



aarvee
DENIMS & EXPORTS LTD.



ANNUAL REPORT 2011-12

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 | Independent Director |
| Shri Ashok C. Gandhi | Independent Director |
| Shri Arvind D. Sanghvi | Independent Director |
| Shri Tilak Raj Kapoor | Independent Director |
| Shri Amol R. Dalal | Independent Director |

AUDIT COMMITTEE

| | |
|-------------------------|----------|
| Shri Sanjay S. Majmudar | Chairman |
| Shri Ashok C. Gandhi | Member |
| Shri Amol R. Dalal | Member |

SHARE TRANSFER COMMITTEE

| | |
|----------------------|----------|
| Shri Vinod P. Arora | Chairman |
| Shri Ashish V. Shah | Member |
| Shri Kalpesh V. Shah | Member |

REMUNERATION COMMITTEE

| | |
|-------------------------|----------|
| Shri Sanjay S. Majmudar | Chairman |
| Shri Ashok C. Gandhi | Member |
| Shri Amol R. Dalal | Member |

SHAREHOLDER'S GRIEVANCE COMMITTEE

| | |
|----------------------|----------|
| Shri Amol R. Dalal | Chairman |
| Shri Vinod P. Arora | Member |
| Shri Kalpesh V. Shah | Member |

SENIOR EXECUTIVES

| | |
|----------------------|---------------------------------|
| Shri Nipun V. Arora | Vice President (Administration) |
| Shri Pankaj V. Arora | Vice President (Marketing) |
| Shri Pankil K. Shah | Vice President (Garment) |
| Shri K. K. Mohale | Chief Executive |
| Shri U. L. Pandwar | Finance Controller |
| Shri Amish Shah | Company Secretary |

BANKERS

| | |
|----------------------|-------------------------|
| Bank of Baroda | Standard Chartered Bank |
| Punjab National Bank | Bank of India |
| IDBI Bank Ltd. | |

AUDITORS

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

REGISTERED OFFICE & MILLS:

| | |
|---|---|
| REGISTERED OFFICE (Unit I) | Unit II |
| 188/2, Ranipur Village Opp. CNI Church, Narol Ahmedabad-382 405 | S. No. 215-217, Village Sari Sarkhej Bavla Highway, Ta. Sanand, Dist. Ahmedabad. |

Unit III

191, Moje shahvadi, Narol-Sarkhej Highway, Ahmedabad-382 405

Unit IV

Survey No. 212/2 -212/4, Village Sari, Sarkhej-Bavla Highway,
Tal. Sanand, Dist. Ahmedabad -382 210.

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 :

Mr. Rakesh Joshi

Sharepro Services (India) Pvt Ltd.

416-420, 4th Floor Devnandan Mall, Opp.Sanyash Ashram,
Ellisbridge, Ahmedabad -380006 , Gujarat,
Tel Nos. 079 26582381 to 84, Fax No 079 26582385
Email: sharepro@shareproservices.com

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NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the Members of AARVEE DENIMS AND EXPORTS LIMITED will be held on Saturday, 29th day of September, 2012 at 10.00 a.m. at Registered office of the Company situated at Survey No. 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 on 31st March, 2012, the Profit and Loss Account for the year ended 31st March, 2012 and the reports of the Directors and Auditors thereon;
2. To appoint Director in place of Shri Parmanand Arora, who retires by rotation in terms of Articles 131 of the Articles of Association of the Company and being eligible, offers him for reappointment.
3. To appoint Director in place of Shri Tilakraj Kapoor, who retires by rotation in terms of Articles 131 of the Articles of Association of the Company and being eligible, offers him for reappointment;
4. To appoint M/s Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Registration No. 117365W) and M/s N.C. Shah & Associates, Chartered Accountants, Ahmedabad (Registration No. 109692W) 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

By order of Board of Directors

Date : 14/08/2012

Amish P. Shah
Company Secretary

Notes:-

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote (on a poll only) instead of self and the proxy need not be a member of the Company. Proxy in order to be effective must be recorded at the registered office of the Company not less than 48 hours before the meeting.
2. Pursuant to Section 154 of the Companies Act, 1956 the Register of Members and Share Transfer Books of the Company will remain closed on 1st September, 2012.
3. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the amount of dividend which remains unpaid/ unclaimed for a period of 7 years is transferred to the "Investor Education and Protection Fund (IEPF)", constituted by the Central Government and member(s) would not be able to claim any amount of dividend so transfer to the IEPF. As such member(s) who have yet not encashed his/her/their dividend warrant(s) is/are requested in his/her/their own interest to write to the Registrar & Share Transfer Agent of the Company, immediately for claiming outstanding dividend declared by the Company during the year 2004-05.
4. The Shareholders are requested to notify immediately change if any, in their address to the Company/Share Transfer Agent of the Company **Sharepro Services (India) Pvt Ltd.** 416-420, 4th Floor Devnandan Mall, Opp.Sanyash Ashram, Ellisbridge, Ahmedabad -380006

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 2012-13 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 per the Circular No. MRD/Dop/Cir-05/2009 dated May 20, 2009 issued by Securities and Exchange Board of India (SEBI) it is mandatory to quote PAN for transfer of shares in physical form, Therefore, the transferee(s) are requested to furnish a copy of PAN to the Registrar & Share Transfer Agent of the Company.
10. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board resolution authorizing their representative to attend and vote on their behalf at the meeting.
11. 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.

| | |
|-----------------------------|--|
| Shri Parmanand Arora | Is 85 years old, is having more than 65 years of experience in textile business. He is founder of Arora Group of Companies, Delhi & promoter of Aarvee Denims And Exports Limited. He is Director of the Company since 1992. Shri Parmanand Arora is father of Shri Vinod Arora and Shri Rajesh Arora Directors of the company are related to him. |
| Shri Tilakraj Kapoor | Is 79 years old and qualified as B.A. He is holding directorship in various private limited companies. None of Director of the Company is related to him. Mr. Kapoor is independent director of the Company. |

Place : Ahmedabad

Date :14/08/2012

By order of Board of Directors**Amish P. Shah****Company Secretary**

DIRECTORS' REPORT

To,

The Members

Your Directors are pleased to present the 23rd Annual Report along with the Audited Financial Statement for the year ended 31st March, 2012.

FINANCIAL RESULTS

Your Company's performance during the year is as below:

(₹ in Lacs)

| FINANCIAL RESULTS | Year ended 31.03.2012 | Year ended 31.03.2011 |
|--|----------------------------------|--------------------------|
| Sales & Operating Income | 66139 | 49483 |
| Operating Profit | 8356 | 8163 |
| Add: Other Income | 113 | 428 |
| Less: Net Interest & Finance Cost | 3681 | 1929 |
| Less: Depreciation | 2569 | 2357 |
| Profit before tax | 2219 | 4305 |
| Provision for Tax & Deferred tax | 816 | 961 |
| Profit after Tax | 1403 | 3344 |
| Appropriations / Adjustments | | |
| PROFIT FOR THE YEAR | 1403 | 3344 |
| Balance of profit / (loss) brought forward | 12858 | 9651 |
| Equity Dividend | - | 117 |
| Corporate Dividend Tax (including Edu. cess and surcharge) | - | 19 |
| Profit carried to Balance Sheet | 14261 | 12858 |

DIVIDEND

In view to conserve resources for ongoing expansion, business growth of the Company and considering uncertain forex and economic situation, your Directors do not recommend any dividend for the year.

REDEMPTION OF FOREIGN CURRENCY CONVERTIBLE BONDS

During the year the Company has bought back zero coupon foreign currency convertible bonds (FCCBs) with the face value of USD 3.50 million (approx ₹ 1558.20 lacs) out of total outstanding FCCB of USD 7.50 million, at discount to their book value, as per RBI approval.

EXTERNAL COMMERCIAL BORROWING

During the year company had availed External Commercial Borrowing (ECB) of US\$. 9.25 million from Bank of Baroda (BOB) and Standard Chartered Bank (SCB) for expansion of the Company.

PERFORMANCE DURING THE YEAR

With the help of Strong domestic consumption and export demands of denims your Company had achieved turnover of ₹ 66139.30 lacs compared to preceeding year ₹ 49483.41 lacs showing increase of 33.66 %. The Operating Profit for the current year is ₹ 8356 lacs (previous year ₹ 8163 lacs) which is 2.36 % higher than the preceeding year. Profit after tax is ₹ 1403.22 lacs (Previous year ₹ 3343.88 lacs). Provision for tax ₹ 541.44 lacs & Provision for Deferred Tax ₹ 274.21 lacs is made for the current year which was last year ₹ 811.97 lacs and ₹ 149.45 lacs respectively.

BUSINESS OVERVIEW:

Financial year 2011-12 had witnessed significant growth in export demand of Indian denim, as China and United States two big runner of denim market had cut down production due to rising in labour and energy costs. During the year in review with the help of huge export and domestic demand, Indian denim market had grown by 15%. The Indian denim players had faced vast competition in international market from neighborhood Asian nations Pakistan, Bangladesh & Indonesia.

In track of the global trend, demand for denims in India has also perceived a oceanic change. The Indian denim market is among the fastest growing market with an estimated growth rate of 12%. The retail boom has led to a upwelling in domestic denim demand. Certainly the Indian market currently presents a huge potential for denim producers to spread their wings.

Your Company have reported very good turnover for the year ended 31st March, 2012.

EXPANSION

The Company has expanded capacity by 40% in two phases. The 1st phase was completed in March, 2011 and the Second phase in April, 2012. The denim capacity increased from 60 million mtrs to 84 million mtrs per annum.

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 Parmanand Arora and Shri Tilakraj Kapoor, 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 23rd 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 Company has received a certificate from them certifying that their appointment, if made, would be within the limits specified under Section 224(1-B) of the Companies Act, 1956.

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.

COST AUDITOR

The Central Government had vide their Order No. 52/552/CAB-2000 dated 10th August, 2000 directed an audit of the cost accounts maintained by the Company in respect of textiles business. For conducting the cost audit for this business for the financial year ended March 31, 2012, the Central Government has approved the appointment of M/s. N. D. Birla & Co, Cost 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 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, 2012 the company has accepted fixed deposits to the tune of ₹ 455.73 lacs. The Company repaid the deposits amounting to ₹ 327.52 lacs and the outstanding deposits at the end of the year were amounting to ₹ 375.73 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 place on record their appreciation for the contribution made by employee at all levels. Your Company's growth was made possible by employee's support, co-operation, commitment, solidarity and hard work.

Your Directors wish to take this opportunity to express their deep sense of gratitude to the Central and State Governments, Bankers, Shareholders, Retail Partners, employees and Customers for their co-operation and support and look forward to their continued support in future.

For and on behalf of the Board of Directors

Vinod P. Arora
Chairman and Managing Director

Place : Ahmedabad
Date : 28/05/2012

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 CFL lights 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 productions units 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. Optimized the speed of blower at ETP by reducing the pully size.
6. Separate cleaning line of compressed Air in loomshed and other departments for machine cleaning to minimize Air losses.
7. Installed ESP in place of bag filters.
8. Installed one more Centac centrifugal compressor of 2200 CFM and stopped the operation of screw compressor.

FORM - "A"

II. POWER & FUEL CONSUMPTION

| Particulars | 2011-12 | 2010-11 |
|-------------------------------------|----------------|---------|
| 1. Electricity | | |
| (a) Purchased Units KWH in Lac | 506.98 | 427.53 |
| Total Amount (₹ in Lac) | 3269.98 | 2491.64 |
| Rate/unit (₹/KWH) | 6.45 | 5.83 |
| (b) Thermal based Power Plant | | |
| Fuel/Lignite (MT) | 15,110 | 26,362 |
| Units KWH (Lac) | 62.00 | 91.19 |
| Amount (₹ in Lac) | 531.13 | 778.80 |
| Cost/ Unit KWH | 8.57 | 8.54 |
| (c) Wind Turbine (Units KWH in Lac) | 385.07 | 304.67 |
| 2. Coal & Lignite | | |
| Quantity (in MT) | 33248 | 21,382 |
| Total Cost(₹ in Lac) | 1272.56 | 884.16 |
| Cost/MT | 3828 | 4135 |

III CONSUMPTION PER UNIT OF PRODUCTION

| Particulars | 2011-12 | | 2010-11 | |
|-------------------|---------------------|------------------|---------------------|------------------|
| | FABRIC (PER MTR) | YARN (PER KG) | FABRIC (PER MTR) | YARN (PER KG) |
| Electricity (KWH) | 1.30 | 1.06 | 1.14 | 1.22 |
| Coal (Kg) | 0.62 | Nil | 0.48 | Nil |

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
(₹ in Lacs)

| Particulars | 2011-12 | 2010-11 |
|--------------------------|----------|----------|
| Foreign Exchange Earning | 17763.00 | 10482.40 |
| Foreign Exchange Outgo | 5715.57 | 3470.94 |

For and on behalf of the Board of Directors

Vinod P. Arora
Chairman and Managing Director

Place : Ahmedabad
Date : 28/05/2012

REPORT ON CORPORATE GOVERNANCE

1. Brief statement on Company's philosophy on code of governance

Transparency, fairness, disclosure and accountability are central to the working of the company and its board of directors. Aarvee has complied with the requirement of the corporate governance in terms of clause 49 of the listing agreement.

The fundamental concern of corporate governance is to ensure the conditions whereby a company's directors and managers act in the interest of the company and its various stakeholders. Your company has always been guided by a strong conviction of adhering to transparency, accountability and integrity. The company strongly believes in maintaining a simple and transparent corporate structure driven solely by business needs. Shareholders interests are utmost and the management is only a trustee of the shareholders capital to carry out the activities in a truthful manner.

2. Board of Directors

Composition & particulars of Directors

The Board of Directors of the company is having optimum combination of Executive & Non-Executive Directors as suggested in the Corporate Governance norms. The current strength of the Board is ten comprising three Executive Directors and seven Non-executive Directors, of these seven Non-Executive Directors, five are independent Directors and two are Non-independent Directors.

| | |
|--------------------------------|--|
| Executive Directors | Shri Vinod P.Arora , Chairman & Managing Director (Promoter) Shri Ashish V. Shah, Managing Director (Promoter) Shri Kalpesh V. Shah, Whole-time Director |
| Non Executive Directors | Shri Rajesh P.Arora Shri Parmanand T.Arora |
| Independent Directors | Shri Sanjay S. Majmudar Shri Ashok C. Gandhi Shri Arvind D. Sanghvi Shri Amol R Dalal Shri Tilak Raj Kapoor |

Number of Board Meetings held & the dates on which held

| Date | Board Strength | No of Directors Present |
|--------------------|----------------|-------------------------|
| 30th May, 2011 | 10 | 09 |
| 10th August 2011 | 10 | 08 |
| 12th November 2011 | 10 | 09 |
| 9th February, 2012 | 10 | 06 |

Details of Directors, Attendance of Directors at the Board Meetings, at the Annual General Meeting held on 30th September, 2011 and number of memberships held by Directors in the Board/Committee of other Companies

| Sr. No. | Name | Category | Attendance particulars | | No. of other Directorship & Committee membership/Chairmanship | | |
|---------|--|--------------------|------------------------|------------------------|---|----------------------|------------------------|
| | | | Board Meeting | AGM held on 30.09.2011 | Other Directorship | Committee Membership | Committee Chairmanship |
| 1. | Shri Vinod P.Arora (Chairman & Managing Director) | Promoter Executive | 4 | Yes | 2 | - | - |
| 2. | Shri Ashish V. Shah (Managing Director) | Promoter Executive | 4 | Yes | - | - | - |