

18th

ANNUAL REPORT

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aarvee
DENIMS & EXPORTS LTD.



AARVEE DENIMS AND EXPORTS LTD.

Regd. Off. 188/2, Ranipur Village, Opp. C.N.I. Church, Narol, Ahmedabad-382405 (India)
Ph. : 30417000 Fax : 30417070 E-Mail : info@aarvee-denims.com

Attendance Slip

Shareholders attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the Eighteenth Annual General Meeting of the Company at the Regd. office of the company at 10 a.m. on Saturday, the 29th day of September, 2007.

Full name of the Shareholder
(in block capitals)

Signature

Folio No. _____ / DP ID No. * _____ & Client ID No.* _____

* Applicable for members holding shares in electronic form.

Full name of the Shareholder
(in block capitals)

Signature

NOTE : Shareholder/Proxyholder desiring to attend the meeting should bring his copy of the Annual Report for reference at the meeting.



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Proxy

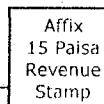
I/We _____
of _____ in the district of _____ being
a Member/Members of the above named Company, hereby appoint _____
of _____ in the district of _____ or failing him
_____ of _____ in the district of _____
as my/our Proxy to attend and vote for me/us and on
my/our behalf at the Eighteenth Annual General Meeting of the Company, to be held on Saturday, the 29th day of
September, 2007 and at any adjournment thereof.

Signed this _____ day of _____ 2007.

Folio No. _____ / DP ID No. * _____ & Client ID No.* _____

* Applicable for members holding shares in electronic form.

No. of Shares _____



Signature

Notes : (1) This proxy must be returned so as to reach the Registered Office of the Company not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.

(2) Those members who have multiple folios with different jointholders may use copies of this Attendance Slip/Proxy.

ANNUAL REPORT 2006-2007**AARVEE DENIMS AND EXPORTS LTD.****18TH ANNUAL REPORT
2006-2007****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
Shri Rahul S.Chander	Investor Director

SENIOR EXECUTIVES

Shri Nipun V. Arora	C.O.O. (Administration)
Shri Pankaj V. Arora	C.O.O (Marketing)
Shri Pankil K.Shah	C.O.O (Garmenting)
Shri K.K. Mohale	Chief Executive
Shri Bhavik Pandit	Finance Controller
Shri Krunal Bhatt	Company Secretary

BANKERS

Bank of Baroda	Standard Chartered Bank
Punjab National Bank	Export Import Bank of India
Bank of India	Industrial Development Bank of India

AUDITORS

N.C. Shah & Associates	Joint Statutory Auditors
Deloitte Haskins & Sells	Joint Statutory Auditors

REGISTERED OFFICE & MILLS:**REGISTERED OFFICE (Unit I)**

188/2, Ranipur Village, Opp. CNI Church, Narol, Ahmedabad 382 405.

SPINNING UNIT (Unit II)

S.No. 215-217, Village Sari, Sarkhej Bavla Highway, Ta.Sanand, Dist. Ahmedabad.

INTERGRATED UNIT (Unit III)

191, Moje shavadi, Narol-sarkhej Highway, Ahmedabad - 382 405.

DELHI OFFICE :

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

MUMBAI OFFICE :

102, Techno Residency, Plot No.84, Junction of L.N Road and Hindu Colony Road No.2, Dadar (E), Mumbai - 400014.

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 Eighteenth Annual General Meeting of the Members of **AARVEE DENIMS AND EXPORTS LIMITED** will be held on 29th September, 2007 at 10.00 a.m. at Survey Np. 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, 2007, the Profit and Loss Account for the year ended 31st March, 2007 and the reports of the Directors and Auditors thereon alongwith all annexures and appendix thereto;
2. To declare dividend on Equity and Preference Share Capital;
3. To appoint Director in place of Shri Arvind D.Sanghvi, who retires by rotation and being eligible offers himself for reappointment
4. To appoint Director in place of Shri Amol R.Dalal, who retires by rotation and being eligible offers himself for reappointment;
5. To appoint M/s Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad and M/s N.C Shah & Associates, Chartered Accountants, Ahmedabad as Joint Statutory Auditors to hold office from the conclusion of this Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration apart from reimbursing out-of-pocket expenses incurred in the normal course of their duties.

Place : Ahmedabad
Date : 29th June, 2007

By order of Board of Directors
Krunal Bhatt
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. The Register of Members and Share Transfer Books of the Company shall remain closed from 22nd September, 2007 to 29th September, 2007 (both days inclusive). The dividend if approved will be paid to those members whose name appear(a) as beneficial owners as per the list to be furnished by the Depositories and (b) as members on Register of Members of the Company after giving effect to all valid Share Transfers in physical form lodged with the Company on or before 21st September, 2007

ANNUAL REPORT 2006-2007

4. Members desiring any information pertaining to accounts are requested to write to the Company 7 days before the date of the meeting so that information can be made available at the meeting.
5. Members are requested to bring their copy of Annual Report at the meeting and produce Attendance Slip at the Entrance where the Annual General Meeting will be held.
6. The documents, referred to in the proposed resolution 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
7. Listing Fees for the year 2007-08 has been paid to the Bombay Stock Exchange and National Stock Exchange
8. Members holding the Share in physical mode are requested to immediately notify the Company or its Share Transfer Agent about any change of address or bank Particulars. Members holding Shares in dematerialized form are requested to immediately notify their respective Depository Participants about any change of address and their Bank Particulars.
9. As required in terms of paragraph IV (G) of the Clause 49 of the Listing Agreement the details of Directors retire by rotation and eligible for reappointment are furnished below.
 - (a) Shri Arvind Sanghvi, aged 50 years. is an undergraduate. He is founder of Raajratna Metal Industries Ltd. He does not hold any share of the Company.
 - (b) Shri Amol R Dalal, aged 50 years is Commerce Graduate. He is in business of manufacturing parts of machineries. He holds 1400 Equity Shares of the Company.

Place : Ahmedabad

Date : 29th June, 2007

By order of Board of Directors
Krunal Bhatt
Company Secretary

**aarvee****AARVEE DENIMS AND EXPORTS LTD.****DIRECTORS' REPORT**

To,
The Members
AARVEE DENIMS AND EXPORTS LTD.

Your Directors have pleasure in placing before you their 18th Annual Report and Audited Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

The highlights of the Financial Results are given below:

(Rs.in Lacs)

FINANCIAL RESULTS	Year ended 31st March, 07	Year ended 31st March, 06
Sales and other Income (including non recurring income)	25212.73	27940.80
Profit Before Depreciation, interest and taxation	5720.09	6923.68
Less : Interest	529.54	552.24
Profit after interest but before Depreciation and Taxation	5191.36	6371.43
Less - Depreciation	1624.65	1370.24
Add: exceptional income on sale of land	142.78	0.00
Profit After Depreciation	3709.49	5001.20
Less - Provision For Taxation	462.88	1376.27
Less - Provision For Deferred Tax	203.58	191.60
Profit After Taxation	3043.03	3433.33
Appropriations / Adjustments		
Less: short provision for taxation for earlier years	8.02	14.62
PROFIT FOR THE YEAR	3035.01	3418.71
Balance of profit / (loss) brought forward	6193.57	4105.11
Preference Dividend	194.89	146.83
Equity Dividend	229.74	449.75
Corporate Dividend Tax (including Edu. cess and surcharge)	68.82	83.67
Capital Redemption Reserve	300.00	300.00
General Reserves	76.00	350.00
Profit carried to Balance Sheet	8359.13	6193.57

DIVIDEND

The Company has already declared and paid interim dividend @ 5% on the fully paid-up equity share capital of the Company as recommended by the Board of Directors of the Company in its meetings held on 18.10.2006 for the year 2006-07.

In addition to the Interim Dividend declared and paid earlier for the year 2006-07, the Directors in their meeting dated 29.06.2007 recommended the payment of final dividend @ 5% on 2,34,59,800 equity shares of Rs.10/- each aggregating the total dividend @ 10% for the year 2006-07, subject to approval by the Members at the ensuring Annual General Meeting. The Board has also recommended payment of Preference Dividend at 13% per share on 1,49,91,340 Preference Shares of Rs. 10/-each.

ANNUAL REPORT 2006-2007**PERFORMANCE DURING THE YEAR:**

Turnover/Income of the company for the year is Rs. 25212.73 lacs compared to Rs. 27940.80 lacs showing decrease by 10%. The Operating Profit for the current year is Rs. 5720.90 lacs (Rs. 6923.68 lacs) which is 17.38% lower than the preceding year. Profit after tax is Rs. 3035.01 lacs (3418.70 lacs). Provision for tax Rs. 462.88 lacs and Provision for Deferred Tax Rs. 203.58 lacs is made for the current year which was last year Rs.1376.27 lacs and Rs.191.60 lacs respectively.

ISSUE OF FOREIGN CURRENCY CONVERTIBLE BONDS:

The Company has issued US\$ 20 million Foreign Currency Convertible Bonds (FCCBs) on 10th April, 2007. The above bonds were issued to finance the Wind Energy Project initiated by the Company with a view to opt for green energy in lieu of traditional sources of energy and also to reduce energy cost. 12 Wind Mills of 1.5 MW each installed by the Company have been fully operational.

BUSINESS OVERVIEW:

Your Company is operating in Denim Industry which is cyclical in nature. To mitigate effect of recessionary trends your Company practices tight cost control measures, increases thrust on value added products and increases its production of non-denim fabrics. Your directors are pleased to inform that your Company has successfully implemented its Wind Energy Project of 18 MW in Kutch district of Gujarat. Considering the environmental challenges of global warming, the company has opted for wind energy which is 100% environment friendly. It will also reduce the energy cost of the Company substantially. The impact of the cost control on the bottomline of the Company will be reflected in the next financial year.

Your Company has entered into the non-denim segment as a measure of de-risking cum-logical diversification, since the basic infrastructure for production of denim and non-denim gabardine fabrics is the same. In 2005-06, the your Company set up a small gabardine processing facility at its Unit I, Narol, Ahmedabad and in the fiscal year 2006-07, your Company has implemented a large gabardine processing facility at its Unit I, Narol. Thus, your Company enjoys enough flexibility as well as strength to endure recessionary phases. Your Company has bright prospect since it is well positioned in the domestic market.

Your Company has already started manufacturing of ready made garments with initial focus on manufacturing of denim garments under brand name of "Aden" and planning to launch premium brand for garment retailing. Your Company is setting up dedicated facility having higher capacity to manufacture readymade garments at its Unit III at Narol, Ahmedabad. Your Company also undertakes contract manufacturing jobs for other major well known brands in India.

Your Directors are pleased to inform you that considering the challenging phase and oversupply situation the denim industry is passing through the company has been able to perform satisfactorily.

CORPORATE GOVERNANCE

Pursuant to the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges, a report on Corporate Governance and a Certificate from the Auditors of the Company regarding compliance with Corporate Governance guidelines as stipulated and Management Discussion & Analysis report have been attached by way of separate Section as part of this Annual Report.

DIRECTORS

Shri Arvind Sanghvi and Shri Amol Dalal retire by rotation as per the provisions of Articles of Association of the Company. Your Directors recommend their reappointment.

AUDITORS

Auditors of the Company M/s. N.C. Shah & Associates, Chartered Accountants and M/s Deloitte Haskins & Sells, Chartered Accountants, will retire at the conclusion of the ensuing 18th Annual General Meeting from the office of the Auditors and being eligible offer themselves for re-appointment from the end of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting.

The notes to the accounts referred to in the Auditors' Report are Self-explanatory and therefore do not call for any further comments. The Company has adequate system of internal control procedures commensurate with the size of the Company and the nature of its business to keep check on the activities of the various departments.

**AARVEE DENIMS AND EXPORTS LTD.****aarvee****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 or preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a going concern basis.

DEPOSITS

For the Financial year ending March 31, 2007 the company has accepted fixed deposits to the tune of Rs. 358.38 lacs. The Company repaid the deposits amounting to Rs. 464.87 lacs and the outstanding deposits at the end of the year were amounting to Rs. 239.88 lacs.

INSURANCE

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

PARTICULARS OF EMPLOYEES

Particulars required by the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 as amended have not been provided since no employee is drawing remuneration in excess of prescribed limits as per above provisions.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY BY 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 of this Report.

ACKNOWLEDGEMENTS

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.

ANNUAL REPORT 2006-2007**ANNEXURE TO DIRECTORS' REPORT****CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO****SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956****THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****A. CONSERVATION OF ENERGY****I MEASURES TAKEN FOR CONSERVATION OF ENERGY**

1. Use of Energy efficient tubelights and changed Electronics Ballast in place of copper Ballast
2. Fixed transparent fiberglass sheet on roof for day light to minimize electrical lighting in the department during day time.
3. Installed condensate recovery pump system of forbs marshall in indigo dying sizing machine and process machine. Same hot water is used in Boiler to save fuel in steam Boilers.
4. Installed capacitors to improve power factor(p.f). We are maintaining average p.f of 0.98 to 0.99
5. Installed A C variable drive in all dying Jiggars to save energy as well as to minimize maintenance cost.
6. Separate cleaning line of compressed Air in loomshed and other departments for machine cleaning to minimize Air losses.
7. Using treated effluent water for gardening at Unit III

II. POWER & FUEL CONSUMPTION

	Particulars	2006-07	2005-06
1.	Electricity		
	(a) Purchased Units KWH in Lac	386.90	380.22
	Total Amount (Rs. in Lac)	1697.57	1691.80
	Rate/unit (Rs./KWH)	4.39	4.45
	(b) Own Generation		
	Through Diesel Generator		
	Unit Per liter of diesel	3.51	3.30
	Cost/Unit (Rs./KWH)	10.78	8.24
	(c) Thermal based Power Plant		
	Fuel/Lignite (MT)	26092	10482
	Units KWH.(Lac)	191.70	66.12
	Amount (Rs. in Lac)	473.76	184.70
	Cost/ Unit KWH	2.47	2.79
	(d) Wind Turbine (Units KWH in Lac)	46.28	37.69
2.	Coal & Lignite		
	Quantity (in MT)	17462	15773
	Total Cost(Rs in Lac)	351.27	264.19
	Cost/MT	2011	1674

**aarvee****AARVEE DENIMS AND EXPORTS LTD.****III CONSUMPTION PER UNIT OF PRODUCTION :**

	2006-07		2005-06	
	FABRIC (PER MTR)	YARN (PER KG)	FABRIC (PER MTR)	YARN (PER KG)
Electricity (KWH)	1.23	1.30	1.00	0.93
Coal (Kg)	0.56	Nil	0.49	Nil
LDO	0.00	0.01	0.01	0.30

B. TECHNOLOGY ABSORPTION**1. Research & Development Expenditure**

a. Capital	NIL
b. Recurring	NIL
c. Total	NIL
d. Total R&D Expenditure as % of total turnover	NIL

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings during the Financial Year was Rs.23,92,53,519/- and total Outgo was Rs 28,67,15,533.

Place : Ahmedabad
Date : 29th June, 2007

By Order Of The Board
VINOD P.ARORA
CHAIRMAN