



DIRECTORS

- Mr. VINOD P. ARORA
 - Mr. ASHISH V. SHAH
 - Mr. PARMANAND T. ARORA
 - Mr. ASHOK C. GANDHI
 - Mr. KALPESH V. SHAH
 - Mr. ARVIND D. SANGHVI
 - Mr. RAJESH P. ARORA
 - Mr. KAUSHIK C. PATEL
 - Mr. D.K. PAL
 - Mr. J. P. JOSHIPURA
- CHAIRMAN AND MANAGING DIRECTOR
 - MANAGING DIRECTOR

 - NOMINEE DIRECTOR (GIIC LTD.)
 - NOMINEE DIRECTOR (ICICI BANK LTD.)
 - NOMINEE DIRECTOR (GSFC)

CHIEF EXECUTIVE

Mr. DINESH J. SHAH

FINANCIAL CONTROLLER & COMPANY SECRETARY

Mr. SHREYAS PARIKH

BANKERS

BANK OF BARODA

DENA BANK

PUNJAB NATIONAL 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 : aarveead1@sancharnet.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.

13TH ANNUAL REPORT

2001-2002

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in placing before you their 13th Annual Report and Accounts for the year ended March 31, 2002.

OPERATIONAL OVERVIEW

The year in retrospect was a tough one for the Indian Industry in general. Unfortunately a number of events like attack on W.T.C. on 11th Sept, attack on Indian Parliament on 13th December and more particularly recent disturbances in Ahmedabad and the state of Gujarat, had a dampening effect on the business sentiments of the industry. We are however pleased to inform you that in spite of these adversities, the company has performed well.

The fabric turnover was higher by 43.87 % at Rs.9999.71 lacs (Rs. 6950.58 lacs). Both Domestic Sales and Export Sales were higher by 37.26 % and 52.66 % respectively. The net profit jumped to Rs. 517.54 lacs as against Rs.11.54 lacs in the previous year. The main reasons which contributed to this excellent performance were optimum capacity utilisation due to revival of demand, higher exports, low cotton prices and better realisation through value added products.

In view of larger exports and better realisations, your Directors are hopeful for better performance in the current year.

APPROPRIATIONS

An amount of Rs.225.00 lacs is credited to the Debenture Redemption Reserve.

DIVIDEND

In view of the inadequacy of the distributable profit, your directors have decided not to recommend any dividend for the year ended 31st March, 2002.

EXPANSION

It is proposed to expand the capacity by 8.25 million mtrs p.a. which is expected to be operational by January 2003.

CORPORATE GOVERNANCE

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, 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 Parmanand T. Arora retire by rotation and being eligible, offer himself for re-appointment.

AUDITORS :

M/s.N.C. Shah & Associates, Chartered Accountants, Statutory Auditors retire and are eligible for reappointment. You are requested to appoint Auditors.

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

COST AUDITORS

Messrs. N.D.Birla & Co., a firm of Cost Accountants, have been appointed as Cost Auditors to conduct the cost audit for the year ending March 31, 2002.

DEPOSITS :

During the year under review, the company has accepted fixed deposits to the tune of Rs. 90.76 lacs. There are no unclaimed deposits.

AARVEE DENIMS AND EXPORTS LIMITED**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.2,00,000/- 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

By Order of the Board,

Date : 29/06/2002

VINOD P. ARORA
CHAIRMAN

ANNEXURE - II

FORM "A"

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 2001-2002	PREVIOUS YEAR 2000-2001
A. Power & Fuel Consumption		
1. Electricity		
a) Purchased		
Units (KWH in lacs)	135.20	143.28
Total Amount (Rs.in lacs)	644.70	642.49
Rate/Unit (Rs.)	4.76	4.48
b) Own generation (Through Diesel Generator)		
Unit, (in lacs) KWH	84.66	45.75
Fuel Cost/Unit KWH	3.50	4.11
2) Coal (Used in steam)		
Quantity (Kgs.in lacs)	71.40	41.72
Total Cost (Rs.in lacs)	91.87	50.41
Average Rate (Rs.per Kg.)	1.28	1.21
3) Furnace Oil		
Quantity (Ltrs.in lacs)	5.38	5.25
Total Amount (Rs.in lacs)	46.96	59.12
Average Rate (Rs.per ltr.)	8.73	11.26
4) Others/Internal generation	NIL	NIL

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2001-2002

B. Consumption per unit of production

Particulars	Current Year		Previous Year	
	Fabric (Per Mtr.)	Yarn (Per Kg.)	Fabric (Per Mtr.)	Yarn (Per Kg.)
1. Electricity (Kwh)	1.09	1.24	1.06	1.22
2. Furnace Oil (Ltr.)	0.045	NIL	0.48	NIL
3. Coal (Kg.)	0.60	NIL	0.39	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
- 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.
- 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.

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

Foreign Exchange Earnings and Outgo.

- Activities relating to exports, initiatives taken to increase exports and export plans
Mentioned in the Directors' Report
- Total foreign exchange used and earned (2001-2002)

	Rs. in lacs
(i) CIF value of imports	1072.79
(ii) Expenditure in foreign currency	135.32
(iii) Foreign Exchange outgo on account of repayment of loan	—
Total foreign exchange used	1208.11
(iii) Foreign exchange earned	4350.35

AARVEE DENIMS AND EXPORTS LIMITED**MANAGEMENT'S REVIEW OF BUSINESS****OVERVIEW**

The year in retrospect for the Indian industry in general was a difficult one and the problems were further compounded with the business sentiments adversely affected by terrorist attacks in USA and India and disturbances in Ahmedabad and the City of Gujarat. However, the Company has performed well, inspite of these adversities.

PERFORMANCE AND REVIEW OF OPERATIONS

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

Particulars	2001 - 02	2000 - 01
Production (Lac mtrs.)	118.40	99.90
Sales Volume (Lac mtrs)	120.92	100.08
Fabric Sales (Rs.in lacs)		
Domestic	Rs. 5444.78	Rs 3966.84
Exports	4554.93	2983.74
Total	<u>9999.71</u>	<u>6950.58</u>

There has been significant improvement in performance with both domestic and export sales registering a growth of 37.26% and 52.66% respectively. The profitability has improved due to better price realisation per metre

INDUSTRY OUTLOOK

The denim industry has seen a buoyancy in demand and it is expected to continue for sometime to come. Your company is well placed to take advantage of this situation with subdued cotton prices, optimum capacity utilisation and innovative product range.

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.

(Rs. in lacs)

Sr. No.	Particulars of Capital Asset	Total Cost Rs.	Means of Finance
1.	1 No. Schlafhorst Autocoro M/c (S.H.)	68.31	Cash Accruals
2.	Amsler attachment to Autocoro	38.53	Cash Accruals
3.	3 Nos. Laxmi Carding M/cs.	60.82	Cash Accruals
4.	4 Nos. Tsudakoma AirJet Looms	82.79	Cash Accruals
5.	2 Nos. 1 MV Power Plant (S.H.)	80.00	Cash Accruals
6.	2 Nos. Air Compresso:s	34.49	Cash Accruals
	TOTAL	<u>364.94</u>	

GROWTH STRATEGY

The Company's strategy of consolidating existing domestic markets and expanding global markets is yielding the desired results.

EXPANSION

The Company is in the process of expanding its capacity by further 8.25 million metres in the current year, to cater to the growth in demand.

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 shareholders 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.

In the last Annual Report, the Company had outlined the procedures and practices of Corporate Governance that are followed and the steps taken to ensure transparency and accountability. Your Company continues to follow procedures and practices in conformity with the Code of Corporate Governance enshrined in the Listing Agreement.

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 2001-2002, on June 30, 2001 July 28, 2001, October 27, 2001, and January 18, 2002.

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

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

- a) To supervise financial reporting process and to ensure financial and accounting control.
- b) To ensure compliance with the accounting policies of the Company.
- c) 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.
- d) To review the internal audit function.
- e) To review and discuss the financial statements before they are presented to the Board of Directors.

During the financial year 2001-2002, the Audit Committee met on three occasions. The meetings were held on 23rd June, 2001, 18th January, 2002 & 16th February, 2002. The present composition and attendance of the members of the Committee is as follows.

AARVEE DENIMS AND EXPORTS LIMITED

Members	No. of meetings attended
Shri Kaushik C. Patel	3
Shri J. P. Joshipura	3
Shri Ashok C. Gandhi	2

4. REMUNERATION COMMITTEE

Presently, there is no Remuneration Committee.

The remuneration structure of the Managing and the Wholtime Directors comprises of consolidated salary and allowances. The Managing and Wholtime Directors are paid remuneration as per the agreement entered into between them and the Company and subject to the approval of the Board and of the Company in general meeting and such other approvals as may be necessary.

The aggregate value of salary and perquisites paid to the Managing/Wholtime Directors for the financial year ended March 31, 2002 is as under:

1. Mr. Vinod P. Arora, Chairman & Managing Director	Rs. 2,61,000
2. Mr. Ashish V. Shah, Managing Director	Rs. 2,61,000
3. Mr. Kalpesh V. Shah, Wholtime Director	Rs. 2,70,000
4. Mr. Rajesh P. Arora, Wholtime Director	Rs. 2,10,000

The sitting fees paid during the financial year 2001-02 for attending the Board & Committee Meetings are as follows:

Shri Kaushik C. Patel	Rs. 8500/-
Shri J. P. Joshipura	Rs. 6500/-
Shri Ashok C. Gandhi	Rs. 7500/-
Shri Arvind D Sanghvi	Rs. 3000/-
Shri D. K. Pal	Rs. 3000/-

No sitting fees were paid to any of the other Directors.

5. SHAREHOLDERS 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 and debentures, issue of duplicate share/debenture certificate and review the status of investors' grievances and redressal mechanism and recommend measures to improve the level of investor services. Details of shares/debentures transfer/transmissions approved by the Committee are placed at the Board Meetings from time to time.

COMPOSITION

The constitution of the Committee of Directors is as under:

1. Shri Vinod P. Arora	Chairman	Promoter, Executive
2. Shri Ashish V. Shah	Member	Promoter, Executive
3. Shri Kalpesh V. Shah	Member	Promoter, Executive

COMPLIANCE OFFICER

Mr. Shreyas Parikh, Financial Controller and Company Secretary - has been designated by the Board as the Compliance Officer as per the Listing Agreement.

DETAILS OF SHAREHOLDERS' COMPLAINTS RECEIVED, NOT SOLVED AND PENDING SHARE TRANSFERS.

The total number of complaints received and replied to the satisfaction of shareholders during the year was 50. No Complaint is outstanding as on March 31, 2002.

6. GENERAL BODY MEETINGS

Location and time for last three Annual General Meeting are given below:

Year	AGM/EGM	Location	Date	Time
1998-1999	AGM	188/2 Ranipur Village Opp.CNI Church Narol, Ahmedabad-382 405	September 27,1999	11.00 a.m.
1999-2000	AGM	ICSI-Maneklal Mills Complex, S-2 B-Tower, Chinubhai Tower, Ashram Road, Ahmedabad	September 29, 2000	11.00 a.m
2000-2001	AGM	Same as above	September 24, 2001	11.00 a.m.

7. DISCLOSURES:

- i) The Company does not have any related party transactions, which may have potential conflict with the interests of the Company at large.
Transactions with related parties are disclosed in Note No.8 of Schedule 18 to the accounts in the Annual Report.
- ii) During the last three years, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non compliance of any matter related to the capital markets.

8. MEANS OF COMMUNICATION

- (i) Half yearly report is not being sent to each household of shareholders as shareholders are intimated through the press.
- (ii) The quarterly and half yearly results are published in the leading newspapers.
- (iii) Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

9. GENERAL SHAREHOLDER INFORMATION:

Detailed information in this regard is provided in the Shareholder Information section which forms part of this Annual Report.

B. NON-MANDATORY REQUIREMENTS**1. CHAIRMAN OF THE BOARD:**

Whether a non-executive chairman entitled to maintain a Chairman's office at the Company's expense and also reimbursement of expenses incurred in performance of his duties.

The Company has an Executive Chairman and hence, the requirement pertaining to reimbursement of expenses to a Non-executive Chairman does not arise.

2. REMUNARATION COMMITTEE:

Please refer Item No. 4 under the heading "Mandatory Requirements."

3. SHAREHOLDER RIGHTS :

The half yearly declaration of financial performance including summary of the significant events in the last six months, should be sent to each household of shareholders.

As the Company's half yearly results are published in leading newspapers, the same are not sent to the shareholders of the Company.

4. POSTAL BALLOT :

The provisions relating to Postal Ballot will be complied with in respect of matters where applicable.



SHAREHOLDER INFORMATION

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

Annual General Meeting
 Date & Venue of AGM : 30th August, 2002
 188/2, Ranipur Village, Opp.CNI Church,
 Narol, Ahmedabad-382 405

Financial Calendar :

- * Financial reporting for quarter ending June 30, 2002 : End July 2002
- * Financial reporting for the half year ending September 30, 2002 : End October 2002
- * Financial reporting for quarter ending December 31, 2002 : End January 2003
- * Financial reporting for the year ending March 31, 2003 : End June 2003

Book closure date : 16th Aug., 2002 to 23rd Aug., 2002

Dividend : ----- N. A. -----

Stock Exchanges where shares are listed. : Mumbai, Ahmedabad & Delhi.

Share transfer & other communication regarding Share Certificates, dividends & change of address etc. may be addressed to : Share Department
 Aarvee Denims And Exports Ltd
 188/2, Ranipur Village,
 Opp.CNI Church
 Narol, Ahmedabd-392 405.

Registrar and Share Transfer Agent

The Company has appointed M/s Pinnacle Shares and Registry Ltd. having its office at Near Ashoka Mills, Naroda Road, Ahmedabad - 380 025 as Registrars for demat segment. For physical segment, the Company has in-house Share Dept. which provides all shareholder related services.

Share Transfer System

The physical share transfers are processed in house by the secretarial department. Senior Executives of the company have been authorised to process and approve transfer and transmission. When the physical share certificates are received for transfer, the company transfer them in the normal course, and send back an option letter to the shareholder. If the shareholders wish to dematerialize their shares, they may enclose this (option) letter with the Dematerialisation Request Form (DRF) and submit it to the company through their Depository Participant (DP), within 30 days of the date of the letter.

If the company does not receive the option letter within 30 days, it will send the physical shares to the shareholders. Alternatively, if the shareholder so desires, the share certificates may be despatched early.

Total No. of Shares transferred during the year 2001-2002 was 2,31,900

No. of Shares transferred	2001-2002		No. of shares transferred	2000-2001	
	No. of transfer (Folios)			No. of transfer (Folios)	
	New	Existing		New	Existing
231900	53	34	44000	79	11