

24<sup>TH</sup>

ANNUAL REPORT 2012-13



**aarvee**

**DENIMS & EXPORTS LTD.**





## AARVEE DENIMS AND EXPORTS LTD.

### 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 Utsav 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

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

### REGISTERED OFFICE & MILLS:

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

### Unit III

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

### Unit IV

S. No. 212/2 - 212/4, Village Sari., Sarkhej Bavla Highway, Ta. Sanand, Dist. Ahmedabad.

### 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. Navin Mahavar

### 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 24<sup>th</sup> Annual General Meeting of the Members of AARVEE DENIMS AND EXPORTS LIMITED will be held on Monday, 30<sup>th</sup> day of September, 2013 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 31<sup>st</sup> March, 2013, the Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2013 and the reports of the Directors and Auditors thereon;
2. To appoint Director in place of Shri Arvind Sanghvi, who retires by rotation in terms of Articles 131 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
3. To appoint Director in place of Shri Amol Dalal, who retires by rotation in terms of Articles 131 of the Articles of Association of the Company and being eligible, offers himself 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  
Date : 2<sup>nd</sup> August, 2013

**By order of Board of Directors**

**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 from Saturday, 21<sup>st</sup> September, 2013 to Monday, 30<sup>th</sup> September, 2013 (both days inclusive).
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 transferred 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 2005-06.
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, 4<sup>th</sup> 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 2013-14 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 (D.P.) 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.

<b>Shri Arvind Sanghvi</b>	Aged 56 years and Independent Director of the company. He is under graduate and having 33 years vast experience in metal industries. He is founder of "Raajratna Metal Industries". He is independent director of the company since 1996. None of directors are related to him.
<b>Shri Amol Dalal</b>	Aged 57 years and He is independent director of the Company since 2004. He is commerce graduate and engaged in business of manufacturing parts of machineries. None of directors are related to him.

Place : Ahmedabad  
Date : 2<sup>nd</sup> August, 2013

**By order of Board of Directors**

**Amish P. Shah**  
**Company Secretary**

## DIRECTORS' REPORT

To,  
The Members

Your Directors are pleased to present the 24<sup>th</sup> Annual Report along with the Audited Financial Statement for the year ended 31<sup>st</sup> March, 2013.

### FINANCIAL RESULTS

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

(₹ in Lacs)

<b>FINANCIAL RESULTS</b>	<b>Year ended 31.03.2013</b>	<b>Year ended 31.03.2012</b>
Sales & Operating Income	72332.27	66139.30
<b>Operating Profit</b>	<b>12260.67</b>	<b>8355.28</b>
Add: Other Income	182.81	113.50
Less: Net Interest & Finance Cost	3754.51	3680.66
Less: Depreciation	3095.59	2569.25
<b>Profit before tax</b>	<b>5593.38</b>	<b>2218.87</b>
Provision for Tax & Deferred tax	1091.62	815.65
<b>Profit after Tax</b>	<b>4501.76</b>	<b>1403.22</b>
<b>Appropriations / Adjustments</b>		
PROFIT FOR THE YEAR	4501.76	1403.22
Balance of profit / (loss) brought forward	<b>14261.39</b>	<b>12858.17</b>
Equity Dividend	117.30	-
Corporate Dividend Tax (including Edu. cess and surcharge)	19.03	-
<b>Profit carried to Balance Sheet</b>	<b>18626.82</b>	<b>14261.39</b>

### 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 14<sup>th</sup> August, 2012 for the year 2012-13. To conserve resources for growth your directors do not recommend any final dividend for the year.

### PERFORMANCE DURING THE YEAR

With the help of strong domestic consumption and export demands of denims your Company had achieved turnover of ₹ **72,332.27 lacs** compared to preceding year ₹ 66,139.30 lacs showing increase of **9.36%**. The Operating Profit for the current year is ₹ **12,260.67 lacs** (previous year ₹ 8355.28 lacs) which is **46.74%** higher than the preceding year. Profit after tax is ₹ **4501.76 lacs** (Previous year ₹ 1403.22 lacs). Provision for tax ₹ **977.66 lacs** & Provision for Deferred Tax ₹ **113.96 lacs** is made for the current year which was ₹ 541.44 lacs and ₹ 274.21 lacs respectively in last year.

### REPAYMENT OF FOREIGN CURRENCY CONVERTIBLE BONDS

During the year the company has redeemed zero coupon Foreign Currency Convertible Bonds (FCCBs) with face value of USD 4.00 Million (approx ₹ 20.52 Crore) with premium of USD 1.92 Million (approx ₹ 9.85 Crore) on due date.

**EXTERNAL COMMERCIAL BORROWING**

During the year company had availed External Commercial Borrowing (ECB) of US\$. 5.00 million from Standard Chartered Bank (SCB) for repayment of FCCB of the Company. The company has repaid all the FCCBs with premium on due date, now the company has cleared his liability of the conversion of FCCBs in to the Equity Share of the company or to redeem the FCCB.

**BUSINESS OVERVIEW:**

The two giant denim producer countries China and United States have cut down their production of denim, as a result of rising labour and energy costs. Despite of this vast export opportunity, sluggish export demand and vast competition in international market created difficulties to Indian denim players to achieve export target.

During the financial year 2012-13 the textile industry passed out from challenging operating environment amongst uncertainty over demand growth and volatility in raw material prices. The rising power, fuel and wage costs, higher interest rates and domestic and global competition increased margin pressure over the industry.

Quiet international demand of cotton and surplus production had retained cotton prices stable and range bound during the entire year. The exports revenues had shown downfall on the back of the sturdy economic slowdown in key export destinations of US and Europe. The global demand of denim fabrics had increased but hard-hitting competition from well-known denims producers' countries had reduced profit margin. Domestically, weak consumer sentiment, high inflation and low wage growth had been reduced denim sales. With the help of strong domestic consumption and sustain export demands the denims and textiles industry wrote the success story of good profitability and development.

Despite of major global economic challenges, fluctuation in currency value, high cost of wages and power in year 2012-13 your Company had reported very good turnover and profit for the financial year ended March, 2013.

**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 Sanghavi 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 24<sup>th</sup> 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 10<sup>th</sup> 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 31<sup>st</sup> March, 2013, 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 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 31<sup>st</sup> March, 2013 the company has accepted fixed deposits to the tune of ₹ 690.83 lacs. The Company repaid the deposits amounting to ₹ 516.38 lacs and the outstanding deposits at the end of the year were amounting to ₹ 550.18 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, 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

Place : Ahmedabad  
Date : 29<sup>th</sup> May, 2013

**Vinod P. Arora**  
Chairman and Managing Director

**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. Boiler ID fan motor load is reduced from 63 amperes, to 43 amperes by installing frequency converter & saved the energy 9500 units / month.
2. Main bore well flow is improved from 40 m3 to 60 m3 & saved the energy 7500 units / month.
3. 30% Water reduction is achieved by recycling the process water in dyeing sizing & finishing m/c. total 25% E.T.P. treatment cost is reduced by using the recycle water.
4. E.T.P. aeration tank data is maintain by 1000 m3 air blower instead of 2000 m3 & the out –let treatment water C.O.D. is maintain up to 100 ppm, The saving is 15000 units/ month.
5. New H-plant technology with jet nozzle system is adopted in one plant & saved 10000 units/ month.
6. Lighting energy saved by putting the clock timers in circuit.
7. Use of Energy efficient CFL lights and changed Electronics Ballast in place of copper Ballast.
8. Fixed transparent fiberglass sheet on roof for day light to minimize electrical lighting in the productions units during day time.
9. 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.
10. Installed capacitors to improve power factor (p.f). We are maintaining average p.f of 0.98 to 0.99
11. Optimized the speed of blower at ETP by reducing the pully size.
12. Separate cleaning line of compressed Air in loomshed and other departments for machine cleaning to minimize Air losses.
13. Installed ESP in place of bag filters.
14. Energy efficient centac centrifugal compressor of 2200 CFM and stopped the operation of screw compressor.

**Form "A"**

**II. POWER & FUEL CONSUMPTION**

Particulars	2012-13	2011-12
<b>1. Electricity</b>		
<b>(a) Purchased Units KWH in Lac</b>	<b>811.88</b>	<b>506.98</b>
Total Amount (₹ in Lac)	<b>5541.50</b>	<b>3269.98</b>
Rate/unit (₹/KWH)	<b>6.83</b>	<b>6.45</b>



<b>(b) Thermal based Power Plant</b>		
Fuel/Lignite (MT)	-	<b>15,110</b>
Units KWH (Lac)	-	<b>62.00</b>
Amount (₹ in Lac)	-	<b>531.13</b>
Cost/ Unit KWH	-	<b>8.57</b>
<b>(c) Wind Turbine (Units KWH in Lac)</b>		
	<b>362.79</b>	<b>385.07</b>
<b>2. Coal &amp; Lignite</b>		
Quantity (in MT)	<b>41498</b>	<b>33248</b>
Total Cost (Rs in Lac)	<b>1516.09</b>	<b>1272.56</b>
Cost/MT	<b>3653</b>	<b>3828</b>

**III. CONSUMPTION PER UNIT OF PRODUCTION :**

Particulars	2012-13		2011-12	
	FABRIC (PER MTR)	YARN (PER KG)	FABRIC (PER MTR)	YARN (PER KG)
Electricity (KWH)	<b>1.18</b>	<b>1.78</b>	<b>1.30</b>	<b>1.06</b>
Coal (Kg)	<b>0.65</b>	<b>Nil</b>	<b>0.62</b>	<b>Nil</b>

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

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

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(₹ in Lac)

Particulars	2012-13	2011-12
Foreign Exchange Earning	<b>15199.17</b>	<b>17763.00</b>
Foreign Exchange Outgo	<b>12804.63</b>	<b>5715.57</b>

For and on behalf of the Board of Directors

 Place : Ahmedabad  
 Date : 29<sup>th</sup> May, 2013

**Vinod P. Arora**  
 Chairman and Managing Director

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **CAUTIONARY STATEMENT:**

All statements that address expectations or projections about the future, but not limited to the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realized. The Company's actual results, performance or achievements could thus differ from those projected in any forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events.

### **OVERALL REVIEW:**

Indian Textile Industry is one of the leading textile industries in the world. Though was predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world. India earns about 27 percent of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14 percent of the total industrial production of the country. It also contributes around 4 percent to the GDP of the country. India textile industry is also the largest in the country in terms of employment generation. It not only generates jobs in its own industry, but also opens up scopes for the other ancillary sectors. India textile industry currently generates employment to more than 35 million people.

The financial year 2012-13 was marked by stability and bit restoration of operating margins for denims textile players across the value chain led by steady cotton prices, and the consequent positive impact on liquidity. Demand of denims remained sluggish across the value chain in at the end of fiscal year 2012-13. For apparel exporters, order sizes reduced, hence volumes fell. However, rupee realizations increased partially due to rupee depreciation against the USD and Euro. Global economic slowdown has reduced demand of denim in global markets. Indian denim industry had faced vast international completion from other large denim manufacturer nation Pakistan, Bangladesh, Indonesia etc. The cut throat domestic and international competition has reduced margins and insisted the denim manufactures to focus on the quality of products. Despite the economic crisis, domestic as well as international demand of denim has been growing at the satisfactory rate.

### **Indian Market:**

India's textiles industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of India's exports worldwide. The textiles sector has witnessed a spurt in investment during the last five years. The textiles industry attracted foreign direct investments (FDI) worth ₹ 5,674.45 crore (US\$ 1.04 billion) between the year 2000 to 2013.

With new undertakings entering the denims industry and existing enterprises expanding their production capacities in expectation of high demand, the industry fear that vast competition would put pressure on denim producer's profit margins.

With the help of better capacity utilization and an improved product mix the domestic denim market has grown at 15% comparing to last fiscal year. Increase in labour & power cost, vast domestic completion, government policies and high finance cost are some of challenge for denim industries. Controlled cotton prices are key advantage for the industry. Also increased denim capacity on India level by around 40% is a challenge for the denim industry.

### **Export Market:**

During the year denim exporters revenue has remain subdued on the back of the persistent economic slowdown in key export destinations of US and Europe and continuous deterioration in India's competitiveness. However, to offset the impact, Indian exporters are diversifying into other geographies.