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| MD | <input checked="" type="checkbox"/> | | BKC | <input checked="" type="checkbox"/> |
| CS | <input checked="" type="checkbox"/> | | DPY | <input checked="" type="checkbox"/> |
| RO | <input checked="" type="checkbox"/> | | DIV | <input checked="" type="checkbox"/> |
| TRA | <input checked="" type="checkbox"/> | | AC | <input checked="" type="checkbox"/> |
| AGM | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | SHH | <input checked="" type="checkbox"/> |
| YE | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> |



AARVEE DENIMS AND EXPORTS LIMITED
EIGHTH ANNUAL REPORT
1995-97



4 ANNUAL REPORT

1995-97

DIRECTORS

Mr. VINOD P. ARORA — CHAIRMAN AND MANAGING DIRECTOR
Mr. ASHISH V. SHAH — MANAGING DIRECTOR
Mr. PARMANAND T. ARORA
Mr. ASHOK C. GANDHI
Mr. KALPESH V. SHAH
Mr. ARVIND D. SANGHVI
Mr. RAJESH P. ARORA
Mr. R. K. KAUL
Dr. MATHEW JOSEPH — NOMINEE DIRECTOR (ICICI LTD.)

CHIEF EXECUTIVE

Mr. DINESH J. SHAH

FINANCIAL CONTROLLER & COMPANY SECRETARY

Mr. SHREYAS PARIKH

BANKERS

BANK OF BARODA
DENA BANK

LEGAL ADVISER

Mr. ASHWIN L. SHAH

AUDITORS

N.C. SHAH & ASSOCIATES

REGISTERED OFFICE & MILLS :

188/2, RANIPUR VILLAGE
OPP. CNI CHURCH,
NAROL, AHMEDABAD - 382 405.

SPINNING UNIT

S. NO. 215-217, VILLAGE SARI,
SARKHEJ BAVLA HIGHWAY,
TA. SANAND,
DIST. AHMEDABAD.

AARVEE DENIMS AND EXPORTS LIMITED**DIRECTORS' REPORT :****TO THE MEMBERS**

The Directors hereby present the 8th Annual Report and the audited accounts for a period of 18 months ended on 31st March, 1997. The change in the accounting year was made for administrative convenience.

FINANCIAL RESULTS :

| | Rs. in lacs | |
|--|-------------------------------|-------------------------------|
| | 1995-97 (18 Months) Rs. | 1994-95 (12 Months) Rs. |
| Sales and other income | 9902.33 | 4023.27 |
| Gross Profit before Interest, Depreciation and Taxes | 1119.75 | 448.73 |
| Depreciation | 395.10 | 101.64 |
| Interest | 493.45 | 185.45 |
| Profit before tax | 231.20 | 161.40 |
| Profit after tax | 201.90 | 160.29 |
| Previous year adjustment | 0.32 | — |
| Add : Balance as per last Balance Sheet | 189.67 | 119.33 |
| Profit available for appropriation | 391.89 | 279.67 |
| Which the Directors have appropriated as under, to : | | |
| (i) Proposed Dividend on Equity Shares | — | 75.00 |
| (ii) General Reserve | — | 15.00 |
| | | 90.00 |
| Leaving a balance to be carried forward | 391.89 | 189.67 |

DIVIDEND :

In view of expansion in the dyeing-sizing capacity during the period under review, necessitating further expansion in the weaving capacity immediately, your directors have reluctantly decided not to recommend any dividend for the period ended on 31st March, 1997 to conserve resources for the said expansion.

YEAR IN RETROSPECT :

During the year under review, the sales has gone-up by 63% on an annualised basis compared to previous year. The profit after tax is on the lower side mainly due to high depreciation and taxation. However, the cash accruals have been maintained.

The year proved to be very important in the history of the Company in view of the commissioning of Spinning Plant and Sucker Muller Dyeing Sizing Range.

SPINNING PLANT :

Your directors have pleasure in informing you that the spinning plant to manufacture cotton yarn started commercial production from 1st January, 1997. This is one of the most modern spinning plants equipped with sophisticated automatic imported machines.

The quality of the yarn produced has been found to be excellent and the plant is consistently operating at above 90% efficiency level right from the beginning.

EXPANSIONS :**DYEING - SIZING :**

During the year under review, the dyeing-sizing capacity got doubled, due to the commissioning of Sucker Muller Dyeing Sizing range in December, 96. The said range, which was procured at a very competitive price, has started functioning quite satisfactorily right from the beginning.

WEAVING :

To match with the increased Dyeing-Sizing Capacity, your directors decided to add 24 nos. High Speed Tsudakoma Airjet Looms. Out of these, 15 Looms have already been installed and have started commercial production w.e.f. 1st August, 1997. The balance 9 looms are expected to start commercial production from 1st February, 1998.

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Your directors are happy to inform you that now with the availability of sophisticated machines in all the processes, the denim manufactured by your company conforms fully to the quality expected by International Market. During the first four months of current year, the company has exported fabrics worth more than Rs. 400 lacs and your directors plan to aggressively tap the international market in the coming years.

Your Directors wish to inform you that from 1st March, 1998, the Denim Plant of the Company will start producing about 50,000 mtrs. per day, making your company as one of the leading producers of denim in India. The results of all expansions will substantially reflect in results of the current year and fully in 1998-99. Your Directors are confident to post very good results in the current year and even better in 1998-99.

PUBLIC ISSUE :

Your company made a Public Issue of 3,00,000 Zero Interest Unsecured Fully Convertible Debentures of Rs. 100/- each for cash at par to part finance the Spinning Project which was subscribed almost fully.

SUBSIDIARY COMPANY :

During the year under review, M/s. Pee Vee Synthetics Ltd. ceased to be the subsidiary company.

DIRECTORS :

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ashok C. Gandhi is liable to retire by rotation and is eligible for re-appointment.

AUDITORS :

You are requested to appoint auditors to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.

PROMISES VS. PERFORMANCE

(in terms of clause 43 of the Listing Agreement)

The Company had given projections for the year ended on 30-09-97, 30-9-98 and 30-09-99 in Prospectus dated 4th October, 1996. Subsequently, the company has changed its financial year and since these accounts are for a period of 18 months, the comparison of promises vs. performance is not possible. However, next year the comparison will be given for a period of 12 months.

DEPOSITS :

During the year under review, the company has accepted fixed deposits to the tune of Rs. 115.00 lacs.

INSURANCE :

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

PARTICULARS OF EMPLOYEES :

There are no employees drawing a remuneration of not less than Rs. 3,00,000/- per financial year and not less than Rs. 25,000/- per month and hence no information is given as required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY 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 to this Report.

ACKNOWLEDGMENTS :

Your Directors wish to place on record their deep appreciation for the continued co-operation and support given by the Bankers, Financial Institutions, Customers and most importantly, for the services of the devoted staff, workers and executives of the company.

Place : Ahmedabad
Date : 01-09-1997

By Order of the Board,

Vinod P. Arora
Chairman

AARVEE DENIMS AND EXPORTS LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

FORM "A"

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

| | | Current Year | Previous Year |
|--|--|--------------|---------------|
| | | 1995-97 | 1994-95 |
| | | (18 Months) | (12 Months) |
| A. Power & Fuel Consumption. | | | |
| 1. Electricity | | | |
| a) Purchased | | | |
| Units (KWH in Lacs) | | 81.28 | 43.14 |
| Total Amount (Rs. in lacs) | | 256.35 | 107.25 |
| Rate / Unit (Rs.) | | 3.15 | 2.48 |
| b) Own generation | | | |
| (Through Diesel Generator) | | | |
| Unit, (in lacs) KWH | | 20.91 | 0.83 |
| Fuel Cost/Unit KWH | | 2.91 | 2.24 |
| 2. Coal (Used in steam) | | | |
| Quantity (Kgs.) | | NiL | NiL |
| Total Cost (Rs.) | | NiL | NiL |
| Average Rate (Rs. per kg.) | | NiL | NiL |
| 3. Furnace Oil | | | |
| Quantity (ltrs. in lacs) | | 27.07 | 13.14 |
| Total Amount (Rs. in lacs) | | 178.26 | 81.65 |
| Average Rate (Rs. per ltr) | | 6.59 | 6.21 |
| 4. Others / Internal generation | | NiL | NiL |
| B. Consumption per unit of production | | | |
| Particulars | | Fabric | Yarn |
| | | (Per Mtr.) | (Per kg.) |
| 1. Electricity (KWH) | | 2.11 | 0.71 |
| | | (1.15) | (NiL) |
| 2. Furnace Oil (Ltrs) | | 1.15 | — |
| | | (1.65) | — |
| 3. Coal (Kg.) | | — | — |
| 4. Others | | — | — |

(Previous year's figures have been given in brackets and modified wherever necessary)

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FORM "B"

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research and Development (R&D)

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

Research and Development activities of the company remained centred around change of product mix, optimising processing parameters, and energy conservation.

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

- a) New Products mix have been effected
b) Cost reduction and better realisation

3. Future plan of action.

Main thrust 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.

| | Rs. in lacs |
|---|-------------|
| a) Capital | NIL |
| b) Recurring | NIL |
| c) Total | NIL |
| d) Total R & D Expenditure as a percentage of total turnover | NIL |

Technology absorption, adaptation and innovation.

1. Efforts, in brief, made towards technology absorption, adaptation and innovation.

The company uses indigenous technology.

2. Benefits derived as a result of the above efforts.

Not applicable.

3. Information regarding technology imported during the last five years.

Not applicable.

Foreign Exchange Earnings and Outgo.

1. Activities relating to exports, initiatives taken to increase exports and export plans. Mentioned
in the Directors' Report

2. Total foreign exchange used and earned (1995-97)

| | Rs. in lacs |
|--------------------------------------|-------------|
| (i) CIF value of Imports | 1898.66 |
| (ii) Expenditure in foreign currency | 52.75 |
| (iii) Foreign exchange earned | 415.57 |

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

We have audited the attached Balance Sheet of AARVEE DENIMS AND EXPORTS LIMITED as at 31st March, 1997 and also annexed Profit and Loss Account of the Company for the period 1st October, 1995 to 31st March, 1997 and report as under :

- (1) 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.
- (2) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of these books.
- (3) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (4) In our opinion and to the best of our information and according to the explanations given to us the accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 1997 and
 - (ii) in the case of the Profit and Loss Account of the Profit of the Company for the period 1st October 1995, to 31st March, 1997.
- (5) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit we state that in our opinion :
 - (1) The company has maintained proper records showing full particulars including quantitative details and situation of all its fixed assets. As explained to us, all fixed assets have been physically verified during the year by the management. According to information and explanations given to us, no material discrepancies have been noticed on such verification as compared to book records.
 - (2) None of the Fixed Assets have been revalued during the year.
 - (3) The stock of finished goods, stores, spare-parts and raw materials have been physically verified at year end by the management.
 - (4) In our opinion and according to the information and explanations given to us, the procedure of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (5) The discrepancies noticed on physical verification of stocks as compared to book records were not material and have been properly dealt with in the books of account.
 - (6) In our opinion, the valuation of stock is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
 - (7) The company has taken unsecured loans from the companies and firms listed in the register maintained under section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company. The Company has not taken any loans from the Companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
 - (8) The company has not granted any loans during the year to firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
 - (9) The Company has given interest free loans to its employees who are repaying the principal amount as stipulated.
 - (10) In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.

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- (11) According to the information and explanations given to us, the transactions of purchase and sale of goods and materials made in pursuance of contracts or agreements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 50,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials or the prices at which transactions for similar goods have been made with other parties.
- (12) As explained to us unserviceable or damaged stores, raw materials and finished goods are determined by the management and adequate provisions have been made in the accounts for the loss so determined :
- (13) According to the information and explanation given to us the company has complied with provisions of Section 58-A of the Companies Act, 1956 and Companies (Acceptance of Deposits) Rules 1975 with regard to public Deposit.
- (14) The company does not have any by product. The company accounts for sale of realisable scrap which is not significant on cash basis.
- (15) In our opinion, the company's present internal audit system is commensurate with its size and nature of business.
- (16) We are informed that the cost records prescribed for the Company by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 are not yet compiled.
- (17) During the year the company has generally regularly deposited Provident Fund and ESI dues with appropriate authorities.
- (18) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth-Tax, Sales-Tax, Custom Duty and Excise Duty outstanding for a period of more than six months as at 31st March, 1997 from the date they become payable.
- (19) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
- (20) The company is not a Sick Industrial Company within the meaning of clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.



For N. C. SHAH & ASSOCIATES
CHARTERED ACCOUNTANTS

Place : Ahmedabad.
Date : 01-09-1997.

NITIN C. SHAH
PROPRIETOR