) | 3,348.75        | 5,642.50        |
| Note:- * Repayable within One Year  |                 |                 |
| <b>TOTAL</b>  | <b>9,673.22</b> | <b>8,114.16</b> |

## Schedules forming part of the Balance Sheet

## SCHEDULE - 5 : FIXED ASSETS

| SR. No. | PARTICULARS  | GROSS BLOCK (AT COST) |                 |                    |                  | DEPRECIATION/AMORTISATION |                          | NET BLOCK              |                  |
|---------|--|-----------------------|-----------------|--------------------|------------------|---------------------------|--------------------------|------------------------|------------------|
|         |  | As at 01.04.2010      | ADDITIONS       | SALES / ADJUSTMENT | As at 31.03.2011 | As at 01.04.2010          | PROVIDED DURING THE YEAR | TOTAL UP TO 31.03.2011 | As at 31.03.2011 |
| 1       | Lease hold land                                      | 144.00                | -               | -                  | 144.00           | 22.20                     | 7.20                     | 29.40                  | 114.60           |
| 2       | Land & Land Development                              | 1,224.46              | 54.84           | -                  | 1,279.30         | -                         | -                        | -                      | 1,279.30         |
| 3       | Buildings  | 6,063.87              | 1,172.02        | -                  | 7,235.89         | 1,066.19                  | 211.65                   | 1,277.84               | 5,958.05         |
| 4       | Plant & Machineries                                  | 31,913.16             | 3,441.90        | 760.17             | 34,594.89        | 11,141.08                 | 1,999.61                 | 12,420.84              | 22,174.05        |
| 5       | Electric Installations                               | 1,300.51              | 514.44          | 20.56              | 1,794.39         | 372.63                    | 67.27                    | 427.76                 | 1,366.63         |
| 6       | Furniture & Fixtures                                 | 496.03                | 34.77           | 40.84              | 489.96           | 117.33                    | 33.07                    | 145.76                 | 344.20           |
| 7       | Factory & Office Equipments                          | 248.70                | 48.39           | 0.39               | 296.70           | 51.69                     | 12.31                    | 63.98                  | 232.72           |
| 8       | Vehicles   | 102.61                | 41.66           | 20.53              | 123.74           | 35.70                     | 11.26                    | 35.69                  | 88.05            |
| 9       | Computer   | 70.66                 | 8.74            | -                  | 79.40            | 39.95                     | 11.55                    | 51.50                  | 27.90            |
| 10      | Intangible Assets - Software                         | 22.49                 | 8.86            | 4.00               | 27.35            | 4.57                      | 3.22                     | 7.01                   | 20.34            |
|         |  | <b>41,586.49</b>      | <b>5,325.62</b> | <b>846.49</b>      | <b>46,065.62</b> | <b>12,851.34</b>          | <b>2,357.14</b>          | <b>14,459.78</b>       | <b>31,605.84</b> |
| 11      | Capital Work in Progress (Includes capital advances) |                       |                 |                    |                  |                           |                          |                        |                  |
|         |  | <b>41,586.49</b>      | <b>5,325.62</b> | <b>846.49</b>      | <b>46,065.62</b> | <b>12,851.34</b>          | <b>2,357.14</b>          | <b>14,459.78</b>       | <b>34,660.68</b> |
|         | <b>TOTAL</b>   |                       |                 |                    |                  |                           |                          |                        | <b>30,403.25</b> |
|         | PREVIOUS YEAR  | 40,862.06             | 1,809.39        | 1,084.95           | 41,586.50        | 10,542.58                 | 2,320.81                 | 12,851.33              | 30,403.25        |

Notes:

The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 (AS-11) notified by Government of India on 31st March, 2009. Accordingly, exchange differences on all long term monetary items, with retrospective effect from April 01, 2007 are: (a) To the extent such items are used for the acquisition of a depreciable asset, added to / deducted from the cost of the asset and depreciated over the balance life of the asset. As a result addition of an amount of ₹ 32.25 Lacs have been made (Previous Year Deduction of ₹ 1040.00 Lacs) to Gross Block of fixed assets, being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset. (b) Depreciation provided during the year includes Depreciation of ₹ 38.51 Lacs (Previous Year Reversal of Depreciation of ₹ 32.59 Lacs) due to addition being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset.

**Schedules forming part of the Balance Sheet**

| (₹ in Lacs)   |            |                           |                                   |                                   |              |
|---|------------|---------------------------|-----------------------------------|-----------------------------------|--------------|
|   | Face Value | As at<br>31st March, 2011 |                                   | As at<br>31st March, 2010         |              |
|   |            | Numbers/<br>Units         | Amount                            | Numbers/<br>Units                 | Amount       |
| <b>SCHEDULE - 6 : INVESTMENTS (AT COST)</b>             |            |                           |                                   |                                   |              |
| <b>A. LONG TERM INVESTMENTS - NON TRADE</b>             |            |                           |                                   |                                   |              |
| <b>a) Quoted</b>  |            |                           |                                   |                                   |              |
| In Equity Shares  |            |                           |                                   |                                   |              |
| i) Dena Bank  | 10         | -                         | -                                 | 28,500                            | 8.55         |
| ii) GSFC  | 10         | -                         | -                                 | 16,400                            | 3.28         |
| iii) SNS Textiles Limited                               | 10         | -                         | -                                 | 3,000                             | 0.45         |
| iv) Indusind Bank Limited                               | 10         | -                         | -                                 | 21,100                            | 9.50         |
| v) Bank of Baroda                                       | 10         | -                         | -                                 | 280                               | 0.64         |
| Less : Provision for Diminution in Value of Investments |            | -                         | -                                 |                                   | (2.81)       |
|   |            |                           | -                                 |                                   | 19.61        |
| <b>b) Unquoted</b>                                      |            |                           |                                   |                                   |              |
| In Equity Shares  |            |                           |                                   |                                   |              |
| i) Pee Vee Synthetics Private Limited                   | 10         | 6,440                     | 0.64                              | 6,440                             | 0.64         |
| <b>TOTAL</b>  |            |                           | <b>0.64</b>                       |                                   | <b>20.25</b> |
| Quoted Investments                                      |            |                           |                                   |                                   |              |
| Cost Price  |            |                           | -                                 |                                   | 22.42        |
| Market Value  |            |                           | -                                 |                                   | 61.08        |
| Unquoted Investments                                    |            |                           |                                   |                                   |              |
| Cost Price  |            |                           | 0.64                              |                                   | 0.64         |
| (₹ in Lacs)   |            |                           |                                   |                                   |              |
|   |            |                           | <b>As at<br/>31st March, 2011</b> | <b>As at<br/>31st March, 2010</b> |              |
| <b>SCHEDULE - 7 : INVENTORIES</b>                       |            |                           |                                   |                                   |              |
| Raw Materials   |            |                           | <b>7,588.08</b>                   | 3,889.33                          |              |
| Finished Goods & Traded Goods                           |            |                           | <b>1,577.88</b>                   | 1,839.90                          |              |
| Semi Finished Goods                                     |            |                           | <b>1,699.13</b>                   | 1,313.44                          |              |
| Stores, Spares and Others                               |            |                           | <b>170.27</b>                     | 159.89                            |              |
| <b>TOTAL</b>  |            |                           | <b>11,035.36</b>                  | <b>7,202.56</b>                   |              |

**Schedules forming part of the Balance Sheet**

|  | As at<br>31st March, 2011 | As at<br>31st March, 2010 |
|--|---------------------------|---------------------------|
| <b>SCHEDULE - 8 : SUNDRY DEBTORS</b>   |                           |                           |
| Unsecured  |                           |                           |
| Debts Outstanding for a period exceeding six months  |                           |                           |
| Considered good  | 710.34                    | 254.31                    |
| Considered doubtful  | 103.94                    | 57.96                     |
| Less: Provided for doubtful debts  | (103.94)                  | (57.96)                   |
|  | 710.34                    | 254.31                    |
| Others Debts Considered good   | 8,394.04                  | 7,628.88                  |
| <b>TOTAL</b>   | <b>9,104.38</b>           | <b>7,883.19</b>           |
| <b>SCHEDULE - 9 : CASH AND BANK BALANCES</b>   |                           |                           |
| Cash on Hand   | 28.13                     | 17.91                     |
| Balances with Schedule banks   |                           |                           |
| In Current Accounts  | 317.46                    | 272.18                    |
| In Fixed Deposits  | 624.11                    | 141.15                    |
| (Includes ₹602.76 Lacs (Previous Year ₹140.39 Lacs)<br>under bank lien for margin money and bank guarantees) |                           |                           |
| <b>TOTAL</b>   | <b>969.70</b>             | <b>431.24</b>             |
| <b>SCHEDULE - 10 : LOANS AND ADVANCES</b>  |                           |                           |
| (Unsecured Considered Good)  |                           |                           |
| Prepaid Expenses   | 63.78                     | 58.71                     |
| Advances recoverable in cash or in kind or for value to be received  | 848.02                    | 1,037.82                  |
| MAT Credit Entitlements  | 735.30                    | 644.26                    |
| <b>TOTAL</b>   | <b>1,647.10</b>           | <b>1,740.79</b>           |
| <b>SCHEDULE - 11 : CURRENT LIABILITIES AND PROVISIONS</b>  |                           |                           |
| <b>Current Liabilities</b>   |                           |                           |
| Sundry Creditors   | 6,622.49                  | 3,232.11                  |
| Bank Overdraft   | 0.87                      | 0.41                      |
| Advance received from Customers  | 778.06                    | 327.52                    |
|  | 7,401.42                  | 3,560.04                  |
| <b>Provisions</b>  |                           |                           |
| For Employee Benefits  | 33.16                     | 36.84                     |
| For Taxation (Net of Advance Tax and TDS)  | 337.98                    | 93.03                     |
| For Proposed Dividend  | -                         | 117.30                    |
| For Corporate Dividend Tax   | -                         | 19.48                     |
| For Wealth Tax   | 0.09                      | 0.03                      |
| Premium Payable on redemption of FCCBs   | 1,234.35                  | 1,497.06                  |
|  | 1,605.58                  | 1,763.74                  |
| <b>TOTAL</b>   | <b>9,007.00</b>           | <b>5,323.78</b>           |

**Schedules forming part of the Profit and Loss Account**

(₹ in Lacs)

|  | 2010-2011        | 2009-2010         |
|--|------------------|-------------------|
| <b>SCHEDULE - 12 : OTHER INCOME</b>  |                  |                   |
| Dividend Income  | 0.99             | 0.62              |
| Interest Received (Gross)  | 45.70            | 99.69             |
| Export Incentives  | 731.43           | 346.87            |
| Miscellaneous Income   | 32.76            | 22.82             |
| Discount earned on FCCB Repayment  | 75.30            | 772.96            |
| Foreign Exchange Fluctuation Gain (Net)  | 188.55           | -                 |
| Profit on Sale of Long term Investments (Net)  | 85.38            | -                 |
| Note: Tax deducted at source from Interest ₹ 5.26 Lacs<br>(Previous Year ₹ 20.00 Lacs) |                  |                   |
| <b>TOTAL</b>   | <b>1,160.11</b>  | <b>1,242.96</b>   |
| <b>SCHEDULE - 13 : INCREASE / (DECREASE) IN STOCK</b>                                  |                  |                   |
| <b>Closing Stock</b>   |                  |                   |
| Semi Finished Goods  | 1,699.13         | 1,313.44          |
| Finished Goods   | 1,577.88         | 1,839.90          |
|  | <b>3,277.01</b>  | <b>3,153.34</b>   |
| <b>Less : Opening Stock</b>  |                  |                   |
| Semi Finished Goods  | 1,313.44         | 1,567.03          |
| Finished Goods   | 1,839.90         | 3,062.81          |
|  | <b>3,153.34</b>  | <b>4,629.84</b>   |
| <b>TOTAL</b>   | <b>123.67</b>    | <b>(1,476.50)</b> |
| <b>SCHEDULE - 14 : MATERIAL COSTS</b>  |                  |                   |
| Opening Stock  | 3,889.33         | 2,673.80          |
| Add : Purchases  | 32,770.41        | 21,576.11         |
|  | <b>36,659.74</b> | <b>24,249.91</b>  |
| Less : Sales   | 47.32            | 4.65              |
|  | <b>36,612.42</b> | <b>24,245.26</b>  |
| Less : Closing Stock   | 7,588.08         | 3,889.33          |
| <b>TOTAL</b>   | <b>29,024.34</b> | <b>20,355.93</b>  |

**Schedules forming part of the Profit and Loss Account**

(₹ in Lacs)

|  | 2010-2011       | 2009-2010       |
|--|-----------------|-----------------|
| <b>SCHEDULE - 15 : MANUFACTURING AND OPERATING COSTS</b>                                       |                 |                 |
| Stores and Spare Parts   | 998.32          | 869.74          |
| Power and Fuel   | 5,245.54        | 4,580.78        |
| Packing Materials  | 319.97          | 264.08          |
| Job Work Charges   | 505.03          | 329.72          |
| Folding Charges  | 89.82           | 92.92           |
| Labour Charges   | 174.09          | 74.12           |
| Repairs to Machineries   | 434.51          | 386.16          |
| Repairs to Building  | 66.98           | 60.51           |
| <b>TOTAL</b>   | <b>7,834.26</b> | <b>6,658.03</b> |
| <b>SCHEDULE - 16 : EMPLOYMENT COSTS</b>  |                 |                 |
| Salary, Wages, Gratuity, Bonus etc.  | 1,870.01        | 1,574.79        |
| Contribution to Provident and Other Funds  | 81.45           | 68.93           |
| Workmen and Staff Welfare Expenses   | 22.93           | 18.96           |
| <b>TOTAL</b>   | <b>1,974.39</b> | <b>1,662.68</b> |
| <b>SCHEDULE - 17 : ADMINISTRATIVE, SELLING AND GENERAL EXPENSES</b>                            |                 |                 |
| Advertisement, Publicity & Sales Promotion   | 28.05           | 88.29           |
| Commission & Brokerage   | 448.79          | 249.97          |
| Rent   | 167.05          | 129.81          |
| Rates & Taxes  | 100.82          | 56.58           |
| Travelling and Conveyance (including for Directors ₹ 5.04 Lacs<br>(Previous Year ₹ 7.13 Lacs)) | 41.68           | 41.91           |
| Insurance  | 188.51          | 125.81          |
| Freight & Forwarding   | 476.72          | 227.36          |
| Loss on Disposal of Fixed Assets (Net)   | 45.79           | 15.51           |
| Provision for Doubtful Debts   | 46.55           | 52.54           |
| Bad Debts Written off  | 3.41            | 74.12           |
| Environment Exp  | 208.56          | 7.96            |
| Professional Fees and Charges  | 470.38          | 46.46           |
| Miscellaneous Expenses   | 385.31          | 333.48          |
| Foreign Exchange Fluctuation Loss (Net)  | -               | 270.64          |
| Provision for Dimunation in value of investments   | -               | 2.81            |
| <b>TOTAL</b>   | <b>2,611.62</b> | <b>1,723.25</b> |
| <b>SCHEDULE - 18 : INTEREST AND FINANCE CHARGES</b>  |                 |                 |
| Interest on Fixed Loans  | 491.42          | 249.65          |
| Other Interest   | 1,160.50        | 1,015.60        |
| Finance Charges  | 276.70          | 219.46          |
| <b>TOTAL</b>   | <b>1,928.62</b> | <b>1,484.71</b> |

**SCHEDULE – 19****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A. Significant Accounting Policies****1. Accounting Convention**

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable and with the relevant provisions of the Companies Act, 1956.

**2. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which results are known / materialized.

**3. Fixed Assets**

Tangible and Intangible Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of all expenses incurred to bring the assets to its present location and condition. Borrowing costs directly attributable to the acquisition / construction are included in the cost of fixed assets.

In case of new projects / expansion of existing projects, expenditure incurred during construction / preoperative period including interest and finance charges on specific / general purpose loans, prior to commencement of commercial production are capitalized. The same has been allocated to the respective fixed assets on completion of construction / erection of the capital project / fixed assets.

Capital assets (including expenditure incurred during the construction period) under erection / installation are stated in the Balance Sheet as "Capital Work in Progress."

**4. Lease**

Assets acquired under leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit and loss Account on accrual basis.

**5. Impairment of Assets**

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

**6. Depreciation**

All Tangible assets, except freehold land, leasehold land and capital work in progress, are depreciated on a straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies' Act, 1956.

Depreciation on additions to / deletions from fixed assets made during the period is provided on pro-rata basis from / up to the month of such addition / deletion as the case may be.

Amortisation in respect of Intangible assets is provided on Straight Line basis over the period of under lying contract or estimated period of its economic life.

Leasehold land is amortized over the period of lease.



**7. Investments**

Long term investments are stated at cost. Current investments are stated at lower of cost and market price. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

**8. Inventories**

Inventories are measured at lower of cost and net realizable value. Cost of raw materials, stores & spares parts are ascertained on FIFO basis. Cost for finished goods and process stock is ascertained on full absorption cost basis. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their present location & condition.

**9. Government Grants:**

Government grants are recognized when there is reasonable assurance that the same will be received. Revenue grants are recognized in the Profit and Loss account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets.

**10. Revenue Recognition**

Sales are recognized when goods are supplied. Sales are net of trade discounts, rebates and sales tax. It does not include interdivisional sales.

Revenue in respect of other item is recognized when no significant uncertainty as to its determination or realization exists.

**11. Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

**12. Foreign Currency Transactions**

Foreign Currency Transactions (FCT) and forward exchange contracts used to hedge FCT (including firm commitments and forecast transactions) are initially recognised at the spot rate on the date of the transaction/contract. Monetary assets and liabilities relating to foreign currency transactions and forward exchange contracts remaining unsettled at the end of the year are translated at year end rates.

The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 (AS-11) notified by Government of India on 31st March, 2009. Accordingly the effect of exchange differences on foreign currency loans of the Company is accounted by addition or deduction to the cost of the assets so far it relates to depreciable capital assets and in other cases by transfer to "Foreign Currency Monetary Items Translation Difference Account" to be amortised over the balance period of the long term monetary items or 31st March, 2012 whichever is earlier. Exchange difference recognised in the Profit & Loss Account up to financial year ended 31st March, 2008 relating to said long term monetary items in foreign currency has been adjusted against opening revenue reserve as provided in the rules.

The differences in translation of FCT and forward exchange contracts used to hedge FCT (excluding the long term foreign currency monetary items accounted in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 notified by Government of India on 31st March, 2009) and realised gains and losses are recognised in the Profit and Loss Account. The outstanding derivative contracts at the balance sheet date other than forward exchange contracts used to hedge FCT are valued by marking them to market and losses, if any, are recognised in the Profit and Loss Account.

**13. Employee Benefits**

Short -term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to profit and loss account.

**14. Financial Derivatives and Commodity Hedging Transactions**

In respect of financial derivatives and commodity hedging contracts, premium paid, losses on restatement and gains/losses on settlement are charged to the profit and loss account.

**15. Taxes on Income**

Income tax expenses for the year comprises of current tax and deferred tax. Current tax provision is determined on the basis of taxable income computed as per the provisions of the Income Tax Act. Deferred tax is recognized for all timing differences that are capable of reversal in one or more subsequent periods subject to conditions of prudence and by applying tax rates that have been substantively enacted by the balance sheet date.

Minimum alternative tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax in future. Accordingly, MAT is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

**16. Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are not recognized but are disclosed in the notes.

Contingent assets are neither recognized nor disclosed in the financial statements.

**17. Premium on Redemption of Bonds**

Premium on redemption of Foreign Currency Convertible Bonds are adjusted against the Securities Premium Account over the life of the Bonds.

**B. Notes on Accounts**

- 1) The estimated amount of contracts remaining to be executed on capital accounts and not provided for ₹ 3977.84 Lacs (Previous Year 687.08 Lacs)

- 2) **Contingent Liabilities in respect of:**

|   |                | (₹ in Lacs)    |  |
|---|----------------|----------------|--|
| Particulars   | March 31, 2011 | March 31, 2010 |  |
| a. Service Tax Matters disputed in appeal             | <b>56.93</b>   | 56.93          |  |
| b. Custom duty payable on pending export obligations  | <b>2515.05</b> | 1336.00        |  |
| c. Letter of Credit                                   | <b>3665.21</b> | 1750.61        |  |
| d. Guarantees given by banks on behalf of the Company | <b>78.00</b>   | 21.00          |  |

3) The Profit and Loss Account includes:

**(i) Auditors Remuneration**

(₹ in Lacs)

| Particulars                    | 2010-11      | 2009-10      |
|--------------------------------|--------------|--------------|
| <b>a) Statutory Auditors :</b> |              |              |
| Audit Fees                     | 15.44        | 10.92        |
| Tax Audit Fees                 | 0.55         | 0.55         |
| Income Tax Matters             | 0.55         | 0.55         |
| VAT Audit Fees                 | 0.83         | 0.83         |
| Certification & Others         | 2.55         | 6.96         |
| <b>TOTAL</b>                   | <b>19.92</b> | <b>19.81</b> |
| <b>b) Cost Auditors :</b>      |              |              |
| Audit fees                     | 0.40         | 0.40         |
| <b>TOTAL</b>                   | <b>0.40</b>  | <b>0.40</b>  |

**(ii) Managerial Remuneration**

**a. Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956**

(₹ in Lacs)

| Particulars                              | 2010-2011      | 2009-2010      |
|--|----------------|----------------|
| Profit before Tax                        | 4305.39        | 3038.53        |
| Add:                                     |                |                |
| - Director's Remuneration                | 60.90          | 43.80          |
| - Director's Sitting Fees                | 0.67           | 0.37           |
| - Loss on sale of assets                 | 45.79          | 15.51          |
| - Bad debts Written Off                  | 3.41           | 72.14          |
| - Provision for doubtful debts           | 46.55          | 52.54          |
| - Provision for diminution in Investment | -              | 2.81           |
| <b>Net Profit u/s 198</b>                | <b>4462.71</b> | <b>3225.70</b> |

**b. Remuneration to Directors**

(₹ in Lacs)

| Particulars                             | 2010-2011 | 2009-2010 |
|---|-----------|-----------|
| Salaries                                | 60.90     | 43.80     |
| Contribution to Provident & Other Funds | 0.28      | 0.28      |
| Perquisites                             | -         | -         |
| Total *                                 | 61.18     | 44.08     |

\* Minimum remuneration paid in terms of Schedule XIII to the Companies Act, 1956

- 4) Interest and Finance Charges are net of interest subsidy received under TUFs scheme amounting to ₹73.41Lacs (Previous Year ₹ 124.03 Lacs).
- 5) The Company issued Zero Coupon Foreign Currency Convertible Bonds ("FCCBs") of face value of US\$ 20 Million on April 10, 2007. The FCCBs have been listed on the Singapore Exchange Securities Trading Limited and are convertible, by holders of the FCCBs, at any time on or after May 10, 2008 and up to the close of business on March 28, 2012 into fully paid equity shares of face value of ₹10 each, to be newly issued by the company at agreed upon initial Conversion Price (as defined in the "Terms and Conditions of the Bonds") of ₹148.93 per equity share. As per the terms of the FCCBs, the conversion price was reset at ₹126.59 and ₹ 113.93 per share on 10th April 2008 and 10th April 2010 respectively. In case the holders of FCCBs do not opt for the conversion, the FCCBs will be redeemed

in US dollars on April 11, 2012 at a premium of 48.02 per cent of their principal amount. Such Premium on redemption of FCCBs is being adjusted by the Company against the balance of Securities Premium Account on time period basis over the life of the FCCBs.

In June 2010, as per approval of the Reserve Bank of India, the Company has further bought back and cancelled FCCBs of the Face Value of US\$ 5 Million (Previous Year US\$ 7.5 Million), at a discount of US\$ 0.172 Million (Previous Year US\$ 1.875 Million) to the face Value. This has resulted in a net gain of ₹75.30 Lacs (Previous Year 772.96 Lacs) which has been credited to Profit and Loss Account for the year and has been disclosed in schedule 12, Other Income. Consequent upon such buyback and cancellation the FCCBs, corresponding provision of ₹ 598.78 Lacs (Previous Year ₹ 649.07 Lacs) made for premium on redemption of the FCCBs, has been reversed and adjusted to the Securities Premium Account. FCCB outstanding as on 31.03.2011 is US\$ 7.5 Million.

6) **LEASES :**

**Operating Leases**

The Company has taken on cancellable operating leases certain assets, for lock in period ranging from 11 months to 3 years. Lease rentals charged to revenue for lease agreements for the right to use assets are as under:

| (₹ in Lacs)            |                |         |
|------------------------|----------------|---------|
| <b>Particulars</b>     | <b>2010-11</b> | 2009-10 |
| Rent of Retail Outlets | <b>155.41</b>  | 123.66  |

The future minimum lease payments outstanding in respect of these non cancellable operating leases are as follows;

| (₹ in Lacs)                                    |                |         |
|--|----------------|---------|
| <b>Particulars</b>                             | <b>2010-11</b> | 2009-10 |
| Not later than one year                        | <b>114.16</b>  | 177.64  |
| Later than one year not later than five years. | <b>456.62</b>  | 783.35  |

7) There are no dues to Micro and small Enterprises as at 31<sup>st</sup> March, 2011. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

8) There is no amount due and outstanding as on 31<sup>st</sup> March, 2011 to be credited to Investor Education and Protection Fund. During the year the Company has credited ₹4.44 Lacs, lying in the unpaid / unclaimed dividend account, to the Investor Education and Protection Fund pursuant to Section 205C of the Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001

9) **Derivative transactions:**

i. The Company has entered into the following derivative instruments;

a) The Company uses forward exchange contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy which provides principles on use of such forward contracts consistent with the Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

The information on outstanding Forward Exchange Contracts entered into by the Company on accounts of receivables:

| (₹ in Lacs)           |                         |                         |                       |
|-----------------------|-------------------------|-------------------------|-----------------------|
| <b>As at</b>          | <b>No. of Contracts</b> | <b>US \$ Equivalent</b> | <b>INR Equivalent</b> |
| <b>March 31, 2011</b> | <b>5</b>                | <b>45.00</b>            | <b>2009.25</b>        |
| March 31, 2010        | -                       | -                       | -                     |

- ii. The year end Foreign currency exposures that have not been hedged by a derivative instruments or otherwise are given below;

(₹ in Lacs)

| Particulars                           | 2010-11                      |               | 2009-10                      |               |
|---------------------------------------|------------------------------|---------------|------------------------------|---------------|
|                                       | Amount<br>(Foreign Currency) | Amount<br>(₹) | Amount<br>(Foreign Currency) | Amount<br>(₹) |
| Amount payable in foreign currency    | \$ 219.17                    | 9786.50       | \$ 196.69                    | 8878.44       |
|                                       | € 0.40                       | 25.17         | € 0.15                       | 9.26          |
|                                       | CHF 0.51                     | 2.49          | -                            | -             |
| Amount receivable in foreign currency | \$ 76.50                     | 3415.15       | € 0.64                       | 40.34         |
|                                       | -                            | -             | ¥ 1.31                       | 0.66          |
|                                       | -                            | -             | \$ 19.52                     | 881.20        |

#### 10) EARNINGS PER SHARE:

(₹ in Lacs)

| PARTICULARS   | As at<br>March 31, 2011 | As at<br>March 31, 2010 |
|---|-------------------------|-------------------------|
|   | ₹                       | ₹                       |
| Profit after tax and exceptional / non- recurring item as per Profit & Loss account | 3343.88                 | 2297.32                 |
| Less : Preference Dividend and Dividend Tax   | -                       | 142.51                  |
| Profit available for Equity Share Holders   | 3343.88                 | 2154.81                 |
| Weighted Average Number of Equity Shares  | 23459800                | 23459800                |
| Weighted Average Number of Equity Shares in computing diluted earnings per share    | 23459800                | 23459800                |
| Face Value of the Share - ₹   | 10                      | 10                      |
| Basic and Diluted Earnings per Share - ₹  | 14.25                   | 9.19                    |

#### 11) DEFERRED TAX:

Major components of deferred tax are:

(₹ in Lacs)

| PARTICULARS                              | As at<br>March 31, 2011 | As at<br>March 31, 2010 |
|--|-------------------------|-------------------------|
|  |                         |                         |
| Deferred Tax Liability                   |                         |                         |
| Depreciation                             | 2953.57                 | 2853.70                 |
| Deferred Tax Assets                      |                         |                         |
| Disallowances under Income Tax Act, 1961 | 20.85                   | 28.74                   |
| Deferred Tax Liability (Net)             | 2974.42                 | 2824.96                 |

#### 12. SEGMENT INFORMATION:

- a. The Company has identified two reportable segments viz. Textile and Power Generation Unit. Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organization structure and the internal financial reporting systems.

- b. Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

**A) Primary Segment : Business Segment**

(₹ in Lacs)

| Particulars                           | 31-03-11       |                     |          | 31-03-10       |                     |          |
|---------------------------------------|----------------|---------------------|----------|----------------|---------------------|----------|
|                                       | External Sales | Inter Segment Sales | Total    | External Sales | Inter Segment Sales | Total    |
| <b>a. Segment Revenue</b>             |                |                     |          |                |                     |          |
| Textile                               | 47514.75       |                     | 47514.75 | 35833.43       |                     | 35833.43 |
| Wind Mill                             | 1237.23        |                     | 1237.23  | 1644.04        |                     | 1644.04  |
| Power Plant                           |                | 531.64              | 531.64   |                | 574.36              | 574.36   |
| Segment Total                         |                |                     | 49283.62 |                |                     | 38051.83 |
| Eliminations                          |                |                     | 531.64   |                |                     | 574.36   |
| Total Revenue                         |                |                     | 48751.98 |                |                     | 37477.47 |
| <b>b. Segment Result</b>              |                |                     |          |                |                     |          |
| Textile                               |                |                     | 5485.98  |                |                     | 3263.80  |
| Wind Mill                             |                |                     | 319.34   |                |                     | 621.31   |
| Power Plant                           |                |                     | (403.76) |                |                     | (276.45) |
| Segment Total                         |                |                     | 5401.57  |                |                     | 3608.66  |
| Eliminations                          |                |                     | 403.76   |                |                     | 276.45   |
| Consolidated Total                    |                |                     | 5805.33  |                |                     | 3885.11  |
| Unallocable Corporate Exp / (Income). |                |                     | (428.68) |                |                     | (621.03) |
| Profit Before Interest etc.           |                |                     | 6234.01  |                |                     | 4506.14  |
| Interest                              |                |                     | 1928.62  |                |                     | 1484.71  |
| Profit Before Tax                     |                |                     | 4305.39  |                |                     | 3021.43  |
| Provision for Tax                     |                |                     | 961.51   |                |                     | 724.11   |
| Profit After Tax                      |                |                     | 3343.88  |                |                     | 2297.32  |

**c. Other Information**

(₹ in Lacs)

| Particulars                    | As at 31 March 2011 |                     | As at 31 March 2010 |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                | Segment Assets      | Segment Liabilities | Segment Assets      | Segment Liabilities |
| Textile                        | 53528.62            | 33223.03            | 44813.36            | 27334.38            |
| Wind Mill                      | 10955.21            | 8433.16             | 11423.46            | 9220.74             |
| Power Plant                    | 815.16              | 46.04               | 839.73              | 9.53                |
| Segment Total                  | 66678.95            | 46809.50            | 57076.54            | 36564.65            |
| Inter segment elimination      | 9261.57             | 9261.57             | 9859.27             | 9859.27             |
| Unallocated Assets/Liabilities | 1380.43             | 5111.86             | 466.18              | 4582.54             |
| <b>Total</b>                   | <b>57417.85</b>     | <b>37552.51</b>     | <b>47683.46</b>     | <b>31287.92</b>     |

(₹ in Lacs)

| Particulars   | 31-03-11               |              |   | 31-03-10               |              |   |
|---------------|------------------------|--------------|---|------------------------|--------------|---|
|               | Capital<br>Expenditure | Depreciation | Non Cash<br>Expenditure<br>Other than<br>Depreciation | Capital<br>Expenditure | Depreciation | Non Cash<br>Expenditure<br>Other than<br>Depreciation |
| Textile       | 5261.66                | 1636.05      | 118.76  | 1809.39                | 1569.98      | 863.55  |
| Wind Mill*    | 32.25*                 | 664.82       |   | (1040.50)*             | 694.83       |   |
| Power Plant   | 31.70                  | 56.27        |   | -                      | 55.99        |   |
| Segment Total | 5325.62                | 2357.14      | 118.76  | 1809.39                | 2320.80      | 863.55  |

\* Exchange difference on long term monetary items related to the acquisition of a depreciable capital asset as per AS-11 notified by Government of India on 31<sup>st</sup> March, 2009

**B) Secondary Segment : Geographical Segment**

(₹ in Lacs)

| Particulars                               | Within India<br>Year Ended |          | Outside India<br>Year Ended |          | Total<br>Year Ended |          |
|---|----------------------------|----------|-----------------------------|----------|---------------------|----------|
|   | 31-03-11                   | 31-03-10 | 31-03-11                    | 31-03-10 | 31-03-11            | 31-03-10 |
| Sales Revenue                             | 37858.40                   | 32795.52 | 10893.58                    | 4681.95  | 48751.98            | 37477.47 |
| Carrying amount of<br>Segment Assets      | 51979.46                   | 45117.82 | 5438.39                     | 2565.64  | 57417.85            | 47683.46 |
| Carrying amount of<br>Segment Liabilities | 27738.64                   | 22400.21 | 9813.87                     | 8887.71  | 37552.51            | 31287.92 |

**13) EMPLOYEE BENEFITS:**

- (a) The disclosure required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006 are given below:

**Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

(₹ in Lacs)

| Particular                                | 2010-11 | 2009-10 |
|---|---------|---------|
| Employer's Contribution to Provident Fund | 59.66   | 50.66   |

**Defined Benefit Plan**

The employees' gratuity fund scheme managed by Life Insurance Corporation of India who invests the funds as per IRDA guidelines, is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.



(₹ in Lacs)

| Particulars  | 2010-11                                     | 2009-10                           | 2010-11                                    | 2009-10                           |
|--|---|-----------------------------------|--|-----------------------------------|
|  | <b>Gratuity<br/>(Funded)</b>                |                                   | <b>Leave Encashment<br/>(Unfunded)</b>     |                                   |
| a. Reconciliation of opening and closing balances of Defined Benefit obligation                  |   |                                   |  |                                   |
| Defined Benefit obligation at beginning of the year  | <b>90.91</b>                                | 73.38                             | <b>35.76</b>                               | 17.57                             |
| Current Service Cost   | <b>19.61</b>                                | 16.23                             | <b>8.12</b>                                | 8.74                              |
| Interest Cost  | <b>7.50</b>                                 | 6.05                              | <b>2.86</b>                                | 1.45                              |
| Actuarial (gain)/ loss   | <b>6.23</b>                                 | 5.87                              | <b>(7.11)</b>                              | 17.89                             |
| Benefits paid  | <b>22.38</b>                                | 10.62                             | <b>6.48</b>                                | (9.89)                            |
| Defined Benefit obligation at year end   | <b>101.88</b>                               | 90.91                             | <b>33.15</b>                               | 35.76                             |
| b. Reconciliation of opening and closing balances of fair value of plan assets                   |   |                                   |  |                                   |
| Fair value of plan asset at beginning of the year  | <b>89.84</b>                                | 70.88                             | -  | -                                 |
| Expected return on plan assets   | <b>8.59</b>                                 | 7.04                              | -  | -                                 |
| Actuarial gain/(loss)  | <b>0.70</b>                                 | (0.10)                            | -  | -                                 |
| Employer contribution  | <b>29.59</b>                                | 22.64                             | -  | -                                 |
| Benefits Paid  | <b>21.45</b>                                | 10.62                             | -  | -                                 |
| Fair value of plan assets at year end  | <b>106.64</b>                               | 89.84                             | -  | -                                 |
| c. Reconciliation of fair value of assets and obligations  |   |                                   |  |                                   |
| Fair value of plan assets as at year end   | <b>106.64</b>                               | 89.84                             | -  | -                                 |
| Present value of obligation as at year end   | <b>101.88</b>                               | 90.91                             | <b>33.15</b>                               | 35.76                             |
| Net Liability in the Balance Sheet   | <b>(4.76)</b>                               | 1.07                              | <b>33.15</b>                               | 35.76                             |
| d. Expenses recognized during the year (Under the head " Employment Costs - Refer Schedule - 16) |   |                                   |  |                                   |
| Current Service Cost   | <b>19.61</b>                                | 16.23                             | <b>8.12</b>                                | 8.74                              |
| Interest Cost  | <b>7.50</b>                                 | 6.05                              | <b>2.86</b>                                | 1.45                              |
| Expected return on plan assets   | <b>8.59</b>                                 | 7.04                              | -  | -                                 |
| Actuarial (gain) / loss  | <b>6.16</b>                                 | 5.97                              | <b>(7.11)</b>                              | 17.89                             |
| Net Cost   | <b>24.68</b>                                | 21.21                             | <b>3.87</b>                                | 28.08                             |
| e. Actuarial assumptions   |   |                                   |  |                                   |
| Mortality  | <b>LIC 1994-96<br/>mortality<br/>tables</b> | LIC1994-96<br>mortality<br>tables | <b>LIC1994-96<br/>mortality<br/>tables</b> | LIC1994-96<br>mortality<br>tables |
| Expected return on plan assets   | <b>9.15%</b>                                | 9.15%                             | <b>Nil</b>                                 | Nil                               |
| Discount rate (per annum)  | <b>8.25%</b>                                | 8.25%                             | <b>8.25%</b>                               | 8.25%                             |
| Rate of escalation in salary (per annum)   | <b>6.00%</b>                                | 6.00%                             | <b>6.00%</b>                               | 6.00%                             |

**Experience History:**

(₹ in Lacs)

| Particulars   | 2010-11       | 2009-10 | 2008-09 |
|---|---------------|---------|---------|
| Defined Benefit Obligation at the end of the period | <b>101.88</b> | 90.91   | 73.38   |
| Plan Assets at the end of the period                | <b>106.64</b> | 89.84   | 70.88   |
| Funded Status                                       | <b>(4.76)</b> | 1.07    | 2.50    |
| Experience Adjustments on Plan Liabilities          | -             | -       | -       |
| Experience Adjustments on Plan Assets               | -             | -       | -       |

- f. Contributions expected to be paid to the plan during the next financial year ₹ 29.59 Lacs (Previous Year ₹ 22.64 Lacs)

The estimates or rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factor including supply and demand in the employment market. The above information is certified by the actuary.

**14) RELATED PARTY DISCLOSURES:**

(As identified by Management)

**Name of the party and relationships**
**a) Companies and firms in which Directors/Directors' Relatives exercise control / significant influence:**

| Companies                           | Firms                       |
|-------------------------------------|-----------------------------|
| New Ahmedabad Synthetics Pvt. Ltd.  | B. Kalpeshkumar & Co.       |
| Vee Bee Textile Pvt. Ltd.           | Parmanand Rajeshkumar       |
| Rentex Weavers Ltd.                 | Virendrabhai Bhogilal & Co. |
| Twenty First Century Marketing Ltd. | Arora Agencies              |
| Ennbee Textiles Pvt. Ltd.           | Parmanand Vinodkumar        |
| V.B. Investment Pvt. Ltd.           | Pari Bhogilal Laxmichand    |
| Pee Vee Synthetics Pvt. Ltd.        | Parmanand Arora & Sons, HUF |
| Shipa Fabrics Pvt. Ltd.             | T.P. Vinodkumar, HUF        |
| Kashvi Holding Pvt. Ltd.            | T.P. Rajeshkumar, HUF       |
| Kashvi Investments Pvt. Ltd.        | K.V. Enterprise             |
| Bhansali Tradelink Pvt. Ltd.        | A.V. Enterprise             |
| Maverlin International Pvt. Ltd.    | A Star Fibres               |

**b) Key management personnel**

|                     |                 |
|---------------------|-----------------|
| Vinodkumar P. Arora | Rajesh P. Arora |
| Parmanand T. Arora  | Ashish V. Shah  |
| Kalpesh V. Shah     |                 |

**c) Relatives of key management personnel**

|                   |                    |
|-------------------|--------------------|
| Nipun V. Arora    | Renu Arora         |
| Pankaj V. Arora   | Rita Arora         |
| Heena Khanna      | Kasturanrani Arora |
| Chinmaya P. Arora | Bhriku N. Arora    |
| Jahanvi N. Arora  | Parul K. Shah      |
| Bela A. Shah      | Pankil K. Shah     |
| Preeti N. Arora   | Shikha Arora       |
| Somni Chawla      | Sarthak P Arora    |

**Transaction carried out with related parties referred in (1) above, in ordinary course of business:**

(₹ in Lacs)

|  | Related Referred<br>in 15 (a) above | Related Referred<br>in 15 (b) above | Related Referred<br>in 15 (c) above | Total                         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------|
| <b>Part I: Volume of transactions</b>  |                                     |                                     |                                     |                               |
| Unsecured Loans Taken                  | <b>403.50</b><br>(1340.27)          | -                                   | -                                   | <b>403.50</b><br>(1340.27)    |
| Unsecured Loan Repaid                  | <b>588.67</b><br>(395.29)           | -                                   | -                                   | <b>588.67</b><br>(395.29)     |
| Fixed Deposits Taken                   | -                                   | -                                   | <b>58.90</b><br>(8.15)              | <b>58.90</b><br>(8.15)        |
| Sale of Goods                          | <b>21325.09</b><br>(19915.93)       | -                                   | -                                   | <b>21325.09</b><br>(19915.93) |
| Job Work Charges                       | <b>487.20</b><br>(319.20)           | -                                   | -                                   | <b>487.20</b><br>(319.20)     |
| Interest on Loans / FDs                | <b>250.01</b><br>(175.90)           | <b>3.64</b><br>(8.26)               | <b>5.00</b><br>(4.31)               | <b>258.65</b><br>(188.47)     |
| Remuneration                           | -                                   | <b>61.18</b><br>(44.08)             | -                                   | <b>61.18</b><br>(44.08)       |
| Salary                                 | -                                   | -                                   | <b>17.10</b><br>(16.20)             | <b>17.10</b><br>(16.20)       |
| Commission                             | -                                   | -                                   | -                                   | -                             |
|  | (0.90)                              | -                                   | -                                   | (0.90)                        |
| <b>Part II: Balance as at year end</b> |                                     |                                     |                                     |                               |
| Unsecured Loans                        | <b>2180.63</b><br>(2242.15)         | -                                   | -                                   | <b>2180.63</b><br>(2242.15)   |
| Fixed Deposits                         | -                                   | <b>18.00</b><br>(89.00)             | <b>97.45</b><br>(50.55)             | <b>115.45</b><br>(139.55)     |
| Sundry Debtors                         | <b>2087.23</b><br>(3795.06)         | -                                   | -                                   | <b>2087.23</b><br>(3795.06)   |
| Unpaid Job Work Charges                | <b>40.00</b><br>(15.15)             | -                                   | -                                   | <b>40.00</b><br>(15.15)       |
| Unpaid Interest on FDs / Loans         | -                                   | <b>0.70</b><br>(5.08)               | <b>2.73</b><br>(2.47)               | <b>3.43</b><br>(7.55)         |
| Unpaid Remuneration                    | -                                   | <b>4.23</b><br>(3.62)               | -                                   | <b>4.23</b><br>(3.62)         |
| Unpaid Salary                          | -                                   | -                                   | <b>1.42</b><br>(1.32)               | <b>1.42</b><br>(1.32)         |
| Unpaid Commission                      | -                                   | -                                   | -                                   | -                             |
|  | (0.52)                              | -                                   | -                                   | (0.52)                        |

Note: Figures in brackets represent Previous Year's amounts.

**Disclosure in respect of material transactions with related parties**

(₹ in Lacs)

| <b>Name of the related party</b>  | <b>2010-11</b>  | <b>2009-10</b> |
|-----------------------------------|-----------------|----------------|
| <b>Loans taken</b>                |                 |                |
| Ennbee Textiles Pvt.Ltd           | <b>30.00</b>    | 142.22         |
| Rentex Weavers Ltd                | <b>64.50</b>    | 98.37          |
| Shipa Fabrics Pvt.Ltd             | <b>41.00</b>    | 123.31         |
| Twenty First Century Mktg. Ltd.   | <b>268.00</b>   | 204.95         |
| New Ahmedabad Synthetics Pvt. Ltd | -               | 754.88         |
| Virendrabhai Bhogilal & Co.,      | -               | 44.13          |
| <b>Loans Repaid</b>               |                 |                |
| Ennbee Textiles Pvt.Ltd           | <b>108.50</b>   | 71.08          |
| Rentex Weavers Ltd                | <b>133.00</b>   | 76.81          |
| Shipa Fabrics Pvt.Ltd             | <b>130.50</b>   | 67.62          |
| Twenty First Century Mktg. Ltd.   | <b>213.50</b>   | 113.96         |
| Virendrabhai Bhogilal & Co.,      | -               | 42.21          |
| Bhansali Tradelink Pvt. Ltd.      | <b>0.82</b>     | 0.07           |
| Pee Vee Synthetics Pvt. Ltd.      | <b>0.75</b>     | 0.10           |
| Vee Bee Textile Pvt. Ltd.         | <b>1.60</b>     | 0.10           |
| <b>Fixed Deposits taken</b>       |                 |                |
| Pankajbhai V Arora                | <b>15.00</b>    | -              |
| Chinmaya P.Arora                  | <b>0.50</b>     | -              |
| Somni Arora                       | <b>1.50</b>     | 0.75           |
| Kasturan Rani Arora               | <b>5.90</b>     | 7.40           |
| Nipun V. Arora                    | <b>15.00</b>    | -              |
| Preeti N. Arora                   | <b>5.00</b>     | -              |
| Shikha Arora                      | <b>15.00</b>    | -              |
| Sarthak P Arora                   | <b>1.00</b>     | -              |
| <b>Sale of goods</b>              |                 |                |
| Arora Agencies                    | <b>11193.92</b> | 9564.79        |
| Parmanand Vinodkumar              | <b>9961.60</b>  | 10200.25       |
| Pari Bhogilal Laxmichand          | <b>102.09</b>   | 71.93          |
| Virendrabhai Bhogilal & Co.       | <b>67.49</b>    | 78.97          |

|                                  | (₹ in Lacs)    |                |
|----------------------------------|----------------|----------------|
| <b>Name of the related party</b> | <b>2010-11</b> | <b>2009-10</b> |
| <b>Job Work Charges</b>          |                |                |
| Twenty First Century Mkt. Ltd.   | <b>142.78</b>  | 121.80         |
| Virendrabhai Bhogilal & Co.      | <b>243.60</b>  | 159.60         |
| Ennbee Textiles Pvt. Ltd         | <b>33.61</b>   | 12.60          |
| Rentex Weavers Ltd               | <b>33.61</b>   | 12.60          |
| Shipa Fabrics Pvt. Ltd           | <b>33.60</b>   | 12.60          |
| <b>Interest on Loans / FDs</b>   |                |                |
| Vinod P Arora                    | <b>3.12</b>    | 7.72           |
| Renu Arora                       | <b>0.63</b>    | 1.02           |
| Kasturanrani Arora               | <b>1.25</b>    | 0.65           |
| Ennbee Textiles Pvt.Lt           | <b>22.14</b>   | 22.22          |
| New Ahmedabad Synt.P.L           | <b>99.60</b>   | 22.61          |
| Rentex Weavers Ltd               | <b>24.16</b>   | 27.37          |
| Twenty First Century M           | <b>62.30</b>   | 64.95          |
| Shipa Fabrics Pvt.Ltd            | <b>19.83</b>   | 18.31          |
| <b>Remuneration</b>              |                |                |
| Vinodbhai P Arora                | <b>27.60</b>   | 19.20          |
| Ashishbhai V Shah                | <b>19.50</b>   | 15.00          |
| Kalpeshbhai V Shah               | <b>13.80</b>   | 9.60           |
| <b>Salary</b>                    |                |                |
| Nipunbhai V Arora                | <b>5.70</b>    | 5.40           |
| Pankajbhai V Arora               | <b>5.70</b>    | 5.40           |
| Pankilbhai K Shah                | <b>5.70</b>    | 5.40           |

**15) QUANTITATIVE INFORMATION:**
**a) Class of Goods Manufactured**

- i) Denim Fabric
- ii) Non Denim Cotton Fabric
- iii) Electrical Energy
- iv) Readymade Garment

**b) Licensed /Installed Capacity**

| Sr. No. | Particular   | 2010-11        | 2009-10        |
|---------|--|----------------|----------------|
| i)      | Licensed Capacity                                      | Not Applicable | Not Applicable |
| ii)     | Installed Capacity<br>(As certified by the Management) |                |                |
|         | Sizing (Mtrs. p.a.)                                    | 900.00 Lacs    | 700.00 Lacs    |
|         | Weaving (Mtrs. p.a.)                                   | 770.00 Lacs    | 655.68 Lacs    |
|         | Spinning (MT p.a.)                                     | 26,025         | 26,025         |
|         | Wind Farm (MW)   | 20.500         | 20.500         |
|         | Power Plant (MW)                                       | 2.500          | 2.500          |

**c) Information about Production, Turnover and Stock of Finished Goods**
**1) Production**

| Sr. No | Particulars       | 2010-11<br>Quantity | 2009-10<br>Quantity |
|--------|-------------------|---------------------|---------------------|
| i)     | Cloth (Meters)*   | 42722147            | 37109016            |
| ii)    | Garment (Pcs.)    | 71089               | 262830              |
| iii)   | Wind Energy (KWH) | 30466646            | 40547278            |

\* After adjustment of shrinkage 4369099 Meters (Previous Year 4068252 Meters)

\* includes 106360 (Previous Year 223229) meters are captively consumed in Garment Division

**2) Sales**

(₹ in Lacs)

| Particulars             | UOM   | 2010-11  |                 | 2009-10  |                 |
|-------------------------|-------|----------|-----------------|----------|-----------------|
|                         |       | Quantity | Value₹          | Quantity | Value₹          |
| Cloth                   | Meter | 43219260 | 45831.87        | 38546972 | 33624.06        |
| Yarn Sales              | Kgs.  | 300      | 0.25            | 15763    | 10.74           |
| Wastage Yarn Sales      | Kgs.  | 2145738  | 348.38          | 1740577  | 256.10          |
| Waste Cotton Sales      | Kgs.  | 2414329  | 85.08           | 1965312  | 80.04           |
| Job Charges Cloth       | Meter | 3598712  | 573.20          | 5911400  | 1094.74         |
| Wind Energy             | Kwh   | 30466646 | 1237.23         | 40547278 | 1644.04         |
| Garment and Accessories |       |          |                 |          |                 |
| Sales                   | Piece | 135845   | 639.77          | 204833   | 728.42          |
| Scrape etc. Sales       |       | -        | 36.20           | -        | 39.32           |
| <b>TOTAL</b>            |       |          | <b>48751.98</b> |          | <b>37477.46</b> |

**3) Opening Stock of Finished Goods**

(₹ in Lacs)

| Particulars    | 2010-11  |         | 2009-10  |         |
|----------------|----------|---------|----------|---------|
|                | Quantity | Value₹  | Quantity | Value₹  |
| Cloth (Meters) | 2003085  | 1408.25 | 3664270  | 2545.81 |
| Garment (PCs)  | 298522   | 431.66  | 240525   | 517.00  |

**4) Closing Stock of Finished Goods**

(₹ in Lacs)

| Particulars                 | 2010-11  |         | 2009-10  |         |
|-----------------------------|----------|---------|----------|---------|
|                             | Quantity | Value₹  | Quantity | Value₹  |
| Cloth (Meters)              | 1399612  | 1254.34 | 2003085  | 1408.25 |
| Garment & Accessories (PCs) | 233766   | 323.54  | 298522   | 431.66  |

**d) Details of Raw Material Consumed**

(₹ in Lacs)

| Sr.No | Particulars  | 2010-11  |          | 2009-10  |          |
|-------|--|----------|----------|----------|----------|
|       |  | Quantity | Value₹   | Quantity | Value₹   |
| i)    | Yarn Consumed (Kgs.)<br>(Includes 17,100,604 Kgs<br>Captively Consumed, Previous<br>Year 13,853,203 Kgs. | 24426208 | 7313.38  | 20804214 | 5802.51  |
| ii)   | Cotton Consumed (Kgs.)   | 21359770 | 17007.10 | 18275970 | 10875.62 |
| iii)  | Grey / Fabrics Consumed<br>(Meters)  | 2126532  | 1790.98  | 1746272  | 1094.09  |

**e) Goods Traded in Purchases**

(₹ in Lacs)

| Particulars                | 2010-11  |        | 2009-10  |        |
|----------------------------|----------|--------|----------|--------|
|                            | Quantity | Value₹ | Quantity | Value₹ |
| Garment /Accessories (PCs) | 2995     | 1.08   | 3794     | 3.49   |



**f) Imported and indigenous Raw-Materials, Stores and Spare parts and Components consumed during the year:** (₹ in Lacs)

| Sr.No     | Particulars                | 2010-11    |          | 2009-10    |          |
|-----------|----------------------------|------------|----------|------------|----------|
|           |                            | Indigenous | Imported | Indigenous | Imported |
| <b>1)</b> | <b>RAW MATERIALS</b>       |            |          |            |          |
| i)        | Yarn                       | 7240.25    | 73.13    | 5722.17    | 80.34    |
|           | % Consumption              | 99.00      | 1.00     | 98.62      | 1.38     |
| ii)       | Cotton                     | 16457.77   | 549.33   | 6486.38    | 4389.24  |
|           | % Consumption              | 96.77      | 3.23     | 59.64      | 40.36    |
| iii)      | Grey                       | 1790.98    | -        | 1094.09    | -        |
|           | % Consumption              | 100.00     |          | 100.00     |          |
| iv)       | Colour & Chemicals         | 2301.49    | 610.31   | 2135.58    | 444.63   |
|           | % Consumption              | 79.04      | 20.96    | 82.77      | 17.23    |
| <b>2)</b> | <b>STORES &amp; SPARES</b> |            |          |            |          |
|           | Stores & Spares            | 858.95     | 139.36   | 764.10     | 105.64   |
|           | % Consumption              | 86.04%     | 13.96%   | 87.85%     | 12.15%   |

**g) CIF Value of Imports**

(₹ in Lacs)

| Particulars       | 2010-11 | 2009-10 |
|-------------------|---------|---------|
| Cotton            | -       | 3045.99 |
| Stores & Spare    | 142.13  | 105.64  |
| Capital Goods     | 2192.57 | 381.28  |
| Colour & Chemical | 613.39  | 482.19  |
| Yarn              | 214.43  | 80.34   |

**h) Expenditure in foreign currency**

(₹ in Lacs)

| Particulars                 | 2010-11 | 2009-10 |
|-----------------------------|---------|---------|
| Traveling                   | 3.38    | 4.81    |
| Commission on Export Sales  | 297.73  | 105.21  |
| Listing Fees/Custodian fess | 2.27    | 3.41    |
| FCCB Buyback Expenses       | 3.75    | 103.79  |



**AARVEE DENIMS AND EXPORTS LTD.**



**i) Earnings in foreign currency**

(₹ in Lacs)

| <b>Particulars</b>        | <b>2010-11</b>  | <b>2009-10</b> |
|---------------------------|-----------------|----------------|
| FOB value of Export Sales | <b>10482.40</b> | 4498.98        |

16) Previous Year's figures have been regrouped / rearranged wherever necessary so as to make them comparable with the figures of the current year.

17) Schedule 1 to 19 form integral part of Balance Sheet and Profit and Loss Account and are duly authenticated.

As per our attached report of even date

For and On Behalf of the Board of Directors

**For N.C.Shah & Associates**

**For Deloitte Haskins & Sells**

*Chartered Accountants*

*Chartered Accountants*

**Nitin C. Shah**

**Gaurav J. Shah**

**Vinod P. Arora**

**Ashish V. Shah**

Proprietor

Partner

Chairman & Managing Director

Managing Director

M. No. 34633

M. No. 35701

**Amish Shah**

**U. L. Pandwar**

Company Secretary

Financial Controller

Place : Ahmedabad

Place : Ahmedabad

Date : 30<sup>th</sup> May, 2011

Date : 30<sup>th</sup> May, 2011

**ADDITIONAL INFORMATION PURSUANT TO PART-IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

|   |                          |
|---|--------------------------|
| <b>I. Registration Details</b>  |                          |
| Registration No.  | L17110GJ1988PLC010504    |
| State Code  | 04                       |
| Balance Sheet Date  | 31-03-2011               |
| <b>II. Capital Raised During the Year (₹ in Lacs)</b>   |                          |
| Public Issue  | NIL                      |
| Right Issue   | NIL                      |
| Bonus Issue   | NIL                      |
| <b>III. Position of Mobilization and Deployment of Funds (₹ in Lacs)</b>                        |                          |
| Total Liabilities   | 48410.86                 |
| Total Assets  | 48410.86                 |
| <b>Sources of Funds</b>   |                          |
| Paid -up capital  | 2345.98                  |
| Reserves & Surplus  | 17519.36                 |
| Secured Loans   | 15897.88                 |
| Unsecured Loans   | 9673.22                  |
| Deferred Tax Liability  | 2974.42                  |
| <b>Application of Funds</b>   |                          |
| Net Fixed Assets  | 34660.68                 |
| Investments   | 0.64                     |
| Net Current Assets  | 13749.53                 |
| Accumulated Losses  | -                        |
| <b>IV. Performance of the Company (₹ in Lacs)</b>   |                          |
| Turnover & Other Income   | 50035.76                 |
| Total Expenditure   | 45730.37                 |
| Profit/Loss Before Tax  | 4305.39                  |
| Profit/Loss after Tax   | 3343.88                  |
| Earning Per Share in ₹  | 14.25                    |
| Dividend Rate % (Annualized)  | 50%                      |
| <b>V. Generic Names of Principal Products / Services of the Company (As per monetary terms)</b> |                          |
| Product Description   | Item Code No. (ITC Code) |
| 1) Denim Fabrics.   | 52094200                 |
| 2) Non Denim Cotton Fabric  | 520800/520900            |
| 3) Readymade Garments   | 610300/610400            |
| 4) Electrical Energy  | N.A.                     |

For and On Behalf of the Board of Directors

**Vinod P. Arora**

Chairman &amp; Managing Director

**Ashish V. Shah**

Managing Director

**Amish Shah**

Company Secretary

**U. L. Pandwar**

Financial Controller

Place : Ahmedabad

Date : 30<sup>th</sup> May, 2011

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

(₹ in Lacs)

|  | Year ended<br>31st March, 2011 | Year ended<br>31st March, 2010 |
|--|--------------------------------|--------------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>            |                                |                                |
| Net profit before tax as per the Profit and Loss Account | <b>4,305.39</b>                | 3,038.53                       |
| <b>Adjustments for :</b>                                 |                                |                                |
| Depreciation   | 2,357.14                       | 2,320.81                       |
| Unrealised Foreign Exchange Fluctuation (Gain)/Loss      | (27.10)                        | (29.71)                        |
| Foreign Exchange (Gain)/Loss -Others                     | (112.54)                       | 275.31                         |
| Interest and Financial Expenses                          | 1,928.62                       | 1,484.71                       |
| Dividend income  | (0.99)                         | (0.62)                         |
| Loss /(Gain) on sale of Fixed Assets                     | 45.79                          | 15.51                          |
| Interest Received  | (45.70)                        | (99.69)                        |
| Provision for Dimunation in value of Investments         | -                              | 2.81                           |
| (Profit)/Loss on Sale of Investments                     | (85.38)                        | (0.36)                         |
| Bad Debts written off                                    | 3.41                           | 74.12                          |
| FCCB Buyback Gain (Net of expenses)                      | (75.30)                        | (772.96)                       |
| Provision for doubtful debts                             | 46.55                          | 52.54                          |
| Operating profit before working capital changes          | <b>8,339.89</b>                | 6,361.00                       |
| <b>Adjustments for :</b>                                 |                                |                                |
| Trade Receivables  | (1,284.14)                     | (1,658.15)                     |
| Loans & Advances   | 184.73                         | 160.60                         |
| Inventories  | (3,832.80)                     | 362.00                         |
| Trade Payables   | 3,837.19                       | (967.41)                       |
| Cash Generated From Operations                           | <b>7,244.87</b>                | 4,258.03                       |
| Prior Year Adjustments - Income/(Expenses)               | -                              | (17.10)                        |
| Income Taxes Paid  | (658.07)                       | (466.89)                       |
| <b>Net Cash From Operating Activities</b>                | <b>6,586.80</b>                | 3,774.04                       |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>            |                                |                                |
| Purchase of Fixed Assets                                 | (6,680.13)                     | (2,012.57)                     |
| Sale of Fixed Assets                                     | 52.00                          | 16.90                          |
| Purchase of Investments                                  | -                              | (25.00)                        |
| Sale of Investments                                      | 104.99                         | 25.36                          |
| Dividend Received  | 0.99                           | 0.62                           |
| Interest Received  | 45.70                          | 99.69                          |
| <b>Net Cash From Investing Activities</b>                | <b>(6,476.45)</b>              | (1,895.00)                     |

|   | Year ended<br>31st March, 2011 | Year ended<br>31st March, 2010 |
|---|--------------------------------|--------------------------------|
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>              |                                |                                |
| Buyback of Foreign Currency Convertible Bonds             | (2,250.70)                     | (2,734.04)                     |
| Proceeds from Financial Institutions (Net)                | 1,029.11                       | 7,071.47                       |
| Proceeds/ (Repayment) of Unsecured Borrowings (Net)       | 3,852.81                       | (2,164.64)                     |
| Interest & Finance cost                                   | (1,928.62)                     | (1,484.71)                     |
| Dividend paid   | (273.56)                       | (137.23)                       |
| Dividend on Preference Shares                             | -                              | (598.52)                       |
| Redemption of Preference Shares                           | -                              | (1,499.13)                     |
| (Gain) / Loss on forward covers and derivative instrument | -                              | (292.00)                       |
| <b>Net Cash Generated in Financing Activities</b>         | <b>429.04</b>                  | <b>(1,838.81)</b>              |
| <b>Net changes in Cash &amp; Cash Equivalents (A+B+C)</b> | <b>539.39</b>                  | <b>40.23</b>                   |
| Cash and Cash Equivalents at the beginning of the year    | 431.24                         | 394.51                         |
| Effect of Foreign Exchange Rate changes (Gain) / Loss     | 0.93                           | 3.50                           |
| Cash and Cash Equivalents at the end of the year          | 969.70                         | 431.24                         |
|   | <b>539.39</b>                  | <b>40.23</b>                   |

**Notes to the Cash Flow Statement**

- 1 Cash and Cash Equivalents represent Cash and Bank Balance ( Refer Schedule No. 9)
- 2 Cash and Cash Equivalent includes ₹ 32.94 Lacs ( Previous Year 30.67 Lacs ) of unpaid dividend not available for use by the Company
- 3 The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements, issued by the Institute of Chartered Accounts of India.
- 4 Previous Year figures have been regrouped/ rearranged wherever considered necessary.

As per our attached report of even date

**For N.C.Shah & Associates**  
Chartered Accountants

**Nitin C. Shah**  
Proprietor  
M. No. 34633

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Gaurav J. Shah**  
Partner  
M. No. 35701

For and On Behalf of the Board of Directors

**Vinod P. Arora**  
Chairman & Managing Director

**Ashish V. Shah**  
Managing Director

**Amish Shah**  
Company Secretary

**U. L. Pandwar**  
Financial Controller

Place : Ahmedabad  
Date : 30<sup>th</sup> May, 2011

Place : Ahmedabad  
Date : 30<sup>th</sup> May, 2011



**URGENT / MOST IMPORTANT**

**Dear Shareholder,**

**RE: Green Initiative in Corporate Governance: Go Paperless**

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" (Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011) allowing paperless compliances by Companies through electronic mode. Companies are now permitted to send various notices /documents to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

Keeping in view the underlying theme and the circular issued by MCA, we propose to send all documents to be sent to Shareholders like General Meeting Notices (including AGM), Audited Financial Statements, Directors' Report, Auditors' Report, etc. henceforth to the all shareholders through electronic mode to the registered e-mail address of the shareholders. All you have to do is to register your e-mail id with the Company so as to receive communication through electronic mode.

Please note that these documents will also be available on the Company's website [www.aarvee-denims.com](http://www.aarvee-denims.com) for download by the shareholders. The physical copies of the Annual Report will also be available at our Registered Office at Aarvee Denims and Exports Limited 188/2, Ranipur Village, Opp. C.N.I Church, Narol, Ahmedabad-382405 (Gujarat) for inspection during office hours.

**We therefore invite you to contribute to the cause by providing below demanded information's for registering your e-mail ID through reply e-mail or post card. E-mail at [cs@aarvee-denims.com](mailto:cs@aarvee-denims.com) or post at The Company Secretary, Aarvee Denims and Exports Limited, 188/2, Ranipur Village, Opp. C.N.I Church, Narol, Ahmedabad-382405 (Gujarat)**

Please note that as a shareholder, you are entitled to receive all these documents free of cost upon receipt of a reply e-mail or post card.

We are sure, that as a responsible citizen, you will whole-heartedly support this initiative and will co-operate with the Company in implementing the same.

Best Regards,

**Aarvee Denims and Exports Limited**



**E-Communication Registration Request**

**Folio No / DP ID** \_\_\_\_\_ **Client ID** \_\_\_\_\_

**E-mail ID** \_\_\_\_\_ **PAN** \_\_\_\_\_

**Name of Registered Shareholder(s)** \_\_\_\_\_

**Signature of shareholder**

**Date:**

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### MEN / WOMEN





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