



aarvee

DENIMS & EXPORTS LTD.

23rd

ANNUAL REPORT 2011-12

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 (Garment)
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 Opp. CNI Church, Narol Ahmedabad-382 405	S. No. 215-217, Village Sari Sarkhej Bavla Highway, Ta. Sanand, Dist. Ahmedabad.

Unit III

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

Unit IV

Survey No. 212/2 -212/4, Village Sari, Sarkhej-Bavla Highway, Tal. Sanand, Dist. Ahmedabad -382 210.

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. Rakesh 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

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NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the Members of AARVEE DENIMS AND EXPORTS LIMITED will be held on Saturday, 29th day of September, 2012 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 31st March, 2012, the Profit and Loss Account for the year ended 31st March, 2012 and the reports of the Directors and Auditors thereon;
2. To appoint Director in place of Shri Parmanand 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 Tilakraj Kapoor, who retires by rotation in terms of Articles 131 of the Articles of Association of the Company and being eligible, offers him 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.

Place : Ahmedabad

By order of Board of Directors

Date : 14/08/2012

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. Pursuant to Section 154 of the Companies Act, 1956 the Register of Members and Share Transfer Books of the Company will remain closed on 1st September, 2012.
3. 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 2004-05.
4. 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

5. 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.
6. 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.
7. Listing Fees for the year 2012-13 has been paid to the Bombay Stock Exchange and National Stock Exchange.
8. 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.
9. 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.
10. 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.
11. 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 Parmanand Arora	Is 85 years old, is having more than 65 years of experience in textile business. He is founder of Arora Group of Companies, Delhi & promoter of Aarvee Denims And Exports Limited. He is Director of the Company since 1992. Shri Parmanand Arora is father of Shri Vinod Arora and Shri Rajesh Arora Directors of the company are related to him.
Shri Tilakraj Kapoor	Is 79 years old and qualified as B.A. He is holding directorship in various private limited companies. None of Director of the Company is related to him. Mr. Kapoor is independent director of the Company.

Place : Ahmedabad

Date :14/08/2012

By order of Board of Directors

Amish P. Shah

Company Secretary

DIRECTORS' REPORT

To,

The Members

Your Directors are pleased to present the 23rd Annual Report along with the Audited Financial Statement for the year ended 31st March, 2012.

FINANCIAL RESULTS

Your Company's performance during the year is as below:

(₹ in Lacs)

FINANCIAL RESULTS	Year ended 31.03.2012	Year ended 31.03.2011
Sales & Operating Income	66139	49483
Operating Profit	8356	8163
Add: Other Income	113	428
Less: Net Interest & Finance Cost	3681	1929
Less: Depreciation	2569	2357
Profit before tax	2219	4305
Provision for Tax & Deferred tax	816	961
Profit after Tax	1403	3344
Appropriations / Adjustments		
PROFIT FOR THE YEAR	1403	3344
Balance of profit / (loss) brought forward	12858	9651
Equity Dividend	-	117
Corporate Dividend Tax (including Edu. cess and surcharge)	-	19
Profit carried to Balance Sheet	14261	12858

DIVIDEND

In view to conserve resources for ongoing expansion, business growth of the Company and considering uncertain forex and economic situation, your Directors do not recommend any 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 3.50 million (approx ₹ 1558.20 lacs) out of total outstanding FCCB of USD 7.50 million, at discount to their book value, as per RBI approval.

EXTERNAL COMMERCIAL BORROWING

During the year company had availed External Commercial Borrowing (ECB) of US\$. 9.25 million from Bank of Baroda(BOB) and Standard Chartered Bank (SCB)for expansion of the Company.

PERFORMANCE DURING THE YEAR

With the help of Strong domestic consumption and export demands of denims your Company had achieved turnover of ₹ 66139.30 lacs compared to preceeding year ₹ 49483.41 lacs showing increase of 33.66 %. The Operating Profit for the current year is ₹ 8356 lacs (previous year ₹ 8163 lacs) which is 2.36 % higher than the preceeding year. Profit after tax is ₹ 1403.22 lacs (Previous year ₹ 3343.88 lacs). Provision for tax ₹ 541.44 lacs & Provision for Deferred Tax ₹ 274.21 lacs is made for the current year which was last year ₹ 811.97 lacs and ₹ 149.45 lacs respectively.

BUSINESS OVERVIEW:

Financial year 2011-12 had witnessed significant growth in export demand of Indian denim, as China and United States two big runner of denim market had cut down production due to rising in labour and energy costs. During the year in review with the help of huge export and domestic demand, Indian denim market had grown by 15%. The Indian denim players had faced vast competition in international market from neighborhood Asian nations Pakistan, Bangladesh & Indonesia.

In track of the global trend, demand for denims in India has also perceived a oceanic change. The Indian denim market is among the fastest growing market with an estimated growth rate of 12%. The retail boom has led to a upwelling in domestic denim demand. Certainly the Indian market currently presents a huge potential for denim producers to spread their wings.

Your Company have reported very good turnover for the year ended 31st March, 2012.

EXPANSION

The Company has expanded capacity by 40% in two phases. The 1st phase was completed in March, 2011 and the Second phase in April, 2012. The denim capacity increased from 60 million mtrs to 84 million mtrs per annum.

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 Parmanand Arora and Shri Tilakraj Kapoor, 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 23rd 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 10th 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, 2012, 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 judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the 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, 2012 the company has accepted fixed deposits to the tune of ₹ 455.73 lacs. The Company repaid the deposits amounting to ₹ 327.52 lacs and the outstanding deposits at the end of the year were amounting to ₹ 375.73 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, Shareholders, Retail Partners, employees 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 : 28/05/2012

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. Optimized the speed of blower at ETP by reducing the pully size.
6. Separate cleaning line of compressed Air in loomshed and other departments for machine cleaning to minimize Air losses.
7. Installed ESP in place of bag filters.
8. Installed one more Centac centrifugal compressor of 2200 CFM and stopped the operation of screw compressor.

FORM - "A"

II. POWER & FUEL CONSUMPTION

Particulars	2011-12	2010-11
1. Electricity		
(a) Purchased Units KWH in Lac	506.98	427.53
Total Amount (₹ in Lac)	3269.98	2491.64
Rate/unit (₹/KWH)	6.45	5.83
(b) Thermal based Power Plant		
Fuel/Lignite (MT)	15,110	26,362
Units KWH (Lac)	62.00	91.19
Amount (₹ in Lac)	531.13	778.80
Cost/ Unit KWH	8.57	8.54
(c) Wind Turbine (Units KWH in Lac)	385.07	304.67
2. Coal & Lignite		
Quantity (in MT)	33248	21,382
Total Cost(₹ in Lac)	1272.56	884.16
Cost/MT	3828	4135

III CONSUMPTION PER UNIT OF PRODUCTION

Particulars	2011-12		2010-11	
	FABRIC (PER MTR)	YARN (PER KG)	FABRIC (PER MTR)	YARN (PER KG)
Electricity (KWH)	1.30	1.06	1.14	1.22
Coal (Kg)	0.62	Nil	0.48	Nil

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 Lacs)

Particulars	2011-12	2010-11
Foreign Exchange Earning	17763.00	10482.40
Foreign Exchange Outgo	5715.57	3470.94

For and on behalf of the Board of Directors
Vinod P. Arora
 Chairman and Managing Director

 Place : Ahmedabad
 Date : 28/05/2012

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-independent Directors.

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

Number of Board Meetings held & the dates on which held

Date	Board Strength	No of Directors Present
30th May, 2011	10	09
10th August 2011	10	08
12th November 2011	10	09
9th February, 2012	10	06

Details of Directors, Attendance of Directors at the Board Meetings, at the Annual General Meeting held on 30th September, 2011 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 30.09.2011	Other Directorship	Committee Membership	Committee Chairmanship
1.	Shri Vinod P.Arora (Chairman & Managing Director)	Promoter Executive	4	Yes	2	-	-
2.	Shri Ashish V. Shah (Managing Director)	Promoter Executive	4	Yes	-	-	-

3.	Shri Kalpesh V. Shah (Wholetime Director)	Promoter Executive	4	Yes	-	-	-
4.	Shri Parmanand T. Arora	Promoter Non-Executive	3	-	-	-	-
5.	Shri Rajesh P. Arora	Promoter Non-Executive	3	-	-	-	-
6.	Shri Sanjay S. Majmudar	Independent Non executive	3	Yes	5	4	-
7.	Shri Ashok C. Gandhi	Independent Non executive	4	-	6	6	-
8.	Shri Arvind D. Sanghvi	Independent Non executive	0	-	2	-	-
9.	Shri Tilak Raj Kapoor	Independent Non executive	3	-	-	-	-
10.	Shri Amol R. Dalal	Independent Non executive	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 Parmanand Arora** is 85 years old, is having more than 65 years of experience in textile business. He is founder of Arora Group of Companies, Delhi & promoter of Aarvee Denims And Exports Limited. He is Director of the Company since 1992. Shri Parmanand Arora is father of Shri Vinod Arora, Chairman & Managing Director of the Company.
- Shri Tilakraj Kapoor** is 79 years old and qualified as B.A. He is holding directorship in various private limited companies. Mr. Kapoor is independent director of the Company.

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. Internal Audit department of the Company is regularly 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 30th May, 2011, 10th August, 2011, 12th November, 2011 and 9th February, 2012, 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 2011-12 are as under:

Sr.No.	Name of Member	Attendance Particulars
1.	Shri Sanjay Majmudar	3
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 30th May, 2011; whereas all members of the committee were remain present. The committee reviewed the revised remuneration structure of three Vice president of the Company.

(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, 2012 is as under:

1.	Shri Vinod P. Arora, Chairman & Managing Director	₹ 36,00,000/-
2.	Shri Ashish V. Shah, Managing Director	₹ 27,00,000/-
3.	Shri Kalpesh V. Shah, Whole-time Director	₹ 18,00,000/-

The sitting fees paid during the financial year 2011-12 for attending the Board & Committee Meetings are as follows:

1.	Shri Sanjay S. Majmudar	₹ 18000/-
2.	Shri Amol R. Dalal	₹ 24000/-
3.	Shri Ashok C. Gandhi	₹ 24000/-
4.	Shri Arvind D. Sanghvi	₹ Nil

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) Shareholder's Grievance Committee

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

The Company has constituted the Shareholder's Grievance Committee under the Chairmanship of Shri Amol Dalal, Independent - Non Executive Director of the Company with a view to monitor the redressal of Investor's 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. 10th April, 2011, 12th July, 2011, 10th October, 2011 and 9th January, 2012 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	01	01	Nil
3.	Query regarding Demat credit	Nil	Nil	Nil
4.	OTHERS	Nil	Nil	Nil
	Total	01	01	Nil

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
22 nd AGM	30 th September, 2011	10.00 A.M.	3
21 st AGM	30 th September, 2010	10.00 A.M.	6
20 th AGM	30 th September, 2009	10.00 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. 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 31st March, 2012.

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

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

13. General Shareholder Information**A. 23rd Annual General Meeting**

Day, Date, Time : Saturday, 29th September, 2012 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 1st September 2012

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 2012-13.

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 - 2011 to March - 2012 is produced hereunder:

Month & year	BSE			NSE	
	BSE SENSEX*	High Price (₹)	Low Price (₹)	High Price (₹)	Low Price (₹)
April - 2011	19135.96	69.00	56.20	69.95	52.20
May - 2011	18503.28	71.00	49.05	63.75	60.00
June - 2011	18845.87	62.00	47.50	62.00	47.95
July -2011	18197.20	53.40	40.00	54.00	46.00
August - 2011	16676.75	51.00	26.50	55.00	29.10
September - 2011	16453.76	39.00	31.20	40.00	30.60
October - 2011	17705.01	38.45	32.60	39.00	33.20
November -2011	16123.46	37.65	30.00	38.00	29.15
December - 2011	15454.92	34.95	27.55	34.95	33.05
January - 2012	17193.55	38.25	27.40	40.00	27.45
February - 2012	17752.68	43.95	36.00	45.95	34.90
March - 2012	17404.20	42.95	32.00	44.80	32.00

* Closing prices on the last working day of month.

G. Registrar and Share Transfer Agent

Mr. Rakesh 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 : rakesh.joshi@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 31-03-2012

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Up to 500	9844	93.68	1356304	5.78
501-1000	362	3.45	294983	1.26
1001-2000	124	1.18	188642	0.80
2001-3000	40	0.38	102661	0.44
3001-4000	21	0.20	74419	0.32
4001-5000	18	0.17	84960	0.36
5001-10000	31	0.30	227681	0.97
Above 10000	67	0.64	21130150	90.07
Total	10507	100.00	23459800	100.00

J. Shareholdings Pattern as on 31-03-2012

Sr. No.	Category	No. of Shares held	% of Shareholding
A	PROMOTERS' HOLDINGS		
	Indian Promoters/Person Acting in Concert	14903124	63.53
	Foreign Promoters		
	Sub Total	14903124	63.53
B			
1	Institutional Investors		
	a. Mutual Funds	—	—
	b. Banks/Financial Institutions	300	—
	c. Insurance Companies	493758	2.10
	d. FIs	—	—
	e. Foreign Financial Institution	3373100	14.38
	Sub -Total	3867158	16.48
2	Non Institutional Investors		
	a. Private Corporate Bodies	124138	0.53
	b. Indian Public	3052482	13.01
	c. NRIs	1512898	6.44
	Sub -Total	4689518	19.99
	Grand - Total	23459800	100.00

K. Dividend declared for the last 10 years

Financial Year	% Dividend per share
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	5

L. Dematerialisation of Shares and liquidity

Electronic / Physical*	No of Shares	%
NSDL	22228187	94.75
CDSL	491000	2.09
Physical	740613	3.16
TOTAL	23459800	100.00

*As on 31st March, 2012

As on 31st March, 2012, 22719187 (96.84%) Equity Shares of the Company were dematerialised. 100% promoters share holdings are in dematerialized form.

M. Plant Location
Spinning Plant-I

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

Spinning Plant-II

Survey No. 212/2 -212/4, 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.

Composite Mill

191, Moje - Shahwadi, 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

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

Amish P. Shah
Company Secretary

N. C. Shah & Associates

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

Deloitte Haskins & Sells

Chartered Accountants
'Heritage', 3rd 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, 2012 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

Place : Ahmedabad
Date : 28th May, 2012

For Deloitte Haskins & Sells

Chartered Accountants
(Registration No.117365W)

H. P. Shah

Partner
Membership No. 33331

Place : Ahmedabad
Date : 28th May, 2012

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW:

During the year denim industry has seen both ups and downs, high volatile price of cotton and colour chemicals increased the output cost whereas significant increase in demands of denims noted in domestic as well as in international market. Low production of cotton high labour and energy cost contend large producer China to cut down denim production. This opportunity has led to Indian denim manufacturers to absorb the increased order from outside the country. Indian denim industry had faced vast international competition from other large denim manufacturer nation Pakistan, Bangladesh, Indonesia etc. This cut throat competition has reduced profitability and insisted the denim manufactures to focus on the quality of products. Despite the economic crisis, domestic as well as international demand of denim has been growing at the rate of 15-20 percent yearly and considering the present industry scenario the demand of denim is expected to go up 13 per cent in fiscal year 2012-13.

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14% to industrial production, 4% to the GDP, and 17% to the country's export earnings. It provides direct employment to over 35 million people,

Indian Market:

With new companies entering the denim fabric space and existing companies expanding their production capacities in anticipation of high demand, the industry fear that enhanced competition would put pressure on denim producer's profit margins; experts feel that this pressure could be short-lived. 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. Increase in labour & power cost, vast domestic completion, government policies and high finance cost are some of challenge for denim industries. Controlled cotton prices are key advantage for the industry.

Looking to better forthcoming opportunities your Company has increased its denim fabric capacity to 84 million meters per annum from 72 million meters per annum. The Company continues to lay emphasis on technology innovation and value addition to improve its performance in the coming years.

Export Market:

India's textile and apparel exports may have missed the US\$33-billion target in 2011-12 fiscal despite a weak rupee, as demand from biggest market Europe dwindled due to the sovereign debt crisis. The Indian denim industry is on a high thanks to China. With China and the US significantly cutting their denim capacity over last year, Indian denim makers' business has seen a surge lately. While the domestic market has been growing by 10 per cent, the foreign order books have risen between 10 per cent and 15 percent. Meanwhile India has added about 100 million meters of capacity over a year. This has led to India being able to absorb the increased orders from within and outside the country.

Future overview:

Indian textile industry is estimated to reach US\$ 115 billion by the fiscal year end 31st March, 2013 with an annual growth projection of 16 per cent (ASSOCHAM). Overall demand outlook for the textile industry for FY13 is expected to remain

moderate; with volatile commodity prices, hike in fuel and power cost and exchange rate being key challenges for the industry. With increasing urbanization, growing households and increasing disposable income, the domestic demand for denim fabric is also expected to remain healthy going forward. The USA and Europe economy is struggling from financial crises this may show negative impact over international demand of denim in future.

Review of Operations:

The year under review was a crucial year as far as cotton prices and exchange rate fluctuation are concerned; however in cotton price, the situation seems to be in control but volatile exchange rate is still challenge for the Company. Yet Company has better product portfolio, it has own distribution and marketing network which 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.

Company views and growth plans:

The Company has recently expanded the capacity by 40% in two phases i.e. March 2011 and April 2012. The Company is in consolidation phase and there is no major expansion plan during the year 2012-13.

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 minimize 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:
(₹ in lacs)

Year	SALES	EBIDTA	PBT	PAT
2011-12	66139.30	8468.79	2218.87	1403.22
2010-11	49483.41	8591.05	4305.29	3343.87
INCREASE /(DECREASE)%	33.66	(1.42)	(48.46)	(58.04)

The net profit for the year was at ₹ 1403.22 lacs. Due to high power and fuel cost, interest cost and manpower cost and depreciation in the rupees the profit for the current year is reduced as compare to the previous year. To retain and plough back the profit in to the business the Company has not declared any dividend during the year.

Financial Review:

During this year ADEL delivered good performance with improvements across key parameters. Turnover achieved for the year ended 31 March, 2012 was ₹ 66139.30 lacs, a growth of 33.66% over the previous year. During the year Export were 29 % of total sales. Due to the expansion the cost of all the expenditures increased substantially as compared to the previous year.

Consumption of raw materials increased by 53.06% from 29023.27 lacs to 44421.80 lacs mainly due to increase in production.

Employee Cost was ₹ 2828.13 lacs for the year as against ₹ 1974.39 lacs in the last year on account of increment of salary & wages and increase in production.

Power and Fuel cost was increased by 14.51 % from 5245.54 lacs to ₹ 6914.74 lacs. This was mainly on account of increase in production volume and increase in cost of fuel and power.

Operating profit before other income and interest decreased by 0.34% from ₹ 5805.24 lacs to ₹ 5786.03. Other income was at ₹ 113.50 lacs against ₹ 428.67 lacs of previous year mainly includes interest income.

AARVEE DENIMS AND EXPORTS LTD.

Interest Cost was higher at ₹ 3680.66 lacs as against ₹ 1928.62 lacs increase is mainly due to increased utilization of working capital, increased interest rate and availment of loan for expansion.

Depreciation (including depletion and amortization) was higher at ₹ 2569.26 lacs against ₹ 2357.14 lacs in the previous year mainly due expansion and major of the fixed assets were installed during the year.

Profit after Tax was ₹ 1403.22 lacs as against ₹ 3343.87 lacs for the previous year, showing decrease of 58.04%.

Earnings per share (EPS) for the year was ₹ 5.98 as compared to ₹ 14.25 in the last year.

There was increase in the overall debt of the Company by ₹ 116.37 crores. There was increase of ₹ 130.00 crores in working capital facilities availed by the company. Decrease of ₹ 1302.49 lacs in FCCB is due to buyback of FCCB. Corporate loan decreased by ₹ 1332 lacs due to the regular payments. During the year, the company availed the facility of ECB from BOB and SCB bank and the outstanding of both the ECB is 6394.56 lacs (12.50 millions USD).

Working capital and liquidity:

The inventory turnover ratio has increased to 5.36 times from 4.49 times in last year. The level of receivables increased from 67 days in the last year to 74 days this year due to increase in the sales.

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.

Conclusion:

To conclude, the performance of the company during the year 2011-12 can be considered as noteworthy in spite of lots of challenges. The positive aspect for the Company is high demand of Denim in domestic and international market which has increased the volume but the realization has been impacted due to high raw material (cotton) prices, exchange rate volatility and vast competition in international Market. 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 be completed in the financial year 2012-13, this will help to fulfill requirement of market. On the successful implementation of the strategic initiatives and eyeing on the growing overseas 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.

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, 2012, the Statement of Profit and Loss 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 purpose 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 statement of Profit and Loss 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 statement of Profit and Loss 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, 2012;
 - (ii) in the case of the Statement of Profit and Loss, 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, 2012 taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 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

Place: Ahmedabad
Date: 28th May 2012

For Deloitte Haskins & Sells

Chartered Accountants
(Registration No.117365W)

H.P. Shah

Partner
Membership No. 33331

Place: Ahmedabad
Date: 28th May 2012

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 ₹ 320.68 lacs from 6 parties during the year. At the year-end, the outstanding balance of such loans taken aggregated ₹.2119.90 lacs. (Number of parties - 8) and the maximum amount involved during the year was ₹ 2502.80 lacs (number of parties -10).
- (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:
- (a) 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.
- (b) 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, 2012 for a period of more than six months from the date they became payable.
- (c) 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, 2012 on account of disputes are given below:

Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (₹ in lacs)
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 terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not *prima facie* prejudicial to the interests of the Company.
- (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
Place: Ahmedabad
Date: 28th May 2012

For Deloitte Haskins & Sells

Chartered Accountants
(Registration No.117365W)

H.P. Shah

Partner
Membership No. 33331
Place: Ahmedabad
Date: 28th May 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in Lacs)

	Note No.	As at 31 st March, 2012	As at 31 st March, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
Share capital	2	2,345.98	2,345.98
Reserves and surplus	3	19,133.01	17,519.36
		21,478.99	19,865.34
2 Non-current liabilities			
Long-term borrowings	4	10,160.62	8,238.41
Deferred tax liabilities (Net)	5	3,248.62	2,974.41
Other Long term liabilities	6	56.41	47.92
Long-term provisions	7	1,052.30	1,259.03
		14,517.95	12,519.77
3 Current liabilities			
Short-term borrowings	8	24,916.10	15,201.64
Trade payables	9	6,548.91	5,952.01
Other current liabilities	10	2,908.51	3,512.10
Short-term provisions	11	138.49	366.99
		34,512.01	25,032.74
TOTAL		70,508.95	57,417.85
II. ASSETS			
Non-current assets			
1 Fixed assets	12		
Tangible assets		38,393.14	31,585.51
Intangible assets		13.16	20.33
Capital work-in-progress		794.45	934.05
Non-current investments	13	-	0.64
Long-term loans and advances	14	510.89	2,437.11
		39,711.64	34,977.64
2 Current assets			
Inventories	15	12,346.79	11,035.36
Trade receivables	16	13,461.55	9,104.38
Cash and cash equivalents	17	3,090.91	969.70
Short-term loans and advances	18	835.28	185.47
Other current assets	19	1,062.78	1,145.30
		30,797.31	22,440.21
TOTAL		70,508.95	57,417.85
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 41		

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**H. P. Shah**
Partner
M. No. 33331**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 ControllerPlace : Ahmedabad
Date : 28th May, 2012Place : Ahmedabad
Date : 28th May, 2012



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in Lacs)

Particulars	Note No.	2011-12	2010-11
I. Revenue from operations (Gross)	20	66,221.83	49,483.41
Less: Excise Duty		82.53	-
Revenue from operations (Net)		66,139.30	49,483.41
II. Other income	21	113.50	428.67
III. Total Revenue (I + II)		66,252.80	49,912.08
IV. Expenses:			
Cost of materials consumed	22	44,421.80	29,023.27
Purchases of stock-in-trade		-	1.08
Changes in inventories of finished goods and semi finished goods	23	(2,853.49)	(123.67)
Employee benefits expense	24	2,828.13	1,974.39
Finance costs	25	3,680.66	1,928.62
Depreciation and amortization expense	12	2,569.26	2,357.14
Other expenses	26	13,387.57	10,445.97
Total expenses		64,033.93	45,606.79
V. Profit before tax (III- IV)		2,218.87	4,305.29
VI Tax expense:			
Current tax		438.77	903.00
Mat Credit (Entitlement)/ Utilisation		122.81	(91.03)
(Excess) tax provision in earlier years		(20.14)	-
Deferred tax		274.21	149.45
VII Profit after tax for the year (V-VI)		1,403.22	3,343.87
VIII Earnings per equity share of face value of ₹ 10 each	27		
Basic & Diluted (in ₹)		5.98	14.25
Significant Accounting Policies	1		
Notes on Financial Statements	2 to 41		

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

H. P. Shah
Partner
M. No. 33331

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 : 28th May, 2012

Place : Ahmedabad
Date : 28th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in Lacs)

	Year ended 31 st March, 2012		Year ended 31 st March, 2011	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before tax as per the Profit and Loss Account		2,218.87		4,305.29
Adjustments for :				
Depreciation and amortization expense	2,569.26		2,357.14	
Unrealised Foreign Exchange Fluctuation (Gain)/Loss	260.68		(27.10)	
Foreign Exchange (Gain)/Loss -Others	911.40		(112.54)	
Interest and Financial Expenses	3,680.66		1,928.62	
Dividend income	-		(0.99)	
Loss /(Gain) on sale of Fixed Assets	31.12		45.79	
Interest Received	(77.22)		(45.70)	
Wealth tax provision	0.20		0.09	
(Profit)/Loss on Sale of Investments	(0.64)		(85.38)	
Bad Debts written off	103.94		46.55	
FCCB Buyback Gain (Net of expenses)	-		(75.30)	
Provision for doubtful debts	(103.94)	7,375.45	-	4,031.17
Operating profit before working capital changes		9,594.32		8,336.46
Adjustments for :				
Trade Receivables	(4,336.74)		(1,280.73)	
Inventories	(1,311.43)		(3,832.80)	
Other Current Assets	(40.29)		120.80	
Long Term Loans & Advances	1,926.22		(659.58)	
Short Term Loans & Advances	(649.81)		89.09	
Other Current Liabilities	(219.02)		547.34	
Short Term Provisions	(14.90)		(21.92)	
Long Term Provisions	44.91		24.60	
Trade Payables	593.03	(4,008.03)	3,288.17	(1,725.03)
Cash Generated From Operations		5,586.29		6,611.44
Income Taxes Paid	(652.58)	(652.58)	(658.08)	(658.08)
Net Cash From Operating Activities		4,933.71		5,953.36
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(8,352.12)		(6,045.72)	
Sale of Fixed Assets	63.90		52.02	
Sale of Investments	1.28		104.99	
Dividend Received	-		0.99	
Interest Received	77.22		45.70	
Net Cash From Investing Activities		(8,209.72)		(5,843.02)

(₹ in Lacs)

	Year ended 31 st March, 2012		Year ended 31 st March, 2011	
C CASH FLOW FROM FINANCING ACTIVITIES				
Buyback of Foreign Currency Convertible Bonds	(1,558.20)		(2,250.70)	
Proceeds from Borrowings	14,066.96		1,029.12	
Proceeds/ (Repayment) of Unsecured Borrowings (Net)	(3,427.65)		3,852.81	
Interest & Finance cost	(3,680.66)		(1,928.62)	
Dividend paid	-		(273.56)	
(Gain) / Loss on forward covers and derivative instrument	(4.60)		-	
Net Cash Generated in Financing Activities		5,395.85		429.04
Net changes in Cash & Cash Equivalents (A+B+C)		2,119.85		539.39
Cash and Cash Equivalents at the beginning of the year		969.70		431.24
Effect of Foreign Exchange Rate changes (Gain) / Loss		(1.36)		0.93
Cash and Cash Equivalents at the end of the year		3,090.91		969.70
		2,119.85		539.39

Notes to the Cash Flow Statement

- Cash and Cash Equivalents represent Cash and Bank Balance (Refer Note No. 17)
- Cash and Cash Equivalent includes ₹ 25.29 Lacs (Previous Year ₹ 32.94 Lacs) of unpaid dividend not available for use by the Company
- 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.
- 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

H. P. Shah
Partner
M. No. 33331

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 : 28th May, 2012

Place : Ahmedabad
Date : 28th May, 2012

SIGNIFICANT ACCOUNTING POLICIES**Corporate Information**

AARVEE DENIMS AND EXPORTS LIMITED (the company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The company is engaged in the manufacturing and selling of denim and non denim Fabrics, Garments. The company caters to both domestic and international markets.

Basis of Preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

1 SIGNIFICANT ACCOUNTING POLICIES**a. 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.

b. 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."

c. 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.

d. 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.

SIGNIFICANT ACCOUNTING POLICIES**e. 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 underlying contract or estimated period of its economic life.

Leasehold land is amortized over the period of lease.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. Foreign Currency Transactions

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate prevailing at time of transaction. Monetary items denominated in foreign currencies and outstanding at the year-end are translated at year-end rates. Exchange differences arising on settlement of short-term monetary items at rates different from those at which they were initially recorded are recognized as income or as expenses in the year in which they arise.

SIGNIFICANT ACCOUNTING POLICIES

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 accumulated in a "Foreign Currency Monetary Item Translation Difference Account" in the enterprise's financial statements and amortised over the balance period of such long term asset or liability, by the recognition as income or expense in each of such periods.

i. 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.

m. 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.

n. 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.

o. 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.

p. 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.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
2. Share Capital (₹ in lacs)

Particulars	As at 31 March 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
Authorised				
Equity Shares of ₹ 10/- each	35,000,000	3,500.00	35,000,000	3,500.00
13% Cumulative Redeemable Non Convertible Preference Shares of ₹ 10/- each	15,000,000	150.00	15,000,000	150.00
Issued				
Equity Shares of ₹ 10/- each fully paid up	23,459,800	2,345.98	23,459,800	2,345.98
Subscribed & Paid up				
Equity Shares of ₹ 10/- each fully paid up	23,459,800	2,345.98	23,459,800	2,345.98
Subscribed but not fully Paid up	-	-	-	-
Total	23,459,800	2,345.98	23,459,800	2,345.98

a. Reconciliation of the number of Equity shares outstanding at the beginning and at the end of the Year;

Particulars	As at 31 March 2012		As at 31 March 2011	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	23,459,800	2,345.98	23,459,800	2,345.98
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	23,459,800	2,345.98	23,459,800	2,345.98

b. Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of ₹.10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March 2012, the amount of per share dividend recognized as distributions to equity shareholders was ₹ Nil (31st March 2011: ₹.0.50).

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

c. Details of shareholders holding more than 5 percent shares in the company

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
DEG-DEUTSCHE INVESTITIONS -UND ENTWICKLUNGSGESELLSCHAFT MBH	3373100	14.38	3373100	14.38
DEVANGKUMAR NARENDRAKUMAR SANGHAVI	1490000	6.35	1490000	6.35

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
d. Terms of conversion/redemption of FCCB

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. FCCB outstanding as on 31.03.2012 is US\$ 4.00 Million.

3 Reserves and Surplus
(₹ in lacs)

Particulars	As at	As at
	31 March 2012	31 March 2011
	Amount	Amount
Capital Redemption Reserve		
Opening Balance	1,499.13	1,499.13
Closing Balance	1,499.13	1,499.13
Securities Premium Account		
Opening Balance	2,599.33	2,336.61
Add : Reversal of premium on buyback of FCCBs	533.14	598.78
Less : Provision of premium on redemption of FCCBs outstanding	322.71	336.07
Closing Balance	2,809.76	2,599.33
General reserve		
Opening Balance	562.73	562.73
Closing Balance	562.73	562.73
Surplus in Statement of Profit and Loss		
Opening balance	12,858.17	9,651.08
Add: Net Profit/(Net Loss) For the current year	1,403.22	3,343.87
Less: Proposed Dividends	-	-
Less: Interim Dividends	-	117.30
Less: Tax on Distribution of Dividend	-	19.48
Closing Balance	14,261.39	12,858.17
Total	19,133.01	17,519.36

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
4 Long Term Borrowings (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Secured		
Term loans (Refer Note 1 & 3 below)		
from banks	6,550.81	2,333.57
Less: Current maturities of long-term Loan (Refer Note 10)	(567.33)	(726.19)
	5,983.48	1,607.38
Other loans		
Corporate Loans (WCTL) (Refer Note 1 & 3 below)	1,086.00	2,418.00
Less: Current maturities of long-term Corporate Loans (WCTL) (Refer Note 10)	(1,086.00)	(1,332.00)
	-	1,086.00
Vehicle Loans (Refer Note 2 & 3 below)	25.40	28.86
Less: Current maturities of long-term Vehicle Loans (Refer Note 10)	(14.42)	(13.21)
	10.98	15.65
Total	5,994.46	2,709.03
Unsecured		
Zero Coupon Foreign Currency Convertible Bonds USD 4.0 Million (P.Y.USD 75 Million) (Refer Note 2d).	2,046.26	3,348.75
	2,046.26	3,348.75
Loans from related parties	2,119.90	2,180.63
	2,119.90	2,180.63
	4,166.16	5,529.38
Total	10,160.62	8,238.41

Nature of Securities:

- Secured by mortgage of all fixed assets of Unit- I (Narol), Unit- II (Sari), Unit- III (Vijay Farm) and Second charge on the current assets of Unit- I (Narol), Unit- II (Sari), Unit- III (Vijay Farm)
- Secured by way of hypothecation of respective motor vehicles purchased.
- Term of Repayment

(₹ in lacs)

Term Loan & Corporate Loan	Repayment Schedule	As at 31 March 2012	As at 31 March 2011
		Amount	Amount
IDBI BANK	14 Quarterly inst. from 01/12/07 of ₹ 17,85,714 each	-	17.86
IDBI BANK	16 Quarterly inst. from 29/12/10 of ₹ 15,62,500 each	156.25	218.75
IDBI BANK (Corporate Loan)	12 Quarterly inst. from 31/05/10 of ₹ 83,00,000 each	336.00	668.00
SCB	16 Quarterly inst. from 31/03/08 of ₹ 62,50,000 each	-	187.50
BOB (Corporate Loan)	12 Quarterly inst. from 31/03/10 of ₹ 2,50,00,000 each	750.00	1,750.00

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

Term Loan & Corporate Loan	Repayment Schedule	As at	As at
		31 March 2012	31 March 2011
		Amount	Amount
BANK OF BARODA	48 Monthly inst. from 29/03/08 of ₹ 41,66,666 each	-	458.33
BANK OF BARODA- ECB LOAN	June-13, Sept-13, Dec-13, March-14 of 93,750 USD Each	3,197.28	1,451.13
	June-14, Sept-14, Dec-14, March-15 of 2,18,750 USD Each		
	June-15, Sept-15, Dec-15, March-16 of 3,90,650 USD Each		
	June-16, Sept-16, Dec-16, March-17 of 5,62,500 USD Each		
	June-17 of 5,93,750 USD Each		
	Sept-17 of 5,93,650 USD Each		
SCB-ECB LOAN	19 Quarterly inst. from 30/09/12 of USD 3,28,947 each	3,197.28	-

VEHICLE LOAN

KOTAK MAHINDRA	36 Monthly inst. from 14/06/10 of ₹ 15,950 each	2.10	3.68
TATA CAPITAL LTD	36 Monthly inst. from 03/02/11 of ₹ 15,936 each	3.22	4.76
TATA CAPITAL LTD	36 Monthly inst. from 31/03/11 of ₹ 11,277 each	4.87	6.77
SUNDARAM FINANCE LTD	36 Monthly inst. from 03/08/10 of ₹ 22,400 each	3.14	5.38
AXIS BANK LOAN	36 Monthly inst. from 01/11/08 of ₹ 29,475 each	-	3.97
AXIS BANK LOAN	36 Monthly inst. from 17/04/10 of ₹ 18,840 each	2.33	4.30
AXIS BANK LOAN	36 Monthly inst. from 01/06/11 of ₹ 17,800 each	4.11	-
TATA CAPITAL LTD	36 Monthly inst. from 09/08/11 of ₹ 22,932 each	5.64	-

None of the above Secured Loans is guaranteed by Directors.

5 Deferred Tax Liabilities (Net) (₹ in lacs)

Particulars	As at	As at
	31 March 2012	31 March 2011
		Amount
Deferred Tax Liability		
Depreciation	3,264.96	2,995.26
Deferred Tax Assets		
Disallowances under Income Tax Act, 1961	16.34	20.85
Deferred Tax Liability (Net)	3,248.62	2,974.41

6 Other Long Term Liabilities (₹ in lacs)

Particulars	As at	As at
	31 March 2012	31 March 2011
		Amount
Trade Deposits	56.41	47.92
Total	56.41	47.92

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
7 Long Term Provisions (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Provision for employee benefits		
Gratuity	34.92	-
Leave Encashment	34.67	24.68
Other provisions		
Premium Payable on redemption of FCCB	982.71	1,234.35
Total	1,052.30	1,259.03

8 Short Term Borrowings (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Secured		
Loans from banks		
WC Loans (Refer Note 1 below)	21,099.56	10,516.09
Ware House Loan (Refer Note 2 below)	2,430.71	-
Buyers Credit (Refer Note 3 below)	665.32	589.63
Total	24,195.59	11,105.72
Unsecured		
Deposits		
from Directors	16.00	18.00
from Others	359.73	229.52
Other loans		
from banks	344.78	3,848.40
	720.51	4,095.92
Total	24,916.10	15,201.64
Nature of Securities:		
1. Loans are Secured by hypothecation of all current assets of Unit -I (Narol), Unit- II (Sari), Unit- III (Vijay Farm) and second charge on the fixed assets of Unit -I (Narol), Unit- II (Sari), Unit- III (Vijay Farm) and hypothecation of 2 Windmills located at Lamba and 1 Windmill located at Kutch		
2. Endorsement of WHR in favor of Bank.		
3. Specific charge on assets purchased from the proceeds of Loan.		
None of the above Secured Short Term Borrowings is guaranteed by Directors.		

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
9 Trade Payables (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Trade Payables	6,548.91	5,952.01
Total	6,548.91	5,952.01

10 Other Current Liabilities (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Other Liabilities		
Current maturities of long-term debt	1,667.76	2,071.40
Interest accrued but not due on borrowings	27.13	16.42
Interest accrued and due on borrowings	129.18	2.61
Unpaid dividends	25.28	32.92
Other payables		
- Other Current Liabilities	215.11	291.04
- Provision for Expenses	697.05	319.65
- Advance received from Customers	147.00	778.06
Total	2,908.51	3,512.10

11 Short Term Provisions (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Provision for employee benefits		
Gratuity	2.76	0.47
Leave Encashment	11.26	28.45
Others		
Provision for Taxation (Net of Advance Tax and TDS)	124.27	337.98
Provision for Wealth Tax	0.20	0.09
Total	138.49	366.99

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

12 Fixed Assets		(₹ in lacs)												
Sr. No.	Fixed Assets	GROSS BLOCK (AT COST)					DEPRECIATION/ AMORTISATION					NET BLOCK		
		As At 01.04.2011	Additions	Sales/ Adjust- ment	Acquired through business combinations/ Revaluations/ Impairments	As at 31.03.2012	As at 01.04.2011	Provided during the year	Adjust- ment due to Sale/ W.off	Adjust- ment due to revalu- ation	Total up to 31.03.2012	As at 31.03.2012	As at 31.03.2011	
a	Tangible Assets													
1	Lease hold land	144.00	-	-	-	144.00	29.40	7.20	-	-	36.60	107.40	114.60	
2	Land & Land Develop.	1,279.30	21.81	-	-	1,301.11	-	-	-	-	0.00	1,301.11	1,279.30	
3	Buildings	7,235.89	2,566.03	-	-	9,801.92	1,277.84	268.07	-	-	1,545.91	8,256.01	5,958.05	
4	Plant & Machineries	34,594.89	6,099.48	11.18	-	40,683.19	12,420.84	2,117.87	8.65	-	14,530.06	26,153.13	22,174.05	
5	Electric Installations	1,794.39	638.46	-	-	2,432.85	427.76	100.63	-	-	528.39	1,904.46	1,366.63	
6	Furniture & Fixtures	488.66	67.27	112.09	-	443.84	145.66	31.07	10.73	-	166.00	277.84	344.20	
7	Office Equipments	298.01	58.89	-	-	356.90	64.07	15.54	-	-	79.61	277.29	232.73	
8	Vehicles	123.74	31.57	19.46	-	135.85	35.69	12.43	10.75	-	37.37	98.48	88.05	
9	Computer	79.40	2.30	-	-	81.70	51.50	12.78	-	-	64.28	17.42	27.90	
	Total	46,038.28	9,485.81	142.73	-	55,381.36	14,452.76	2,565.59	30.13	-	16,988.22	38,393.14	31,585.51	
b	Intangible Assets													
	Computer software	27.35	-	5.40	-	21.95	7.03	3.67	1.91	-	8.79	13.16	20.33	
	Total	46,065.63	9,485.81	148.13	-	55,403.31	14,459.79	2,569.26	32.04	-	16,997.01	38,406.30	31,605.84	
c	Capital WIP													
	Total	46,065.63	9,485.81	148.13	-	55,403.31	14,459.79	2,569.26	32.04	-	16,997.01	39,200.75	32,539.89	
d	Intangible assets under Development													
	Total	46,065.63	9,485.81	148.13	-	55,403.31	14,459.79	2,569.26	32.04	-	16,997.01	39,200.75	32,539.89	
	Previous Year	41,586.50	5,325.62	846.49	-	46,065.63	12,851.33	2,357.14	748.68	-	14,459.79	32,539.89		

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 ₹ 2,55,71,000 have been made (Previous Year ₹ 32,25,000/-) 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 ₹ 9,41,062 (Previous Year ₹ 38,50,550) due to addition being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
13 Non current Investment
(₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Trade Investments	-	-
Total (A)	-	-
Other Investments Unquoted		
Investment in 6,440 (P.Y. 6,440) Fully paid up Equity Shares of ₹.10 in Pee Vee Synthetics Private Limited (Associates) at cost (3.64 % Holding)	-	0.64
Total (B)	-	0.64
Grand Total (A + B)	-	0.64
Aggregate amount of unquoted investments ₹ Nil (Previous Year ₹ 0.64 lacs)		

14 Long Term Loans and Advances
(₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Capital Advances		
Unsecured, considered good	352.74	2,120.79
	352.74	2,120.79
Security Deposits		
Unsecured, considered good	150.21	231.21
	150.21	231.21
Other loans and advances		
Unsecured, considered good		
-Income Tax and FBT	0.12	80.12
-Loans and advances to Staff	7.82	4.99
	7.94	85.11
Total	510.89	2,437.11
Loans and advances to Directors or officers of the Company	Amount	Amount
Loans and advances to officers of the Company	2.90	4.70
	2.90	4.70

15 Inventories
(₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Raw Materials	5,897.75	7,588.08
Semi finished goods	3,098.07	1,699.13
Finished goods	2,277.52	1,269.92
Goods in transit (Finished goods)	754.91	307.96
Stores and spares	318.54	170.27
Total	12,346.79	11,035.36

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
16 Trade Receivables (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Trade receivables outstanding for a period less than six months from the date they are due for payment Unsecured, considered good	13,460.64	8,434.90
	13,460.64	8,434.90
Trade receivables outstanding for a period exceeding six months from the date they are due for payment Unsecured, considered good	0.91	669.48
Unsecured, considered doubtful	-	103.94
Less: Provision for doubtful debts	-	(103.94)
	0.91	669.48
Total	13,461.55	9,104.38
Trade Receivable stated above include:	Amount	Amount
Firm /HUF in which director is a partner *	4,996.54	2,087.23
	4,996.54	2,087.23

17 Cash and cash equivalents (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Cash on hand	18.59	28.13
Balances with banks		
Earmarked Balances (unpaid dividend accounts)	25.29	32.94
Bank deposits with more than 12 months maturity	228.71	226.66
Others Deposits	2,388.10	397.45
(Includes ₹ 463.25 lacs (Previous year ₹.603.20 lacs) under bank lien for margin money and bank gaurantees) Other Bank Balance	430.22	284.52
Total	3,090.91	969.70

18 Short-term loans and advances (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Loans and advances to Others		
Unsecured, considered good		
Advance to Creditors	327.21	158.33
Loans and Advance to Staff	20.35	20.55
Loans and Advance to Others	487.72	6.59
Total	835.28	185.47

19 Other current assets (₹ in lacs)

Particulars	As at 31 March 2012	As at 31 March 2011
	Amount	Amount
Prepaid Expenses	96.75	63.78
DEPB and DBK Receivable	305.88	143.61
Other Current Assets	47.67	202.62
MAT Credit Entitlements	612.48	735.29
Total	1,062.78	1,145.30

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
20 Revenue from operations (₹ in lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Sale of products	64,771.89	48,751.98
Sale of services	-	-
Other operating revenues	1,449.94	731.43
Total	66,221.83	49,483.41
Less: Excise duty	82.53	-
Total	66,139.30	49,483.41
Details of the Products sold		
Fabrics	61,193.01	45,831.87
Garment	685.60	639.77
Income from Wind Energy	1,560.70	1,237.23
Yarn Sales	5.86	0.25
Waste yarn sales	471.83	348.38
Waste cotton sales	168.74	85.08
Job charges	639.12	573.20
Scrape Sales	47.03	36.20
Total	64,771.89	48,751.98

21 Other income (₹ in lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Interest Income	77.22	45.70
Dividend Income	-	0.99
Net gain on sale of non current investments	0.64	85.38
Other non-operating income (net of expenses)	35.64	32.76
Gain on foreign currency transactions and translation	-	188.54
FCCB Buyback Discount Income	-	75.30
Total	113.50	428.67

22 Cost of materials consumed (₹ in lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Opening Stock	7,588.08	3,889.33
Add : Purchases	42,739.67	32,769.34
	50,327.75	36,658.67
Less : Sales	8.20	47.32
	50,319.55	36,611.35
Less : Closing Stock	5,897.75	7,588.08
Cost of raw materials consumed	44,421.80	29,023.27

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in lacs)

Details of raw materials consumed	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Cotton	27,401.30	17,007.10
Yarn	4,794.74	2,918.69
POY	5,346.80	4,394.69
Grey Cloth	2,652.36	1,751.82
Fabric Shirting	3.76	39.15
Garment Accessories	-	1.08
Colour & Chemical	4,222.83	2,911.81
Total	44,421.79	29,024.34
Details of Inventory		
Cotton	4,896.42	6,903.39
Yarn	335.86	260.86
POY	153.81	127.05
Grey Cloth	250.85	142.42
Fabric Shirting	31.12	34.88
Colour & Chemical	229.68	119.47
Total	5,897.74	7,588.07

23 Changes in inventories of finished goods semi finished goods and Stock-in-Trade

(₹ in lacs)

INCREASE / (DECREASE) IN STOCK	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Closing Stock		
Semi Finished Goods	3,098.07	1,699.13
Finished Goods	3,032.43	1,577.88
	6,130.50	3,277.01
Less : Opening Stock		
Semi Finished Goods	1,699.13	1,313.44
Finished Goods	1,577.88	1,839.90
	3,277.01	3,153.34
Total	2,853.49	123.67
Details of Inventories		
Finished Goods		
Fabrics	2,772.24	1,254.34
Garment	260.18	323.54
Total	3,032.42	1,577.88

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
24 Employee Benefits Expense (₹ in lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Salaries and incentives	2,580.45	1,843.88
Contributions to -		
-Provident fund,ESI & Others Funds	119.67	81.45
-Gratuity fund contributions	96.36	26.13
-Staff welfare expenses	31.65	22.93
Total	2,828.13	1,974.39

25 Finance costs (₹ in lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Interest expense	2,931.32	1,651.92
Other borrowing costs	425.76	276.70
Applicable net loss on foreign currency transactions and translation	323.58	-
Total	3,680.66	1,928.62

26 Other Expenses (₹ in lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Consumption of stores and spare parts.	1,585.11	998.32
Power and Fuel	6,914.74	5,245.54
Rent	79.16	167.05
Repairs to Building	112.04	66.98
Repairs to Machineries	534.37	434.51
Insurance	236.15	188.51
Rates & Taxes	61.31	100.91
Job Work Charges	491.51	505.03
Packing Materials	412.94	319.97
Folding Charges	113.55	89.82
Labour Charges	248.46	174.09
Advertisement, Publicity & Sales Promotion	43.25	28.05
Commission & Brokerage	517.77	448.79
Travelling & Conveyance	51.53	41.68
Freight & Forwarding	532.82	476.72
Loss on Disposal of Fixed Assets (Net)	31.12	45.79
Bad Debts Written off	103.94	46.55
Provision for Doubtful Debts	(103.94)	-
Sundry Balance Written off	5.43	3.41
Environment Exp	15.21	208.56
Irrecoverable advances written off	150.00	-
Professional Fees and Charges	397.79	470.38
Loss on foreign currency transactions and translation	285.64	-
Miscellaneous Expenses	567.67	385.31
Total	13,387.57	10,445.97

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
Payments to the auditors (₹ in lacs)

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
As auditors		
Audit Fees	15.73	15.44
for taxation matters	1.12	1.10
In other capacity	-	-
for company law matters	-	-
for management services	-	-
for other services (Certification fees)	3.62	3.38
Total	20.47	19.92

27 Earnings Per Share

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Amount	Amount
Profit after tax as per Profit & Loss a/c (₹ in lacs)	1,403.22	3,343.87
Less : Preference Dividend and Dividend Tax	-	-
Profit available for Equity Share Holders (₹ in lacs)	1,403.22	3,343.87
Weighted Average Number of Equity Shares	23,459,800	23,459,800
Weighted Average Number of Equity Shares in computing diluted earnings per share	23,459,800	23,459,800
Face Value of the Share – ₹	10.00	10.00
Basic and Diluted Earnings per Share – ₹	5.98	14.25

28 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	2011-12	2010-11
Employer's Contribution to Provident Fund	77.95	59.66

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.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in lacs)

Particulars	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2011-12	2010-11	2011-12	2010-11
a. Reconciliation of opening and closing balances				
Defined Benefit obligation at beginning of the year	101.88	90.91	33.15	35.76
Current Service Cost	30.92	19.61	10.12	8.12
Past Service Cost	13.83	0.00	10.27	0.00
Interest Cost	8.40	7.50	2.74	2.86
Actuarial (gain)/ loss	50.79	6.23	5.11	(7.11)
Benefits paid	29.67	22.38	17.56	6.48
Defined Benefit obligation at year end	176.15	101.87	43.83	33.15
b. Reconciliation of opening and closing balances of fair value of plan assets				
Fair value of plan asset at beginning of the year	106.64	89.84	0.00	0.00
Expected return on plan assets	10.86	8.59	0.00	0.00
Actuarial gain/(loss)	(0.35)	0.07	0.00	0.00
Employer contribution	52.11	29.59	0.00	0.00
Benefits Paid	28.03	21.45	0.00	0.00
Fair value of plan assets at year end	141.23	106.64	0.00	0.00
c. Reconciliation of fair value of assets and obligations				
Fair value of plan assets as at year end	141.23	106.64	0.00	0.00
Present value of obligation as at year end	176.15	101.88	43.83	33.15
Net Liability in the Balance Sheet	34.91	(4.76)	43.83	33.15
d. Expenses recognized during the year (Under the head "Employment Costs – Refer Note no –24)				
Current Service Cost	30.92	19.61	10.12	8.12
Past Service Cost	13.83	0.00	10.27	0.00
Interest Cost	8.40	7.50	2.74	2.86
Expected return on plan assets	10.86	8.59	0.00	0.00
Actuarial (gain) / loss	51.14	6.16	5.11	(7.11)
Net Cost	93.44	24.68	28.23	3.87
e. Actuarial assumptions				
Mortality	LIC 1994-96 mortality tables			
Expected return on plan assets	9.15%	9.15%	Nil	Nil
Discount rate (per annum)	8.50%	8.25%	8.50%	8.25%
Rate of escalation in salary (per annum)	6%	6%	6%	6%

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
Experience History: (₹ in lacs)

Particulars	2011-12	2010-11	2009-10
Defined Benefit Obligation at the end of the period	176.15	101.88	90.91
Plan Assets at the end of the period	141.23	106.64	89.84
Funded Status	34.91	(4.76)	1.07
Experience Adjustments on Plan Liabilities	-	-	-
Experience Adjustments on Plan Assets	-	-	-

- f. Contributions expected to be paid to the plan during the next financial year ₹ 52.11 Lacs (Previous Year ₹ 29.59 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.

29 Capital Commitments

The estimated amount of contracts remaining to be executed on capital accounts and not provided for ₹ 249.83 lacs (Previous Year ₹ 3977.84 lacs)

30 Contingent Liabilities in respect of: (₹ in lacs)

Particulars	March 31, 2012	March 31, 2011
a. Service Tax Matters disputed in appeal	56.93	56.93
b. Custom duty payable on pending export obligations	2,343.65	2,515.05
c. Letter of Credit	2,602.17	3,665.21
d. Guarantees given by banks on behalf of the Company	318.32	78.00

- 31 There are no dues to Micro and small Enterprises as at 31st March, 2012. 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.

- 32 There is no amount due and outstanding as on 31st March, 2012 to be credited to Investor Education and Protection Fund. During the year the Company has credited ₹.7.46 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

33 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:

Particulars	2011-12	2010-11
Rent of Retail Outlets	65.22	155.41

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

Particulars	2011-12	2010-11
Not later than one year	17.04	114.16
Later than one year not later than five years.	68.16	456.62

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
34 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	31/3/2012			31/3/2011		
	External Sales	Inter Segment Sales	Total	External Sales	Inter Sales Segment	Total
a. Segment Revenue						
Textile	63,211.19		63,211.19	47,514.75		47,514.75
Wind Mill	1,560.70		1,560.70	1,237.23		1,237.23
Power Plant		361.47	361.47		531.64	531.64
Segment Total			65,133.36			49,283.62
Eliminations			361.47			531.64
Total Revenue			64,771.89			48,751.98
b. Segment Result						
Textile			4,722.05			5,485.99
Wind Mill			542.54			319.34
Power Plant			(278.07)			(403.76)
Segment Total			4,986.52			5,401.57
Eliminations			278.07			403.76
Consolidated Total			5,264.60			5,805.33
Unallocable Corporate Exp / (Income).			(634.93)			(428.68)
Profit Before Interest etc.			5,899.53			6,234.01
Interest			3,680.66			1,928.62
Profit Before Tax			2,218.87			4,305.39
Provision for Tax			815.65			961.51
Profit After Tax			1,403.22			3,343.88

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
c. Other Information
(₹ in lacs)

Particulars	As at 31 March 2012		As at 31 March 2011	
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
Textile	65,572.48	45,159.45	53,528.62	33,223.03
Wind Mill	11,419.43	7,597.34	10,955.21	8,433.16
Power Plant	757.49	-	815.16	46.04
Segment Total	77,749.41	52,756.79	66,678.95	46,809.50
Inter segment elimination	8,499.60	8,499.60	9,261.57	9,261.57
Unallocated Assets/Liab.	1,259.14	4,772.77	1,380.43	5,111.86
Total	70,508.95	49,029.96	57,417.85	37,552.51

(₹ in lacs)

Particulars	31/3/2012			31/3/2011		
	Capital Expenditure	Depreciation	Non Cash Expenditure Other than Depreciation	Capital Expenditure	Depreciation	Non Cash Expenditure Other than Depreciation
Textile	9,264.16	1,839.96	691.63	5,261.66	1,636.05	118.76
Wind Mill*	255.71	671.62	-	32.25*	664.82	-
Power Plant	-	57.67	-	31.70	56.27	-
Segment Total	9,519.87	2,569.25	691.63	5,325.62	2,357.14	118.76

* 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 31st March, 2009

B) Secondary Segment
Geographical Segment
(₹ in lacs)

Particulars	Within India		Outside India		Total	
	Year Ended		Year Ended		Year Ended	
	31/3/2012	31/3/2011	31/3/2012	31/3/2011	31/3/2012	31/3/2011
Sales Revenue	46,565	37,858	18,207	10,894	64,772	48,752
Carrying amount of Segment Assets	64,232	51,979	6,277	5,438	70,509	57,418
Carrying amount of Segment Liabilities	31,096	27,739	17,934	9,814	49,030	37,553

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
35 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	Bhriugu N. Arora
Jahanvi N. Arora	Parul K. Shah
Bela A. Shah	Pankil K. Shah
Preeti N. Arora	Shikha Arora
Somni Chawla	Sarthak P Arora

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
Transaction carried out with related parties referred in (1) above, in ordinary course of business:
(₹ in lacs)

	Related Referred in 15 (a) above	Related Referred in 15 (b) above	Related Referred in 15 (c) above	Total
Part I: Volume of transactions				
Unsecured Loans Taken	320.68	-	-	320.68
	(403.50)	-	-	(403.50)
Unsecured Loan Repaid	630.25	-	-	630.25
	(588.67)	-	-	(588.67)
Fixed Deposits Taken	-	-	4.05	4.05
	-	-	(58.90)	(58.90)
Sale of Goods	28052.43	-	-	28052.43
	(21325.09)	-	-	(21325.09)
Job Work Charges	487.14			487.14
	(487.20)			(487.20)
Interest on Loans / FDs	276.48	1.56	9.26	287.29
	(250.01)	(3.64)	(5.00)	(258.65)
Remuneration	-	81.00	-	81.00
	-	(61.18)	-	(61.18)
Salary	-	-	27.00	27.00
	-	-	(17.10)	(17.10)
Sale of Investment	-	-	1.29	1.29
	-	-	-	-
Part II: Balance as at year end				
Unsecured Loans	2,119.90	-	-	2,119.90
	(2180.63)	-	-	(2180.63)
Fixed Deposits	-	16.00	101.50	117.50
	-	(18.00)	(97.45)	(115.45)
Sundry Debtors	4996.54	-	-	4996.54
	(2087.23)	-	-	(2087.23)
Unpaid Job Work Charges	39.54	-	-	39.54
	(40.00)	-	-	(40.00)
Unpaid Interest on FDs / Loans	-	0.59	3.08	3.67
	-	(0.70)	(2.73)	(3.43)
Unpaid Remuneration	-	4.86	-	4.86
	-	(4.23)	-	(4.23)
Unpaid Salary	-	-	2.51	2.51
	-	-	(1.42)	(1.42)

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

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
Disclosure in respect of material transactions with related parties
(₹ in lacs)

Transaction	Name of the related party	2011-12	2010-11
Loans taken	Ennbee Textiles Pvt.Ltd	38.00	30.00
	Rentex Weavers Ltd	50.00	64.50
	Shipa Fabrics Pvt.Ltd	28.00	41.00
	Twenty First Century Mktg. Ltd.	190.00	268.00
	Pari Bhogilal Laxmichand	10.00	-
	Virendrabhai Bhogilal & Co.,	4.68	-
Loans Repaid	Ennbee Textiles Pvt.Ltd	27.20	108.50
	Rentex Weavers Ltd	92.56	133.00
	Shipa Fabrics Pvt.Ltd	22.71	130.50
	Twenty First Century Mktg. Ltd.	225.55	213.50
	Virendrabhai Bhogilal & Co.,	20.47	-
	Bhansali Tradelink Pvt. Ltd.	46.25	0.82
	Pee Vee Synthetics Pvt. Ltd.	39.05	0.75
	New Ahmedabad Synt.Pvt. Ltd.	42.81	4.88
	Pari Bhogilal Laxmichand	10.35	-
	Vee Bee Textile Pvt. Ltd.	103.30	1.60
Fixed Deposits taken	Pankajbhai V Arora	-	15.00
	Chinmaya P. Arora	-	0.50
	Somni Arora	-	1.50
	Kasturan Rani Arora	4.05	5.90
	Nipun V. Arora	-	15.00
	Preeti N. Arora	-	5.00
	Shikha Arora	-	15.00
	Sarthak P Arora	-	1.00
Sale of goods	Arora Agencies	14,314.68	11,193.92
	Parmanand Vinodkumar	13,489.62	9,961.60
	Pari Bhogilal Laxmichand	176.12	102.09
	Virendrabhai Bhogilal & Co.	59.88	67.49
	K.V. Enterprise	12.13	-
Job Work Charges	Twenty First Century Mkt. Ltd.	142.74	142.78
	Virendrabhai Bhogilal & Co.	243.60	243.60
	Ennbee Textiles Pvt. Ltd	33.60	33.61
	Rentex Weavers Ltd	33.60	33.61
	Shipa Fabrics Pvt. Ltd	33.60	33.60
Interest on Loans / FDs	Vinod P Arora	1.26	3.12
	Renu Arora	0.48	0.63
	Kasturanrani Arora	1.78	1.25
	Ennbee Textiles Pvt.Lt	18.58	22.14
	New Ahmedabad Synt.P.L	108.86	99.60
	Rentex Weavers Ltd	22.22	24.16
	Twenty First Century M	90.68	62.30
	Shipa Fabrics Pvt.Ltd	12.38	19.83
Remuneration	Vinodbhai P Arora	36.00	27.60
	Ashishbhai V Shah	27.00	19.50
	Kalpeshbhai V Shah	18.00	13.80
Salary	Nipunbhai V Arora	9.00	5.70
	Pankajbhai V Arora	9.00	5.70
	Pankilbhai K Shah	9.00	5.70

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
36 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)

As at	No. of Contracts	US \$ Equivalent	INR Equivalent
March 31, 2012	21	135	6,906.13
March 31, 2011	5	45	2,009.25

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

(in lacs)

Particulars	2011-12		2010-11	
	Amount (Foreign Currency)	Amount (₹)	Amount (Foreign Currency)	Amount (₹)
Amount payable in foreign currency	\$ 69.25	3,541.46	\$ 219.17	9,786.50
	• 0.01	0.83	• 0.4	25.17
	CHF 0.00	0.07	CHF 0.51	2.49
Amount receivable in foreign currency	\$ 350.41	17,921.03	\$ 76.50	3,415.15
	• 0.19	12.71	-	-
	-	-	-	-

37 CIF Value of Imports

(₹ in lacs)

Particulars	2011-12	2010-11
Cotton	152.95	-
Stores & Spare	231.00	142.13
Capital Goods	3,007.96	2,192.57
Colour & Chemical	1,105.56	613.39
Yarn	549.38	214.43
Total	5,046.85	3,162.52

38 Expenditure in foreign currency

(₹ in lacs)

Particulars	2011-12	2010-11
Traveling	245.26	3.38
Commission on Export Sales	420.35	297.73
Listing Fees/Custodian fess	3.11	2.27
FCCB Buyback Expenses	-	3.75
Total	668.72	307.12

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012
39 Earnings in foreign currency (₹ in lacs)

Particulars	2011-12	2010-11
FOB value of Export Sales	17,763.00	10,482.40

40 Imported and indigenous Raw-Materials, Stores and Spare parts and Components consumed during the year:

(₹ in lacs)

Sr.No	Particulars	2011-12		2010-11	
		Indigenous	Imported	Indigenous	Imported
1)	RAW MATERIALS				
	i) Yarn	9,568.57	572.97	7,240.25	73.13
	% Consumption	94.35%	5.65%	99.00%	1.00%
	ii) Cotton	27,401.30	-	16,457.77	549.33
	% Consumption	100.00%	-	96.77%	3.23%
	iii) Grey	2,652.36	-	1,790.98	-
	% Consumption	100.00%	-	100.00%	-
	iv) Colour & Chemicals	2,860.63	1,362.21	2,301.49	610.31
	% Consumption	67.74%	32.26%	79.04%	20.96%
2)	STORES & SPARES				
	Stores & Spares	3,437.67	571.28	858.95	139.36
	% Consumption	85.75%	14.25%	86.04%	13.96%

41 The Company prepares and presents its financial statements as per Schedule VI to the Companies Act, 1956, as applicable to it from time to time. In view of the revision to the Schedule VI as per a notification issued during the year by the Central Government, the financial statements for the financial year ended 31st March, 2012 have been prepared as per the requirements of the Revised Schedule VI to the Companies Act, 1956. The previous year figures have been accordingly regrouped/reclassified to confirm to the current year's classification.

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

H. P. Shah
Partner
M. No. 33331

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 : 28th May, 2012

Place : Ahmedabad
Date : 28th May, 2012



AARVEE DENIMS AND EXPORTS LTD.

AARVEE DENIMS AND EXPORTS LTD.

Regd. Off. 188/2, Ranipur Village, Opp. C.N.I. Church, Narol, Ahmedabad-382405 (India)
Ph. : 30417000 Fax : 30417070 E-Mail: info@aarvee-denims.com

Attendance Slip

Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the 23rd Annual General Meeting of the Company at the Regd. office of the company at 10.00 a.m. on Saturday, the 29th day of September, 2012.

_____ Signature
Full name of the Shareholder (in block capitals)

Folio No. _____ / DP ID No.* _____ & Client ID No.* _____
* Applicable for members holding shares in electronic form.

_____ Signature
Full name of the Shareholder (in block capitals)

NOTE : Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.

AARVEE DENIMS AND EXPORTS LTD.

Regd. Off. 188/2, Ranipur Village, Opp. C.N.I. Church, Narol, Ahmedabad-382405 (India)
Ph. : 30417000 Fax : 30417070 E-Mail: info@aarvee-denims.com

Proxy

I/We _____
of _____ in the district of _____
being
a Member/Members of the above named Company, hereby appoint _____
of _____ in the district of _____ or failing him
_____ of _____ in the district of _____
as my/our Proxy to attend and vote for me/us and on
my/our behalf at the 23rd General Meeting of the Company, to be held on Saturday, the 29th day of September, 2012 and at
any adjournment thereof.

Signed this _____ day of _____ 2012.

Folio No. _____ / DP ID No.* _____ & Client ID No.* _____

* Applicable for members holding shares in electronic form.

No. of Shares _____

_____ Signature

Affix 15 Paisa Revenue Stamp

- Notes: (1) This proxy must be returned so as to reach the Registered Office of the Company not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.
(2) Those members who have multiple folios with different jointholders may use copies of this Attendance Slip/Proxy.

BOOK - POST



If undelivered please return to :

AARVEE DENIMS AND EXPORTS LTD.

REGISTERED OFFICE

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