



# **AARVEE DENIMS AND EXPORTS LIMITED**

**12th ANNUAL REPORT  
2000-2001**

**AARVEE DENIMS AND EXPORTS LIMITED**



**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. KAUSHIK C. PATEL	- NOMINEE DIRECTOR (GIIC LTD.)
Mr. D.K. PAL	- NOMINEE DIRECTOR (ICICI LTD.)
Mr. J. P. JOSHIPURA	- NOMINEE DIRECTOR (GSFC)

**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.  
E-mail : aarvee@ad1.vsnl.net.in  
E-mail : amtex@satyam.net.in  
Website : www.aarvee-denims.com

**SPINNING UNIT**

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

**DELHI OFFICE :**

417, KUCHA BRIJNATH,,  
CHANDNI CHOWK, DELHI - 110 006.

**MUMBAI OFFICE :**

A-22, SITARAM BLDG., NR. CRAWFORD MARKET,  
MUMBAI - 400 001.

**12TH ANNUAL REPORT****2000-2001****DIRECTORS' REPORT****TO THE MEMBERS**

The Directors hereby present the 12th Annual Report and the audited accounts for the year ended on 31st March, 2001.

**FINANCIAL RESULTS**

	Rs.in lacs	
	2000-01 Rs.	1999-2000 Rs.
Sales		
- Denim	6950.58	6362.73
- Yarn	3553.69	3319.47
Other Income ( Sale of DEPB Licences)	148.94	19.62
Gross Profit before Interest, Depreciation and Taxes	1194.47	874.28
Depreciation	282.22	273.80
Interest	900.71	923.06
Profit/(Loss) before tax	11.54	(322.58)
Profit/(Loss) after tax	11.54	(322.58)

**DIVIDEND :**

In view of the inadequacy of profit, your directors have decided not to recommend any dividend for the year ended on 31st March, 2001.

**YEAR IN RETROSPECT :**

Your Directors' optimism expressed in the last years' Directors' Report regarding the industry turnaround and improvement in the results of the Company has proved to be correct.

There has been a marked improvement in the performance of the Company mainly due to significant growth in exports and change in product mix, which resulted in higher average realisation.

Your company achieved a turnover of Rs.10,504.27 lacs, comprising of Rs.6,950.58 lacs of Denim and Rs.3,553.69 lacs of yarn, as against Rs.9,682.20 lacs achieved in previous year comprising of Rs.6,362.73 lacs of Denim and Rs.3,319.47 lacs of yarn. The Company earned a net profit of Rs.11.54 lacs as against the net loss of Rs.322.58 lacs in the previous year. The Company achieved exports turnover of Rs.2,983.74 lacs as against Rs.1,229.82 lacs in the previous year. The other income of Rs. 148.94 lacs is mainly due to sale of DEPB licences received by the company due to higher exports.

During the year under review additional looms and some balancing machines have been installed. Further during the current year also, additional looms and balancing machines are being installed. This has considerably increased the installed capacities, both in weaving and spinning and this will result in the production going up by about 35 to 40 %.

Given the surge in demand of denim in the Global markets, coupled with enhanced capacities and higher average realisations, the company is expected to improve its performance in the current year.

**CORPORATE GOVERNANCE**

Though Clause 49 of the Listing Agreement with the Stock Exchanges regarding Corporate Governance is applicable to the company w.e.f. 31st March, 2002, a compliance report on Corporate Governance has been annexed as part of the Annual Report.

**DIRECTORS :**

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri Arvind D. Sanghvi 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.

**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 had been followed;

**AARVEE DENIMS AND EXPORTS LIMITED**

(ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

(iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the Directors had prepared the annual accounts on a going concern basis.

**COST AUDITORS**

The Central Government has directed your Company, pursuant to the provisions of Section 233B of the Companies Act, 1956, to carry out an audit of the Company's cost accounts. Accordingly, your Directors have approved the appointment of Messrs. N.D.Birla & Co., a firm of cost accountants, to conduct the audit for the year ending March 31, 2001.

**DEPOSITS :**

During the year under review, the company has accepted fixed deposits to the tune of Rs. 28.15 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 is no employee drawing a remuneration of more than Rs.1,00,000/- per month.

**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 II of 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 : 30/06/2001

By Order of the Board,

VINOD P. ARORA  
CHAIRMAN



**12TH ANNUAL REPORT****2000-2001**

## ANNEXURE - II

**FORM "A"****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

		CURRENT YEAR 2000-2001	PREVIOUS YEAR 1999-2000	
<b>A. Power &amp; Fuel Consumption</b>				
<b>1. Electricity</b>				
a)	Purchased			
	Units (KWH in lacs)	143.28	73.30	
	Total Amount (Rs.in lacs)	642.49	314.67	
	Rate/Unit (Rs.)	4.48	4.29	
b)	Own generation			
	(Through Diesel Generator)			
	Unit, (in lacs) KWH	45.75	88.86	
	Fuel Cost/Unit KWH	4.11	3.31	
<b>2) Coal (Used in steam)</b>				
	Quantity (Kgs.in lacs)	41.72	NIL	
	Total Cost (Rs.in lacs)	50.41	NIL	
	Average Rate (Rs.per Kg.)	1.21	NIL	
<b>3) Furnace Oil</b>				
	Quantity (Ltrs.in lacs)	5.25	11.16	
	Total Amount (Rs.in lacs)	59.12	124.48	
	Average Rate (Rs.per ltr.)	11.26	11.15	
<b>4) Others/Internal generation</b>				
		NIL	NIL	
<b>B. Consumption per unit of production</b>				
Particulars	Current Year		Previous Year	
	Fabric (Per Mtr.)	Yarn (Per Kg.)	Fabric (Per Mtr.)	Yarn (Per Kg.)
1. Electricity (Rs.)	5.17	5.18	3.93	4.38
2. Furnace Oil (Rs.)	0.59	NIL	1.36	NIL
3. Coal (Rs.)	0.51	NIL	NIL	NIL
4. Others	NIL	NIL	NIL	NIL

**FORM "B"****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****Research and Development (R&D)**

- Specific areas in which R & D carried out by the company.  
Research and Development activities of the company remained centred around change of products mix, optimising processing parameters, and energy conservation.
- Benefits derived as a result of the above R & D :
  - New Products mix have been effected
  - Cost reduction and better realisation

**AARVEE DENIMS AND EXPORTS LIMITED**

## 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

Mentioned

taken to increase exports and export plans

in the Directors' Report

## 2. Total foreign exchange used and earned (2000-2001)

Rs. in lacs

(i) CIF value of Imports	351.48
(ii) Expenditure in foreign currency	43.04
(iii) Foreign Exchange Outgo on account of Repayment of Loan	—
Total foreign exchange used	394.52
(iii) Foreign exchange earned	2224.63

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**12TH ANNUAL REPORT****2000-2001****MANAGEMENT'S REVIEW OF BUSINESS**

The denim industry is an important segment in textiles industry. Denim is the only fabric that is universal and which has acceptance from people of all ages.

The industry which passed through a difficult period in the year 1998 and 1999 started turning around during the first quarter of year 2000. Since then the market has witnessed steady growth in demand and it is expected that this trend will continue at least for a period of two years from now.

**OPERATION ANALYSIS**

The Company's gross profit margin improved from 11.73% in the last year to 14.17% in the year under review, mainly because of the higher average realisation.

Interest expenses decreased from Rs.923.06 lacs to Rs.900.71 lacs, because of prepayment of some of the high cost loans. The depreciation charge was Rs.282.22 lacs as against Rs.273.80 lacs in the previous year. The company earned a net profit of Rs.11.54 lacs in the year under review compared to a net loss of Rs.322.58 lacs in the previous year.

The details of production and sales during the year are given below:

Particulars	2000-01	1999-2000
Production (Lac mtrs.)	99.90	91.29
Sales Volume (Lac mtrs)	100.08	101.05
Turnover (Rs.in lacs)		
Domestic	3967.00	5133.00
Exports	2984.00	1230.00
<b>Total</b>	<b>6951.00</b>	<b>6363.00</b>

**MAJOR CAPITAL EXPENDITURE DURING THE YEAR UNDER REVIEW:**

The following table highlights the major capital expenditure incurred during the year to increase the capacities in Spinning and Weaving.

Sr. No.	Particulars of Capital Asset	Total Cost Rs.	Means of Finance
1.	6 Nos.Tsudakoma Air Jet Looms	118.00	Cash Accruals
2.	1 No. Schlafhorst Autocoro (S.H.)	78.00	Cash Accruals
3.	1 No.Laxmi Draw Frame & other accessories	35.80	Cash Accruals
4.	Utilities like Air Compressors, Boiler & D.G. Set	48.08	Cash Accruals
	<b>TOTAL</b>	<b>279.88</b>	

**PRODUCT DEVELOPMENT**

The Company has developed innovative denim range of polyester denim and lurex denim, which are light weight and soft feel denims, mainly used in ladies and children garments.

Over and above this, the company is also manufacturing stretch denim and slub denim, which are in very good demand in global markets.

The Company hopes to achieve substantially higher margins from these value added products.

**GROWTH STRATEGY**

The Company's penetrated marketing strategy and its strong relationships with dealers and wholesalers in northern India has helped maintain its market share in domestic market. The company's emphasis has been to consolidate the existing local markets as well as explore and develop the export market for the products. Since the cost of production of denim in American & European markets is much higher, the whole production base for denim is shifting towards Asian countries, more particularly India. The company, with the additional capacities now in place, is fully geared to take advantage of this situation.

**AARVEE DENIMS AND EXPORTS LIMITED****CORPORATE GOVERNANCE REPORT**

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

**A. MANDATORY REQUIREMENTS****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

The Company has consistently sought to improve its focus on corporate governance by increasing transparency and accountability to its shareholder and other stakeholders.

The company wishes to contribute maximum to the society, acting with integrity towards its shareholders, customers, employees, the government and its business partners.

**2. BOARD OF DIRECTORS('Board').**

The Board consists of ten members comprising:

4 Promoter Executive Directors including the Chairman

1 Promoter Non-Executive Director

3 Independent, Non-Executive, Nominee Directors representing FIs

2 Independent Non-Executive Directors

**Number of Board meetings held and the dates on which held:**

Four Board meetings were held during the year 2000-2001, on April 27, August 2, October 21, and January 31.

**Attendance of each Director at the Board meetings and the Annual General Meeting:**

Name of the Director	Category	No.of Board Meetings attended	Out of	Attendance at the AGM
Shri Vinod P. Arora	Promoter, Executive	3	4	Present
Shri Ashish V. Shah	Promoter, Executive	4	4	Present
Shri Ashok C. Gandhi	Independent, Non-Executive	2	4	Absent
Shri Kaushik C. Patel (Nominee of GILC Ltd.)	Independent, Non-Executive	4	4	Absent
Shri Arvind D Sanghvi	Independent, Non-Executive	0	4	Absent
* Shri Parmanand T. Arora	Promoter, Non- Executive	0	4	Absent
Shri Kalpesh V. Shah	Promoter, Executive	3	4	Present
Shri D.K. Pal (Nominee of ICICI Ltd)	Independent, Non-Executive	1	3	Absent
Shri J. P. Joshipura (Nominee of GSFC)	Independent, Non-Executive	3	4	Absent
* Shri Rajesh P. Arora	Promoter, Executive	0	4	Absent

\* Both these directors are based at Delhi & looks after the day to day marketing.

**3. AUDIT COMMITTEE****Broad Terms of Reference**

The broad terms of reference of the Audit Committee include:

- To supervise financial reporting process and to ensure financial and accounting control.
- To ensure compliance with the accounting policies of the Company.
- To interact with the internal and statutory auditors to ascertain the quality and veracity of company's transactions and to review the manner in which they are performing their responsibilities.
- To review the internal audit function.
- To review and discuss the financial statements before they are presented to the Board of Directors.

During the financial year 2000-2001, the Audit Committee met on three occasions. The meetings were held on 8th April,2000, 31st July,2000 & 23rd January, 2001. The present composition and attendance of the members of the Committee is as follows.



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2000-2001

## ANNEXURE - II

## FORM "A"

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