

ANNUAL REPORT 2004-2005

AARVEE DENIMS AND EXPORTS LTD.

16TH ANNUAL REPORT 2004-2005

BOARD OF DIRECTORS :

Shri Vinod P. Arora	Chairman & Managing Director
Shri Ashish V. Shah	Managing Director
Shri Kalpesh V. Shah	Whole Time Director
Shri Parmanand T. Arora	Director
Shri Rajesh P. Arora	Director
Shri Sanjay S. Majmudar	Director
Shri Ashok C. Gandhi	Director
Shri Arvind D. Sanghvi	Director
Shri Tilak Raj Kapoor	Director
Shri Amol R. Dalal	Director

C O O (ADMINISTRATION) :

Shri Nipun V. Arora

C O O (MARKETING) :

Shri Pankaj V. Arora

C O O (GARMENING) :

Shri Pankil K. Shah

CHIEF EXECUTIVE :

Shri K. K. Mbhale

COMPANY SECRETARY :

Shri Balraj Patel

BANKERS :

Bank of Baroda
Punjab National Bank
Bank of India

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 Sai,
Sarkhej Bavla Highway,
Ta. Sanand, Dist. Ahmedabad.

DELHI OFFICE :

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

MUMBAI OFFICE :

A-22, Sitaram Bldg., N. Crawford Market,
Mumbai - 400 001.

SHARE TRANSFER AGENT :

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



AARVEE DENIMS AND EXPORTS LTD.

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of the Members of AARVEE DENIMS AND EXPORTS LIMITED will be held on Saturday, the 18th day of June, 2005 at 10.00 a.m. at 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 at 31st March, 2005, the Profit and Loss Account for the year ended on 31st March, 2005 and the reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint Director in place of Shri Rajesh T. Arora, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Director in place of Shri Sanjay S. Majmudar, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Director in place of Shri Anil R. Dalal, who retires by rotation and being eligible offers himself for reappointment.
6. To appoint Auditors to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration apart from reimbursing out-of-pocket expenses incurred in the normal course of their duties.

SPECIAL BUSINESS :-

To consider and if thought fit, to pass with or without modification, the following resolutions :-

7. As Special Resolution :-

“RESOLVED THAT pursuant to Section 94 and other applicable provisions, if any, of the Companies Act, 1956, and the Articles of Association of the Company the Authorised Share Capital of the Company be and is hereby increased from Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 3,50,00,000 Equity Shares of Rs. 10/- each to Rs. 50,00,00,000/- (Rupees Fifty Crores only) divided into 3,50,00,000 Equity Shares of Rs. 10/- each and 1,50,00,000 Cumulative Redeemable Non-Convertible Preference Shares of Rs. 10/- each.

RESOLVED FURTHER THAT pursuant to Section 16 and other applicable provisions, if any, of the Companies Act, 1956 and in view of the aforesaid reclassification the existing Authorised Share Capital Clause V of the Memorandum of Association of the Company, be and is hereby altered by substituting the following new Clause:

V. The Authorised Share Capital of the Company is Rs. 50,00,00,000/- (Rupees Fifty Crores only) divided into 3,50,00,000 (Three Crores Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each and 1,50,00,000/- (One Crores Fifty) Cumulative Redeemable Non-Convertible Preference Shares of Rs. 10/- (Rupees Ten only) each.”

RESOLVED FURTHER THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and in view of the aforesaid reclassification the existing Article 3 under heading of CAPITAL of the Articles of Association of the Company, be and is hereby altered by substituting the following new Clause:

3. The Authorised Share Capital of the Company is Rs. 50,00,00,000/- (Rupees Fifty Crores only) divided into 3,50,00,000 (Three Crores Fifty Lacs) Equity Shares of Rs. 10/- (Rupees Ten only) each and 1,50,00,000/- (One Crores Fifty) Cumulative Redeemable Non-Convertible Preference Shares of Rs. 10/- (Rupees Ten only) each, with rights to alter the same in whatever way as deemed fit by the Company. The Company may increase the Authorised Capital which may consist of Equity and/or Preference Shares as the company in General Meeting may determine in accordance with the law for the time being in force relating to Companies with power to increase or reduce such capital from time to time, in accordance with the Regulations of the Company and the legislative provisions for the time being in force in this behalf and with power to divide the shares in the Capital for the time being into Equity Share Capital or Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions and to vary, modify and abrogate the qualified or special rights, privileges or conditions and to vary, modify and abrogate the same in such manner as may be determined by or in accordance with these presents.”

8. As Special Resolution :

“RESOLVED THAT in terms of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with the provisions of Articles of Association of the Company and subject to the consent of Securities & Exchange Board of India (SEBI) and all other concerned authorities and Departments, and such other approvals,

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permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed by granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "The Board" which term shall be deemed to include any Committee of Board) at its sole discretion, the consent of the Company be and is hereby accorded to the Board to create, offer and issue & allot any type of securities in the capital of the company including equity shares, convertible warrants in one or more tranches 3373100 equity shares of Rs.10/- each at a price of Rs.86/- per share (including share premium of Rs. 76/- per share) by way of preferential allotment on private placement basis to M s. DEG- Deutsche Investitions- und Entwicklungsgesellschaft mbH a German Development Financial Institution, 1124300 equity shares of Rs.10/- each at a price of Rs.86/- per share (including share premium of Rs. 76/- per share) by way of preferential allotment on private placement basis to the Promoters and 972400 Convertible Warrants which will be convertible into equity shares Rs.10/- each before the end of 18 months from the date of allotment at the price of Rs.86/- per equity share (including share premium of Rs. 76/- per share) to the Promoters. The amount payable on issue of convertible warrants will be 10% of the total issue price and balance 90% is required to be paid at the time of conversion of warrants into equity shares with authority to Board to issue and offer to the aforesaid persons with such conditions of non-transferability guidelines pertaining to lock in period as may be specified in the then prevailing guidelines of SEBI and/or, in consultation with SEBI or such other authorities as may be prescribed or in accordance with such guidelines or other provisions of law as may be prevailing at that time and otherwise ranking pari passu except for payment of dividend on pro-rata basis, from the date of allotment with the equity shares of the Company as then issued and to retain over subscription if any in respect of such issue to such extent as may be then permissible and at such time or times as the Board at its absolute discretion and in the best interest of the Company may deem fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things, and execute such deeds, documents, instruments, and the writing as they may in their absolute discretion deem necessary or desirable and to accept any alterations and modification(s) as they may deem fit and proper and give such directions as may be necessary in regard to the offer, issue, and allotment of the said equity shares & convertible warrants by private placement including the power to allot the unsubscribed portion of equity shares & convertible warrants, if any, in such manner as may appear to the Board of Directors to be most beneficial to the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of Directors or Chairman and Managing Director or Director of the Company to give effect to the aforesaid resolution."

9. As Special Resolution :-

"RESOLVED THAT pursuant to provisions of section 80 and any other applicable provisions, if any, of the Companies Act, 1956 and subject to such permissions consents or approvals as may be required from all statutory authorities, SEBI, Reserve Bank of India and subject to provisions in the Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board, to issue & allot 1,49,91,340 (One Core Forty Nine Lacs Ninety One Thousand Three Hundred Forty) 13% Cumulative Redeemable Non-Convertible Preference Shares of Rs.10/- each to DEG- Deutsche Investitions- und Entwicklungsgesellschaft mbH a German Development Financial Institution which will be redeemable at the end of 4th & 5th year from the date of allotment in equal instalments at a premium of 14.65% in both years on private placement basis or such other persons or investors as Board of Directors may deem fit in the best interest of the Company in compliance with the then prevailing guidelines of SEBI and/or, in consultation with SEBI or such other authorities as may be prescribed or in accordance with such guidelines or other provisions of law as may be prevailing at that time.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board of Directors of the Company be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things, and execute such deeds, documents, instruments, and the writing as they may in their absolute discretion deem necessary or desirable and to accept any alterations and modification(s) as they may deem fit and proper and give such directions as may be necessary in regard to the offer, issue, and allotment of the said preference shares by private placement.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of Directors or Chairman and Managing Director or Director of the Company to give effect to the aforesaid resolution."

10. As Special Resolution :-

"RESOLVED THAT pursuant to provision of Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 consent of the company be and is hereby accorded to Shri Nipun V. Arora son of Shri Vinod P. Arora,



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Chairman & Managing Director of the company, to hold the office as Chief Operating Officer (Administration) of the company for a period of five years w.e.f. 1st October, 2005 on the following salary & perquisites .

- a) Salary : In the scale of Rs.45,000/-p.m.(to be reviewed at the end of 2nd year or such other time at the discretion of the Board)
- b) PERQUISITES (including allowances)
 - i) Housing : Furnished/ Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof.
The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962.
 - ii) Medical reimbursement: Expenses incurred for Shri Nipun V. Arora and his family as per company rules.
 - iii) Leave Travel Concession: For Shri Nipun V. Arora and his family, incurred in accordance with the company rules.
 - iv) Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.
 - v) Personal Accident Insurance: Premium as per company rules.
 - vi) Contribution to Provident Fund, Superannuation Fund, Annuity Fund / Contribution to Gratuity as per company rules.
 - vii) Encashment of leave not availed of, as per company rules.
 - viii) Provision of car and telephone as per company rules.
 - ix) Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.

Explanation: "Family" means the spouse, dependent children and dependent parents of Shri Nipun V. Arora."

11. As Special Resolution :-

"RESOLVED THAT pursuant to provision of Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 consent of the company be and is hereby accorded to Shri Pankaj V. Arora son of Shri Vinod P. Arora, Chairman & Managing Director of the company, to hold the office as Chief Operating Officer (Marketing) of the company for a period of five years w.e.f. 1st October, 2005 on the following salary & perquisites .

- a) Salary : In the scale of Rs.45,000/-p.m. (to be reviewed at the end of 2nd year or such other time at the discretion of the Board)
- b) PERQUISITES (including allowances)
 - i) Housing : Furnished/ Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof.
The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962.
 - ii) Medical reimbursement: Expenses incurred for Shri Pankaj V. Arora and his family as per company rules.
 - iii) Leave Travel Concession: For Shri Pankaj V. Arora and his family, incurred in accordance with the company rules.
 - iv) Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.
 - v) Personal Accident Insurance: Premium as per company rules.
 - vi) Contribution to Provident Fund, Superannuation Fund, Annuity Fund / Contribution to Gratuity as per company rules.
 - vii) Encashment of leave not availed of, as per company rules.
 - viii) Provision of car and telephone as per company rules.
 - ix) Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.

Explanation: "Family" means the spouse, dependent children and dependent parents of Shri Pankaj V. Arora."

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12. As Special Resolution :-

“RESOLVED THAT pursuant to provision of Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 consent of the company be and is hereby accorded to Shri Pankil K Shah son of Shri Kalpesh V. Shah, Wholetime Director of the company, to hold the office as Chief Operating Officer (Garmenting) of the company for a period of five years w.e.f. 1st October, 2005 on the following salary & perquisites .

- a) Salary : In the scale of Rs.45,000/-p.m. (to be reviewed at the end of 2nd year or such other time at the discretion of the Board)
- b) PERQUISITES (including allowances)
 - i) Housing : Furnished/ Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof.
The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962.
 - ii) Medical reimbursement: Expenses incurred for Shri Pankil K Shah and his family as per company rules.
 - iii) Leave Travel Concession: For Shri Pankil K Shah and his family, incurred in accordance with the company rules.
 - iv) Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.
 - v) Personal Accident Insurance: Premium as per company rules.
 - vi) Contribution to Provident Fund, Superannuation Fund, Annuity Fund / Contribution to Gratuity as per company rules.
 - vii) Encashment of leave not availed of, as per company rules.
 - viii) Provision of car and telephone as per company rules.
 - ix) Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.

Explanation: “Family” means the spouse, dependent children and dependent parents of Shri Pankil K Shah.”

13. As Special Resolution :-

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification or any re-enactment thereof, the Company hereby approves of the reappointment of Shri Vinod P. Arora as Chairman & Managing Director, for a period of five years with effect from 1st October, 2005 upon the terms and conditions including remuneration as permissible under Schedule XIII to the Companies Act, 1956 and also on the other terms and conditions set out in the draft agreement to be entered into by and between the Company of the one part and Shri Vinod P. Arora of the other part, is hereby specifically approved with liberty to the Board to alter, vary, enlarge, increase, modify and revise at any time and from time to time, the terms and conditions of reappointment including remuneration in accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any revision, amendments or modifications thereto or any re-enactment thereof, during the currency of the agreement as may be agreed between the Board of Directors and Shri Vinod P. Arora and the aforesaid draft agreement between the Company and Shri Vinod P. Arora be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute all such documents, writings and agreements and to take such steps as may be necessary to give effect to this Resolution”.

14. As Special Resolution :-

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification or any re-enactment thereof, the Company hereby approves of the reappointment of Shri Ashish V. Shah as Managing Director, for a period of five years with effect from 1st October, 2005 upon the terms and conditions including remuneration as permissible under Schedule XIII to the Companies Act, 1956 and also on the other terms and conditions set out in the draft agreement to be entered into by and between the Company of the one part and Shri Ashish V. Shah of the other part, is hereby specifically approved with liberty to the Board to alter, vary, enlarge, increase, modify and revise at any time and from time to time, the terms and conditions of reappointment including remuneration in



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accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any revision, amendments or modifications thereto or any re-enactment thereof, during the currency of the agreement as may be agreed between the Board of Directors and Shri Ashish V. Shah and the aforesaid draft agreement between the Company and Shri Ashish V. Shah be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute all such documents, writings and agreements and to take such steps as may be necessary to give effect to this Resolution".

15. As Special Resolution :-

"RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 or any amendment or modification or any re-enactment thereof, the Company hereby approves of the reappointment of Shri Kalpesh V. Shah as Wholetime Director, for a period of five years with effect from 1st October, 2005 upon the terms and conditions including remuneration as permissible under Schedule XIII to the Companies Act, 1956 and also on the other terms and conditions set out in the draft agreement to be entered into by and between the Company of the one part and Shri Kalpesh V. Shah of the other part, is hereby specifically approved with liberty to the Board to alter, vary, enlarge, increase, modify and revise at any time and from time to time, the terms and conditions of reappointment including remuneration in accordance with the limits specified in Schedule XIII to the Companies Act, 1956 or any revision, amendments or modifications thereto or any re-enactment thereof, during the currency of the agreement as may be agreed between the Board of Directors and Shri Kalpesh V. Shah and the aforesaid draft agreement between the Company and Shri Kalpesh V. Shah be suitably amended to give effect to such modification, relaxation or variation without any further reference to the Company in General Meeting.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to execute all such documents, writings and agreements and to take such steps as may be necessary to give effect to this Resolution".

By Order of the Board of Directors

Place : Ahmedabad

Dated : 24/ 05/ 2005

Balraj Patel
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, ATLEAST 48 HOURS BEFORE THE TIME FIXED FOR THE COMMENCEMENT OF THE MEETING
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting under Item No. 7 to 15 is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from 14th June 2005 to 18th June 2005 (both days inclusive). The Dividend if approved will be paid to those members whose names appear (a) as beneficial owners as per the list to be furnished by the depositories and (b) as members on the Register of Members of the Company after giving effect to all valid share transfers in physical form lodged with the Company on or before 13th June, 2005.
5. Members, desiring any information pertaining to Accounts, are requested to write to the Company 7 days before the date of the meeting, so that the information can be made available at the meeting.
6. Members are requested to bring their copy of the Annual Report at the meeting and produce the Attendance Slip at the Entrance, where the Annual General Meeting will be held.
7. The documents, referred to in the proposed resolutions 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.
8. Listing fees for the year 2005-2006 has been paid of The Stock Exchange Ahmedabad, The Stock Exchange Mumbai.
9. Members holding the shares in physical mode are requested to immediately notify the company or its Share Transfer Agent about any change of address and their bank particulars. Members holding shares in dematerialisation form are requested to immediately notify their respective Depository Participants about any change of address and their bank particulars.
10. As required in terms of paragraph VI(A) of the Clause 49 of the Listing Agreement, the details of the Directors retiring by rotation and eligible for reappointment are furnished below :

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- (a) **Shri Rajesh P. Arora**, is a Director appointed on the Board of the Company w.e.f. 11th August, 1992.
He is a Commerce Graduate having 27 years of business experience in the Textile Industry. He is looking after Marketing Department subject to control and supervision of the Board of Directors of the Company. The company will continue to have his long experience in the field of marketing of textile products. **Shri Vinod P. Arora** and **Shri Pamanand T. Arora** Directors of the Company are related to him. He is also Director in **New Ahmedabad Synthetics Ltd.**
Shri Rajesh P. Arora retires by rotation and being eligible offers himself for reappointment.
- (b) **Shri Sanjay S. Majmudar** was appointed as Independent & Non-Executive Director of the Company w.e.f. 14-11-2003.
He is a Practicing Chartered Accountant with excellent academic record and more than 18 years of rich and varied experience of corporate finance, project financing, taxation, joint ventures with international companies etc.
He is also appointed as Chairman of the Audit Committee and the Remuneration Committee of the company. The company will have benefit of his rich experience in the field of finance. He is also Director in **Dishman Pharmaceuticals and Chemicals Ltd.**
Shri Sanjay S. Majmudar retires by rotation and being eligible offers himself for reappointment.
- (c) **Shri Amol R. Dalal** was appointed as Independent & Non-Executive Director of the Company w.e.f. 31-01-2004.
Shri Amol R. Dalal is Commerce Graduate and a successful businessman having rich experience in Textile Industry of more than 16 years. He is Director in **Real Strips Ltd.**
Shri Amol R. Dalal retires by rotation and being eligible offers himself for reappointment.

EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 173(2) OF THE COMPANIES ACT, 1956.
ITEM NO. 7

The existing authorised share capital of the company is Rs.35,00,00,000/- (Rupees Thirty Five Crores Only) divided into 3,50,00,000 (Three Crores Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each.

The company proposes to carry out the expansion of its business activities and therefore it is proposed to issue further Equity Shares & Preference Shares on private placement basis. To enable the company to issue equity shares and preference shares on private placement basis it is expedient to increase the authorised share capital of the company to Rs.50,00,00,000/- (Rupees Fifty Crores Only) divided into 3,50,00,000 (Three Crores Fifty Lacs) Equity Shares of Rs.10/- (Rupees Ten only) each and 1,50,00,000 (One Crores Fifty Lacs) Cumulative Redeemable Non-Convertible Preference Shares of Rs.10/- (Rupees Ten only) each.

The proposed increase in Authorised Share Capital of the company require approval of the members at a General Meeting pursuant to the provisions of Section 16 & Section 31 and other applicable provisions if any of the Companies Act, 1956 in order to substitute the relevant Clause V in Memorandum of Association & Article 3 Articles of Association of the Company.

The Special Resolution set out at Item no. 7 in the notice is intended to obtain such approval of the members.

The Directors recommend the Special Resolution for the approval of the members. None of the Directors of the company is interested or concerned in the proposed resolution.

ITEM NO. 8

You are aware that your Company has been keeping itself on a continuous growth path and in order to exploit the business opportunity to strengthen its worth and to meet the expansion programs to be undertaken by the Company, it is prudent and expedient to issue further shares by private placement basis to the persons mentioned in the proposed resolution under Item No.8 who may or may not be the shareholders of the Company.

The objects of the proposed preferential issue of shares & warrants is to meet the cost of expansion & diversification program of the Company.

The Company intends to allot the equity shares & convertible warrants on private placement basis immediately on receipt of necessary funds from persons mentioned in the Resolution after compliance of necessary formalities.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by a further issue and allotment of shares, such shares shall be offered to the existing shareholders of the Company in the manner laid down in the said Section, unless the shareholders decide otherwise in a general meeting.



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Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines and in terms of the provisions of the Stock Exchange Listing Agreements for authorising the Board to create, issue, offer and allot Equity Shares & Convertible Warrants as stated in the Resolution, which would result in a further issuance of Equity shares of the Company on a preferential allotment basis and Convertible Warrants which will be convertible into equity shares Rs.10/- each before the end of 18 months from the date of allotment, in such form, manner and upon such terms and conditions as the Board may in its absolute discretion deem fit.

The company has received a firm offer from M/s. DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH a German Development Financial Institution to subscribe to 3373100 equity shares of Rs.10/- each at a price of Rs.86/- per share (including share premium of Rs. 76/- per share) by way of preferential allotment on private placement basis. Further the Promoters have also proposed to subscribe to 1124300 equity shares of Rs.10/- each at a price of Rs.86/- per share (including share premium of Rs. 76/- per share) by way of preferential allotment on private placement basis. Further the Promoters have also proposed to subscribe to 972400 Convertible Warrants which will be convertible into equity shares Rs.10/- each before the end of 18 months from the date of allotment at the price of Rs.86/- per equity share (including share premium of Rs. 76/- per share). The amount payable on issue of convertible warrants will be 10% of the total issue price and balance 90% is required to be paid at the time of conversion of warrants into equity shares.

The above proposed preferential allotment is subject to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines and in terms of the provisions of the Stock Exchange Listing Agreements.

DEG- Deutsche Investitions- und Entwicklungsgesellschaft mbH is a German Development Financial Institution and have shown willingness to invest in the Equity Share Capital of the company to part finance the proposed expansion programme of the company.

There would not be change in management control. The necessary shareholding pattern of the Company, pre and post based on the assumptions that the maximum No. of equity shares of the Company will not exceed the proposed preferential issue not exceeding 44,97,400 (Forty Four Lacs Ninety Seven Thousand Four Hundred) Equity shares of Rs. 10/- each at a price of Rs. 86/- per Share which is calculated in accordance with SEBI Preferential Offer Guidelines. Valuation/ issue price has been derived on the basis of Certificate provided by M/s. N. C. Shah & Associates Chartered Accountant and the copy of which is available for inspection upto the conclusion of 16th Annual General Meeting.

SHARE HOLDING OF ALLOTTEES BEFORE & AFTER ALLOTMENT OF PROPOSED EQUITY SHARES (EXCLUDING EQUITY SHARES UPON CONVERSION OF WARRANTS) :

Sr. No.	Name of the Allottee	Nb. of Shares Before Allotment	% of Total Pre Allotment Share Holding	Nb. of Shares After Allotment	% of Total Post Allotment Share Holding
1.	Promoters A. Vinod P. Arora & Family B. Ashish V. Shah & Family	10806011	60.07%	11930311	53.05%
2.	DEG- Deutsche Investitions- und Entwicklungsgesellschaft mbH	NIL	NIL	3373100	14.99%
	Total	10806011	60.07%	15303411	68.05%

SHARE HOLDING OF ALLOTTEES (PROMOTERS) BEFORE & AFTER ALLOTMENT OF EQUITY SHARES ON CONVERSION OF WARRANTS

Sr. No.	Name of the Allottee	Nb. of Shares Before Allotment	% of Total Pre Conversion Share Holding	Nb. of Shares After Allotment	% of Total Post Conversion Share Holding
1.	Promoters A. Vinod P. Arora & Family B. Ashish V. Shah & Family	11930311	53.05%	12902711	54.99%

Purpose & Object

To meet the cost of proposed expansion & diversification programme of the Company to expand further capacity of manufacturing of Denim Fabric and to diversify in Home Textiles, Made-ups, Garmenting activity.

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The shareholding pattern of the Company before and after preferential issue of Equity Shares would be as follows:-

Sr. No.	Category	Pre allotment Pattern of Equity Shares		Post allotment pattern of equity shares after private placement	
		No. of Equity shares	% age	No. of Equity shares	% age
1.	Promoter Group	10806011	60.07%	12902711	54.99%
2.	NRI Shareholding	2585166	14.37%	2585166	11.02%
3.	Financial Institution/ Bank	464008	2.58%	3837108	16.36%
4.	Public/ Bodies Corporate	4134815	22.98%	4134815	17.63%
	Grand Total	17990000	100.00%	23459800	100.00%

Voting Rights would change in tandem with Shareholding Pattern.

The further issue of capital needs the approval of members by way of a special resolution and accordingly your directors commend your accord for the special resolution set out in Item No.8.

The Directors of the Company may be deemed to be concerned or interested in the resolution at Item No.8 of the notice to the extent of equity shares that may be subscribed and allotted to them or to the Companies of which they are Directors or members.

ITEM NO. 9

Your company proposes to expand further capacity of manufacturing of Denim Fabric and to diversify in Home Textiles, Made-ups & Garmenting activity and to part finance the same it is proposed to issue & allot 1,49,91,340 (One Crore Forty Nine Lacs Ninety One Thousand Three Hundred Forty) 13% Cumulative Redeemable Non-Convertible Preference Shares of Rs.10/- each to DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH a German Development Financial Institution which will be redeemable at the end of 4th & 5th year from the date of allotment in equal instalments at a premium of 14.65%.

Section 80 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to issue and allot Preference Shares by a Company shareholder's approval required to be obtain by way of passing Special Resolution in the General Meeting.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of Section 80 and all other applicable provisions of the Companies Act, 1956. None of the Directors of the Company is interested or concerned in the proposed resolution.

ITEM NO. 10

Pursuant to recommendation of Remuneration Committee Shri Nipun V. Arora has been designated and appointed as Chief Operating Officer (Administration) with remuneration by the Board of Directors of the company in its meeting held on 24th May, 2005 more particularly mentioned in Item No. 10 of the Notice above for a period of 5 years w.e.f. 1st October, 2005.

His experience will help the company for better handling of administrative & commercial matters more efficiently in view of increase in quantum of business to achieve the long term goals of the company. Being son of Shri Vinod P. Arora Chairman & Managing Director of the company the appointment of Shri Nipun V. Arora as Chief Operating Officer (Administration) requires approvals of the members under the provisions of Section 314 of the Companies Act, 1956.

The Board commends this resolution for your approval.

Shri Vinod P. Arora Chairman & Managing Director & Shri Parmanand T. Arora Director of the company being relative of Shri Nipun V. Arora concerned or interested in the resolution. Save & except above none of the other Directors of the company are concerned or interested in the special resolution.

ITEM NO. 11

Pursuant to recommendation of Remuneration Committee Shri Pankaj V. Arora has been designated and appointed as Chief Operating Officer (Marketing) with remuneration by the Board of Directors of the company in its meeting held on 24th May, 2005 more particularly mentioned in Item No. 11 of the Notice above for a period of 5 years w.e.f. 1st October, 2005.

His varied experience in the field of Marketing and having exposure of both domestic & international market will help the company to further strengthen the marketing department in view of increase in quantum of business will help to achieve the long term goals of the company. Being son of Shri Vinod P. Arora Chairman & Managing Director of the company the appointment of Shri Pankaj V. Arora as Chief Operating Officer (Marketing) requires approvals of the members under the provisions of Section 314 of the Companies Act, 1956.

The Board commends this resolution for your approval.



AARVEE DENIMS AND EXPORTS LTD.

Shri Vinod P. Arora Chairman & Managing Director & Shri Parmanand T. Arora Director of the company being relative of Shri Pankaj V. Arora concerned or interested in the resolution. Save & except above none of the other Directors of the company are concerned or interested in the special resolution.

ITEM NO.12

Pursuant to recommendation of Remuneration Committee Shri Pankil K. Shah has been designated and appointed as Chief Operating Officer (Garmenting) with remuneration by the Board of Directors of the company in its meeting held on 24th May, 2005 more particularly mentioned in Item No. 12 of the Notice above for a period of 5 years w.e.f. 1st October, 2005.

His exposure & experience in the pertaining to Garmenting activity will help the company for setting up and further development of Garmenting facility. Being son of Shri Kalpesh V. Shah Wholetime Director of the company the appointment of Shri Pankil K. Shah as Chief Operating Officer (Garmenting) requires approvals of the members under the provisions of Section 314 of the Companies Act, 1956.

The Board commends this resolution for your approval.

Shri Kalpesh V. Shah Wholetime Director of the company being relative of Shri Pankil K. Shah is concerned or interested in the resolution. Save & except above none of the other Directors of the company are concerned or interested in the special resolution.

ITEM NO. 13

Shri Vinod P. Arora was appointed as Chairman & Managing Director of the Company for the period of five years with effect from 1st October, 2000. His tenure as Chairman & Managing Director will be expiring on 30th September, 2005. It is proposed to reappoint him as Chairman & Managing Director for a further period of five years with effect from 1st October, 2005 upon terms and conditions including remuneration as permissible pursuant to the provision of Section 198, 269 & 309 read with Schedule XIII & other applicable provisions if any under the Companies Act, 1956 and recommended by Remuneration Committee as well as by the Board & subject to the approval of the members in General Meeting.

Terms & conditions of the reappointment of Shri Vinod P. Arora, Chairman & Managing Director of the company are as follows:-

A) SALARY:

In the scale of Rs.160000/- p.m. (to be reviewed at the end of 2nd year or such other time at the discretion of the Board)

B) PERQUISITES (including allowances)

- i) Housing : Furnished/ Unfurnished residential accommodation or house rent allowance of sixty percent of salary in lieu thereof.
- ii) The expenditure incurred by the company on gas, electricity, water and furnishings shall be valued as per the Income -Tax Rules, 1962.
- iii) Medical reimbursement : Expenses incurred for Shri Vinod P. Arora and his family as per company rules.
- iv) Leave Travel Concession : For Shri Vinod P. Arora and his family, incurred in accordance with the company rules.
- v) Club Fees : Fees of clubs subject to a maximum of two clubs. This will not include admission and the life membership fees.
- vi) Personal Accident Insurance : Premium as per company rules.
- vii) Contribution to Provident Fund, Superannuation Fund, Annuity Fund/ Contribution to Gratuity as per company rules.
- viii) Encashment of leave not availed of, as per company rules.
- ix) Provision of car and telephone as per company Rules.
- x) Any other benefits, amenities and facilities including educational allowance for a child as per company rules for the time being in force or authorised by the Board.

“Family” means spouse, dependent children and dependent parents of Shri Vinod P. Arora.

C) MINIMUM REMUNERATION

Notwithstanding anything to the contrary herein contained, wherein any financial year during the tenure of appointment of the Chairman & Managing Director, the company has no profits or its profits are inadequate, the Chairman & Managing Director shall be entitled to remuneration by way of salary and perquisites as provided in Schedule XIII of the Companies Act, 1956. In addition, the Chairman & Managing Director shall be entitled to the following perquisites which shall not be included in the computation of the ceiling on minimum remuneration specified herein.

- a. Contribution to provident fund, superannuation fund or annuity fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961.
- b. Gratuity not exceeding half a month's salary for each completed year of service and