

**BOARD OF DIRECTORS**

Shri Vinod P. Arora	<i>Chairman &amp; Managing Director</i>
Shri Ashish V. Shah	<i>Managing Director</i>
Shri Kalpesh V. Shah	<i>Whole Time Director</i>
Shri Parmanand T. Arora	<i>Director</i>
Shri Rajesh P. Arora	<i>Director</i>
Shri Sanjay S. Majmudar	<i>Director</i>
Shri Ashok C. Gandhi	<i>Director</i>
Shri Arvind D. Sanghvi	<i>Director</i>
Shri Tilak Raj Kapoor	<i>Director</i>
Shri Amol R. Dalal	<i>Director</i>
Shri Rahul S.Chander	<i>Investor Director - till 14/08/07</i>
Shri Anil Hajela	<i>Investor Director - till 19/02/08</i>

**SENIOR EXECUTIVES**

Shri Nipun V.Arora	<i>C.O.O. (Administration)</i>
Shri Pankaj V.Arora	<i>C.O.O (Marketing)</i>
Shri Pankil K.Shah	<i>C.O.O (Garmenting)</i>
Shri K.K. Mohale	<i>Chief Executive</i>
Shri Bhavik Pandit	<i>Finance Controller</i>
Shri Krunal Bhatt	<i>Company Secretary</i>

**BANKERS**

Bank of Baroda	Standard Chartered Bank
Punjab National Bank	Export Import Bank of India
Bank of India	Industrial Development Bank of India

**AUDITORS**

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

**REGISTERED OFFICE & MILLS:**

**REGISTERED OFFICE (Unit I)**

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

**Unit II**

S.No. 215-217, Village Sari, Sarkhej Bavla Highway,  
 Ta.Sanand, Dist. Ahmedabad.

**Unit III**

191, Moje shahvadi, Narol-sarkhej Highway,  
 Ahmedabad – 382 405

**DELHI OFFICE :**

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

**MUMBAI OFFICE :**

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

**SHARE TRANSFER AGENT :**

Pinnacle Share Registry Pvt.Ltd.  
 Near Ashoka Mills, Naroda Road,  
 Ahmedabad – 380 025.

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**AARVEE DENIMS AND EXPORTS LTD.**



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**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of AARVEE DENIMS AND EXPORTS LIMITED will be held on Monday, 29th September, 2008 at 10.30 a.m. 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, 2008, the Profit and Loss Account for the year ended 31st March, 2008 and the reports of the Directors and Auditors thereon alongwith all annexures and appendix thereto;.
2. To appoint Director in place of Shri Rajesh P. Arora who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Director in place of Shri Sanjay Majmudar, who retires by rotation and being eligible offers himself for reappointment;
4. To appoint M/s Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad and M/s N.C Shah & Associates, Chartered Accountants, Ahmedabad 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.

By order of Board of Directors

Place : Ahmedabad  
Date : 30/06/2008

**Krunal Bhatt**  
*Company Secretary*

**Notes:-**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of self and a proxy need not be a member.
2. The proxy form duly stamped and executed should reach the registered office of the company at least 48 hours before the time fixed for the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company shall remain closed from 20th September, 2008 to 29th September, 2008 (both days inclusive).
4. Members desiring any information pertaining to accounts are requested to write to the Company 7 days before the date of the meeting so that information can be made available at the meeting.
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 2008-09 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 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.
  - (a) **Rajesh P Arora** is 48 years. His educational qualification is B.Com. He has more than 20 years of experience in textile business. He looks after group marketing and is based at Delhi. Mr. Vinod Arora and mr. Parmanand Arora, directors of the company are related to him.
  - (b) **Shri Sanjay Majmudar** is 45 years. His educational qualification is B.Com. LL.B, FCA. He is practicing chartered accountant at Ahmedabad and has more than 20 years of rich and varied experience of corporate finance, project financing, taxation, corporate laws, joint ventures etc.

By order of Board of Directors

Place : Ahmedabad  
Date : 30/06/2008

**Krunal Bhatt**  
Company Secretary



**DIRECTORS' REPORT**

To,  
**The Stakeholders,**

Your Directors have pleasure in presenting the 19th Annual Report along with the Audited Statement of Accounts for the year ended March 31, 2008.

**FINANCIAL RESULTS**

The highlights of the Financial Results are given below:

	Year ended 31.03.2008	( Rs.in Lacs) Year ended 31.03.2007
Total Revenues (including non recurring income)	25209.41	25212.73
Profit Before Depreciation, interest and taxation	3890.90	5721.60
Less : Interest	1221.02	529.54
Profit after interest but before Depreciation and Taxation	2669.88	5192.06
Less : Depreciation	2085.07	1624.65
Add: exceptional income on sale of land	0	142.78
Add: Prior Period Adjustments	31.76	-0.70
<b>Profit After Depreciation</b>	<b>616.57</b>	<b>3709.49</b>
Less : Provision For Taxation	81.45	462.88
Less : Provision For Deferred Tax	0	203.58
<b>Profit After Taxation</b>	<b>535.12</b>	<b>3043.03</b>
<b>Appropriations / Adjustments</b>		
Less: short provision for taxation for earlier years	1.23	8.02
<b>PROFIT FOR THE YEAR</b>	<b>533.89</b>	<b>3035.01</b>
Balance of profit / (loss) brought forward	8359.13	6193.57
Preference Dividend	0	194.89
Equity Dividend	0	229.74
Corporate Dividend Tax (including Edu. cess and surcharge)	0	68.82
Capital Redemption Reserve	300.00	300.00
General Reserves	0	76.00
<b>Profit carried to Balance Sheet</b>	<b>8593.02</b>	<b>8359.13</b>

**PERFORMANCE DURING THE YEAR:**

The year 2007-2008 was yet another challenging year for the Denim Industry. Turnover/ Income of the Company for the year remain same at Rs. 25209.41 Lacs compared to previous year at Rs. 25212.73 Lacs. Operating profit for the year is Rs. 3890.90 Lacs compared to 5721.60 Lacs which shows decrease by 32% due to lower sales realization and increase in Raw material cost by 14%, Employment cost by 15% and Depreciation charge by 28%.

Profit after tax for the year is 535.12 Lacs compared to Rs. 3043.03 Lacs in previous year.

**DIVIDEND**

In order to inadequate profit and to conserve resources for on going future expansion and growth, your Directors do not recommend any dividend for the year.

**BUSINESS OVERVIEW:**

The year 2007-08 shows down turn as compared to 2006-07 in the denim market. The slowdown can be attributed to recessionary tendencies, excess capacity, and appreciation in Indian Rupees. Domestic sales slipped in volume as well as realization. However, exports turned up by 43%. As part of continuing cost reduction strategy, the company has installed another 8 windmills making the total capacity from 8.5MW to 20.5MW. This has resulted substantial savings of

power and fuel cost. As the Denim sector is plunged into excess capacity, the Company has utilised some of the production capacity for non denim fabric and Garments. Moreover, as a de-risking strategy your company started producing and selling of value added products through Exclusive Brand Outlet (EBOs) with brand name "DE EXTASE". As on 31st March 2008, eight EBOs have been commenced. And till the end of March 2009, company expects to open 100 EBOs.

#### **CORPORATE GOVERNANCE**

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

#### **DIRECTORS**

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

#### **AUDITORS**

Auditors of the Company M/s. N.C. Shah & Associates, Chartered Accountants and M/s Deloitte Haskins & Sells, Chartered Accountants, will retire at the conclusion of the ensuing 19th 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 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.

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

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

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

#### **DEPOSITS**

For the Financial year ending March 31, 2008 the company has accepted fixed deposits to the tune of Rs. 477.74 lacs. The Company repaid the deposits amounting to Rs. 244.88 lacs and the outstanding deposits at the end of the year were amounting to Rs. 232.86 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.

**APPRECIATION**

Your Directors place on record their appreciation of the contribution made by employees 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, banks, financial institutions, shareholders and customers for their co-operation and support and look forward to their continued support in future.

By order of the Board

Place : Ahmedabad  
Date : 30th June, 2008

**Vinod P. Arora**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT  
CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND  
FOREIGN EXCHANGE EARNINGS AND OUT GO 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 tubelights 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 department during day time.
3. Installed condensate recovery pump system of forbs marshall in indigo dyeing sizing machine and process machine. Same hot water is used in Boiler to save fuel in steam Boilers.
4. Installed capacitors to improve power factor(p.f). We are maintaining average p.f of 0.98 to 0.99
5. Installed A C variable drive in all dyeing Jigger to save energy as well as to minimize maintenance cost.
6. losses.
7. Using treated effluent water for gardening at Vijay Farm Unit.

**Form "A"**

**Form for disclosure of particulars with respect to conservation of energy**

<u>Particulars</u>	<u>2007-2008</u>	<u>2006-2007</u>
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
1. Electricity		
(a) Purchased Units KWH in Lac	<b>344.67</b>	386.90
Total Amount (Rs. in Lac)	<b>1,091.20</b>	1,697.57
Rate/unit (Rs./KWH)	<b>3.17</b>	4.39
(b) Own Generation		
Through Diesel Generator		
Unit Per liter of diesel	<b>0</b>	3.51
Cost/Unit (Rs./KWH)	<b>0</b>	10.78
(c) Thermal based Power Plant		
Fuel/Lignite (MT)	<b>8,943</b>	26092
Units KWH (Lac)	<b>139.88</b>	191.70
Amount ( Rs. in Lac)	<b>456.27</b>	473.76
Cost/ Unit KWH	<b>3.26</b>	2.47
(d) Wind Turbine (Units KWH in Lac)	<b>270.18</b>	46.28
2. Coal & Lignite		
Quantity (in MT)	<b>15,829</b>	17,462
Total Cost(Rs in Lac)	<b>338.74</b>	351.27
Cost/MT	<b>2,140</b>	2,011

**B. CONSUMPTION PER UNIT OF PRODUCTION**

	Fabric (Per Mtr.)	Yarn (Per Kg.)	Fabric (Per Mtr.)	Yarn (Per Kg.)
Electricity (KWH)	1.88	0.99	1.23	1.30
Coal (Kg)	0.52	Nil	0.56	Nil
L.D.O.	0.00	0.00	0.00	0.01

**Form "B"**

Form for Disclosure of particulars with respect to technology absorption

**Research & Development (R&D)**

**1. Specific areas in which R & D carried out by the Company.**

Research and Development activities of the Company remained centered around change of product mix, optimizing processing parameters and energy conservation.

**2. Benefits derived as a result of the above R & D.**

- New products mix have been effected.
- Cost reduction and better realization.

**3. Future Plan of Action.**

Main trust of the Company would be on activities such as development of products mix, reduction of wastage, pollution control and energy conservation.

**4. Expenditure on Research and Development:**

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

**Technology absorption, adoption and innovation**

- Effort in brief made towards technology absorption, adoption and innovation: The Company uses indigenous technology.
- Benefits derived as a result of above efforts: Not applicable.
- Information regarding technology imported during the last five years: Not applicable.

**FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars	Rs. in Lacs.	
	2007-2008	2006-2007
Foreign Exchange Earnings	3439.49	2392.53
Foreign Exchange Outgo	1072.21	2867.15

By order of the Board

Place : Ahmedabad  
Date : 30th June, 2008

**Vinod P. Arora**  
Chairman

**REPORT ON CORPORATE GOVERNANCE**
**1. Brief statement on Company's philosophy on code of governance.**

It is constant endeavor of the Company to have consistent practice of good corporate governance by attaining of the highest levels of transparency and accountability in working of the Company at all levels and in all interactions with its stakeholders, shareholders, bankers, employees, lenders and government etc. and to pursue all efforts to make further improvement in achieving the above goal.

**2. Board of Directors**

During the financial year 2007-2008, the Board met five times on the dates viz. 10th April, 2007, 29th June, 2007, 31st July, 2007, 30th October, 2007, 31st January, 2008.

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.

Details of Directors, Attendance of Directors at the Board Meetings, at the Annual General Meeting held on 29th September, 2007 and number of memberships held by Directors in the Board/Committee of other Companies

Sr. No.	Name	Category	Attendance Particulars		Number of other Directorship and Committee Membership/Chairmanship		
			Board Meetings	AGM held on 29.09.07	Other Directorship	Committee Membership	Committee Chairmanship
1.	Shri Vinod P. Arora (CMD)	Promoter Executive	5	Yes	2	0	0
2.	Shri Ashish V. Shah (Managing Director)	Promoter Executive	5	Yes	0	0	0
3.	Shri Kalpesh V. Shah (Wholetime Director)	Promoter Executive	5	Yes	0	0	0
4.	Shri Parmanand T. Arora	Promoter Non Executive	0	0	0	0	0
5.	Shri Rajesh P. Arora	Promoter Non Executive	1	0	0	0	0
6.	Shri Sanjay S. Majmudar	Independent Non executive	5	Yes	4	2	0
7.	Ashok C. Gandhi	Independent Non executive	3	0	9	8	0
8.	Shri Arvind D. Sanghvi	Independent Non executive	0	0	2	0	0
9.	Shri Tilak Raj Kapoor	Independent Non executive	0	0	0	0	0
10.	Shri Amol R. Dalal	Independent Non executive	5	Yes	1	0	0
11.	Mr. Rahul Chander *	Independent Non executive	0	0	0	0	0
12.	Mr. Anil Hajela *	Independent Non Executive	1	Yes			

- Mr. Anil Hajela was nominated by DEG- Deutsche Investitions und Entwicklungsgesellschaft mbH (hereinafter referred as "DEG") as Investor director in place of Mr. Rahul Chander w.e.f. 14.08.2007, however nomination was subsequently withdrawn w.e.f. 19.02.2008.

- 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 or newly appointed are :

- Rajesh P Arora** is 48 years. His educational qualification is B.Com. He has more than 20 years of experience in textile business. He looks after group marketing and is based at Delhi. Mr. Vinod Arora and Mr. Parmanand Arora, directors of the company are related to him.
- Shri Sanjay Majmudar** is 45 years. His educational qualification is B.Com. LL.B, FCA. He is practicing chartered accountant at Ahmedabad and has more than 20 years of rich and varied experience of corporate finance, project financing, taxation, corporate laws, joint ventures etc.

**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 qualify 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.

For the financial year 2007-08, the Company appointed Mr. M Dhanvel as Manager (Internal Audit) to review the internal control systems of the company and to report thereon. The report of the Manager (Internal Audit) is periodically reviewed by the 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 four Independent Directors, viz. Shri Sanjay S. Majmudar as Chairman of the Committee, Shri Ashok C. Gandhi, Shri Amol R. Dalal and Mr. Anil Hajela as members.

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

Audit Committee met on 10th April, 2007, 29th June, 2007, 31st July, 2007, 30th October, 2007, 31st January, 2008. to consider quarterly/yearly financial results of the Company during the financial year under review.

Details Attendance of members of Audit Committee at the Audit Committee meeting held during the year 2007-08:

Sr. No.	Name of Member	Attendance Particulars
1.	Shri Sanjay Majmudar	5
2.	Shri Ashok Gandhi	3
3.	Shri Amol Dalal	5
4.	Mr. Anil Hajela -DEG*	0

\* Mr. Anil Hajela, was nominated by DEG- Deutsche Investitions und Entwicklungsgesellschaft mbH (hereinafter referred as 'DEG') as Investor director in place of Mr. Rahul Chander on 14.08.2007, however nomination was subsequently withdrawn w.e.f. 19.02.2008.

**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**

No Meeting of Remuneration Committee was held during the financial year as there is no revision in the remuneration of managerial personnel.

**(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, 2008 is as under:

1. Shri Vinod P. Arora, Chairman & Managing Director	Rs. 19,20,000
2. Shri Ashish V. Shah, Managing Director	Rs. 15,00,000
3. Shri Kalpesh V. Shah, Wholetime Director	Rs. 9,60,000

The sitting fees paid during the financial year 2007-08 for attending the Board & Committee Meetings are as follows:

Shri Sanjay S. Majmudar	Rs. 15000
Shri Amol R. Dalal	Rs. 15000
Shri Ashok C. Gandhi	Rs. 9000
Mr. Anil Hajela –DEG	Rs. 2000

**5. Shareholder Committee**
**(I) Share Transfer Committee**

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

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

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

**(II) Shareholders' Grievance Committee**

The Company has constituted the Shareholders' Grievance Committee under the Chairmanship of Shri Amol Dalal, Independent - Non Executive Director of the Company with a view to monitor the redressal of Investors' grievances. The other two members of the Committee are Shri Vinod P. Arora, Chairman and Managing Director and Shri Kalpesh V. Shah, Whole time Director. The Committee met four times during the year viz. 5th April, 2007, 09th July, 2007, 7th October, 2007 and 5th January, 2008 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.	3	3	Nil
2.	Non receipt of Dividend Warrants	7	7	Nil
3.	Query regarding Demat credit	1	1	Nil
4.	OTHERS	2	2	Nil
	<b>Total</b>	<b>13</b>	<b>13</b>	<b>Nil</b>

## 6. General Body Meetings

### (I) Annual General Meetings

The details of the last 3 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
18th AGM	29th September, 2007	10.00 A.M	0
17th AGM	9th September, 2006	10.00 A.M	1
16th AGM	18th June, 2005	10.00 A.M	9

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

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

## 7. Code of Business Conduct and Ethics

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

## 9. CEO/CFO Certification:

The managing Director and Financial Controller have certified to the Board as required under clause 49(v) of the Listing Agreement for the year ended 31st March, 2008

## 10. Risk Management Policy

The Company has formulated Risk Management Policy in its Board Meeting held on 09 July, 2007 in compliance with the requirement of clause 49 of the Listing Agreement with the stock exchange(s). Audit Committee and Board Members are reviewing and updating the said policy every quarter.

## 11. Disclosures

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

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

## 12. Means of Communication

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

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

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

**13. General Shareholder Information**
**A. 19th Annual General Meeting**

Date & Time : 29th September, 2008 at 10.30 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 20TH September TO 29th September**
**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 2008-09.

**E. Stock Code**

Bombay Stock Exchange Ltd. - 514274

National Stock Exchange Ltd. - AARVEEDEN

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

**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) during the period from April - 2007 to March - 2008 is produced hereunder:

Month & year	BSE			NSE	
	BSE SENSEX	High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
April - 2007	13872.37	105.55	91.70	106.80	90.60
May - 2007	14544.46	108.50	87.25	110.00	86.95
June - 2007	14650.51	104.80	82.70	104.65	83.00
July -2007	15550.99	86.00	60.20	86.00	61.10
August - 2007	15318.60	93.00	57.60	93.10	54.75
September - 2007	17291.10	106.85	74.00	107.50	73.85
October - 2007	19837.99	82.10	66.70	81.30	67.00
November - 2007	19363.19	86.75	63.30	87.00	65.00
December - 2007	20286.99	94.50	73.15	94.40	72.50
January - 2008	17648.71	103.00	56.15	102.50	56.60
February - 2008	17578.72	75.95	58.00	76.10	57.70
March - 2008	15644.44	83.45	58.00	82.70	60.00

**G. Registrar and Share Transfer Agent**

**PINNACLE SHARES REGISTRY PVT. LTD.**

Near Ashoka Mills, Naroda Road, Ahmedabad. - 380 025.

Tele : (079)22200582 or (079)22200338

**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 10 days/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 31-03-2008**

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Upto 500	10773	93.97	1498204	6.39
501-1000	367	3.20	303712	1.29
1001-2000	131	1.14	203737	0.87
2001-3000	40	0.35	102482	0.44
3001-4000	16	0.14	58178	0.25
4001-5000	17	0.15	78540	0.33
5001-10000	31	0.27	225278	0.96
Above 10000	89	0.78	20989669	89.47
<b>Total</b>	<b>11464</b>	<b>100.00</b>	<b>23459800</b>	<b>100.00</b>

**J. Shareholdings Pattern As On 31-03-2008**

Sr. No.	Category	No. of Shares Held	% of Shareholding
<b>A</b>	<b>PROMOTERS' HOLDINGS</b>		
	<b>Promoters</b>		
1	Indian Promoters/Person Acting in Concert	12809706	54.60
2	Foreign Promoters	Nil	Nil
	<b>Sub Total</b>	<b>12809706</b>	<b>54.60</b>
<b>B</b>	<b>Public Holding</b>		
1	<b>Institutional Investors</b>		
a.	Mutual Funds	Nil	
b.	Banks	300	0.00
c.	Insurance Companies	493758	2.10
d.	FIIIs	Nil	Nil
e.	Foreign Financial Institution	3373100	14.38
	<b>Sub -Total</b>	<b>3867158</b>	<b>16.48</b>
2	<b>Non Institutional Investors</b>		
a.	Private Corporate Bodies	222887	0.95
b.	Indian Public	4231932	18.04
c.	NRIIs	2328117	9.92
	<b>Sub -Total</b>	<b>6782936</b>	<b>28.91</b>
	<b>Grand - Total</b>	<b>23459800</b>	<b>100.00</b>



**K. Dematerialisation of Shares and liquidity**

As on 31st March, 2008, 20350387 (86.75%) Equity Shares of the Company were dematerialised.

**L. Plant Location**

Spinning Plant located at :- Survey No. 215-217, Village Sari, Sarkhej-Bavla Highway, Tal. Sanand, Dist.Ahmedabad - 382 210.

Weaving Plant located at :- 188/2, Ranipur Village, Opp. CNI Church, Near Narol Circle, Ahmedabad 382 405.

Home Textiles Unit located at : - 191, Moje – shawadi, Narol – Sarkhej Highway, Ahmedabad – 382 405

**M. 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:

**The Company Secretary**

Aarvee Denims And Export Ltd.

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

Tele : (079)30417000, E-mail: grievance@aarvee-denims.com

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**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, 2008 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  
**Nitin C. Shah**  
*Proprietor*  
Membership No.34633  
Place : Ahmedabad  
Date : June 30, 2008

For Deloitte Haskins & Sells  
Chartered Accountants  
**Gaurav J Shah**  
*Partner*  
Membership No. 35701  
Place : Ahmedabad  
Date : June 30, 2008

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**MANAGEMENT DISCUSSION AND ANALYSIS****ECONOMIC OVERVIEW**

Most recent national and international estimates (since June 2008) have projected the Indian economy to grow within a range of 7 to 8 per cent. The Reserve Bank of India in its Policy Statement of July 28, 2008 has estimated economic growth in 2008/09 at around 8.0 per cent.

The expectation of manufacturing output growth will slow to 7.2 per cent, pulling industrial GDP growth down to 7.5 per cent, a full one percentage point below that of last year, and 3.5 percentage points less than that recorded in 2006/07. Services sector growth is also expected to slow slightly to 9.6 per cent (down from 10.8 per cent last year). Overall, non-farm sector GDP is projected to increase by 8.9 per cent in 2008/09, compared to 10.0 per cent last year and 11.0 per cent in 2006/07.

Although there are plenty of reasons to be gloomy right now, the future continues to hold a lot of promise for India.

**INDUSTRY OUTLOOK****Indian Market**

The year 2007-08 was yet another challenging year for all the Denim players. The huge capacity addition in anticipation of demand growth from export market by all the denim players have created over supply position in the Denim Market and has pressurized the margin of the products. Some players have diverted their resources to other ways to catch the untapped value added and more profitable products.

Your Company continues to focus on non denim fabrics, readymade garments and preferred outsource supplier for other's brands since the previous year. In the current year the company has entered into retail business through its own brand outlets all over India.

**Export Market**

The global trade in 2007 has slowed down substantially, according to a recent report released by the World Trade Organisation (WTO). Global trade growth recorded a decline of 5.5 percent in 2007 against a higher growth rate of 8.5% in 2006. The WTO has also indicated that the global trade is likely to further slow down and record a growth rate of about 4.5% in 2008. The downward prognosis stems from the expectations of recessionary tendencies in the US, weaker demand growth in Europe and Japan, a global rise in inflation and depressed global stock. However, the sharp economic deceleration in key developed countries is expected to be partly compensated by continuing strong growth in emerging economies. The lower import growth was observed in North America, Europe, Japan and net oil importing countries in Asia.

Indian textiles and clothing exporters who faced negative growth in the US market for nine months up to December 2007, posted a 0.53% growth in dollar terms in January 2008. The turnaround was more evident in February, with a growth of 8.26% in January-February.

India, along with other major textile producing countries like China, Bangladesh and Vietnam posted a spurt in Textile and Clothing exports to the quota-markets ( the US and EU), immediately after the abolition of quotas in 2005. However, by April 2007, this trend was reversed for India by the sudden rise of rupee, even as others marched ahead.

China , the largest supplier of textiles and garments to the US – its textiles and clothing exports to the US were worth \$32.3 billion against India's exports of \$5.1 billion- has registered a negative growth (2.57%) in exports to the US in January-February 2008, in what seemed an inevitable culmination of the trend of declining growth that country has seen over the past 4-5 months. China's cuts its textile industry. China's raw material ( read cotton) base is shrinking. Wages in China's industry were 30% higher than India's ( on a productivity-linked basis, this could be less), and wages for unskilled and semi-skilled workers rising faster than India's. And for other like India, this is the opportunity. Moreover, China faces power shortages, subsidy cuts and unfavorable exchange rate. This all circumstances created an opportunity for India.

**Review of Operations:**

The year under review was yet another year full of challenges for denim textile industry. In spite of the robust demand growth in the domestic market, the margins and volumes squeezed due to oversupply position. The denim industry continued to bleed due to reduction in average per meter price realization at one end and higher cost of raw material. The rising costs also impacted the overall operation costs. The steep operational costs of basic raw material ( cotton) and sharp increase in prices of colour and chemicals are also adding to the suffering of the denim industry. The overall strategy of the company to mitigate the threats poised by changing business dynamics is as under,



1. to achieve higher operational efficiency , strategy has been defined to achieve higher capacity utilization of denim fabric manufacturing. This will be achieved by export volume growth. The company has strived very hard and has been able to establish its presence in untapped international market. The company is expecting significant volume growth in export due to its strategic presence in international markets.
2. As a strategic de-risking plan, the company has started reducing its dependency on denim by switching over to non-denim fabric and processing of fabrics.
3. The company has started concentrating on value addition and has started garmenting. The company has established state of the art end to end garmenting facilities in house. In garmenting, the company is concentrating in garment outsourcing business of domestic brands and retail chains, garment exports and garmenting of DE-EXTASE brand.
4. In the year 2007-2008 the company has forayed into retail garment segment with its exclusive brand outlets for brand "DE EXTASE". Considering the boom in organized apparel and garments retails, the company has ventured into retail segment. The initial response to the company's brand is very encouraging. By the end of current fiscal year, 100+ "DE EXTASE" EBOs with pan India presence are planned. The retail venture will become a growth booster in coming years.

#### **FINANCIAL PERFORMANCE AND REVIEW**

The analysis and comparison of the financials shall bring forth a little decrease in denim realization coupled with increase in cost of production, cost of sales, higher employment cost and depreciation. A detailed analysis as follows:

#### **Performance and Review of Operations**

The year 2007-08 shows down turn as compared to 2006-07 in the denim market. The slowdown can be attributed to recessionary tendencies, excess capacity, and appreciation in Indian Rupees. Domestic sales slipped in volume as well as realization. However, exports turned up by 43%. As part of continuing cost reduction strategy, the company has installed another 8 windmills making the total capacity from 8.5MW to 20.5MW. This has resulted substantial savings of power and fuel cost. As the Denim sector is plunged into excess capacity, the Company has switched some of the production capacity for non denim fabric and Garments. Moreover, as a de-risking strategy your company started producing and selling of value added products through Exclusive Brand Outlet (EBOs) with brand name "DE EXTASE". As on 31st March 2008, eight EBOs have been commenced. And till the end of March 2009, company expects to open 100+ EBOs.

#### **Highlights**

(Rs. in Crore)

<b>Particulars</b>	<b>2007-2008</b>	<b>2006-2007</b>	<b>Increase/ Decrease %</b>
Production (Lac Meters)	<b>302.23</b>	313.15	-3.49
Sales Volume (Lac Meters) – Cloth	<b>290.51</b>	297.33	-2.29
Sales & Operating Income	<b>242.96</b>	247.83	-1.97
Decrease / (Increase) in stock	<b>-13.13</b>	-12.00	9.42
Raw Materials	<b>133.78</b>	117.22	14.13
Colours and chemicals	<b>20.68</b>	21.37	-3.23
Power and Fuel	<b>31.01</b>	29.62	4.69
Salaries & wages	<b>12.91</b>	11.26	14.65
Other overheads	<b>27.93</b>	26.01	7.38
<b>Total cost of sales</b>	<b>213.18</b>	193.48	10.18
<b>Operating Profit</b>	<b>29.78</b>	54.35	-45.21
Other Income	<b>9.45</b>	4.29	120.12
Net Interest & Finance Cost	<b>12.21</b>	5.30	130.38
<b>Cash Accrual</b>	<b>27.02</b>	53.35	-49.35
Depreciation	<b>20.85</b>	16.25	28.31
<b>Profit before tax</b>	<b>6.17</b>	37.09	-83.37
<b>Provision for Tax &amp; Deferred tax</b>	<b>0.83</b>	6.74	-87.74
<b>Profit after Tax</b>	<b>5.34</b>	30.35	-82.39

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**Sales & Operating Income**

The Revenue numbers show decrease of 2% over the last year. The sales decrease due to reduction of domestic sales by 11%. In the case of domestic market, the increase of production capacities of denim by all the existing players have created over supply position during the year. The Denim constituted 75% of the total whereas other segments like non denim fabric and Ready Made Garment contributed by 25%. Due to denim market becoming very competitive and having pressure on price realisation, it has been decided to de-risk the denim and increase the share of non-denim fabric for bottom weights and garments.

**Raw Materials**

The 14 % increase in raw material cost as compared to last year is attributable to the high cotton cost and yarn. Major increase in cotton cost was in second half of the year due to increase of all the commodity prices. The average cost remains low due to low cost cotton of previous year was consumed during the year.

**Direct Materials**

The direct materials at Rs. 20.68 crore this year as compared to Rs. 21.37 crore last year show an decrease in use of dyes and chemicals owing to little reduction in the production volumes. The Company is working on finding alternatives to these resources in order to reduce the cost.

**Power and Fuel**

The increase in power and fuel cost by 5 % to Rs. 31.01 crore (Energy cost excluding Wind Mill Generation comes to Rs.19.81 crores against 27.31 crore in previous year) is primarily attributed to the capacity addition, reduction of outsource job work and higher production. During the first quarter, another 8 Windmills of 1.5MW each has been successfully commenced. Going forward the company expects to save substantially on account of overall power and fuel cost due to wind mills.

**Salaries and wages**

Looking at the potential of growth in the textile arena, special focus on hiring the right talent and retaining the existing has seen the cost on this account moving up by about 15% over the previous year, Lot of emphasis on "right people for the right job" has been given and is expected to bear fruits in managing the operations more efficiently.

**Operating Margins (Profit)**

The reduction in sales realization and increase of raw material cost and manpower cost, the operating margin reduced by 45%.

**Net Interest and Finance cost**

The net interest and finance cost for the current financial year is Rs. 12.21 Crore as against Rs. 5.30 Crore during the previous financial year. This is due to increase in utilization of working capital and increase of new term loans.

**Cash Accrual**

The cash generated from operations this year is Rs. 27.02 crore which is 49 % lower than last year's Rs. 53.35 crore.

**Depreciation**

The amount of Rs. 20.85 crore this year as compared to Rs. 16.24 crore last year shows increase due to capitalization of additional capacities at unit III, Narol and installation of another eight Wind Mills.

**Profit Before Tax (PBT)**

Current year PBT of Rs. 6.17 crore is lower than last year figure of Rs. 37.10 crore by 83 %. The drop is attributed to higher Raw material cost , employment cost and Depreciation and finance cost.

**Net Profit (PAT)**

The Profit after Tax at Rs. 5.34 crore is lower by 82% compared to the last year figure of Rs. 30.36 crore. The Company falls under Minimum Alternative Tax @11.33% (MAT) due to higher depreciation benefit available under the Income Tax Act for investment in the Windmills.

**Debt**

There was increase in the overall debt of the Company by Rs. 110 crore. The long term debt was increased by Rs. 30 crore to Rs. 130 crore (including Rs. 80 crore FCCBs) and there was a increase in the short term debt of the Company to the tune of Rs. 12 crore. This increase comprises of the additional term loans taken during the year from the banks under TUFs ( Technology Upgradation Fund Schemes) to part finance the expansion of Unit III, Narol.

**Working capital and liquidity**

The inventories are at a higher level at the year-end due to the slowing down in denim demands. The inventory turnover ratio has decreased from 4.74 times in the last year to 4.43 times this year. The level of receivables increased from 48 days in the last year to 53 days this year.

**Issue of foreign currency convertible bonds (FCCB)**

Pursuant to the approval of shareholders at the Annual General Meeting on September 9, 2006, your Company accessed the international financial markets with an issue of USD 20 million, Zero-Coupon Foreign Currency Convertible Bonds due in 2012. The Bonds are listed on the Singapore Exchange Securities Trading Limited. The Company has utilized FCCB amount towards energy project (12 Windmills) as per the terms and conditioned mentioned in the FCCB issue.

**Diversification**

Since the denim market world over is in the temporary recession, the Company has diversified its capacity into Non Denim Segment as a measure of de-risking cum-logical diversification, since the basic infrastructure for production of denim and non-denim gabardine fabrics is the same. In 2005-06, the Company set up a small gabardine processing facility at its Unit I, Narol and in the fiscal year 2006-07, the Company has implemented a large gabardine processing facility at its Unit I, Narol. As part of this initiative, the weaving looms installed by the Company can be used interchangeably for weaving of denim and non-denim fabrics. Likewise, the yarn produced by the spinning division can be used for the spinning of denim as well as non-denim fabrics.

The Company has also entered into Garment and Retail Segment through its own Exclusive Brand Outlet (EBO). The company has launched premium brand "DE EXTASE" in middle of the year and has got favourable market response. The product includes Garments like Jeans, Cargo, Capri, Jacket, Trousers, Shirts, T-Shirts, Sweaters and Accessories like Purse, Goggle, Belt, Bag etc. The present garment manufacturing capacity is 10,000 pieces per day. The same capacity is planned to be increased substantially in the coming months.

**COMPANY VIEWS AND GROWTH PLANS**

Continuing with diversification measures the Company plans to extend its Exclusive Brand Outlets across the country. The Company has launched its premium brand for garment retailing. In the same manner the Company will continue to utilize its existing capacity into non denim segment till the oversupply position in the denim market continues.

**INTERNAL CONTROL SYSTEM S AND THEIR ADEQUACY:**

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

**RISK MANAGEMENT:**

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

**Foreign Exchange Risk**

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

**Interest Rate Risk**

Your Company is exposed to interest rate fluctuations on its Rupee denominated borrowings. It uses a judicious mix of fixed and floating rate debts within the stipulated parameters. The Company continuously monitors its interest rate

exposures and whenever required, uses derivative instruments to minimise interest rate risk and interest costs. In view of the continuous risk mitigating strategy adopted by the Company, it does not perceive interest rate risk as having any material impact on its profitability, at any point of time.

**Commodity Price Risk**

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

**Risk of Product Concentration**

The company has risk of too much dependence on single product i.e. Denim. To de-risk the same, the company has already started the process reducing too much dependence on single product and going forward non-denim fabric, readymade garments and processed home textile fabric will be given the adequate push to increase their contribution towards their product mix. As a policy, the continuous differentiation in product mix with a focus on high value added product is to be carried out to reduce cyclical nature and decommo-ditise the denim.

**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.

**CONCLUSION**

To conclude, the performance of the Company during the year 2007-08 can be considered as noteworthy amidst very adverse and difficult business scenario for denim industry. Denim still will continue to be the largest revenue generator in the product mix. The garmenting and retail ventures are still in the nascent stage. Denim performance is expected to improve due to incremental volume and realization but the same will be impacted by high raw material (cotton) prices and exchange rate volatilities. Fabric as a product group is expected to perform better by achieving the higher level of operations and process efficiencies. The turnover increase will primarily come from fabric business in near future and from garment and retail business in coming years. The growth will be seen in coming years as the company has focused strategy of making fabric business more profitable in domestic and export market by achieving higher level of operations and successfully establishing the garment manufacturing and Brand and Retail business.

**CAUTIONARY STATEMENT**

Statement in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, raw material and finished goods prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.



**AARVEE DENIMS AND EXPORTS LTD.**



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**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** as at March 31, 2008, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in sub – section (3C) of Section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received from the directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with significant accounting policies and notes thereon, 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 March 31, 2008;
    - (ii) in the case of the Profit & Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For N. C. Shah & Associates**  
Chartered Accountants  
**Nitin C. Shah**  
*Proprietor*  
Membership No.34633  
Place : Ahmedabad  
Date : June 30, 2008

**For Deloitte Haskins & Sells**  
Chartered Accountants  
**Gaurav J Shah**  
*Partner*  
Membership No. 35701  
Place : Ahmedabad  
Date : June 30, 2008

**ANNEXURE TO THE AUDITORS' REPORT**

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

- 1 The nature of the Company's activities during the year is such that the requirements of clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company.
- 2 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) According to the information and explanations given to us, the Company has a programme of physical verification of major fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. We have been informed that no material discrepancies were noticed on such verification.  
(c) The Company has not disposed off a substantial part of the fixed assets during the year.
- 3 (a) As informed to us, the inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.  
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to 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 inventories and no material discrepancies were noticed on physical verification of inventories as compared to the book records.
- 4 (a) The Company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clauses (a), (b), (c) and (d) of clause 4(iii) are not applicable to the Company.  
(b) The Company has obtained unsecured loans, repayable on demand, from 7 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.65,500('000) and the year end balance of such loans was also Rs.65,500('000).  
(c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.  
(d) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest.
- 5 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for sale of goods. During the course of audit, we have not observed any continuing failure to correct material weaknesses in such internal control system.
- 6 (a) According to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, each of these transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 7 In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to deposits accepted from the public. We have been informed by the Company that in its case no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- 8 In our opinion, Company has internal Audit System commensurate with the size of the Company and the nature of its business.
- 9 We have broadly reviewed the books of account relating to materials, labour and other items of cost 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 we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.

- 10 (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, service tax and other material statutory dues applicable to it during the year.
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax and customs duty which were in arrears as at March 31, 2008 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, details of dues of sales tax, customs duty, wealth tax, excise duty and cess which have not been deposited as on March 31, 2008 on account of any dispute are given below:

Particulars	Period to which the matter pertains	Forum where matter is pending	Amount Rs. in '000
Income tax	A.Y. 2003-2004	Income tax Appellate Tribunal	698*
Central excise duty	April 2000 to July 2002	Central Excise and Service tax Appellate Tribunal	10,302
	April 2003 to August 2003	Central Excise and Service tax Appellate Tribunal	560
	April 2003 to June 2003	Central Excise and Service tax Appellate Tribunal	3,775
Service Tax	July 2003 to March 2007	High Court	5,693

\* - Net of Rs. 8,000 ('000) paid under protest.

- 11 The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and during the immediately preceding financial year.
- 12 According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks. The Company has not issued any debentures.
- 13 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 14 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 15 In our opinion and according to the information and explanations given to us, on an overall basis, the term loans availed by the Company have been applied by the Company for the purposes for which they were obtained.
- 16 According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used for long-term investments during the year.
- 17 According to the information and explanations given to us, during the year, the Company has not made any preferential allotment of shares to parties and Companies covered in register maintained under Section 301 of the Companies Act, 1956.
- 18 During the year, no debentures have been issued by the Company and hence the question of creating securities or charges thereof does not arise.
- 19 During the year, the Company has raised money by way of issue of Foreign Currency Convertible Bonds and the end use of moneys raised by the issue as disclosed in the financial statements has been verified by us and found to be in order.
- 20 To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For N. C. Shah & Associates  
Chartered Accountants  
**Nitin C. Shah**  
Proprietor  
Membership No.34633  
Place : Ahmedabad  
Date : June 30, 2008

For Deloitte Haskins & Sells  
Chartered Accountants  
**Gaurav J Shah**  
Partner  
Membership No. 35701  
Place : Ahmedabad  
Date : June 30, 2008

**BALANCE SHEET AS ON 31ST MARCH, 2008**

(Rs. in Thousand)

PARTICULARS	SCHEDULE	AS AT	AS AT
		31.03.2008 (Rs.)	31.03.2007 (Rs.)
<b>SOURCES OF FUNDS</b>			
<b>SHARE HOLDERS' FUNDS :</b>			
Share Capital	1	384,511	384,511
Reserves & Surplus	2	1,381,031	1,429,218
		<u>1,765,542</u>	<u>1,813,729</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	817,028	562,353
Unsecured Loans	4	1,088,556	225,155
		<u>1,905,584</u>	<u>787,508</u>
<b>DEFERRED TAX LIABILITY (Net)</b> (Refer Note 13 of Schedule 19)		<u>199,975</u>	<u>199,975</u>
<b>TOTAL</b>		<u><u>3,871,101</u></u>	<u><u>2,801,212</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	3,902,398	2,928,068
Less : Depreciation		854,054	645,697
Net Block		<u>3,048,344</u>	<u>2,282,371</u>
Capital Work-in-Progress		123,143	613,972
		<u>3,171,487</u>	<u>2,896,343</u>
<b>INVESTMENTS</b>	6	2,629	2,613
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	547,975	523,063
Sundry Debtors	8	353,600	324,268
Cash and Bank Balances	9	93,934	56,213
Loans and Advances	10	69,517	50,922
		<u>1,065,026</u>	<u>954,466</u>
<b>Less : Current Liabilities &amp; Provisions</b>	11		
Current Liabilities		298,556	986,697
Provisions		69,485	65,513
		<u>696,985</u>	<u>-97,744</u>
<b>NET CURRENT ASSETS</b>		<u>3,871,101</u>	<u>2,801,212</u>
<b>TOTAL</b>		<u><u>3,871,101</u></u>	<u><u>2,801,212</u></u>
Significant Accounting Policies and Notes on Accounts	19		
As per our attached report of even date For N.C.Shah & Associates Chartered Accountants <b>Nitin C. Shah</b> Proprietor Membership No. 34633 Place : Ahmedabad Date : 30th June 2008	For Deloitte Haskins & Sells Chartered Accountants <b>Gaurav J. Shah</b> Partner Membership No. 35701	For and On Behalf of the Board of Directors <b>Vinod P. Arora</b> Chairman & Managing Director <b>Krunal Bhatt</b> Company Secretary Place : Ahmedabad Date : 30th June 2008	<b>Ashish V. Shah</b> Managing Director <b>Bhavik Pandit</b> Financial Controller



**AARVEE DENIMS AND EXPORTS LTD.**



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2008**

(Rs. in Thousand)

PARTICULARS	SCHEDULE	2007-2008 (Rs.)	2006-2007 (Rs.)
<b>INCOME</b>			
Gross Sales		2,429,660	2,478,317
Less : Excise Duty		0	0
<b>Net Sales</b>		<b>2,429,660</b>	<b>2,478,317</b>
Other Income	12	91,281	28,678
Increase/ (Decrease) in Stock	13	131,296	120,053
		<u>2,652,237</u>	<u>2,627,048</u>
<b>EXPENDITURE</b>			
Material Costs	14	1,337,784	1,172,221
Manufacturing and Operating costs	15	682,720	667,473
Employment Costs	16	129,130	112,649
Administrative, Selling and General Expenses	17	113,513	102,544
Interest and Finance Charges	18	122,102	52,954
Depreciation		208,507	162,465
		<u>2,593,756</u>	<u>2,270,306</u>
<b>PROFIT FOR THE YEAR BEFORE TAX AND EXCEPTIONAL ITEMS</b>		<b>58,481</b>	<b>356,742</b>
Add: Exceptional / Non recurring items: Profit on Sale of Land		0	14,278
<b>PROFIT FOR THE YEAR BEFORE TAX</b>		<b>58,481</b>	<b>371,020</b>
Provision For Tax - Current Tax		7,602	45,800
- Wealth Tax		24	26
- Fringe Benefit Tax		519	462
- Deferred Tax		0	20,358
		<u>50,336</u>	<u>304,374</u>
Less: Short Provision of Taxation of earlier years (Net)		123	803
<b>PROFIT FOR THE YEAR AFTER TAX</b>		<b>50,213</b>	<b>303,571</b>
Add/(Less) : Prior Year Income / (Expense) (Net)		3,176	(70)
		<u>53,389</u>	<u>303,501</u>
<b>BALANCE OF PROFIT BROUGHT FORWARD</b>		<b>835,914</b>	<b>619,357</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATIONS</b>		<b>889,303</b>	<b>922,858</b>
<b>APPROPRIATIONS :</b>			
General Reserve		0	7,600
Capital Redemption Reserve		30,000	30,000
Proposed Dividend on Equity Shares		0	11,730
Proposed Dividend on Preference Shares		0	19,489
Tax on Dividend		0	6,882
Interim Dividend		0	11,243
Balance Carried to Balance Sheet		859,303	835,914
		<u>889,303</u>	<u>922,858</u>
Earnings Per Share			
Before exceptional / Non recurring Items			
Basic and Diluted earnings per share		1.30	11.93
After exceptional / Non recurring Item			
Basic and Diluted earnings per share		1.30	12.35
Significant Accounting Policies and Notes on Accounts	19		

As per our attached report of even date  
 For N.C.Shah & Associates Chartered Accountants  
**Nitin C. Shah**  
*Proprietor*  
 Membership No. 34633  
 Place : Ahmedabad  
 Date : 30th June 2008

For Deloitte Haskins & Sells  
 Chartered Accountants  
**Gaurav J. Shah**  
*Partner*  
 Membership No. 35701

For and On Behalf of the Board of Directors

**Vinod P. Arora**  
*Chairman & Managing Director*  
**Krunal Bhatt**  
*Company Secretary*

**Ashish V. Shah**  
*Managing Director*  
**Bhavik Pandit**  
*Financial Controller*

Place : Ahmedabad  
 Date : 30th June 2008

**SCHEDULE FORMING PART OF THE BALANCE SHEET**

(Rs. in Thousand)

PARTICULARS	AS AT	AS AT
	31.03.2008 (Rs.)	31.03.2007 (Rs.)
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
35,000,000 Equity Shares of Rs. 10/- each	350,000	350,000
15,000,000 13% Cumulative Redeemable Non Convertible Preference Shares of Rs. 10/- each	150,000	150,000
	<u>500,000</u>	<u>500,000</u>
<b>ISSUED, SUBSCRIBED AND PAID UP :</b>		
i) 23,459,800 Equity Shares of Rs. 10/- each fully paid up	234,598	234,598
ii) 14,991,340 13% Cumulative Redeemable Non Convertible Preference Shares of Rs. 10/- each (To be redeemed in two equal instalments of Rs. 74,957 Thousand each in June 2009 and June 2010 respectively).	149,913	149,913
	<u>384,511</u>	<u>384,511</u>
<b>TOTAL</b>	<b>384,511</b>	<b>384,511</b>
<b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>		
<b>GENERAL RESERVE</b>		
Balance as per last Balance Sheet	117,600	110,000
Add : Transferred from Profit and Loss Account	0	7,600
Less : Adjustment on account of Transitional Provision of AS-15 (Revised) (Refer Note No. 15 (b) of Schedule 19)	5,791	0
	<u>111,809</u>	<u>117,600</u>
<b>CAPITAL REDEMPTION RESERVE</b>		
Balance as per last Balance Sheet	60,000	30,000
Add : Transferred from Profit and Loss Account	30,000	30,000
	<u>90,000</u>	<u>60,000</u>
<b>SECURITIES PREMIUM ACCOUNT</b>		
Balance as per last Balance Sheet	415,705	341,802
Add : On shares issued upon conversion of warrants	0	73,902
Less : Provision for premium on redemption of FCCB (Refer Note 6 of Schedule 19)	63,449	0
Less : Expenses relating to FCCB Issue	32,337	0
	<u>319,919</u>	<u>415,704</u>
<b>PROFIT &amp; LOSS ACCOUNT</b>	<b>859,303</b>	<b>835,914</b>
	<u>859,303</u>	<u>835,914</u>
<b>TOTAL</b>	<b>1,381,031</b>	<b>1,429,218</b>
	<u>1,381,031</u>	<u>1,429,218</u>



(Rs. in Thousand)

PARTICULARS	AS AT	AS AT
	31.03.2008 (Rs.)	31.03.2007 (Rs.)
<b>SCHEDULE - 3 : SECURED LOANS</b>		
A. From Banks		
a) Working Capital Loan (Refer Note 1 below)	383,202	286,368
b) Term Loans (Refer Note 2 below)		
- In Rupee	433,419	274,849
c) Vehicle Loans (Refer Note 3 below)	376	978
B. From Others		
a) Vehicle Loans (Refer Note 3 below)	31	158
<b>TOTAL</b>	<b>817,028</b>	<b>562,353</b>

**Notes:**

1. Secured against hypothecation of stocks, book debts and other tangible movable assets of the Company and second charge on the entire block of fixed assets.
2. Secured by:
  - i) first pari passu charge by way of equitable mortgage on all immovable properties of the Company's two plants i.e. Narol Plant and Spining Plant
  - ii) first pari passu charge by way of hypothecation of all the Plant and Machineries of the Company's two plants i.e. Narol Plant and Spining Plant
  - iii) first pari passu charge by way of hypothecation on all the fixed assets situated at Vijay Farm Unit, and
  - iv) first pari passu charge by way of equitable mortgage on all immovable properties situated at Vijay Farm Unit.
3. Secured by way of hypothecation of respective motor vehicles purchased.
4. Term Loans include loans of Rs. 125,416 Thousand (Previous Year Rs. 330,103 Thousand) repayable within one year.

**SCHEDULE - 4 : UNSECURED LOANS**

a) Fixed Deposits (Repayable within one year)	23,286	23,988
b) Short Term Loans from Banks	200,370	177,170
c) From Others	65,500	23,997
Includes Rs. 65,500 Thousand (Previous year Rs. 23,797 Thousand) from companies / firms in which directors are interested		
d) Zero Coupon Foreign Currency Convertible Bonds (Refer Note No.6 of Schedule 19)	799,400	0
<b>TOTAL</b>	<b>1,088,556</b>	<b>225,155</b>

**SCHEDULE - 5 : FIXED ASSETS**

(Rs. in Thousand)

No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As at 01.04.2007	Addition	Sales/ Adjustment	As at 31.03.2008	As at 01.04.2007	Provided during the year	Adjustment	Total Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	Lease hold land	4,800	9,600	0	14,400	60	720	0	780	13,620	4,740
2	Land & Land Development	103,049	8,377	0	111,426	0	0	0	0	111,426	103,049
3	Buildings	474,229	83,262	0	557,491	49,953	17,576	0	67,529	489,962	424,276
4	Plant & Machineries	2,199,168	837,046	0	3,036,214	563,912	180,950	0	744,862	2,291,352	1,635,256
5	Electric Installations	97,196	13,843	0	111,039	21,493	5,118	0	26,611	84,428	75,703
6	Furniture & Fixtures	22,298	14,233	0	36,531	4,411	1,783	0	6,194	30,337	17,887
7	Factory & Office Equipments	15,130	4,708	0	19,838	2,220	837	0	3,057	16,781	12,910
8	Vehicles	7,928	1,681	404	9,205	2,039	895	150	2,784	6,421	5,889
9	Computer	4,270	1,984	0	6,254	1,609	628	0	2,237	4,017	2,661
		2,928,068	974,734	404	3,902,398	645,697	208,507	150	854,054	3,048,344	2,282,371
10	Capital Work in Progress									123,143	613,972
	<b>Total</b>	2,928,068	974,734	404	3,902,398	645,697	208,507	150	854,054	3,171,487	2,896,343
	Previous Year	1,833,572	1,098,058	3,562	2,928,068	483,504	162,465	272	645,697	2,896,343	

(Rs. in Thousand)

PARTICULARS	As at 31.03.2008		As at 31.03.2007	
	Face Value	Numbers / Units	Numbers / Units	Amount (Rs.)
<b>SCHEDULE - 6 : INVESTMENTS (AT COST)</b>				
<b>A. LONG TERM INVESTMENTS - NON TRADE</b>				
<b>a) Quoted</b>				
In Equity Shares				
i) Dena Bank	10	28,500	855	28,500
ii) GSFC	10	16,400	328	16,400
iii) SNS Textiles Limited	10	3,000	45	3,000
iv) Indusind Bank Limited	10	21,100	950	21,100
v) Bank of Baroda	10	280	64	280
<b>b) Unquoted</b>				
In Equity Shares				
i) Manekchowk Co. Operative Bank Limited	25	0	0	100
ii) Pee Vee Synthetics Private Limited	10	6,440	64	6,440
			<b>2,306</b>	<b>2,309</b>
<b>B. CURRENT INVESTMENTS - NON TRADE</b>				
<b>Mutual Funds</b>				
i) Birla Cash Plus	10	6,154	67	5,798
ii) Templeton Floating Rate Income Fund	10	5,172	52	4,859
iii) HDFC Cash Management Fund	10	12,662	135	11,908
iv) DSP Merrill Lynch Liquidity Fund	10	6,939	69	6,592
			<b>323</b>	<b>304</b>
	<b>TOTAL</b>	<b>2,629</b>		<b>2,613</b>

(Rs. in Thousand)

PARTICULARS	AS AT 31.03.2008 (Rs.)	AS AT 31.03.2007 (Rs.)
<b>SCHEDULE - 6 : INVESTMENTS (AT COST) Contd...</b>		
<b>Quoted Investments</b>		
Cost Price	2,242	2,242
Market Value	3,430	2,093
<b>Unquoted Investments</b>		
Cost Price	64	67
Mutual Funds		
Cost Price	323	304
Repurchase Price	323	304
<b>SCHEDULE - 7 : INVENTORIES</b>		
Raw Materials	130,447	241,097
Finished Goods & Traded Goods	231,359	174,565
Semi Finished Goods	150,691	76,188
Stores, Spares and Others	35,478	31,213
<b>TOTAL</b>	<b>547,975</b>	<b>523,063</b>
<b>SCHEDULE - 8 : SUNDRY DEBTORS</b>		
Unsecured		
Debts Outstanding for a period exceeding six months		
Considered good	32,386	8,550
Considered doubtful	1,328	0
Less: Provided for doubtful debts	(1,328)	0
	<u>32,386</u>	<u>8,550</u>
Others Debts Considered good	321,214	315,718
Debtors includes Rs. 135,534 Thousand (Previous Year Rs. 174,473 Thousand) due from companies in which directors are interested.		
<b>TOTAL</b>	<b>353,600</b>	<b>324,268</b>
<b>SCHEDULE - 9 : CASH AND BANK BALANCES</b>		
<b>Cash on Hand</b>	750	1,598
<b>Balances with Scheduled banks</b>		
In Current Accounts	74,314	15,204
In Margin Money	3,885	4,360
In Fixed Deposits*	14,985	35,051
(*Includes Rs.2,150 Thousand under bank's lien for letter of credit)		
<b>TOTAL</b>	<b>93,934</b>	<b>56,213</b>

(Rs. in Thousand)		
PARTICULARS	AS AT 31.03.2008 (Rs.)	AS AT 31.03.2007 (Rs.)
<b>SCHEDULE - 10 : LOANS AND ADVANCES</b>		
(Unsecured Considered Good)		
Prepaid Expenses	6,207	4,254
Advances recoverable in cash or in kind or for value to be received	63,310	46,668
<b>TOTAL</b>	<b>69,517</b>	<b>50,922</b>
<b>SCHEDULE - 11 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	298,194	986,697
Bank Overdraft	362	0
	<b>298,556</b>	<b>986,697</b>
<b>Provisions</b>		
Provision for Taxation (Net of Advance Tax and TDS)	5,643	28,890
Provision for Fringe Benefit Tax	369	72
Provision for Wealth Tax	24	26
Provision for Proposed Dividend	0	31,219
Tax on Dividend	0	5,306
Premium Payable on redemption of FCCB	63,449	0
	<b>69,485</b>	<b>65,513</b>
<b>TOTAL</b>	<b>368,041</b>	<b>1,052,210</b>

**SCHEDULE FORMING PART OF THE PROFIT AND LOSS ACCOUNT**

(Rs. in Thousand)		
PARTICULARS	2007-2008 (Rs.)	2006-2007 (Rs.)
<b>SCHEDULE - 12 : OTHER INCOME</b>		
Dividend Income	54	86
Interest Received (Gross)	14,242	9,759
Profit on Sale of Investments	0	198
Foreign Exchange Fluctuation Gain / (Loss) (Net)	48,923	3,649
Export Incentives	26,939	13,557
Miscellaneous Income	1,123	1,429
Note: Tax deducted at source from Interest Rs. 1,976 Thousand (Previous year Rs. 2,367 Thousand)		
<b>TOTAL</b>	<b>91,281</b>	<b>28,678</b>



(Rs. in Thousand)		
PARTICULARS	2007-2008 (Rs.)	2006-2007 (Rs.)
<b>SCHEDULE - 13 : INCREASE / (DECREASE) IN STOCK</b>		
<b>Closing Stock</b>		
Semi Finished Goods	150,691	76,188
Finished Goods	231,359	174,566
	<u>382,050</u>	<u>250,754</u>
<b>Less : Opening Stock</b>		
Semi Finished Goods	76,188	35,836
Finished Goods	174,566	94,865
	<u>250,754</u>	<u>130,701</u>
<b>TOTAL</b>	<u><u>131,296</u></u>	<u><u>120,053</u></u>
<b>SCHEDULE - 14 : MATERIAL COSTS</b>		
Opening Stock	241,097	315,085
Add : Purchases	1,228,529	1,099,380
	<u>1,469,626</u>	<u>1,414,465</u>
Less : Sales	1,395	1,147
	<u>1,468,231</u>	<u>1,413,318</u>
Less : Closing Stock	130,447	241,097
<b>TOTAL</b>	<u><u>1,337,784</u></u>	<u><u>1,172,221</u></u>
<b>SCHEDULE - 15 : MANUFACTURING AND OPERATING COSTS</b>		
Colour Chemicals	206,800	213,756
Stores and Spare Parts	68,525	65,840
Power and Fuel	310,132	296,295
Packing Materials	23,145	19,614
Job Work Charges	61	129
Folding Charges	7,972	8,290
Labour Charges	5,688	6,062
Machinery Rent	31,440	31,440
Repairs to Machineries	24,585	21,978
Repairs to Building	4,372	4,069
<b>TOTAL</b>	<u><u>682,720</u></u>	<u><u>667,473</u></u>

(Rs. in Thousand)

<b>PARTICULARS</b>	<b>2007-2008 (Rs.)</b>	<b>2006-2007 (Rs.)</b>
<b>SCHEDULE - 16 : EMPLOYMENT COSTS</b>		
Salary, Wages, Gratuity, Bonus etc.	120,991	104,221
Contribution to Provident and Other Funds	6,427	5,679
Workmen and Staff Welfare Expenses	1,712	2,749
<b>TOTAL</b>	<b>129,130</b>	<b>112,649</b>
<b>SCHEDULE - 17 : ADMINISTRATIVE, SELLING AND GENERAL EXPENSES</b>		
Advertisement, Publicity & Sales Promotion	7,194	3,105
Commission & Brokerage	9,895	12,180
Rent	4,028	1,367
Rates & Taxes	3,712	3,339
Travelling and Conveyance (including for Directors Rs.451 Thousand Previous Year Rs. 249 Thousand)	3,449	3,587
Insurance	14,033	16,457
Freight & Forwarding	20,581	17,024
Loss on Disposal of Fixed Assets (Net)	79	141
Provision for Doubtful Debts	1,328	0
Baddebts written off	0	1,723
Managerial Remuneration	4,380	4,380
Miscellaneous Expenses	44,834	39,241
<b>TOTAL</b>	<b>113,513</b>	<b>102,544</b>
<b>SCHEDULE - 18 : INTEREST AND FINANCE CHARGES</b>		
Fixed Loans	28,447	8,864
Others	93,655	44,090
<b>TOTAL</b>	<b>122,102</b>	<b>52,954</b>

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

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

**2. Use of Estimates**

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

**3. Fixed Assets**

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

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

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

**4. Lease**

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

**5. Impairment of Assets**

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

**6. Depreciation**

All fixed 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.

Leasehold land is amortized over the period of lease.

**7. Investments**

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

**8. Inventories**

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

#### **9. 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.

#### **10. 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.

#### **11. Foreign Currency Transactions**

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

Monetary items denominated in foreign currencies at the year end and not covered by foreign exchange contracts are translated at the year end rates and those covered by forward exchange contracts are translated at the rate ruling at the date of transaction as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transaction, such difference having been recognized over the life of the contract. Non monetary items are carried at cost.

Any income or expenses on account of exchange difference either on settlement or translation is recognized in profit or loss account.

#### **12. 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.

#### **13. 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.

#### **14. 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.

#### **15. 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.

#### **16. Premium on Redemption of Bonds**

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

#### **B. Notes on Accounts**

1. The estimated amount of contracts remaining to be executed on capital accounts and not provided for Rs.1,12,169 Thousand (Previous Year 4,24,878 Thousand)

**2. Contingent Liabilities in respect of:**

Particulars	(Rs. in Thousand)	
	31.03.2008	31.03.2007
a. Income tax matters disputed in appeal Pertains to demand raised for the A.Y. 2003-04. The Company is hopeful of succeeding and as such does not expect any significant liability to crystallize.	8,698	8,698
b. Excise matters disputed in appeal	14,637	14,637
c. Service Tax Matters disputed in appeal	5,693	0
d. Custom duty payable on pending export obligations	133,600	133,600
e. Letter of Credit	0	215,745
f. Dividend on cumulative non-convertible Preference Shares. (Excluding Corporate Dividend Tax)	19,488	0
g. Guarantees given by banks on behalf of the Company not provided for	2,100	2,100

3. The Company has received a notice from the Ahmedabad Municipal Corporation under the Gujarat Town Planning and Urban Development Act, 1976 for allotting (for other use) part of the area of land at Narol on which the office building of the Company is constructed. The said land is required by the Ahmedabad Municipal Corporation for Town Planning purpose. The Company has made representation to appropriate authorities for modification of the T.P. Scheme and the matter is under consideration of the Authorities.

**4. The Profit and Loss Account includes:**
**(i) Auditors Remuneration**

Particulars	(Rs. in Thousand)	
	2007-2008	2006-2007
<b>a) Statutory Auditors :</b>		
Audit Fees	967	983
Tax Audit Fees	17	17
Income Tax Matters	17	17
VAT Audit Fees	84	0
Certification & Others*	130	149
<b>TOTAL</b>	<b>1,215</b>	<b>1,166</b>
<b>b) Cost Auditors :</b>		
Audit fees	40	35
<b>TOTAL</b>	<b>40</b>	<b>35</b>

\*Excludes Rs. 1965 Thousand (P.Y Nil) towards FCCB issue related audit expenses debited to Securities Premium Account

**(ii) Managerial Remuneration**

a) Managerial Remuneration under Section 198 of the Companies Act, 1956.

Particulars	(Rs. in Thousand)	
	2007-2008	2006-2007
Salary	4,312	4,312
Allowances	40	40
Contribution to Provident Fund	28	28
<b>TOTAL</b>	<b>4,380</b>	<b>4,380</b>

b) The Company has been advised that the computation of net profits for the purpose of Director's remuneration under section 349 of the Companies Act, 1956 need not be enumerated since no commission has been paid to the Directors. Fixed monthly remuneration has been paid to the Directors as per schedule XIII of the Companies Act, 1956.

5. Interest and Finance Charges are net of interest subsidy received under TUFs scheme amounting to Rs.1696 Thousand (Previous year Rs.6087 Thousand).

6. On April 10, 2007 the Company has issued Zero Coupon Foreign Currency Convertible Bonds of US \$20 million. The Bonds are listed on the Singapore Exchange Securities Trading Limited. The Bonds are interest-free and convertible at any time on or after 10 May 2008 upto the close of business on 28 March 2012 by holders into newly issued fully paid equity shares with full voting rights with a par value of Rs.10 each of the Company at agreed upon Conversion Price (as defined in the "Terms and Conditions of the Bonds") of Rs.148.93 per Share.

Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed in US dollars on 11 April 2012 at 148.02 per cent of their principal amount. Premium on redemption of Foreign Currency Convertible Bonds are adjusted against the Securities Premium Account over the life of the Bonds.

The Company has utilized FCCB amount towards energy project as per the terms and conditioned mentioned in the FCCB issue.

#### 7. LEASES :

##### Operating Leases

The Company has taken on non-cancellable operating leases certain assets, for 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:

(Rs in Thousand)

Particulars	2007-2008	2006-2007
Rent of Retail Outlets	3,538	0

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

(Rs. in Thousand)

Particulars	2007-2008	2006-2007
Not later than one year	9,196	0
Later than one year not later than five years.	40,668	0
Later than 5 years	0	0

#### 8. Previous year's adjustments are as under:

(Rs in Thousand)

Particulars	2007-2008	2006-2007
<b>Income</b>		
Previous year expenses – Power and Fuel Expenses	1,715	0
Short accounting of income – Export Incentives	1,511	0
Total	3,226	0
<b>Expenses</b>		
Short accounting of expenses – Miscellaneous Expenses	50	70
Total	50	70
<b>Net Income / (Expenses)</b>	<b>3,176</b>	<b>(70)</b>

#### 9. Micro, Small and Medium Enterprises Dues:

The Company has not received information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act has not been given.

10. There is no amount due and outstanding as on 31st March, 2008 to be credited to Investor Education and Protection Fund.

**11. Derivative transactions:**

The company uses forward exchange contracts, principal only swaps, interest rate swaps, currency swaps and currency options to hedge its exposure in foreign currency and interest rates. The information on derivative instruments is as follows:

- a) There are no outstanding derivative instruments as on 31st March, 2008.  
b) Foreign currency exposure not covered by derivative instruments as on 31st March 2008:

(In Thousands)

Particulars	Amount (Foreign Currency)	Amount (Rs.)
Amount payable in foreign currency	\$ 20,351	813,417
	328	20,666
	¥ 45,347	18,175
Amount receivable in foreign currency	\$ 3,323	132,823

The Company does not use forward contracts for speculation purposes.

**12. EARNINGS PER SHARE:**

Particulars	As At 31.03.2008 Rs.	As At 31.03.2007 Rs.
Profit after tax and exceptional / non- recurring item as per Profit & Loss account.	5, 33, 89,175	30,35,01,220
Accumulated Preference Dividend and Dividend Tax	2, 28, 00,854	2,28,00,854
Exceptional / Non- recurring item (Net)	0	1,42,77,689
Profit available for Equity Share Holders	3,05,88,321	28,07,00,366
No of Equity Shares	23,459,800	23,459,800
Weighted Average Number of Equity Shares	23,459,800	22,732,498
Weighted Average Number of Equity Shares in computing diluted earnings per share	23,459,800	22,732,498
Basic and Diluted Earnings Per Share	1.30	12.35

**13. DEFERRED TAX:**

Major components of deferred tax are:

(Rs. in Thousand)

Particulars	As At 31.03.2008	As At 31.03.2007
<b>Deferred Tax Liability</b>		
Depreciation	199,975	199,975
<b>Deferred Tax Assets*</b>	0	0
<b>Deferred Tax Liability (Net)</b>	<b>199,975</b>	<b>199,975</b>

\*The deferred tax assets in respect of unabsorbed depreciation has not been recognised in absence of reasonable certainty that sufficient future taxable income will be available against which the same can be realised.

**14. 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**

(Rs. in Thousand)

Particulars	31.03.2008			31.03.2007		
	External Sales	Inter Segment Sales	Total	External Sales	Inter Segment Sales	Total
a. Segment Revenue						
Textile	2,317,721		2,317,721	2,455,192	0	2,455,192
Wind Mill	111,939		111,939	23,125	0	23,125
Power Plant		56,639	56,639	0	80,903	80,903
Segment Total	2,429,660	56,639	2,486,299	2,478,317	80,903	2,559,220
Eliminations			56,639			80,903
Total Revenue			2,429,660			2,478,317
b. Segment Result						
Textile			43,372			366,568
Wind Mill			49,106			14,449
Power Plant			(2,243)			19,431
Segment Total			90,235			400,448
Eliminations			2,243			19,431
Consolidated Total			92,478			381,017
Unallocable Corporate Exp/ (Income).			(91,281)			(42,886)
Profit Before Interest etc.			183,759			423,903
Interest paid (Net)			122,102			52,954
Profit Before Tax			61,657			370,949
Provision for Tax			8,268			67,448
Profit After Tax			53,389			303,501

c. Other Information

(Rs. in Thousand)

Particulars	As at 31.03.2008		As at 31.03.2007	
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
Textile	4,248,007	2,306,845	3,218,708	1,181,908
Wind Mill	1,219,559	1,164,838	902,753	915,528
Power Plant	151,019	127,951	122,956	81,892
Segment Total	5,618,585	3,599,634	4,244,417	2,179,328
Inter segment elimination	(1,398,945)	(1,398,945)	(426,217)	(426,217)
Unallocated Assets/Liabilities	19,140	272,548	29,588	280,947
Total	4,238,780	2,473,237	3,847,788	2,034,058

(Rs. in Thousand)

Particulars	31.03.2008			31.03.2007		
	Capital Expenditure	Depreciation	Non Cash Expenditure Other than Depreciation	Capital Expenditure	Depreciation	Non Cash Expenditure Other than Depreciation
Textile	266,318	148,277	1,407	814,754	149,769	22,222
Wind Mill	708,035	54,634	0	793,790	7,308	0
Power Plant	381	5,596	0	9,249	5,388	0
<b>Segment Total</b>	<b>974,734</b>	<b>208,507</b>	<b>1,407</b>	<b>1,617,793</b>	<b>162,465</b>	<b>22,222</b>

**B) Secondary Segment : Geographical Segment**

(Rs in Thousand)

Particulars	Within India		Outside India		Total	
	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	31.03.2008	31.03.2007	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Sales Revenue	2,085,710	2,239,063	343,950	239,254	2,429,660	2,478,317
Carrying amount of Segment Assets	4,105,537	3,787,778	133,243	60,010	4,238,780	3,847,788
Carrying amount of Segment Liabilities	1,620,980	1,982,336	852,258	51,722	2,473,238	2,034,058

**15. 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:

Employer's Contribution to Provident Fund 4,853 Thousand

**Defined Benefit Plan**

The employees' gratuity fund scheme managed by Life Insurance Corporation of India 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.

(Rs in Thousand)

Particulars	Gratuity	Leave
	(Funded)	Encashment (Unfunded)
a. Reconciliation of opening and closing balances of Defined Benefit obligation		
Defined Benefit obligation at beginning of the year	6,857	3,034
Current Service Cost	1,552	735
Interest Cost	549	243
Actuarial (gain)/ loss	1,240	(132)
Benefits paid	(1,290)	(1,735)
Defined Benefit obligation at year end	8,908	2,145

(Rs in Thousand)

Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
b. Reconciliation of opening and closing balances of fair value of plan assets		
Fair value of plan asset at beginning of the year	4,100	0
Expected return on plan assets	394	0
Actuarial gain/(loss)	20	0
Employer contribution	1,834	0
Benefits Paid	(1,290)	0
Fair value of plan assets at year end	5,058	0
Actual return on plan assets	9%	Nil
c. Reconciliation of fair value of assets and obligations		
Fair value of plan assets as at 31st March, 2008	5,058	0
Present value of obligation as at 31st March, 2008	8,907	2,145
Net Liability in the Balance Sheet	3,849	2,145
d. Expenses recognized during the year (Under the head "Employment Costs – Refer Schedule – 16)		
Current Service Cost	1,552	735
Interest Cost	549	243
Expected return on plan assets	(394)	0
Actuarial (gain) / loss	1,219	(132)
Net Cost	2,926	846
e. Investment Details -% Invested As At 31st March, 2008		
L.I.C. Group Gratuity(Cash Accumulation) Policy	100%	0%
f. Actuarial assumptions		
Mortality - LIC 1994-96 mortality tables		
Discount rate (per annum)	8%	8%
Rate of escalation in salary (per annum)	6%	6%

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. This being the first year of implementation, previous year figures have not been given.

- (b) During the year the Company has decided to adopt Accounting Standard (AS) 15 (Revised 2005) "Employee Benefits" issued by the Institute of Chartered Accountants of India. Accordingly the Company has adjusted Rs. 57.91 lakhs against the General Reserve in accordance with transitional provision of the said standard.

**16. 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:**

<b>Companies</b>	<b>Firms</b>
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

**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	Kasturan Arora
Chinmaya P. Arora	Bhriagu N. Arora
Jahanvi N. Arora	Parul K. Shah
Bela A. Shah	Pankil K. Shah

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

	(Rs. in Thousand)			
	Related Referred in 1 (a) above (Rs.)	Related Referred in 1 (b) above (Rs.)	Related Referred in 1 (c) above (Rs.)	Total (Rs.)
<b>Part I : Volume of transactions</b>				
Unsecured Loans Taken	<b>42,150</b>	<b>0</b>	<b>0</b>	<b>42,150</b>
	(46,293)	0	0	(46,293)
Fixed Deposits Taken	<b>0</b>	<b>0</b>	<b>5</b>	<b>5</b>
	(5,000)	(8,500)	(2,080)	(15,580)
Sale of Goods	<b>1,431,186</b>	<b>0</b>	<b>0</b>	<b>1,431,186</b>
	(1,590,664)	0	0	(1,590,664)
Machinery Rent	<b>31,440</b>	<b>0</b>	<b>0</b>	<b>31,440</b>
	(31,440)	0	0	(31,440)
Interest on Loans / FDs	<b>5,009</b>	<b>916</b>	<b>456</b>	<b>6,381</b>
	(9,184)	(1,464)	(326)	(10,974)
Remuneration	<b>0</b>	<b>4,380</b>	<b>0</b>	<b>4,380</b>
	0	(4,380)	0	(4,380)
Salary	<b>0</b>	<b>0</b>	<b>1,620</b>	<b>1,620</b>
	0	0	(1,620)	(1,620)
<b>Part II : Balance as at year end</b>				
Unsecured Loans	<b>65,500</b>	<b>0</b>	<b>0</b>	<b>65,500</b>
	(23,797)	0	0	(23,797)
Fixed Deposits	<b>5,000</b>	<b>9,550</b>	<b>4,735</b>	<b>19,285</b>
	(5,000)	(9,850)	(4,990)	(19,840)
Sundry Debtors	<b>135,533</b>	<b>0</b>	<b>0</b>	<b>135,533</b>
	(174,473)	0	0	(174,473)

Note : Figures in brackets represent previous year's amounts.

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

(Rs. in Thousand)

<b>Name of the related party</b>	<b>2007-2008</b>	<b>2006-2007</b>
<b>Loans taken</b>		
Ennbee Textiles Pvt.Ltd	6,500	12,778
Rentex Weavers Ltd	6,900	7,591
Shipa Fabrics Pvt.Ltd	1,500	5,459
Twenty First Century Mktg. Ltd.	25,650	11,581
Virendrabhai Bhogilal & Co.,	0	3,796
<b>Fixed Deposits taken</b>		
New Ahmedabad Synthetics Pvt. Ltd	0	5,000
Vinod P Arora	0	7,000
Renu Arora	0	650
Kasturan Rani P. Arora	0	320
<b>Sale of goods</b>		
Arora Agencies	497,486	537,198
Parmanand Vinodkumar	927,258	1,006,431
Pari Bhogilal Laxmichand	6,439	29,586
<b>Machinery Rent</b>		
Virendrabhai Bhogilal & Co.	15,720	15,720
Twenty First Century Mkt. Ltd.	12,120	12,120
<b>Interest on Loans / FDs</b>		
Vinod P Arora	862	1,003
Renu Arora	163	138
Ennbee Textiles Pvt. Ltd.	995	888
New Ahmedabad Synt. Pvt. Ltd.	451	1,630
Rentex Weavers Ltd	989	791
Twenty First Century Marketing Ltd.	1,642	1,716
Virendrabhai Bhogilal & Co.,	0	1,796
<b>Remuneration</b>		
Vinodbhai P Arora	1,920	1,920
Ashishbhai V Shah	1,500	1,500
Kalpeshbhai V Shah	960	960
<b>Salary</b>		
Nipunbhai V Arora	540	540
Pankajbhai V Arora	540	540
Pankilbhai K Shah	540	540

**17. QUANTITATIVE INFORMATION:**
**a) Class of Goods Manufactured**

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

**b) Licensed /Installed Capacity**

No. Particulars	2007-2008	2006-2007
i) Licensed Capacity	<b>Not Applicable</b>	Not Applicable
ii) Installed Capacity (As certified by the Management)		
Sizing (Mtrs. p.a.)	<b>600.00 Lacs</b>	600.00 Lacs
Weaving (Mtrs. p.a.)	<b>580.68 Lacs</b>	516.30 Lacs
Spinning (MT p.a.)	<b>25,500</b>	25,500
Wind Farm (MW)	<b>20.500</b>	8.500
Power Plant (MW)	<b>2.500</b>	2.500

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

No. Particulars	2007-2008 Quantity	2006-2007 Quantity
i) Cloth (Meters)*	<b>30,223,943</b>	31,314,566
ii) Garment (Pcs.)	<b>235,239</b>	158,666
iii) Wind Energy(KWH)	<b>27,017,932</b>	4,443,247

\*After adjustment of shrinkage 3,699,473 Meters ( Previous Year 3,805,566 Meters)

\*includes 310,196 Meters are captively consumed in Garment Division

\*Including weaving job-work done outside

**2) Sales**

Particulars	UOM	2007-2008		2006-2007	
		Quantity	Value Rs.	Quantity	Value Rs.
Cloth	<b>Meter</b>	<b>29,051,266</b>	<b>2,232,473</b>	29,732,576	2,381,561
Yarn Sales	<b>Kgs</b>	<b>64,750</b>	<b>4,302</b>	56,498	3,703
Wastage Yarn Sales	<b>Kgs</b>	<b>1,498,279</b>	<b>19,436</b>	1,956,520	23,769
Waste Cotton Sales	<b>Kgs</b>	<b>1,979,898</b>	<b>6,855</b>	1,933,392	7,384
Job Charges Cloth	<b>Meter</b>	<b>959,997</b>	<b>13,925</b>	0	0
Wind Energy	<b>Kwh</b>	<b>27,017,932</b>	<b>111,939</b>	4,443,247	23,125
Garment and Accessories Sales	<b>Piece</b>	<b>195,519</b>	<b>37,547</b>	167,691	34,951
Scrape etc. Sales			<b>3,183</b>		3,824
<b>TOTAL</b>			<b>2,429,660</b>		2,478,317

**3) Opening Stock of Finished Goods**

(Rs. in Thousand)

Particulars	2007-2008		2006-2007	
	Quantity	Value Rs.	Quantity	Value Rs.
Cloth (Mtrs)	2,856,184	171,901	1,451,291	92,659
Garment (Pcs)	19,622	2,664	28,647	2,206

**4) Closing Stock of Finished Goods**

(Rs. in Thousand)

Particulars	2007-2008		2006-2007	
	Quantity	Value Rs.	Quantity	Value Rs.
Cloth (Mtrs)	3,718,665	214,463	2,856,184	171,901
Garment & Accessories (Pcs)	100,633	16,896	19,622	2,664

**d) Details of Raw Material Consumed**

(Rs. in Thousand)

Sr. No.	Particulars	2007-2008		2006-2007	
		Quantity	Value Rs.	Quantity	Value Rs.
i)	Yarn Consumed (Kgs.) (Includes 15,822,892 Kgs Captively Consumed, Previous Year 16,667,646 Kgs)	19,137,002	340,745	19,583,502	321,614
ii)	Cotton Consumed (Kgs.)	17,838,176	870,018	17,383,455	731,545
iii)	Grey/Fabrics Consumed (Mtrs)	2,311,937	121,610	2,372,237	117,787

**e) Goods Traded in Purchases**

(Rs. in Thousand)

Sr. No.	Particulars	2007-2008		2006-2007	
		Quantity	Value Rs.	Quantity	Value Rs.
i)	Garment / Accessories (Pcs)	41,291	5,411	0	0

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

(Rs. in Thousand)

Sr. No.	Particulars	2007-2008		2006-2007	
		Indigenous	Imported	Indigenous	Imported
1)	<b>RAW MATERIALS</b>				
i)	Yarn % Consumption	340,745 100%	0	321,614 100%	0
ii)	Cotton % Consumption	870,018 100%	0	731,545 100%	0
iii)	Grey % Consumption	121,610 100%	0	117,787 100%	0

(Rs. in Thousand)

Sr. No.	Particulars	2007-2008		2006-2007	
		Indigenous	Imported	Indigenous	Imported
2)	<b>STORES &amp; SPARES</b>				
	Stores & Spares	56,754	11,771	54,550	11,290
	% Consumption	82.82%	17.18%	82.85%	17.15%
3)	<b>COLOUR &amp; CHEMICALS</b>				
	Colour & Chemicals	178,019	28,781	177,728	36,028
	% Consumption	86.08%	13.92%	83.14%	16.84%

(Rs. in Thousand)

Particulars	2007-2008	2006-2007
<b>g) CIF Value of Imports</b>		
Stores & Spare	11,771	11,290
Capital Goods	36,296	223,073
Colour & Chemical	28,781	36,028
<b>h) Expenditure in foreign currency</b>		
Traveling	333	184
Commission on Export Sales	6,563	10,746
Interest on Foreign Currency Loan	0	294
Professional Charges	5,100	5,100
Preference Dividend	0	19,489
Listing Fees	19	0
FCCB issue Expenses (Adjusted against Security Premium Account)	30,373	0
<b>i) Earnings in foreign currency</b>		
FOB value of Export Sales	318,986	235,554

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

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

As per our attached report of even date

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

Membership No. 34633

Place : Ahmedabad

Date : 30th June 2008

For Deloitte Haskins & Sells  
Chartered Accountants  
**Gaurav J. Shah**  
Partner

Membership No. 35701

For and On Behalf of the Board of Directors

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

**Krunal Bhatt**  
Company Secretary

Place : Ahmedabad

Date : 30th June 2008

**Ashish V. Shah**  
Managing Director

**Bhavik Pandit**  
Financial Controller



**AARVEE DENIMS AND EXPORTS LTD.**



**ADDITIONAL INFORMATION PURSUANT TO PART-IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>I. Registration Details</b>	
Registration No.	L17110GJ1988PLC010504
State Code	04
Balance Sheet Date	31-03-2008
<b>II. Capital Raised During the Year (Rs. in Thousand)</b>	
Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL
<b>III. Position of Mobilization and Deployment of Funds (Rs. in Thousand)</b>	
Total Liabilities	3,871,101
Total Assets	3,871,101
<b>Sources of Funds</b>	
Paid –up capital	384,511
Reserves & Surplus	1,381,031
Secured Loans	817,028
Unsecured Loans	1,088,556
Deferred Tax Liability	199,975
<b>Application of Funds</b>	
Net Fixed Assets	3,171,487
Investments	2,629
Net Current Assets	696,985
Accumulated Losses	0
<b>IV. Performance of the Company (Rs. in Thousand)</b>	
Turnover & Other Income	2,520,941
Total Expenditure	2,593,756
Profit/Loss Before Tax	58,481
Profit/Loss after Tax	53,389
Earning Per Share in Rs.	1.30
Dividend Rate % (Annualized)	0
<b>V. Generic Names of Principal Products / Services of the Company(As per monetary terms)</b>	
Product Description	Item Code No. (ITC Code)
1) Denim Fabrics.	52094200
2) Non Denim Cotton Fabric	520800/520900
3) Readymade Garments	610300/610400
4) Electrical Energy	N.A.

For and On Behalf of the Board of Directors

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

**Ashish V. Shah**  
*Managing Director*

**Krunal Bhatt**  
*Company Secretary*

**Bhavik Pandit**  
*Financial Controller*

Place : Ahmedabad

Date : 30th June 2008

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008**

(Rs In Thousand)

	Year ended 31.03.2008		Year ended 31.03.2007	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net profit before tax as per the Profit and Loss Account		<b>58,481</b>		371,019
<b>Adjustments for :</b>				
Depreciation	<b>208,507</b>		162,465	
Unrealised Foreign Exchange Fluctuation (Gain)/Loss	<b>(54,118)</b>		0	
Interest Expenses	<b>122,102</b>		52,954	
Profit on sale of Investments	<b>0</b>		(198)	
Dividend income	<b>(54)</b>		(86)	
Loss/(Profit) on sale of Fixed Assets	<b>79</b>		(14,137)	
Interest Received	<b>(14,242)</b>		(9,759)	
Provision for doubtful debts	<b>1,328</b>	<b>263,602</b>	0	191,239
Operating profit before working capital changes		<b>322,083</b>		562,258
<b>Adjustments for :</b>				
Trade Receivables	<b>(30,660)</b>		(140,814)	
Loans & Advances	<b>(18,595)</b>		70,822	
Inventories	<b>(24,912)</b>		(48,142)	
Trade Payables	<b>(693,275)</b>	<b>(767,442)</b>	777,934	659,800
Cash Generated From Operations		<b>(445,359)</b>		1,222,058
Prior Year Adjustments	<b>3,176</b>	<b>3,176</b>	(70)	(70)
Income Taxes Paid	<b>(31,221)</b>	<b>(31,221)</b>	(41,148)	(41,148)
Cash Flow before Extraordinary Items		<b>(473,404)</b>		1,180,840
Extraordinary Items (Specify)		<b>0</b>		0
<b>Net Cash From Operating Activities</b>		<b>(473,404)</b>		1,180,840
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets (incl. PreOperative Expenses)	<b>(483,905)</b>		(1,560,074)	
Sale of Fixed Assets	<b>175</b>		17,427	
Purchase of Investments	<b>0</b>		40,821	
Sale of Investments	<b>3</b>		0	
Dividend Received	<b>35</b>		86	
<b>Net Cash From Investing Activities</b>		<b>(483,692)</b>		(1,501,740)



**AARVEE DENIMS AND EXPORTS LTD.**



	Year ended 31.03.2008	Year ended 31.03.2007
(Rs In Thousand)		
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	0	75,264
Proceeds from issue of Foreign Currency Convertible Bonds (net of expenses)	825,063	0
Proceeds from Financial Institutions (Net)	250,138	86,420
Proceeds/ (Repayment) of Unsecured Borrowings (Net)	64,001	94,186
Interest & Finance cost	(122,102)	(52,954)
Proposed dividend paid	(36,525)	(29,563)
Interim Dividend paid	0	(12,821)
Interest Received	14,242	9,759
<b>Net Cash Generated in Financing Activities</b>	<b>994,817</b>	170,291
<b>Net changes in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>37,721</b>	(150,609)
Cash and Cash Equivalents at the beginning of the year	56,213	206,822
Cash and Cash Equivalents at the end of the year	93,934	56,213
	<b>37,721</b>	(150,609)

**Notes to the Cash Flow Statement**

- 1 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.
- 2 Cash and Cash equivalents consist of cash on hand and balances with banks.

As per our attached report of even date  
For N.C.Shah & Associates  
Chartered Accountants  
**Nitin C. Shah**  
Proprietor  
Membership No. 34633  
Place : Ahmedabad  
Date : 30th June 2008

For Deloitte Haskins & Sells  
Chartered Accountants  
**Gaurav J. Shah**  
Partner  
Membership No. 35701

For and On Behalf of the Board of Directors

**Vinod P. Arora**  
Chairman & Managing Director  
**Krunal Bhatt**  
Company Secretary

**Ashish V. Shah**  
Managing Director  
**Bhavik Pandit**  
Financial Controller

Place : Ahmedabad  
Date : 30th June 2008

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**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 Nineteenth Annual General Meeting of the Company at the Regd. office of the company at 10.30 a.m. on Monday, the 29th day of September, 2008.

\_\_\_\_\_ 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.

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**AARVEE DENIMS AND EXPORTS LTD.**

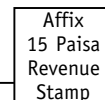
Regd. Off. 188/2, Ranipur Village, Opp. C.N.I. Church, Narol, Ahmedabad-382405 (India)  
Ph. : 30417000 Fax : 30417070 E-Mail : info@aarvee-denims.com

**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 Nineteenth General Meeting of the Company, to be held on Monday, the 29th day of September,  
2006 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008.  
Folio No. \_\_\_\_\_ / DP ID No.\* \_\_\_\_\_ & Client ID No.\* \_\_\_\_\_  
\* Applicable for members holding shares in electronic form.

No. of Shares \_\_\_\_\_ \_\_\_\_\_ Signature



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.

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Book - Post



*If undelivered please return to :*

**AARVEE DENIMS AND EXPORTS LTD.**

Regd. Off. 188/2, Ranipur Village,

Opp. C.N.I. Church, Narol,

Ahmedabad-382405 (India)

Ganapati, A'bad, Ph. (079) 26568111, 30024853