

## ANNUAL REPORT 2004-05

*Arvind*



# ARVIND PRODUCTS LIMITED

**Directors :**

Mr. Arvind N. Lalbhai      Chairman & Managing Director  
 Mr. Anang A. Lalbhai      Managing Director  
 Mr. Samveg A. Lalbhai  
 Mr. Naishadh I. Parikh  
 Mr. Darshan R. Mehta  
 Dr. V. L. Mote  
 Mr. Shreyas C. Sheth

**Company Secretary :**

Mr. Prakash B. Makwana

**Bankers :**

Bank of Baroda  
 State Bank of India

**Auditors :**

Sorab S. Engineer & Co.  
 Chartered Accountants  
 381, Dr. D. Naoroji Road,  
 Fort, Mumbai - 400 023.

**Registrars and Transfer Agents :**

Pinnacle Shares Registry Pvt. Ltd.  
 Near Asoka Mills,  
 Naroda Road,  
 Ahmedabad - 380 025.

**Registered Office :**

Arvind Mills Premises,  
 Naroda Road,  
 Ahmedabad - 380 025.

**CONTENTS**

<b>Notice .....</b>	<b>1</b>
<b>Directors' Report .....</b>	<b>3</b>
<b>Corporate Governance Report .....</b>	<b>4</b>
<b>Management Discussion and Analysis .....</b>	<b>12</b>
<b>Auditors' Report .....</b>	<b>14</b>
<b>Balance Sheet &amp; Profit &amp; Loss Account .....</b>	<b>15</b>
<b>Cash Flow Statement .....</b>	<b>16</b>
<b>Schedules forming part of the Balance Sheet and Profit &amp; Loss Account .....</b>	<b>17</b>
<b>Balance Sheet Abstract &amp; Company's General Profile .....</b>	<b>22</b>

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## Notice

NOTICE is hereby given that the Annual General Meeting of the Members of the Company will be held on Thursday, the 29th September, 2005 at 10.00 a.m. at Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad - 380 006 to transact the following Business :

### ORDINARY BUSINESS :

- (1) To receive, consider and adopt the Audited Profit & Loss Account for the financial year ended on 31st March, 2005 and Balance Sheet as at that date and the Report of the Board of Directors and the Auditors thereon.
- (2) To appoint a Director in place of Mr. Samveg A. Lalbhai, who retires by rotation in terms of Article 135 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
- (3) To appoint a Director in place of Mr. Naishadh I. Parikh, who retires by rotation in terms of Article 135 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
- (4) To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS :

- (5) To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and in accordance with the relevant provisions of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the reappointment of Mr. Anang A. Lalbhai, as a Managing Director of the Company with effect from 3rd January, 2005 for a further period of 5 years without payment of any remuneration and perquisites and upon the following terms and conditions set out in the draft agreement placed before the meeting with authority to the Board of Directors to alter or vary the same in such manner as they may consider necessary and expedient and acceptable to Mr. Anang A. Lalbhai.

The principal terms and conditions of the reappointment are as follows:

- Period of appointment : Five years w.e.f. 3rd January, 2005
- Remuneration and perquisites : No remuneration or perquisites shall be payable during the tenure of appointment.
- Powers, duties and functions : Mr. Anang A. Lalbhai shall exercise substantial powers of the management subject to the superintendence control and direction of the Board."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as, in its absolute discretion, it may consider necessary, expedient or desirable, including modification in terms of reappointment in order to give effect to the foregoing resolution."

- (6) To consider and if thought fit to pass with or without modifications, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, and in accordance with the relevant provisions of the Articles of Association of the Company, consent of the Company be and is hereby accorded to the reappointment of

Mr. Arvind N. Lalbhai, as a Managing Director of the Company with effect from 1st July, 2005 for a further period of 5 years without payment of any remuneration and perquisites and upon the following terms and conditions set out in the draft agreement placed before the meeting with authority to the Board of Directors to alter or vary the same in such manner as they may consider necessary and expedient and acceptable to Mr. Arvind N. Lalbhai.

The principal terms and conditions of the reappointment are as follows:

- Period of appointment : Five years w.e.f. 1st July, 2005
- Remuneration and perquisites : No remuneration or perquisites shall be payable during the tenure of appointment.
- Powers, duties and functions : Mr. Arvind N. Lalbhai shall exercise substantial powers of the management subject to the superintendence control and direction of the Board."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts and things as, in its absolute discretion, it may consider necessary, expedient or desirable, including modification in terms of reappointment in order to give effect to the foregoing resolution."

- (7) To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to fix and pay the sitting fees for attending meetings of the Board of Directors and/or Committees thereof to the Non-Executive Directors (including Independent Directors) within the limits prescribed by the Central Government under provisions of Section 310 of the Companies Act, 1956, as may be amended from time to time."

**A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.**

By Order of the Board

**Registered Office :**  
Arvind Mills Premises,  
Naroda Road,  
Ahmedabad - 380 025  
26th July, 2005

**Arvind N. Lalbhai**  
Chairman & Managing Director

### NOTES :

- (1) Members are requested to notify promptly any change in their address to our Registrars viz. Pinnacle Shares Registry Pvt. Limited, Nr. Asoka Mills, Naroda Road, Ahmedabad - 380 025. Any other correspondence relating to Shares may also please be addressed to the said Registrars.
- (2) The Register of Members and Share Transfer Books of the Company will remain closed from 19th September, 2005 to 22nd September, 2005 (Both days inclusive).
- (3) Members are requested to bring their copies of the Annual Report to the Meeting.
- (4) The members/proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting.



- (5) Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the Meeting.
- (6) Members are requested to note that as per Section 205C of the Companies Act, 1956, dividends not encashed or claimed within 7 years from the date of transfer to the Company's unpaid dividend account shall be transferred by the Company to the Investor Education and Protection Fund of the Central Government. In the month of October, 2005, unclaimed dividends for the financial year 1997-98 will be transferred to this fund.
- Shareholders who have so far not encashed the dividend warrant(s) for the financial year 1997-98 are requested to approach the Company for payment thereof. Kindly note that once unclaimed/unpaid dividend is transferred to the Investor Education and Protection Fund, members will not be entitled to claim such dividend.
- (7) Requisition of information on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the information may be readily available at the meeting.

## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

### Item No. 5

The Board of Directors at their meeting held on 27th October, 2004 have reappointed Mr. Anang A. Lalbhai as the Managing Director of your Company for a further period of five years effective from 3rd January, 2005 without any remuneration and perquisites. He is entrusted with substantial powers of the Management subject to the superintendence, control and direction of the Board.

Mr. Anang A. Lalbhai, who is drawing remuneration and perquisites from The Arvind Mills Limited and who has agreed that he will continue to draw his remuneration and perquisites only from The Arvind Mills Limited and will not draw any remuneration and perquisites from the Company. His reappointment in your Company without remuneration and perquisites will be in accordance with clause (d) of Part - I of Schedule XIII of the Companies Act, 1956. His appointment as Managing Director is considered in the interest of your Company and your Directors recommend the resolution at item No. 5 of the Notice for your approval.

The reappointment of Mr. Anang A. Lalbhai requires approval of the Shareholders, in terms of Schedule XIII of the Companies Act, 1956.

A copy of the draft Agreement referred to in the resolution is available for inspection by the members at the Registered Office of the Company during the working hours on all the working days.

Mr. Anang A. Lalbhai may be deemed to be considered as concerned or interested in the aforesaid resolution as the same relates to his appointment as Managing Director.

The above Explanatory Statement set out as abstract of material terms of the contracts with Managing Director and the same be treated as an abstract of Memorandum of Interest in accordance with Section 302 with the Companies Act, 1956.

### Item No. 6

The Board of Directors at their meeting held on 25th April, 2005 have reappointed Mr. Arvind N. Lalbhai as the Managing Director of your Company for a further period of five years effective from 1st July, 2005 without any remuneration and perquisites. He is entrusted with substantial powers of the Management subject to the superintendence, control and direction of the Board.

Mr. Arvind N. Lalbhai, is also the Managing Director of the Asman Investments Limited drawing remuneration and perquisites from Asman Investments Limited and who has agreed that he will continue to draw his remuneration and perquisites from Asman Investments Limited and will not draw any remuneration and perquisites from the Company. His reappointment in your Company without remuneration and perquisites will

be in accordance with clause (d) of Part - I of Schedule XIII of the Companies Act, 1956. His reappointment as Managing Director is considered in the interest of your Company and your Directors recommend the resolution at item No. 6 of the Notice for your approval.

The reappointment of Mr. Arvind N. Lalbhai requires approval of the Shareholders, in terms of Schedule XIII of the Companies Act, 1956.

A copy of the draft Agreement referred to in the resolution is available for inspection by the members at the Registered Office of the Company during the working hours on all the working days.

Except Mr. Samveg A. Lalbhai and Mr. Arvind N. Lalbhai no other Directors of your Company is in any way concerned or interested in the resolution.

The above Explanatory Statement set out as abstract of material terms of the contracts with Managing Director and the same be treated as an abstract of Memorandum of Interest in accordance with Section 302 with the Companies Act, 1956.

### Item No. 7

The amended Clause 49 of the Listing Agreement to be implemented by all the Listed Companies with effect from 1st January, 2006, inter alia, provides that fees / commission can be paid to the Non-Executive Directors (including independent directors) only after prior approval of shareholders in General Meeting.

Pursuant to Rule 10-B of the Companies (Central Government's) General Rules & Forms, 1956 read with Section 310 of the Companies Act, 1956, the Company can pay up to Rs.20,000 by way of Sitting Fees to the Directors.

The Company is presently paying Sitting Fees of Rs. 5,000/- per meeting to its existing Non-Executive Directors (including Independent Directors) for attending meetings of the Board or any Committee thereof.

The resolution is proposed to authorise Board of Directors to fix and pay the Sitting Fees within the limits as may be prescribed, from time to time under the said Rule 10-B and to comply with the requirement of Clause 49 of the Listing Agreement.

All the Directors except Mr. Arvind N. Lalbhai, Chairman and Managing Director and Mr. Anang A. Lalbhai, Managing Director may be deemed to be interested in the Ordinary Resolution.

By Order of the Board

### Registered Office :

Arvind Mills Premises,  
Naroda Road,  
Ahmedabad - 380 025  
26th July, 2005

**Arvind N. Lalbhai**  
Chairman & Managing Director

## Annual Report

### To the Members,

Your Directors are pleased to present the Annual Report alongwith the Audited Financial Statements for the period from April 1, 2004 to March 31, 2005.

### 1. FINANCIAL RESULTS :

The highlights of the financial results are :

	(Rs. in lacs)	
	2004-2005	2003-2004
Turnover and other income	40931.75	35382.33
Profit/(Loss) before depreciation, interest, taxation and Extraordinary items	5262.82	5897.72
<b>Less:</b> Interest & Finance Cost (Net)	2675.34	2843.24
<b>Less:</b> Depreciation	3230.72	3261.26
<b>Less:</b> Extra-ordinary Item	182.52	0.00
Profit/(Loss) before tax	(825.76)	(206.78)
Profit/(Loss) for the year	(825.76)	(206.78)
Balance as per last year Balance Sheet	(3684.00)	(3477.22)
<b>Add :</b> Transferred from Investment Allowance Reserve	3.50	0.00
Balance carried to Balance Sheet	(4506.26)	(3684.00)

### 2. DIVIDENDS :

Your Directors do not recommend dividend on Preference Shares or Equity Shares for the period under review, considering the loss for the year under review and carried forward losses of the Company.

### 3. OPERATIONS :

Sales and Operating Income for the year ended 31st March, 2005 were Rs. 40673.69 lacs (Previous year Rs.35167.11 lacs). Operating Profit (EBIDTA) for year ended 31st March, 2005 is Rs. 5262.82 lacs (Previous year Rs. 5897.72 lacs).

The Company's net loss is Rs. 825.76 lacs for the year ended 31st March, 2005 (Previous year Net loss Rs. 206.78 lacs). Interest & Finance Charges were Rs. 2675.34 lacs (Previous year Rs. 2843.24 lacs) and Depreciation was Rs. 3230.72 lacs (Previous year Rs.3261.26 lacs) for the period ended 31st March, 2005. The Company has made a Cash Profit of Rs. 2404.97 lacs during this year (Previous year Rs. 3054.48 lacs).

The Bottomweights Division is the highest revenue earner for the Company which contributes 52% to the total revenue aggregating to Rs. 21166.43 lacs. Demand for Bottomweights has shown improvement during the year under review. Company has continued its efforts to increase the exports with differentiated product-mix. The Company is adding to its list of customers internationally established brands and improving the customer-mix.

Arvind Intex and Arvind Cotspin are Divisions manufacturing yarn, which is largely supplied to The Arvind Mills, Parent Company to meet their requirements of yarn. The revenue for the year of Arvind Intex is Rs.4126.34 lacs, contributing 10% to the total revenue of our Company and that of Arvind Cotspin is Rs. 4228.46 lacs at 11% of Company's revenue.

Ankur Textiles, a composite mill, another Division of the Company which manufactures Voiles and has a share of 26% at Rs. 10822.14 lacs in the total revenue of the Company. This Division's performance has been consistently good and continuing improvements are expected.

As a strategy for future growth, Company is focussing on vertical integration i.e. Garmenting. This Division has earned revenue of Rs. 571.42 lacs forming 1% to total revenue of the Company.

### 4. DIRECTORS :

Mr. Samveg A. Lalbhai and Mr. Naishadh I. Parikh, the Directors of the Company retire by rotation at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

### 5. RESPONSIBILITY STATEMENT :

The Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
2. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as 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 loss of the Company for the year.
3. Proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The attached statements of accounts for the period ended on March 31, 2005 have been prepared on a going concern basis.

### 6. INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES :

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and under Section 217(2A) of the Companies Act, 1956 read with Companies [Particulars of Employees] Rules, 1975, as amended from time to time, form part of this report. However, as per the provisions of Section 219(1)(b)(iv), the report and accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earning and outgo and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Secretary for a copy.

### 7. AUDITORS :

The Auditors, Sorab S. Engineer & Co., Chartered Accountants, retire and offer themselves for re-appointment. It is proposed that Sorab S. Engineer & Co., Chartered Accountants, be re-appointed as Auditors of the Company. You are requested to appoint the Auditors and fix their remuneration.

The specific notes forming part of the Accounts referred to in the Auditors' Report are self-explanatory and give complete information.

### 8. ACKNOWLEDGEMENT :

Your Directors would like to appreciate the efforts of the Company's employees for their continued and unstinted support extended to the Company. The support of all lenders including Financial Institutions, Commercial Banks, Overseas Banks, Vendors and buyers has also been invaluable to the Company's performance and your Directors take this opportunity to appreciate it deeply.

By Order of the Board

Place : Ahmedabad  
Date : 25th April, 2005

**Arvind N. Lalbhai**  
Chairman & Managing Director





## Corporate Governance Report

### COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance has been emphasised a lot in the recent past. In the current dynamic and volatile environment, it becomes imperative that highest levels of transparency, accountability and integrity are achieved and maintained. The Company also strongly feels the need for a code of conduct to regulate this scenario. The Company ensures taking steps all through the year to maintain transparency and goes that extra mile to satisfy all of its stakeholders. The objective is not only to meet the statutory requirements but also to create and put in place procedures and systems which are in accordance with the best practices for governance.

Corporate Governance to us means being always responsive to its stakeholders – be it the customer, supplier, lender, an employee or the shareholder apart from the society at large. The Board also supports the principles of Corporate Governance and lays strong emphasis on its trusteeship role to align and direct the actions of the organisation to achieve its said objectives.

Given below is the report on Corporate Governance at Arvind Products.

### BOARD OF DIRECTORS

#### Composition of the Board

The Board of the Company consists of 7 Directors comprising of 2 Executive and 5 Non-Executive Directors.

The following is the composition of the Board as at 31st March, 2005 :

Sr. No.	Name of Director	Executive/Non-executive/ Independent	No. of Other Directorships in Public Ltd. Cos.	No. of other Board Committees of which Member/Chairman
1	Mr. Arvind N. Lalbhai	Executive - Chairman & Managing Director	5	1 as Chairman, 1 as Member
2	Mr. Anang A. Lalbhai	Executive - Managing Director	Nil	Nil
3	Mr. Samveg A. Lalbhai	Non-Executive	4	Nil
4	Mr. Naishadh I. Parikh	Non-Executive - Independent	6	Nil
5	Dr. V. L. Mote	Non-Executive - Independent	Nil	Nil
6	Mr. Darshan R. Mehta	Non-Executive - Independent	3	Nil
7	Mr. Shreyas C. Sheth	Non-Executive - Independent	4	Nil

### MEETINGS AND ATTENDANCE

During the year the Board of Directors met 5 times on 27th April, 2004 (Two Meetings), 21st July, 2004, 27th October, 2004 and 25th January, 2005.

The Attendance of Directors at these Board Meetings and at the last Annual General Meeting was as under :

Sr. No.	Name of Director	No. of Board Meetings attended during the financial year ended on 31st March, 2005	Whether present at the last AGM
1	Mr. Arvind N. Lalbhai	4	Yes
2	Mr. Anang A. Lalbhai	5	No
3	Mr. Samveg A. Lalbhai	5	No
4	Mr. Naishadh I. Parikh	5	No
5	Dr. V. L. Mote	5	No
6	Mr. Darshan R. Mehta	5	Yes
7	Mr. Shreyas C. Sheth	4	Yes

### COMMITTEES OF THE BOARD

The Board of Directors has constituted 3 Committees of the Board viz.

- Audit Committee
- Remuneration Committee
- Investors' Grievance Committee

The Board determines the terms of reference of these Committees from time to time. Meetings of these Committees are convened by the respective Committee Chairman/ Company Secretary. At each Board Meeting, Minutes of these Committees are placed before the Directors for their perusal and noting.

#### 1. AUDIT COMMITTEE

The Audit Committee comprises of 3 members, all of whom are Non-Executive Directors. Mr. Darshan R. Mehta, an Independent Director acts as Chairman of the Committee.

##### Role

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Recommending the appointment and removal of internal auditors, fixation of audit fees and also approval for payment for any other services.
4. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgement by management
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit
  - The going concern assumption
  - Compliance with accounting standards.
  - Compliance with Stock Exchange and legal requirements concerning financial statements
  - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.
5. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function including the structure of the internal audit function, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up thereon.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
9. Discussion with external/internal auditors before the audit commences on nature and scope of audit as well as to have post-audit discussions to ascertain any area of concern.
10. Reviewing the Company's financial and risk management policies.
11. To look into any other matter which may be referred to it by the Board.
12. Seek external assistance of professionals, lawyers, accountants etc. whenever necessary.

In addition to the above, the Committee shall have such functions/role/powers as may be specified in the Companies Act, Listing Agreement with Stock Exchanges or any other applicable law.

### MEETINGS AND ATTENDANCE

During the year, 4 Audit Committee meetings were held on 27th April, 2004, 21st July, 2004, 27th October, 2004 and 25th January, 2005.

The Attendance of Members at meetings was as under :

Sr. No.	Name	Position	No. of Meetings Held	No. of Meetings Attended
1.	Mr. Darshan R. Mehta	Chairman	4	4
2.	Mr. Naishadh I. Parikh	Member	4	4
3.	Mr. Shreyas C. Sheth	Member	4	4

### 2. REMUNERATION COMMITTEE

The Board of Directors of the Company at its meeting held on 19th November, 2002 has constituted Remuneration Committee that comprises of 3 Non-Executive Independent Directors viz. Mr. Naishadh I. Parikh, Chairman, Mr. Darshan R. Mehta and Dr. V. L. Mote as other members.

#### Role

Its terms of reference are as under :

- To frame Company's policies for compensation and benefits for Executive Directors.
- To review and recommend compensation payable to the Executive Directors.
- To administer and supervise Employee Stock Option Schemes (ESOS) including framing of policies related to ESOS and reviewing grant of ESOS.
- To Review HR Policies and initiatives.

#### Remuneration of Directors :

The Remuneration Committee recommends the payment of remuneration of Executive Directors and the Board of Directors and shareholders are approving the same. During the period under review, the Company has not paid any remuneration to its Executive Directors. The Non-Executive Directors are paid Sitting Fees of Rs. 5000/- for attending the meeting of Board of Directors or Committee thereof. During the year under review, no meeting of the Remuneration Committee was held. The remuneration paid by way of Sitting Fees, during the period from 1st April, 2004 to 31st March, 2005 to each of the Directors is as under. The Company has not made any payment towards salaries/perquisites to any of the Directors.