



AARVEE DENIMS AND EXPORTS LIMITED

14th ANNUAL REPORT

2002-2003

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 BANK 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

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.

14TH ANNUAL REPORT**2002-2003****DIRECTORS' REPORT****TO THE MEMBERS**

Your Directors have pleasure in placing before you their 14th Annual Report and Accounts for the year ended March 31, 2003.

1. FINANCIAL RESULTS

The highlights of the Financial Results are given below:

	(Rs. in lacs)	
	<u>2002-03</u>	<u>2001-02</u>
Turnover & other income	13982.71	14204.91
Profit before Dep. Interest & Taxation	3497.38	1804.05
Less : Interest	830.87	961.77
Gross Profit after Interest but before Dep. & Taxation	2666.51	842.28
Less : Depreciation	488.56	304.16
Profit before tax	2177.95	538.12
Less : Taxation		
- Current tax	130.00	30.00
- Deferred tax	807.24	106.88
Net profit for the year	1240.71	401.24
Balance of Profit/(Loss) brought forward	16.87	-148.61
Profit available for Appropriation	1257.58	252.63

APPROPRIATIONS

a) Debenture Redemption Reserve	225.00	225.00
b) General Reserve	75.00	10.76
c) Proposed Dividend	179.90	—
d) Tax on proposed Dividend	23.05	—
e) Balance carried to Balance sheet.	754.63	16.87

2. DIVIDEND

In view of the Company's profitable performance, the Directors recommend the payment of a dividend of Rs. 1/- per share on 1,79,90,000 equity shares of Rs. 10/- each for the year 2002-03, if approved by the Members at the Annual General Meeting.

3. OPERATIONS

The performance of the Company during 2002-03 improved significantly. The main reasons for this improved performance are lower cost of main input viz. cotton, higher realisation per mtr. through value added products and reduction in interest cost.

The fabric turnover was higher by 26 % at Rs. 12597.55 lacs as against Rs. 9999.71 lacs in the previous year. Both domestic sales and export sales were higher by 34 % and 17 % respectively. The net profit jumped to Rs. 1240.71 lacs as against Rs. 401.24 lacs in the previous year.

EXPANSION

The expansion project envisaging capacity expansion by 8.25 million mtrs. p.a. is at a very advance stage of completion. The commercial production on the expanded capacity is expected to start in the month of August 2003.

The Company is continuously pursuing the strategy of introducing value added products to get higher realisation. The company also has plans to move up in the value chain by entering Garment manufacturing business, to take the benefit of end of quota regime in December 2004.

4. 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.



AARVEE DENIMS AND EXPORTS LIMITED

5. DIRECTORS :

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Shri Ashok C. Gandhi retire by rotation and being eligible, offer himself for re-appointment.

6. AUDITORS :

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

7. 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 for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a going concern basis.

8 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, 2003.

9. DEPOSITS :

During the year under review, the company has accepted fixed deposits to the tune of Rs. 112.41 lacs. There are no unclaimed deposits.

10. 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.

11. PARTICULARS OF EMPLOYEES :

There is no employee drawing a remuneration of more than Rs.2,00,000/- per month.

12. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :

Details of energy conservation and research and development activities undertaken by the company along with the information in accordance with the provisions of 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 given as an Annexure to the Directors' Report.

13. 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 : 30/06/2003

VINOD P. ARORA
CHAIRMAN

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ANNEXURE TO THE DIRECTORS' REPORT

Information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

The Company has always been conscious about the need for conservation of energy. During the year, efforts have been made to minimise energy consumption by optimising operating and processing parameters, upgradation of plant equipments, improving power factor, etc.

B. TECHNOLOGY ABSORPTION**(a) Research & Development (R & D)**

R & D activities of the Company remained centered around new product development fetching higher value addition.

(b) Technology Absorption, Adaptation and Innovation

The Company has installed the state of art dyeing and finishing machines with online monitoring systems.

The Company has also developed manufacturing of fancy yarn by putting extra attachment on Autocoro machines.

C. FOREIGN EXCHANGE EARNINGS & OUTGO

The initiatives taken to increase the exports have yielded good results. The exports were higher by 17 %, compared to previous year. Efforts are still continuing to expand the geographical spread of markets by appointing new agents/distributors.

The particulars regarding foreign exchange earnings and outgo are given in Schedule 18 - Notes forming part of the Accounts at Note No.5

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR		PREVIOUS YEAR	
	2002-2003		2001-2002	
A. Power & Fuel Consumption				
1. Electricity				
a) Purchased				
Units (KWH in lacs)	113.07		135.20	
Total Amount (Rs.in lacs)	552.29		644.70	
Rate/Unit (Rs.)	4.88		4.76	
b) Own generation (Through DG set)				
Unit, (in lacs) KWH	146.61		84.66	
Fuel Cost/Unit KWH	3.68		3.50	
2) Coal (Used in steam)				
Quantity (Kgs.in lacs)	85.01		71.40	
Total Cost (Rs.in lacs)	115.61		91.87	
Average Rate (Rs.per Kg.)	1.36		1.28	
3) Furnace Oil				
Quantity (Ltrs.in lacs)	15.97		5.38	
Total Amount (Rs.in lacs)	168.12		46.96	
Average Rate (Rs.per ltr.)	10.53		8.73	
4) Others/Internal generation	NIL		NIL	
B. Consumption per unit of production				
	Current Year		Previous Year	
Particulars	Fabric	Yarn	Fabric	Yarn
	(Per Mtr.)	(Per Kg.)	(Per Mtr.)	(Per Kg.)
1. Electricity (Kwh)	1.05	1.29	1.09	1.24
2. Furnace Oil (Ltr.)	0.02	NIL	0.045	NIL
3. Coal (Kg.)	0.58	NIL	0.60	NIL



AARVEE DENIMS AND EXPORTS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Company is one of the oldest and largest Denim manufacturers of India. The year in retrospect has been exceptionally good as can be seen from the figures given below:

PERFORMANCE AND REVIEW OF OPERATIONS

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

	2002-03	2001-02
Production (Lac mtrs.)	146.93	118.40
Sales Volume (Lac mtrs)	148.94	120.92
Fabric Sales (Rs.in lacs)		
Domestic	Rs. 7286.69	Rs 5444.78
Exports	5310.86	4554.93
Total	12597.55	9999.71

There has been significant improvement in performance with both domestic and export sales registering a growth of 34 % and 17 % respectively. The profitability has significantly improved due to low cotton prices, better price realisation per metre and reduction in interest cost.

INDUSTRY OUTLOOK

Since last two years the denim industry has seen a buoyancy in demand both in domestic as well as international markets and it is expected to continue for sometime to come.

The resurgence of denim can be attributed to the innovations by the industry by offering variety of value added products, which has repositioned the denim fabric as a fashion product rather than a commodity, and enlarged its end uses.

Further the Denim mills in Asia continue to remain competitive in terms of cost, compared to US mills, and other producers. This has greatly benefitted Asian denim manufacturers particularly India. The competition now remains between Asian Mills.

Though the prices of the main input viz cotton could be volatile due to vagaries of nature, the company is still confident to perform reasonably well in the coming years.

EXPANSION

The Company's expansion programme of 8.25 million mtrs. p.a. is at a very advance stage of completion. The commercial production is expected to begin in August, 2003. The most important aspect of the expansion project is that it is almost entirely funded from internal cash accruals of the company, without adding any debt burden.

GROWTH STRATEGY

The Company's strategy of consolidating existing domestic markets where it has a very strong presence and expanding global markets is yielding the desired results.

Further with the end of quota regime in sight and considering the preference of international buyers in sourcing garments instead of fabric from Asian Countries, the Company is planning to enter into garment manufacturing.

INTERNAL CONTROL SYSTEMS

The Company has appointed Internal Auditors who perform the audit so as to ensure the adherence to policies and procedures. Audit Committee reviews adequacy of the internal control and oversees the audit procedure. Internal control systems are adequately evolved for monitoring the effective utilisation of assets and safeguarding of all the assets. The systems further ensure that all transactions are appropriately authorised, recorded and reported. Financial records are maintained to enable efficient preparation of financial statements.

HUMAN RESOURCES

The Company has two manufacturing plants. The Spinning plant is located at Village Sari, Taluka Sanand, Dist. Ahmedabad and the Weaving and Processing plant is located at 188/2, Ranipur Village, Narol, Ahmedabad. As on 31st March 2003, there are 457 employees in both the plants. The company continues to enjoy cordial relationship with its employees.

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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.

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 of Directors of the Company consists of ten Directors. The composition, category of Directors as well details of attendance of each Director at the Board Meetings, last Annual General Meeting and number of their directorships, membership and chairmanship of committees in various companies are as follows:

Name of the Director	Category	Attendance Particulars		No. of Directorships, Membership and Chairmanship of Committee		
		Attendance at the Comany's Board Meetings	Attendance at the Company's last Annual General Meeting	Other Directorships	Committee Memberships	Committee Chairmanships
Shri Vinod P. Arora	Promoter, Executive	4	Yes	1	-	1
Shri Ashish V. Shah	Promoter, Executive	5	Yes	5	1	-
Shri Ashok C. Gandhi	Independent, Non- Executive	5	Yes	6	4	-
Shri Kaushik C. Patel (Nominee of GIC Ltd.)	Independent, Non- Executive	5	Yes	1	-	2
Shri Arvind D Sanghvi	Independent, Non- Executive	0	No	7	-	-
Shri Parmanand T. Arora *	Promoter, Non- Executive	1	No	1	-	-
Shri Kalpesh V. Shah	Promoter, Executive	5	Yes	5	1	-
Shri D.K. Pal (Nominee of ICICI Bank Ltd)	Independent, Non- Executive	2	No	3	-	-
Shri J. P. Joshipura (Nominee of GSFC)	Independent, Non- Executive	2	No	1	1	-
Shri Rajesh P. Arora *	Promoter, Executive	0	No	2	-	-

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

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

Five Board meetings were held during the year 2002-2003, on June 29, 2002, July 31, 2002, August 30, 2002, October 31, 2002, January 31, 2003.

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.



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- 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 2002-2003, the Audit Committee met on three occasions. The meetings were held on 22nd June, 2002, 31st October, 2002 & 15th March, 2003. The present composition and attendance of the members of the Committee is as follows.

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

4. REMUNERATION COMMITTEE

Presently, there is no Remuneration Committee.

The remuneration structure of the Managing and the Wholetime Directors comprises of consolidated salary and allowances. The Managing and Whole time 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/Wholetime Directors for the financial year ended March 31, 2003 is as under:

1. Mr. Vinod P. Arora, Chairman & Managing Director	Rs.2,40,000
2. Mr. Ashish V. Shah, Managing Director	Rs.2,40,000
3. Mr. Kalpesh V. Shah, Wholetime Director	Rs.2,40,000

The sitting fees paid during the financial year 2002-03 for attending the Board & Committee Meetings are as follows:

Shri Kaushik C. Patel	Rs.8000/-
Shri J. P. Joshipura	Rs.4000/-
Shri Ashok C. Gandhi	Rs.8000/-
Shri D.K. Pal	Rs.4000/-
Shri Parnmanand T. Arora	Rs.2000/-

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, issue of duplicate share/debenture certificate, review the status of investors' grievances and redressal mechanism and recommend measures to improve the level of investor services. Details of shares 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 were 50. No complaint is outstanding as on March 31, 2003.

14TH ANNUAL REPORT**2002-2003****6. GENERAL BODY MEETINGS**

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

Year	AGM/EGM	Location	Date	Time
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.
2001-2002	AGM	188/2, Ranipur Village Opp.CNI Church, Narol Ahmedabad	August 30, 2002	11.00 a.m.

7. ANY NON-COMPLIANCE, PENALTIES OR STRICTURES IMPOSED

There has been no non-compliance by the company nor were any penalties or strictures imposed on the Company by Stock Exchanges, SEBI or any statutory authority on any matter related to capital markets during last three years.

8. DISCLOSURES:

- 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. 9 of Schedule 18 to the accounts in the Annual Report.
- During 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.

9. MEANS OF COMMUNICATION

- Half yearly report is not being sent to each household of shareholders as shareholders are intimated through the press.
- The quarterly and half yearly results are published in the leading newspapers.
- Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.
- The Financial Results of the Company for each quarter are also put on the web site of Electronic Data Information Filing and Retrieval (EDIFAR) maintained by National Informatics Centre and can be retrieved from the web site www.sebiedifar.nic.in.

10. GENERAL SHAREHOLDER INFORMATION:

Detailed information in this regard provided in the Shareholder Information section 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.