

20th ANNUAL REPORT 2008-2009



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DENIMS & EXPORTS LTD.

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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	Director
Shri Ashok C. Gandhi	Director
Shri Arvind D. Sanghvi	Director
Shri Tilak Raj Kapoor	Director
Shri Amol R. Dalal	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	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 Amish Shah	Company Secretary

BANKERS

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

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.

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NOTICE

Notice is hereby given that the twentieth Annual General Meeting of the Members of AARVEE DENIMS AND EXPORTS LIMITED will be held on Wednesday 30th September, 2009 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, 2009, the Profit and Loss Account for the year ended 31st March, 2009 and the reports of the Directors and Auditors thereon alongwith all annexure and appendix thereto;
2. To appoint Director in place of Shri Parmanand Arora, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Director in place of Shri Tilak Raj Kapoor, who retires by rotation and being eligible, offers himself for reappointment;
4. 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.

By order of Board of Directors

Place : Ahmedabad
Date : 30th June, 2009

Amish 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 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 at least 48 hours before the time fixed for the commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 21st September, 2009 to 30th September, 2009 (both days inclusive).
4. The Shareholders are requested to notify immediately change if any, in their address to the Company/Share Transfer Agent of the Company **M/s. Pinnacle Share Registry Pvt. Ltd., Near Asoka Mills, Naroda Road, Ahmedabad -380 025.**
5. Members desiring any information pertaining to accounts are requested to write to the Company atleast 7 days before the date of the meeting so that information can be made available at the meeting.
6. 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.

7. 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.
8. Listing Fees for the year 2009-10 has been paid to the Bombay Stock Exchange and National Stock Exchange.
9. 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.
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.
 - (a) **Shri Parmanand Arora** aged 82 years, is having more than 62 years of experience in textile business. He is the founder of Arora Group of Companies, Delhi and promoter of Aarvee Denims & Exports Limited. He is Director of the Company since 1992. Shri Arora is father of Shri Vinod Arora, Chairman & Managing Director of the Company.
 - (b) **Shri Tilakraj Kapoor** aged 76 years and qualified as B.A. He is holding directorship in 5 private limited Companies. He is independent director of the Company.

By order of Board of Directors

Place : Ahmedabad
Date : 30th June, 2009

Amish Shah
Company Secretary

DIRECTORS' REPORT

To
The Members,
AARVEE DENIMS AND EXPORTS LTD.

Your Directors are pleased to present the 20th Annual Report along with the Audited Financial Accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

The highlights of the Financial Results are as under:

	(Rs.in Lacs)	
FINANCIAL RESULTS	Year ended 31.03.2009	Year ended 31.03.2008
Sales & Operating Income	32512	24577
Operating Profit	4329	3289
Add: Other Income	52	143
Less: Net Interest & Finance Cost	1097	1221
Exchange Rate Fluctuation (Gain)/ Loss	809	-489
Less: Depreciation	2205	2085
Profit before tax	269	615
Provision for Tax & Deferred tax	37	81
Profit after Tax	233	534
Appropriations / Adjustments		
PROFIT FOR THE YEAR	232	534
Balance of profit / (loss) brought forward	8,593	8,359
Capital Redemption Reserve	300	300
Profit carried to Balance Sheet	8,525	8,593

PERFORMANCE DURING THE YEAR

The year 2008-09 was a witnessed of high degree of global economic rapid slowdown. The world economic growth had noted its lowest point since II World War. The global recessionary trend not only reduced demand of goods as well as negatively hit the profitability of all the industries; even though with the help of optimum utilization of resources and better quality management, the company has registered considerable growth in the turnover during the year, the gross turnover of the Company is Rs. 32,564 lacs as compared to Rs. 24,720 lacs in the previous year.

The Operating Profit for the current year is Rs. 4329 lacs as compared to Rs. 3289 lacs which is 32 % higher as compared to previous year. Profit after tax is Rs. 232 lacs (previous year 534 lacs). Provision for tax Rs. 37 lacs is made for the current year which was Rs.81 lacs in previous year.

DIVIDEND

In view to inadequate profit, to conserve resources of the Company and taking into the uncertain economic situation the Board of Directors of the Company have decided not to recommend any dividend for the year.

BUSINESS OVERVIEW

The year 2008-09 was again challenging year for the Company. Enormous rise in cotton and colour chemical prices in the first two quarters increased cost of production of denims and textiles. To mitigate effect of increase in cost of production and recessionary trends your Company practices tight cost control measures, increases thrust on value added products and increases its production of non-denim fabrics. The Company having environment friendly 14 windmills of 20.5 MW in Gujarat which has generated 428.99 lacs KWH electricity, which has been resulted substantial saving of power and fuel cost.

As a de-risking strategy in the last year, your Company had started producing and selling of value added products through Exclusive Brand Outlet (EBOs) with brand name of "DE-EXTASE". Your directors are pleased to inform that in the year more than 40 EBOs has been commenced and the Company expect to open more 50 EBOs till 31st March, 2010.

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

CORPORATE GOVERNANCE

Your company continues to be committed to good Corporate Governance aligned with the best practices. Your Company complies with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges.

A report on Corporate Governance along with the Auditor's Certificate on compliance with Corporate Governance and Management Discussion & Analysis report, as stipulated in Clause 49 is separately provided in 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 20th 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.

INTERNAL CONTROL SYSTEM

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.

Apart from this The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems. The Company has a strong management information system (MIS).

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, 2009 the Company has accepted fixed deposits to the tune of Rs. 152.75 lacs. The Company repaid the deposits amounting to Rs.15.89 lacs and the outstanding deposits at the end of the year were amounting to Rs. 369.72 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.

AUDITOR'S REMARKS

With regards to auditor's remarks in their report, in respect of non provision of mark to mark losses of Rs. 490.24 lacs on derivative instrument, the relevant note no. 12(b) is self explanatory.

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.

APPRECIATION

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 Financial Institutions, Shareholders, Retail Partners and Customers for their co-operation and support and look forward to their continued support in future.

By Order of the Board

Place : Ahmedabad
Date : 30th June, 2009

Vinod P. Arora
Chairman

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. Installed AC variable drive in all dying Jigger 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 Vijay Farm Unit.

FORM - A

Form for disclosur of particulars with respect to Conservation of Energy.

II. POWER & FUEL CONSUMPTION

<u>Particulars</u>	<u>2008-09</u>	<u>2007-08</u>
1. Electricity		
(a) Purchased Units KWH in Lac	100.54	344.67
Total Amount (Rs. in Lac)	738.16	1,091.20
Rate/unit (Rs./KWH)	7.34	3.17
(b) Thermal based Power Plant		
Fuel/Lignite (MT)	20,535	8,943
Units KWH (Lac)	109.58	139.88
Amount (Rs. in Lac)	637.72	456.27
Cost/ Unit KWH	5.82	3.26
(c) Wind Turbine (Units KWH in Lac)	428.99	270.18
2. Coal & Lignite		
Quantity (in MT)	12,318	15,829
Total Cost(Rs in Lac)	440.89	338.74
Cost/MT	3579	2140



AARVEE DENIMS AND EXPORTS LTD.



III CONSUMPTION PER UNIT OF PRODUCTION

	2008-09		2007-08	
	FABRIC (PER MTR)	YARN (PER KG)	FABRIC (PER MTR)	YARN (PER KG)
Electricity (KWH)	1.33	0.94	1.38	0.99
Coal (Kg)	0.37	Nil	0.52	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

Particulars	(Rs. in Lac)	
	2008-09	2007-08
Foreign Exchange Earning	5525.71	3439.49
Foreign Exchange Outgo	2515.24	1072.21

By Order of the Board

Place : Ahmedabad
Date : 30th June, 2009

Vinod P. Arora
Chairman

REPORT ON CORPORATE GOVERNANCE

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

It is constant endeavor of the Company to have consistent practice of good corporate governance by attaining of the highest levels of transparency and accountability in working of the Company at all levels and in all interactions with its stakeholders, bankers, employees, lenders and government etc. and to pursue all efforts to make further improvement in achieving the above goal.

2. Board of Directors

During the financial year 2008-2009, the Board met six times on the dates viz. 26th April, 2008, 30th June, 2008, 31st July, 2008, 25th October, 2008, 31st January, 2009 and 28th February, 2009 .

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.

Details of Directors, Attendance of Directors at the Board Meetings, at the Annual General Meeting held on 29th September, 2008 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 29.09.08	Other Directorship	Committee Membership	Committee Chairmanship
1.	Shri Vinod P. Arora (Chairman & Managing Director)	Promoter Executive	6	Yes	2	-	-
2.	Shri Ashish V. Shah (Managing Director)	Promoter Executive	6	Yes	-	-	-
3.	Shri Kalpesh V. Shah (Wholetime Director)	Promoter Executive	6	Yes	-	-	-
4.	Shri Parmanand T. Arora	Promoter Non-Executive	3	-	-	-	-
5.	Shri Rajesh P. Arora	Promoter Non-Executive	3	-	-	-	-
6.	Shri Sanjay S. Majmudar	Independent Non executive	6	Yes	4	2	-
7.	Ashok C. Gandhi	Independent Non executive	5	-	7	5	-
8.	Shri Arvind D. Sanghvi	Independent Non executive	0	-	2	0	-
9.	Shri Tilak Raj Kapoor	Independent Non executive	3	-	-	-	-
10.	Shri Amol R. Dalal	Independent Non executive	4	Yes	1	0	0

- Directorship in other companies mentioned above excludes directorships in private limited companies.
- While calculating the number of Chairmanship/Membership in Committees of other Companies, Membership/ Chairmanship of only Audit Committee and Shareholders' Grievance Committee have been considered pursuant to clause 49 of the Listing Agreement. None of the Directors is a member in more than ten committees and act as a chairman in more than five committees across all companies in which he is a Director.

Appointment/Reappointment of Directors:

The Directors who retire by rotation and who are eligible for re-appointment or newly appointed are :

- a. **Shri Parmanand Arora** aged 82 years is having more than 62 years of experience in textile business. He is the founder of Arora Group of Companies, Delhi and promoter of Aarvee Denims & Exports Limited. He is Director of the Company since 1992. Shri Vinod Arora, Chairman & Managing Director and Shri Rajesh Arora, Director of the Company are related to him.
- b. **Shri Tilakraj Kapoor** aged 76 years and qualified as B.A. He is holding directorship in 5 private limited Companies. He is independent director of the Company. None of directors are related to him.

3. Audit Committee
(I) Brief Description of terms of reference

The broad terms of reference of the Audit Committee include:

- a) To supervise financial reporting process and to ensure financial and accounting control.
- b) To ensure compliance with the accounting policies of the Company.
- c) To interact with the internal and statutory auditors to ascertain the qualify and veracity of Company's transactions and to review the manner in which they are performing their responsibilities.
- d) To review the internal audit function.
- e) To review and discuss the financial statements before they are presented to the Board of Directors.

The Company had appointed Mr. M. Dhanvel as Manager (Internal Audit) to review the internal control systems of the company and to report thereon. The report of the Manager (Internal Audit) is periodically reviewed by the Audit Committee

(II) Composition of Audit Committee

Constitution of Audit Committee meets with the requirements of Corporate Governance guidelines as well as the provisions of section 292 A of the companies Act, 1956.

Audit Committee constituted by the Board of Directors consists of three Independent Directors, viz. Shri Sanjay S. Majmudar as Chairman of the Committee, Shri Ashok C. Gandhi and Shri Amol R. Dalal, as members.

(III) Meetings and Attendance during the year

Audit Committee met on 26th April, 2008, 30th June, 2008, 31st July, 2008, 25th October, 2008, 31st January, 2009 and 28th February, 2009, to consider quarterly / yearly financial results of the Company during the financial year under review.

Details of attendance of members of Audit Committee at the Audit Committee meeting held during the year 2008-09 are as under:

Sr.No.	Name of Member	Attendance Particulars
1.	Shri Sanjay Majmudar	6
2.	Shri Ashok Gandhi	5
3.	Shri Amol Dalal	4

4. Remuneration Committee

(I) Brief Terms of reference and Remuneration Policy

The remuneration Committee has been constituted to recommend and review remuneration of Directors and senior management personnel from time to time. The remuneration policy of the Company is to reward the performance and achievements of the Directors periodically.

(II) Composition of the Committee

Remuneration Committee consists of three Independent Directors viz. Shri Sanjay S. Majmudar as Chairman of the Committee, Shri Ashok C. Gandhi and Shri Amol R. Dalal as members.

(III) Meetings and Attendance

No Meeting of Remuneration Committee was held during the financial year as there is no revision in the remuneration of managerial personnel.

(IV) Details of remuneration of Directors

The aggregate value of salary and perquisites paid to Managing/Whole time Directors for the financial year ended March 31, 2009 is as under:

1. Shri Vinod P. Arora, Chairman & Managing Director	Rs.	19,20,000
2. Shri Ashish V. Shah, Managing Director	Rs.	15,00,000
3. Shri Kalpesh V. Shah, Wholetime Director	Rs.	9,60,000

The sitting fees paid during the financial year 2008-09 for attending the Board & Committee

Meetings are as follows:

Shri Sanjay S. Majmudar	Rs.	18000
Shri Amol R. Dalal	Rs.	12000
Shri Ashok C. Gandhi	Rs.	15000

5. Shareholder Committee

(I) Share Transfer Committee

The Board has long back constituted a Share Transfer Committee consisting of three executive Directors. The Committee meets at frequent intervals, to approve inter-alia, transfer/transmission of shares, deletion of names, split/consolidation of shares etc. Details of shares transfer/transmissions approved by the Committee are placed at the Board Meetings from time to time.

Committee consists of Shri Vinod P. Arora, Shri Ashish V. Shah & Shri Kalpesh V. Shah.

(II) Shareholders' Grievance Committee

The Company has constituted the Shareholders' Grievance Committee under the Chairmanship of Shri Amol Dalal, Independent - Non Executive Director of the Company with a view to monitor the redressal of Investors' grievances. The other two members of the Committee are Shri Vinod P. Arora, Chairman and Managing Director and Shri Kalpesh V. Shah, Whole time Director. The Committee met four times during the year viz. 5th April, 2008, 09th July, 2008, 6th October, 2008 and 9th January, 2009 and all the three members of the Committee were present at the above meetings.

The details of the Complaint received/solved/pending during the year are as below

Sr. No.	Nature of Complaint	Complaints received	Complaints solved	Complaints pending
1.	Non receipt of Shares Certificate after transfer etc.	Nil	Nil	Nil
2.	Non receipt of Dividend Warrants	03	03	Nil
3.	Query regarding Demat credit	02	02	Nil
4.	OTHERS	Nil	Nil	Nil
Total		05	05	Nil

6. General Body Meetings
(I) Annual General Meetings

The details of the last Three Annual General Meetings of the Company held at the registered office of the Company are as under:

Annual General meeting	Date	Time	No. of Special Resolution passed
19 th AGM	29 th September,2008	10.30 A.M	-
18 th AGM	29 th September,2007	10.00 A.M	-
17 th AGM	9 th September, 2006	10.00 A.M	1

No special resolution was put through postal ballot in the last AGM nor is any resolution proposed for this year.

No Extra Ordinary General Meeting was held in the last financial year.

7. Code of Business Conduct and Ethics

The Board has laid down comprehensive Code of Business Conduct and Ethics. The Board Members and Senior Management Personnel are responsible for and are committed to setting the standards of Conduct contained in this code and for updating this standards, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of local and international investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This code is being adhered to in letter and in spirit. This Code has posted on the Company's website i.e. www.aarvee-denims.com. The Confirmation of CEO/Managing Director for the Compliance of the Code of Business Conduct and Ethics is as under:

I hereby confirm that:

"The Company hereby affirms that it has complied with the Code of Business Conduct and ethics and received affirmation from Board Members and senior management Personnel of its compliance."

Ashish V. Shah
Managing Director

8. Insider Trading

The Board has laid down Code of Conduct for Insider Trading in compliance with SEBI(Prohibition of Insider Trading) Regulations 1992. All the directors and senior management personnel who are expected to have access to unpublished price sensitive information concerning the Company are responsible for adherence to this code.

9. CEO/CFO Certification:

The managing Director has certified to the Board as required under clause 49(v) of the Listing Agreement for the year ended 31st March, 2009.

10. Risk Management Policy

Business Risk Evaluation and Management is an ongoing process with in the Company. During the year under review a detailed exercise on Risk Management was carried out covering the entire gamut of business operation and Audit Committee and Board Members are reviewing and updating the said policy every quarter.

11. Disclosures

None of the transactions with any of the related parties were in conflict with the interests of the Company. So far no Penalties or strictures have been imposed on the Company by any Stock Exchange or SEBI or any Statutory Authority on any matter related to Capital Market.

12. Means of Communication

Financial Results are published normally in leading English financial newspaper and in Vernacular daily Newspaper. The Company supply copies of the Financial Results and Annual Report of the Company to various Analysts, registered Share Brokers, various Government Departments & Agencies, and other Investors and all those interested in getting the same as and when request received from them for the same. The Financial Results of the Company are available on the Company's website i.e www.aarvee-denims.com Management Discussion & Analysis is a part of Annual Report attached herewith.

13. General Shareholder Information
A. 20th Annual General Meeting

Date & Time : 30th September, 2009 at 10.a.m.

Venue : AARVEE DENIMS AND EXPORT LTD.
Registered Office at 188/2, Ranipur Village, Opp. CNI Church, Narol,
Ahmedabad - 382 405

B. Financial Calendar

The Company follows April to March as its financial calendar. The results for every quarter beginning from April will be declared within the time period prescribed under the Listing Agreement.

C. Date of Book Closure : From 21st September, 2009 to 30th September, 2009
D. Listing on Stock Exchanges

The Company's shares are listed on Bombay Stock Exchange Ltd and National Stock Exchange Ltd. The Company has paid the listing fees to the stock exchange for the year 2009-10.

E. Stock Code

Bombay Stock Exchange Ltd. – 514274

National Stock Exchange Ltd. - AARVEEDEN

ISIN No. allotted to the Company for Dematerialisation of Equity Shares - INE273D01019

F. Market Price :

High, Low during each month in last financial year - Highest & Lowest Share Price of the company as quoted on. The Stock Exchange, Mumbai (BSE) and National Stock Exchange Ltd. (NSE) during the period from April - 2008 to March – 2009 is produced hereunder:

Month & year	BSE			NSE	
	BSE SENSEX*	High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
April – 2008	17287.31	81.00	70.10	78.00	67.00
May – 2008	16415.57	83.65	70.55	83.50	65.50
June – 2008	13461.60	76.00	60.00	74.00	54.10
July -2008	14355.75	64.00	45.00	61.00	45.00
August – 2008	14564.53	77.90	50.25	77.95	48.50
September – 2008	12860.43	68.15	47.05	65.70	49.95
October – 2008	9788.06	48.80	28.75	50.00	33.10
November – 2008	9092.72	31.05	23.65	33.00	26.85
December – 2008	9647.31	27.20	21.60	26.55	21.00
January – 2009	9424.24	25.30	14.75	24.75	14.80
February – 2009	8891.61	15.69	10.70	15.60	10.70
March – 2009	9708.50	14.90	10.60	15.25	10.00

* Closing prices on the last working day of month.

G. Registrar and Share Transfer Agent

PINNACLE SHARES REGISTRY PVT. LTD.

Near Ashoka Mills, Naroda Road, Ahmedabad. - 380 025.

Tele : (079)22200582 or (079)22200338

H. Share Transfer System

Equity Shares of the Company received from the Investors for the purpose of Transfer in their name are being processed for transfer at interval of every 10 days/fortnight depending upon load in each calendar month and after completing the procedure of Share Transfer are being returned to the Transferors within a period of ranging from two to three weeks, provided the documents lodged with the Registrars/ company are clear in all respects.

I. Distribution of Shareholding as on 31-03-2009

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Upto 500	10495	94.25	1454776	6.20
501-1000	346	3.11	284306	1.21
1001-2000	123	1.10	192768	0.82
2001-3000	43	0.39	111365	0.47
3001-4000	16	0.14	56908	0.24
4001-5000	13	0.12	59316	0.25
5001-10000	30	0.27	213721	0.91
Above 10000	69	0.62	21086640	89.88
Total	11135	100.00	23459800	100.00

J. Shareholdings Pattern As On 31-03-2009

Sr. No.	Category	No. of Shares held	% of Shareholding
A	PROMOTERS' HOLDINGS		
	Promoters		
	Indian Promoters/Person Acting in Concert	13333658	56.84
	Foreign Promoters	Nil	Nil
	Sub Total	13333658	56.84
B	Public Holding		
	Institutional Investors		
a.	Mutual Funds	Nil	Nil
b.	Banks,	300	0.00
c.	Insurance Companies	493758	2.10
d.	FIs	Nil	Nil
e.	Foreign Financial Institution	3373100	14.38
	Sub -Total	3867158	16.48
	Non Institutional Investors		
a.	Private Corporate Bodies	173663	0.74
b.	Indian Public	4162141	17.74
c.	NRIs	1923180	8.20
	Sub -Total	6258984	26.68
	Grand - Total	23459800	100.00

K. Dematerialisation of Shares and liquidity

As on 31st March, 2009, 22591187 (96.30%) Equity Shares of the Company were dematerialised.

L. Plant Location

Spinning Plant located at :- Survey No. 215-217, Village Sari, Sarkhej-Bavla Highway, Tal. Sanand, Dist.Ahmedabad - 382 210.

Weaving Plant located at :- 188/2, Ranipur Village, Opp. CNI Church, Near Narol Circle, Ahmedabad 382 405.

Home Textiles Unit located at : - 191, Moje – shawadi, Narol – Sarkhej Highway, Ahmedabad – 382 405

M. Address for correspondence

For any grievance or assistance regarding dematerialization of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares, please write to: cs@aarvee-denims.com

The Company Secretary

Aarvee Denims And Export Ltd., Registered Office: - 188/2, Ranipur Village, Opp. CNI Church, Near Narol Circle, Ahmedabad 382 405.

Tele : (079)30417000 E-mail: cs@aarvee-denims.com

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of

Aarvee Denims and Exports Limited,

We have examined the compliance of conditions of corporate governance by **Aarvee Denims and Exports Limited** ('the Company') for the year ended on March 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For N. C. Shah & Associates

Chartered Accountants

Nitin C. Shah

Proprietor

Membership No.34633

Place: Ahmedabad

Date: June 30, 2009

For Deloitte Haskins & Sells

Chartered Accountants

Gaurav J. Shah

Partner

Membership No. 35701

Place: Ahmedabad

Date: June 30, 2009

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW:

Textile sectors looks cautious for the Year 2008-09. Throughout last year, many textile and apparel factories were faced with shrinking demands from global consumers as the negative effects of the global financial crisis lingered on.

Despite the prediction that the downturn would continue this year, some manufacturers such as your company look to the positive side, anticipating fewer competitors, controlling over production costs and even new opportunities to emerge.

Indian Textile manufacturers, who used to focus on the traditional markets of the US, Europe and Japan, are now looking for new destinations and new strategies that help them through the tough times.

The Indian textile industry's major players are also very confident about the vast domestic market with very sound purchasing power. There is a growing focus on domestic retailing by launching exclusive retail outlets not just in the metros, but also in the second-and third tier cities.

Indian Market

India's denims and textile industry is facing multiple challenges such a high cost of raw cotton on account of sharp increase of overall 40% in the Minimum Support Price (MSP), domestic demand and production has also recorded a negative growth rate. The overall sales in domestic market slammed 10-15%. As a result, investment made by the industry in technology up gradation and expansion of manufacturing capacities in recent time are fast turning out to be non performing assets (NPA). Your company continues to focus on non-denim fabrics and readymade garments.

Export Market

India's textile exports declined by about 2 per cent in 2008-09 to USD 21.75 billion due to slump in demand from global economies like the USA, Canada and Europe which are reeling under the impact of financial meltdown. During 2007-08, the exports stood at USD 22.13 billion. The decline in exports of textile is due to less demand from the USA, Canada and European markets which are reeling under recession. India's export of textiles and clothing into USA, European Union and Canada, which together accounts for over 60% market share. External demand in USA, Canada and Europe is witnessing a downturn, due to the economic crisis and unemployment. This affects their amount of disposable income, thereby forcing them to curtail their expenses, especially in garments

Review of Operations:

During the year under review, even in the global economic slowdown your company's turnover has increased as compared to last year. In spite of increase in turnover there was a sharp decrease in profitability as a result of reduction in average per meter price realisation due to various factors such as :

- Increase in input costs and uncertain raw material price mainly on account of minimum support price of cotton.
- High interest burden due to increase in interest rates and delay in reimbursement of technology up-gradation fund scheme (TUFFS) dues.
- Reduction in duty drawback rates.

Since we don't know how long the current situation is going to persist, it is best to make one's own way out of it instead of waiting for Governments to give incentives which are unlikely. The management has taken various cost effective control methods and economies of production and purchases to remain profitable.

Company views and growth plans

Company has installed its own Plant which converting POY into PTY. Through this the company will reduce the incremental cost of Raw Material marginally. Continuing with diversification measures the Company plans to extend its Dying process floors.

Internal Control System and their adequacy

The Company has appropriate internal control systems for business processes, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations etc. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The system is improved and modified continuously to meet with changes in business conditions, statutory and accounting requirements. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvement for strengthening them, from time to time.

RISK MANAGEMENT

The Company is exposed to risks from market fluctuations of foreign exchange, interest rates and commodity prices, risk of product concentration and other business risks.

Foreign Exchange Risk

Your Company's policy is to hedge its long-term foreign exchange risk as well as short-term exposures within the defined parameters.

Interest Rate Risk

Your Company is exposed to interest rate fluctuations on its Rupee denominated borrowings. It uses a judicious mix of fixed and floating rate debts within the stipulated parameters. The Company continuously monitors its interest rate exposures and whenever required, uses derivative instruments to minimise interest rate risk and interest costs. In view of the continuous risk mitigating strategy adopted by the Company, it does not perceive interest rate risk as having any material impact on its profitability, at any point of time.

Commodity Price Risk

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. The Company proactively manages these risks in inputs through purchase contract or forward booking for cotton – its main raw material and inventory management. The Company's reputation for quality and the existence of a strong marketing network mitigates the impact of price risks on finished goods.

Risk of Product Concentration

The company has risk of too much dependence on single product i.e. Denim. To de-risk the same, the company has already started the process reducing too much dependence on single product and going forward non-denim fabric, readymade garments and processed home textile fabric will be given the adequate push to increase their contribution towards their product mix. As a policy, the continuous differentiation in product mix with a focus on high value added product is to be carried out to reduce cyclical nature and de-commodities the denim.

Other Business Risks

Apart from the risk on account of interest rate, foreign exchange and regulatory changes, the business of the company is exposed to certain operating business risks, which are managed by regular monitoring and corrective actions.

FINANCIAL PERFORMANCE AND REVIEW

Even global negative economic scenario, the Company has increased its sales but higher cost of production and low use of installed production capacity reduce the margin of profit. A detailed analysis as follows:

Highlights	(Rs. In Crore)		
Particulars	2008-09	2007-08	Increase/ Decrease %
Production (Lac Meters)	336.78	302.23	11.43
Sales Volume (Lac Meters) – Cloth	333.40	290.51	14.76
Sales & Operating Income	325.12	242.96	33.82
Decrease / (Increase) in stock	-8.55	-13.13	-34.88
Raw Materials	175.90	133.78	31.48
Colours and chemicals	27.89	20.68	34.86
Power and Fuel	39.34	31.01	26.86
Salaries & wages	13.90	12.91	7.67
Other overheads	33.35	27.93	19.41
Total cost of sales	281.83	213.18	32.20
Operating Profit	43.29	29.78	45.37
Exceptional items currency Exchange Gain / (Loss)	(8.09)	4.89	-265.44
Other Income	0.52	9.45	-94.50
Net Interest & Finance Cost	10.97	12.21	-10.16
Cash Accrual	24.75	27.02	-8.40
Depreciation	22.05	20.85	5.76
Profit before tax	2.70	6.17	-56.24
Provision for Tax & Deferred tax	0.37	0.83	-55.42
Profit after Tax	2.32	5.34	56.37

Sales & Operating Income :

Despite of severe downturn faced in the year 2008-09, poor consumer sentiments and the credit squeeze, the company's revenue figures shows increase of 34% over the last year. The increase in sales due to increase in domestic as well as export sales and job work sales. The denim fabric sales constitutes 82% of total whereas other segments i.e. non denims, ready made garments etc. contributed 18%. Due to denim market becoming very competitive and having pressure as price realization, it has been decided to de-risk the denims and increase the shares of non-denim fabric for bottom weight and garments.

Raw Materials :

The 31% increase in raw material cost as compared to last year mainly due to increase in production volume and also increase in cotton price during the year and also to increase in Minimum Support Price (MSP) and increase in commodity price.

Direct Materials :

The direct materials at Rs. 27.89 crores as compared to Rs. 20.68 crores shows an increase in use of dyes and chemicals by 35% mainly due to increase in production and sales volume during the year and also increase in prices of chemicals during first half of the last year. The Company is working on finding alternatives to these resources in order to reduce the cost.

Power and Fuel :

The increase in power and fuel cost to Rs. 39.34 crores (Energy cost excluding Wind Mill Generation comes to Rs. 22.03 crores as compared to 19.81 crores in previous year) is primarily attributed to the higher production volume, increase in job-work of third parties and also increase in per unit price of power by electricity companies.

Salaries and wages :

Looking at the potential of growth in the textile arena, special focus on hiring the right talent and retaining the existing has seen the cost on this account moving up by about 8% over the previous year, Lot of emphasis on "right people for the right job" has been given and is expected to bear fruits in managing the operations more efficiently.

Operating Margin :

The increase in sales volume, better per unit (meter) realization in export sales and increase in job work sales the operating profit increased by 45% as compared to previous year.

Net Interest and Finance cost :

The net interest and finance cost for the current financial year is Rs. 10.97 Crores as compared to Rs. 12.21 Crores during the previous financial year. The reduction is due to interest subsidy under TUF on long term debt and regular repayment of long term debts.

Cash Accruals :

The cash generated from operations this year is Rs. 24.75 crores which is 8% lower than last year's Rs. 27.02 crores.

Depreciation :

The amount of Rs. 22.05 crores this year as compared to Rs. 20.85 crores during the previous financial year shows increase due to addition / up-gradation / improvement in existing machines.

Profit Before Tax (PBT) :

Current year PBT of Rs. 2.70 crores is lower than last year figure of Rs. 6.17 crores by 56%. The drop is attributed to higher Raw material cost, depreciation, other direct material cost and employee cost.

Net Profit (PAT) :

The Profit after Tax at Rs. 2.32 crores is lower by 56% compared to last year figure of Rs. 5.34 crores. The Company falls under Minimum Alternative Tax @11.33% (MAT) due to higher depreciation benefit available under the Income Tax Act for investment in the Windmills and in other machines.

Debt :

There was increase in the overall debt of the Company by Rs. 37.68 crores. There was increase of Rs. 12.31 crores in working capital facilities availed by the company and increase Rs. 17.39 crores in short term borrowing from Banks to meet working capital requirement. Increase of 21.96 crores in FCCB is due to exchanger rate fluctuation. The Long term debt was reduced by Rs. 14.11 crores to 29.23 crores after regular repayment.

Working capital and liquidity :

The inventories are at a higher level at the year-end due to the slowing down in denim demands. The inventory turnover ratio has decreased from 4.43 times in last year to 4.23 times this year. The level of receivables increased from 53 days in the last year to 73 days this year. The delay in realization and overall difficult denim market condition has increased the level of receivables.

Conclusion :

To conclude, the performance of the company during the year 2008-09 can be considered as noteworthy in spite of global economy slowdown during the year. Denim still will continue to be the largest revenue generator in the product mix. Denim performance is expected to improve due to incremental volume but the same will be impacted by high raw material (cotton) prices and exchange rate violation. Fabric as a product group is expected to perform better by achieving high level of operations and process efficiencies. The growth will seen in the coming years as the company has focused strategy of making fabric business more profitable in domestic and export market by achieving higher level of operations and successfully establishing the garment manufacturing and Brand and retail business.

CAUTIONARY STATEMENT

Statement in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, raw material and finished goods prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts businesses and other incidental factors. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

AUDITORS' REPORT

To the Members of Aarvee Denims and Exports Limited

1. We have audited the attached Balance Sheet of **Aarvee Denims and Exports Limited** as at March 31, 2009, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - e. *Attention is invited to Note No. 12 of Schedule 19 regarding non provision of mark to market losses of Rs. 49,024 thousand in respect of an outstanding foreign currency derivative instrument in the financial statements for the reasons stated in the note, which accounting treatment is not in accordance with the announcement dated 29th March, 2008 of the Institute of Chartered Accountants of India.*
 - f. *Subject to our comment in paragraph e above, in our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report, comply with the Accounting Standards referred to in sub – section (3C) of Section 211 of the Companies Act, 1956;*
 - g. *Subject to our comment in paragraph e above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:*
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
 - (ii) in the case of the Profit & Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For N. C. Shah & Associates
Chartered Accountants

Nitin C. Shah
Proprietor
Membership No.34633

Place: Ahmedabad
Date: June 30, 2009

For Deloitte Haskins & Sells
Chartered Accountants

Gaurav J. Shah
Partner
Membership No. 35701

Place: Ahmedabad
Date: June 30, 2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- 1 The nature of the Company's activities during the year is such that the requirements of clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable to the Company.
- 2 (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) According to the information and explanations given to us, the Company has a programme of physical verification of major fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. We have been informed that no material discrepancies were noticed on such verification.
(c) The Company has not disposed off a substantial part of the fixed assets during the year.
- 3 (a) As informed to us, the inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of inventories and no material discrepancies were noticed on physical verification of inventories as compared to the book records.
- 4 (a) The Company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clauses (a), (b), (c) and (d) of clause 4(iii) are not applicable to the Company.
(b) The Company has obtained unsecured loans, repayable on demand, from 8 parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1,07,127('000) and the year end balance of such loans was also Rs.1,07,127('000).
(c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
(d) In respect of the aforesaid loans, the Company is regular in repaying the principal amounts as stipulated and is also regular in payment of interest.
- 5 In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for sale of goods. During the course of audit, we have not observed any continuing failure to correct material weaknesses in such internal control system.
- 6 (a) According to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanations given to us, each of these transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 7 In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to deposits accepted from the public. We have been informed by the Company that in its case no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- 8 In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.

- 9 We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.
- 10 (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, service tax and other material statutory dues applicable to it during the year.
- (b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax and customs duty which were in arrears as at March 31, 2009 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, details of dues of sales tax, customs duty, wealth tax, excise duty and cess which have not been deposited as on March 31, 2009 on account of any dispute are given below:

Particulars	Period to which the matter pertains	Forum where matter is pending	Amount Rs. in '000
Income tax	A.Y. 2003-2004	Commissioner of Income tax (Appeals)	698*
Service Tax	July 2003 to March 2007	High Court	5,693

* - Net of Rs. 8,000 ('000) paid under protest.

- 11 The Company does not have any accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and during the immediately preceding financial year.
- 12 According to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or banks. The Company has not issued any debentures.
- 13 The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 14 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 15 In our opinion and according to the information and explanations given to us, on an overall basis, the term loans availed by the Company have been applied by the Company for the purposes for which they were obtained.
- 16 According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used for long-term investments during the year.
- 17 According to the information and explanations given to us, during the year, the Company has not made any preferential allotment of shares to parties and Companies covered in register maintained under Section 301 of the Companies Act, 1956.
- 18 During the year, no debentures have been issued by the Company and hence the question of creating securities or charges thereof does not arise.
- 19 During the year, the Company has not raised money by way of Public issue.
- 20 To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For N. C. Shah & Associates
Chartered Accountants

For Deloitte Haskins & Sells
Chartered Accountants

Nitin C. Shah
Proprietor
Membership No.34633

Gaurav J. Shah
Partner
Membership No. 35701

Place: Ahmedabad
Date: June 30, 2009

Place: Ahmedabad
Date: June 30, 2009

BALANCE SHEET AS AT 31ST MARCH, 2009

(Rs. in Thousand)

	SCHEDULE	As at 31st March, 2009 (Rs.)	As at 31st March, 2008 (Rs.)
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS :			
Share Capital	1	384,511	384,511
Reserves & Surplus	2	1,239,098	1,381,031
		1,623,609	1,765,542
LOAN FUNDS			
Secured Loans	3	800,283	817,028
Unsecured Loans	4	1,482,631	1,089,088
		2,282,914	1,906,116
DEFERRED TAX LIABILITY (Net) (Refer Note 14 of Schedule 19)		199,975	199,975
TOTAL		4,106,498	3,871,633
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	4,086,206	3,902,398
Less : Depreciation / Amortisation		1,054,258	854,054
Net Block		3,031,948	3,048,344
Capital Work-in-Progress		146,490	123,143
		3,178,438	3,171,487
INVESTMENTS	6	2,306	2,629
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	756,456	547,975
Sundry Debtors	8	636,469	353,600
Cash and Bank Balances	9	39,451	93,934
Loans and Advances	10	125,713	69,517
		1,558,089	1,065,026
Less : Current Liabilities & Provisions	11		
Current Liabilities		455,562	292,029
Provisions		176,773	75,480
NET CURRENT ASSETS		925,754	697,517
TOTAL		4,106,498	3,871,633
Significant Accounting Policies and Notes on Accounts	19		

As per our attached report of even date

For and On Behalf of the Board of Directors

For N.C.Shah & Associates
Chartered Accountants

For Deloitte Haskins & Sells
Chartered Accountants

Nitin C. Shah
Proprietor
M. No. 34633

Gaurav J. Shah
Partner
M. No. 35701

Vinod P. Arora
Chairman & Managing Director

Ashish V. Shah
Managing Director

Amish Shah
Company Secretary

 Place : Ahmedabad
Date: June 30, 2009

 Place : Ahmedabad
Date: June 30, 2009

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

(Rs. in Thousand)

	SCHEDULE	2008-09 (Rs.)	2007-08 (Rs.)
INCOME			
Gross Sales		3,195,642	2,429,660
Less : Excise Duty		-	-
Net Sales		3,195,642	2,429,660
Other Income	12	60,785	42,358
Increase/ (Decrease) in Closing Stock of Finished Goods and Semi Finished Goods	13	85,513	130,702
		3,341,940	2,602,720
EXPENDITURE			
Material Costs	14	1,759,032	1,337,189
Manufacturing and Operating costs	15	836,502	682,720
Employment Costs	16	138,981	129,130
Administrative, Selling and General Expenses	17	248,768	64,591
Interest and Finance Charges	18	109,740	122,102
Depreciation / Amortisation (Refer Note 11 of Schedule 19)		220,538	208,507
		3,313,561	2,544,239
Profit Before Tax		28,379	58,481
Provision For Tax - Current Tax		3,200	7,602
- Wealth Tax		20	24
- Fringe Benefit Tax		463	519
		24,696	50,336
Less: Short Provision of Taxation of earlier years (Net)		0	123
PROFIT FOR THE YEAR AFTER TAX		24,696	50,213
Add/(Less) : Prior Year Income / (Expense) (Net)		(1,455)	3,176
NET PROFIT		23,241	53,389
BALANCE OF PROFIT BROUGHT FORWARD		859,303	835,914
AMOUNT AVAILABLE FOR APPROPRIATIONS		882,544	889,303
APPROPRIATIONS :			
Transfer to Capital Redemption Reserve		30,000	30,000
Balance Carried to Balance Sheet		852,544	859,303
		882,544	889,303
Earnings Per Share			
Basic and Diluted earnings per share (Face Value of Rs.10 each) (Refer Note No. 13 of Schedule 19)		0.02	1.30
Significant Accounting Policies and Notes on Accounts	19		
As per our attached report of even date		For and On Behalf of the Board of Directors	
For N.C.Shah & Associates <i>Chartered Accountants</i>	For Deloitte Haskins & Sells <i>Chartered Accountants</i>		
Nitin C. Shah Proprietor M. No. 34633	Gaurav J. Shah Partner M. No. 35701	Vinod P. Arora Chairman & Managing Director	Ashish V. Shah Managing Director
		Amish Shah Company Secretary	
Place : Ahmedabad Date: June 30, 2009		Place : Ahmedabad Date: June 30, 2009	

Schedules forming part of the Balance Sheet

(Rs. in Thousand)

	As at 31st March, 2009 (Rs.)	As at 31st March, 2008 (Rs.)
SCHEDULE - 1 : SHARE CAPITAL		
AUTHORISED		
35,000,000 Equity Shares of Rs. 10/- each	350,000	350,000
15,000,000 13% Cumulative Redeemable Non Convertible Preference Shares of Rs. 10/- each	150,000	150,000
	500,000	500,000
ISSUED, SUBSCRIBED AND PAID UP :		
i) 23,459,800 Equity Shares of Rs. 10/- each fully paid up	234,598	234,598
ii) 14,991,340 13% Cumulative Redeemable Non Convertible Preference Shares of Rs. 10/- each (To be redeemed in two equal instalments of Rs. 74,957 Thousand each in June 2009 and June 2010 respectively).	149,913	149,913
TOTAL	384,511	384,511
SCHEDULE - 2 : RESERVES & SURPLUS		
GENERAL RESERVE		
Balance as per last Balance Sheet	111,809	117,600
Less : Adjustment on account of Transitional Provision of AS-15 (Revised)	0	5,791
Less : Adjustment on account of Transitional Provision of AS-11 (Refer Note No. 11 of Schedule 19)	55,536	0
	56,273	111,809
CAPITAL REDEMPTION RESERVE		
Balance as per last Balance Sheet	90,000	60,000
Add : Transferred from Profit and Loss Account	30,000	30,000
	120,000	90,000
SECURITIES PREMIUM ACCOUNT		
Balance as per last Balance Sheet	319,919	415,705
Less : Provision for premium on redemption of FCCB (Refer Note No.6 of Schedule 19)	109,637	63,449
Less : Expenses relating to FCCB Issue	0	32,337
	210,282	319,919
PROFIT & LOSS ACCOUNT	852,543	859,303
TOTAL	1,239,098	1,381,031



	(Rs. in Thousand)	
	As at 31st March, 2009 (Rs.)	As at 31st March, 2008 (Rs.)
SCHEDULE - 3 : SECURED LOANS		
A. From Banks		
a) Working Capital Loans (Refer Note 1 below)	506,326	383,202
b) Term Loans (Refer Note 2 below)	292,325	433,419
c) Vehicle Loans (Refer Note 3 below)	1,632	376
B. From Others		
a) Vehicle Loans (Refer Note 3 below)	0	31
TOTAL	800,283	817,028

Notes:

1. Secured by hypothecation of all current assets of Unit -I (Narol), Unit- II (Sari), Unit- III (Narol) and second charge on the fixed assets of Unit -I (Narol),Unit- II (Sari), Unit- III (Narol).
2. Secured by mortgage of all fixed assets and hypothecation of all current assets of Unit- I (Narol), Unit- II (Sari), Unit- III (Narol).
3. Secured by way of hypothecation of respective motor vehicles purchased.
4. Term Loans include loans of Rs.135,243 Thousand(Previous Year 125,416 Thousand) repayable within one year.

SCHEDULE - 4 : UNSECURED LOANS

a) Fixed Deposits (Repayable within one year)	36,972	23,286
b) From Banks (Repayable within one year)	317,010	200,370
c) From Others		
- From companies / firms in which directors are interested	107,127	65,500
- Trade Deposits	2,522	532
d) Zero Coupon Foreign Currency Convertible Bonds (Refer Note No.6 of Schedule 19)	1,019,000	799,400
TOTAL	1,482,631	1,089,088

SCHEDULE - 5 : FIXED ASSETS

(Rs. in Thousand)

SR. No.	PARTICULARS	GROSS BLOCK (AT COST)			DEPRECIATION/AMORTISATION			NET BLOCK			
		As at 01.04.2008	ADDITIONS	SALES / ADJUSTMENT	As at 31.03.2009	As at 01.04.2008	PROVIDED DURING THE YEAR	ADJUSTMENT	TOTAL UP TO 31.03.2009	As at 31.03.2009	As at 31.03.2008
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
1	Lease hold land	14,400	-	-	14,400	780	720	-	1,500	12,900	13,620
2	Land & Land Development	111,426	6,020	-	117,446	-	-	-	-	117,446	111,426
3	Buildings	560,091	15,154	-	575,245	68,548	18,888	-	87,436	487,809	491,543
4	Plant & Machineries ^{1 & 2}	3,033,614	187,494	40,562	3,180,546	743,844	190,200	19,133	914,911	2,265,635	2,289,770
5	Electric Installations	111,039	2,799	-	113,838	26,611	5,173	-	31,784	82,054	84,428
6	Furniture & Fixtures	36,531	10,108	1,821	44,818	6,194	2,582	121	8,655	36,163	30,337
7	Factory & Office Equipments	19,838	2,683	-	22,521	3,057	1,005	-	4,062	18,459	16,781
8	Vehicles	9,205	2,741	2,452	9,494	2,783	915	1,080	2,618	6,876	6,422
9	Computer	5,446	347	-	5,793	2,220	821	-	3,041	2,752	3,226
10	Intangible Assets - Software	808	1,297	-	2,105	17	234	-	251	1,854	791
		3,902,398	228,643	44,835	4,086,206	854,054	220,538	20,334	1,054,258	3,031,948	3,048,344
11	Capital Work in Progress (Includes capital advances)									146,490	123,143
	TOTAL	3,902,398	228,643	44,835	4,086,206	854,054	220,538	20,334	1,054,258	3,178,438	3,171,487
	PREVIOUS YEAR	2,928,068	974,734	404	3,902,398	645,697	208,507	150	854,054	3,171,487	

Notes:

- The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 (AS-11) notified by Government of India on 31st March, 2009. Accordingly, exchange differences on all long term monetary items, with retrospective effect from April 01, 2007 are: (a) To the extent such items are used for the acquisition of a depreciable asset, added to / deducted from the cost of the asset and depreciated over the balance life of the asset. As a result an amount of Rs. 16,16,00 Thousand/- have been added in Gross Block of fixed assets, being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset. (b) Depreciation provided during the year includes Rs. 2,285 Thousand and Depreciation adjustment includes Rs.2,264 Thousand as result of the above adjustment.
- Depreciation charge in the profit and loss account is net of Rs. 2,397 Thousand (2007-08 : Rs. Nil) on account of an asset against which capital subsidy has been received amounted to Rs. 15,478 Thousand (2007-08 : Rs.Nil) which is reduced from the cost of the asset.

(Rs. in Thousand)

	Face Value	As at 31st March, 2009		As at 31st March, 2008	
		Numbers/ Units	Amount (Rs.)	Numbers/ Units	Amount (Rs.)
SCHEDULE - 6 : INVESTMENTS (AT COST)					
A. LONG TERM					
NON TRADE					
a) Quoted					
In Equity Shares					
i)	Dena Bank	10	28,500	855	28,500
ii)	GSFC	10	16,400	328	16,400
iii)	SNS Textiles Limited	10	3,000	45	3,000
iv)	Indusind Bank Limited	10	21,100	950	21,100
v)	Bank of Baroda	10	280	64	280
b) Unquoted					
In Equity Shares					
i)	Pee Vee Synthetics Private Limited	10	6,440	64	6,440
			2,306		2,306

	Face Value	As at 31st March, 2009		As at 31st March, 2008				
		Numbers/ Units	Amount (Rs.)	Numbers/ Units	Amount (Rs.)			
(Rs. in Thousand)								
SCHEDULE - 6 : INVESTMENTS (AT COST) (Contd...)								
B. CURRENT								
NON TRADE								
Mutual Funds								
i) Birla Cash Plus	10	-	-	6,154	67			
ii) Templeton Floating Rate Income Fund	10	-	-	5,172	52			
iii) HDFC Cash Management Fund	10	-	-	12,662	135			
iv) DSP BlackRock Liquidity Fund (earlier Known DSP Merrill Lynch Liquidity Fund)	10	-	-	6,939	69			
				-	323			
TOTAL			2,306		2,629			
Quoted Investments								
Cost Price			2,242		2,242			
Market Value			1,722		3,430			
Unquoted Investments								
Cost Price			64		64			
Mutual Funds								
Cost Price			-		323			
Repurchase Price			-		323			
Details of Investment (Mutual Fund) Purchased and Sold								
Particulars	As at 1 st April, 2008		Purchase		Sales		As at 31 st March, 2009	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
i) Birla Cash Plus	6,154	67	385	4	6,539	71	-	-
ii) Templeton Floating Rate Income Fund	5,172	52	331	3	5,502	55	-	-
iii) HDFC Cash Management Fund	12,662	135	788	8	13,450	143	-	-
iv) DSP BlackRock Liquidity Fund (earlier Known DSP Merrill Lynch Liquidity Fund)	6,939	69	403	4	7,342	73	-	-
SCHEDULE - 7 : INVENTORIES								
Raw Materials					258,906			131,042
Finished Goods & Traded Goods					310,265			231,359
Semi Finished Goods					156,703			150,096
Stores, Spares and Others					30,582			35,478
TOTAL					756,456			547,975
SCHEDULE - 8 : SUNDRY DEBTORS								
Unsecured								
Debts Outstanding for a period exceeding six months								
Considered good					41,088			32,386
Considered doubtful					542			1,328
Less: Provided for doubtful debts					(542)			(1,328)
					41,088			32,386
Others Debts Considered good					595,381			321,214
TOTAL					636,469			353,600

	(Rs. in Thousand)	
	As at 31st March, 2009 (Rs.)	As at 31st March, 2008 (Rs.)
SCHEDULE - 9 : CASH AND BANK BALANCES		
Cash on Hand	2,145	750
Balances with Schedule banks		
In Current Accounts	11,443	74,314
In Fixed Deposits under bank lien for margin money and bank guarantee	25,863	18,870
TOTAL	39,451	93,934
SCHEDULE - 10 : LOANS AND ADVANCES (Unsecured, Considered Good)		
Prepaid Expenses	6,697	6,207
Advances recoverable in cash or in kind or for value to be received	119,016	63,310
TOTAL	125,713	69,517
SCHEDULE - 11 : CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	408,661	290,679
Bank Overdraft	362	362
Advance received from Customers	46,539	988
	455,562	292,029
Provisions		
Provision for Employee Benefits	2,008	5,995
Provision for Taxation (Net of Advance Tax and TDS)	1,659	5,643
Provision for Fringe Benefit Tax (Net of Advance Tax Paid)	-	369
Provision for Wealth Tax	20	24
Provision for Premium Payable on redemption of FCCB	173,086	63,449
	176,773	75,480
TOTAL	632,335	367,509

Schedules forming part of the Profit and Loss Account

	(Rs. in Thousand)	
	2008-2009 (Rs.)	2007-2008 (Rs.)
SCHEDULE - 12 : OTHER INCOME		
Dividend Income	61	54
Interest Received (Gross)	4,882	14,242
Export Incentives	48,273	26,939
Miscellaneous Income	7,569	1,123
Note: Tax deducted at source from Interest Rs. 1,111 Thousand (Previous year Rs. 1,976 Thousand)		
TOTAL	60,785	42,358



	(Rs. in Thousand)	
	2008-2009 (Rs.)	2007-2008 (Rs.)
SCHEDULE - 13 : INCREASE / (DECREASE) IN STOCK		
Closing Stock		
Semi Finished Goods	156,703	150,096
Finished Goods	310,265	231,359
	<u>466,968</u>	<u>381,455</u>
Less : Opening Stock		
Semi Finished Goods	150,096	76,188
Finished Goods	231,359	174,565
	<u>381,455</u>	<u>250,753</u>
TOTAL	<u><u>85,513</u></u>	<u><u>130,702</u></u>
SCHEDULE - 14 : MATERIAL COSTS		
Opening Stock	131,042	241,097
Add : Purchases	1,887,749	1,228,529
	<u>2,018,791</u>	<u>1,469,626</u>
Less : Sales	853	1,395
	<u>2,017,938</u>	<u>1,468,231</u>
Less : Closing Stock	258,906	131,042
TOTAL	<u><u>1,759,032</u></u>	<u><u>1,337,189</u></u>
SCHEDULE - 15 : MANUFACTURING AND OPERATING COSTS		
Colour Chemicals	278,894	206,800
Stores and Spare Parts	63,047	68,525
Power and Fuel	393,450	310,132
Packing Materials	24,955	23,145
Job Work Charges	29,034	61
Folding Charges	9,095	7,972
Labour Charges	5,678	5,688
Machinery Rent	5,240	31,440
Repairs to Machineries	21,963	24,585
Repairs to Building	5,146	4,372
TOTAL	<u><u>836,502</u></u>	<u><u>682,720</u></u>
SCHEDULE - 16 : EMPLOYMENT COSTS		
Salary, Wages, Gratuity, Bonus etc.	130,751	120,991
Contribution to Provident and Other Funds	6,411	6,427
Workmen and Staff Welfare Expenses	1,819	1,712
TOTAL	<u><u>138,981</u></u>	<u><u>129,130</u></u>

	(Rs. in Thousand)	
	2008-2009 (Rs.)	2007-2008 (Rs.)
SCHEDULE - 17 : ADMINISTRATIVE, SELLING AND GENERAL EXPENSES		
Advertisement, Publicity & Sales Promotion	5,253	7,194
Commission & Brokerage	33,468	9,895
Rent	14,776	4,028
Rates & Taxes	6,688	3,712
Travelling and Conveyance (including for Directors Rs.960 Thousand Previous Year Rs.451 Thousand)	4,335	3,449
Insurance	14,761	14,033
Freight & Forwarding	42,049	25,024
Loss on Disposal of Fixed Assets (Net)	7,201	79
Provision for Doubtful Debts	0	1,328
Managerial Remuneration	4,380	4,380
Miscellaneous Expenses	34,926	40,391
Foreign Exchange Fluctuation (Gain) / Loss (Net)	80,931	(48,922)
TOTAL	248,768	64,591
SCHEDULE - 18 : INTEREST AND FINANCE CHARGES		
Fixed Loans	4,060	28,447
Others	105,680	93,655
TOTAL	109,740	122,102

SCHEDULE – 19
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
A. Significant Accounting Policies
1. Accounting Convention

The financial statements are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India and comply with the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable and with the relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which results are known / materialized.

3. Fixed Assets

Tangible and Intangible Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of all expenses incurred to bring the assets to its present location and condition. Borrowing costs directly attributable to the acquisition / construction are included in the cost of fixed assets.

In case of new projects / expansion of existing projects, expenditure incurred during construction / preoperative period including interest and finance charges on specific / general purpose loans, prior to commencement of commercial production are capitalized. The same has been allocated to the respective fixed assets on completion of construction / erection of the capital project / fixed assets.

Capital assets (including expenditure incurred during the construction period) under erection / installation are stated in the Balance Sheet as "Capital Work in Progress."

4. Lease

Assets acquired under leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit and loss Account on accrual basis.

5. Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

6. Depreciation

All Tangible assets, except freehold land, leasehold land and capital work in progress, are depreciated on a straight line method at the rates and in the manner prescribed in Schedule XIV of the Companies' Act, 1956.

Depreciation on additions to / deletions from fixed assets made during the period is provided on pro-rata basis from / up to the month of such addition / deletion as the case may be.

Amortisation in respect of Intangible assets is provided on Straight Line basis over the period of underlying contract or estimated period of its economic life.

Leasehold land is amortized over the period of lease.

7. Investments

Long term investments are stated at cost. Current investments are stated at lower of cost and market price. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

8. Inventories

Inventories are measured at lower of cost and net realizable value. Cost of raw materials, stores & spares parts are ascertained on FIFO basis. Cost for finished goods and process stock is ascertained on full absorption cost basis. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing them to their present location & condition.

9. Government Grants:

Government grants are recognized when there is reasonable assurance that the same will be received. Revenue grants are recognized in the Profit and Loss account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets.

10. Revenue Recognition

Sales are recognized when goods are supplied. Sales are net of trade discounts, rebates and sales tax. It does not include interdivisional sales.

Revenue in respect of other item is recognized when no significant uncertainty as to its determination or realization exists.

11. Borrowing Cost

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

12. Foreign Currency Transactions

Foreign Currency Transactions (FCT) and forward exchange contracts used to hedge FCT (including firm commitments and forecast transactions) are initially recognised at the spot rate on the date of the transaction/contract. Monetary assets and liabilities relating to foreign currency transactions and forward exchange contracts remaining unsettled at the end of the year are translated at year end rates.

The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 (AS-11) notified by Government of India on 31st March, 2009. Accordingly the effect of exchange differences on foreign currency loans of the Company is accounted by addition or deduction to the cost of the assets so far it relates to depreciable capital assets and in other cases by transfer to "Foreign Currency Monetary Items

Translation Difference Account" to be amortised over the balance period of the long term monetary items or 31st March, 2011 whichever is earlier. Exchange difference recognised in the Profit & Loss Account up to last financial year ended 31st March, 2008 relating to said long term monetary items in foreign currency has been adjusted against opening revenue reserve as provided in the rules.

The differences in translation of FCT and forward exchange contracts used to hedge FCT (excluding the long term foreign currency monetary items accounted in line with Companies (Accounting Standards) Amendment Rules 2009 on Accounting Standard 11 notified by Government of India on 31st March, 2009) and realised gains and losses are recognised in the Profit and Loss Account. The outstanding derivative contracts at the balance sheet date other than forward exchange contracts used to hedge FCT are valued by marking them to market and losses, if any, are recognised in the Profit and Loss Account.

13. Employee Benefits

Short –term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to profit and loss account.

14. Financial Derivatives and Commodity Hedging Transactions

In respect of financial derivatives and commodity hedging contracts, premium paid, losses on restatement and gains/losses on settlement are charged to the profit and loss account.

15. Taxes on Income

Income tax expenses for the year comprises of current tax and deferred tax. Current tax provision is determined on the basis of taxable income computed as per the provisions of the Income Tax Act. Deferred tax is recognized for all timing differences that are capable of reversal in one or more subsequent periods subject to conditions of prudence and by applying tax rates that have been substantively enacted by the balance sheet date.

16. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent liabilities are not recognized but are disclosed in the notes.

Contingent assets are neither recognized nor disclosed in the financial statements.

17. Premium on Redemption of Bonds

Premium on redemption of Foreign Currency Convertible Bonds are adjusted against the Securities Premium Account over the life of the Bonds.

B. Notes on Accounts

1) The estimated amount of contracts remaining to be executed on capital accounts and not provided for Rs. 95,890 Thousand (Previous Year 1,12,169 Thousand)

2) Contingent Liabilities in respect of:

(Rs. in Thousand)

Particulars	March 31, 2009	March 31, 2008
a. Income tax matters disputed in appeal Pertains to demand raised for the A.Y. 2003-04. The Company is hopeful of succeeding and as such does not expect any significant liability to crystallize.	8,698	8,698
b. Excise matters disputed in appeal	0	14,637
c. Service Tax Matters disputed in appeal	5,693	5,693
d. Custom duty payable on pending export obligations	133,600	133,600
e. Letter of Credit	86,648	0
f. Dividend on cumulative non-convertible Preference Shares. (Excluding Corporate Dividend Tax)	38,976	19,488
g. Guarantees given by banks on behalf of the Company not provided for	2,100	2,100

- 3) The Company has received a notice from the Ahmedabad Municipal Corporation under the Gujarat Town Planning and Urban Development Act, 1976 for allotting (for other use) part of the area of land at Narol on which the office building of the Company is constructed. The said land is required by the Ahmedabad Municipal Corporation for Town Planning purpose. The Company has made representation to appropriate authorities for modification of the T.P. Scheme and the matter is under consideration of the Authorities.

4) **The Profit and Loss Account includes:**

(i) **Auditors Remuneration**

Particulars	(Rs. in Thousand)	
	2008-09	2007-08
a) Statutory Auditors :		
Audit Fees	1089	967
Tax Audit Fees	39	17
Income Tax Matters	39	17
VAT Audit Fees	84	84
Certification & Others*	391	130
TOTAL	1642	1,215
b) Cost Auditors :		
Audit fees	40	40
TOTAL	40	40

*Excludes Rs. Nil (P.Y Rs.1,965 Thousand) towards FCCB issue related audit expenses debited to Securities Premium Account

(ii) **Managerial Remuneration**

- a. Computation of Net Profit in accordance with Section 198 of the Companies Act, 1956

	(Rs. in Thousand)	
	2008-2009	2007-2008
Profit before Tax	26924	61535
Add:		
- Director's Remuneration	4380	4380
- Director's Sitting Fees	45	41
- Loss on sale of assets	7201	79
- Provision for doubtful debts	—	1328
Net Profit u/s 198	38550	67363

- b. Remuneration to Directors

	(Rs. in Thousand)	
	2008-2009	2007-2008
Salaries	4,380	4,380
Contribution to Provident & Other Funds	28	28
Perquisites	0	0
Total *	4,408	4,408

*Minimum remuneration paid in terms of Schedule XIII to the Companies Act, 1956

- 5) Interest and Finance Charges are net of interest subsidy received under TUFs scheme amounting to Rs.36, 259 Thousand (Previous year Rs. 1,696 Thousand).
- 6) On April 10, 2007 the Company has issued Zero Coupon Foreign Currency Convertible Bonds of US \$20 million. The Bonds are listed on the Singapore Exchange Securities Trading Limited. The Bonds are interest-free and convertible at any time on or after 10 May 2008 upto the close of business on 28 March 2012 by holders into newly issued fully paid equity shares with full voting rights with at par value of Rs.10 each of the Company at agreed upon Conversion Price (as defined in the "Terms and Conditions of the Bonds") of Rs.148.93 per Share. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed in US dollars on 11 April 2012 at 148.02 per cent of their principal amount. Premium on redemption of Foreign Currency Convertible Bonds are adjusted against the Securities Premium Account over the life of the Bonds. All the Zero Coupon Foreign Currency Convertible Bonds are outstanding as on 31st March 2009.

7) LEASES :

Operating Leases

The Company has taken on non-cancellable operating leases certain assets, for period ranging from 11 months to 3 years. Lease rentals charged to revenue for lease agreements for the right to use assets are as under:

	(Rs in Thousand)	
Particulars	2008-09	2007-08
Rent of Retail Outlets	14,278	3,538

The future minimum lease payments outstanding in respect of these non cancellable operating leases are as follows;

Particulars	2008-09	2007-08
Not later than one year	11,577	9,196
Later than one year not later than five years.	50,425	40,668
Later than 5 years	-	-

8) Previous year's adjustments are as under:

	(Rs in Thousand)	
Particulars	2008-09	2007-08
Income		
Previous year expenses –	0	1,715
Short accounting of income – Export Incentives	739	1,511
Total	739	3,226
Expenses		
Short accounting of expenses – Miscellaneous Expenses	2194	50
Total	2194	50
Net Income / (Expenses)	1455	3,176

9) Micro, Small and Medium Enterprises Dues:

The Company has not received information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act has not been given.

- 10) There is no amount due and outstanding as on 31st March, 2009 to be credited to Investor Education and Protection Fund.

- 11) Change in Accounting Policy :** The Company has opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with Companies (Accounting Standards) Amendment Rules 2009 relating to Accounting Standard 11 "Effect of changes in Foreign Exchange Rates", notified by Government of India on 31st March 2009. As a result of this change;
- The items being the exchange difference on long term monetary items related to acquisition of a depreciable capital asset have been added/ deducted from the cost of the asset and depreciated over the balance life of the asset. Accordingly, as of 31st March 2009 an amount of Rs. 161,600 Thousand have been added to the Gross Block of the plant and Machinereries.
 - The exchange difference of Rs. 55,537 Thousand (Net of Depreciation Rs.2,464 Thousand) adjusted against General Reserve during the year.
 - The depreciation for the year ended on 31st March 2009 is higher by Rs. 2,285 Thousand and profit before tax for the year is higher by Rs. 217,315 Thousand.

12) Derivative transactions:

- The Company has entered into the following derivative instruments;
 - The Company uses forward exchange contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy which provides principles on use of such forward contracts consistent with the Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes.

The information on outstanding short term Forward Exchange Contracts entered into by the Company on accounts of receivables:

The information on outstanding Forward Exchange Contracts entered into by the Company :

As at	No. of	(In Thousand)	
		US \$ Equivalent Contracts	INR Equivalent Contracts
March 31, 2009	9	5,500	280,225
March 31, 2008	-	-	-

- The Company provides for the gain/loss arising from foreign currency derivative instrument, as and when the same are settled. As regards an unsettled instrument as at 31st March, 2009, for swap of Indian Rupees with Swiss Franc for Rs. 150,000 Thousand (Swiss Franc equivalent 4,419 Thousand), depending upon future fluctuations in the foreign exchange rates, the amount of actual loss / gain will be determined as on the respective future date of settlement. In view thereof, in pursuance of announcement dated 29th March, 2008 of the Institute of Chartered Accountants of India and pending adoption of AS 30, the Company has not provided for mark to market losses of Rs. 49,024 Thousand on unsettled derivative instrument as at 31st March 2009.
- The year end Foreign currency exposures that have not been hedged by a derivative instruments or otherwise are given below;

Particulars	(In Thousand)			
	2008-09		2007-08	
	Amount (Foreign Currency)	Amount (Rs.)	Amount (Foreign Currency)	Amount (Rs.)
Amount payable in foreign currency	\$ 21,079	10,73,980	\$ 20,351	813,417
	€ 322	21,753	€ 328	20,666
	¥ 45,548	23,626	¥ 45,347	18,175
Amount receivable in foreign currency	€ 9	590	\$ 3,323	132,823
	¥520	270	-	-

13) EARNINGS PER SHARE:

PARTICULARS	As at	As at
	March 31, 2009	March 31, 2008
	Rs.	Rs.
Profit after tax and exceptional / non- recurring item as per Profit & Loss account.	23,240,528	53,389,175
Less : Preference Dividend and Dividend Tax	22,800,854	22,800,854
Profit available for Equity Share Holders	439,674	30,588,321
No of Equity Shares	23,459,800	23,459,800
Weighted Average Number of Equity Shares	23,459,800	23,459,800
Weighted Average Number of Equity Shares in computing diluted earnings per share	23,459,800	23,459,800
Basic and Diluted Earnings Per Share	0.02	1.30

14) DEFERRED TAX:

Major components of deferred tax are:

PARTICULARS	As at	As at
	March 31, 2009	March 31, 2008
		(Rs. in Thousand)
Deferred Tax Liability		
Depreciation	199,975	199,975
Deferred Tax Assets*	0	0
Deferred Tax Liability (Net)	199,975	199,975

*The deferred tax assets in respect of unabsorbed depreciation has not been recognised in absence of reasonable certainty that sufficient future taxable income will be available against which the same can be realised.

15) SEGMENT INFORMATION:

- The Company has identified two reportable segments viz. Textile and Power Generation Unit. Segments have been identified and reported taking into account, the nature of products and services, the differing risks and returns, the organization structure and the internal financial reporting systems.
- Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

A) Primary Segment : Business Segment

(Rs. in Thousand)

Particulars	31-03-09			31-03-08		
	External Sales	Inter Segment Sales	Total	External Sales	Inter Segment Sales	Total
a. Segment Revenue						
Textile	3,018,328	0	3,018,328	2,317,721		2,317,721
Wind Mill	177,314	0	177,314	111,939		111,939
Power Plant	0	48,132	48,132		56,639	56,639
Segment Total	3,195,642	48,132	3,243,774	2,429,660	56,639	2,486,299
Eliminations			48,132			56,639
Total Revenue			3,195,642			2,429,660
b. Segment Result						
Textile			105,464			70,311
Wind Mill			99,619			49,106
Power Plant			(2,743)			(2,243)
Segment Total			202,340			117,174
Eliminations			2,743			2,243
Consolidated Total			205,083			119,417
Unallocable Corporate Exp/ (Income).			68,419			(64,342)
Profit Before Interest etc.			136,664			183,759
Interest paid (Net)			109,740			122,102
Profit Before Tax			26,924			61,657
Provision for Tax			3,683			8,268
Profit After Tax			23,241			53,389

c. Other Information

(Rs. in Thousand)

Particulars	As at 31 March 2009		As at 31 March 2008	
	Segment Assets	Segment Liabilities	Segment Assets	Segment Liabilities
Textile	4,548,670	2,788,555	4,251,334	2,306,845
Wind Mill	1,309,346	1,151,205	1,219,559	1,164,838
Power Plant	89,572	20,234	151,019	127,951
Segment Total	5,947,588	3,959,994	5,621,912	3,599,634
Inter segment elimination	(1,222,587)	(1,222,587)	(1,398,945)	(1,398,945)
Unallocated Assets/Liabilities	13,832	377,816	15,813	272,548
Total	4,738,833	3,115,223	4,238,780	2,473,237

(Rs. in Thousand)

	31-03-09			31-03-08		
	Capital Expenditure	Depreciation	Non Cash Expenditure Other than Depreciation	Capital Expenditure	Depreciation	Non Cash Expenditure Other than Depreciation
Textile	90,391	150,022	8,795	266,318	148,277	1,407
Wind Mill*	161,600	64,916	0	708,035	54,634	0
Power Plant	0	5,599	0	381	5,596	0
Segment Total	251,991	220,537	8,795	974,734	208,507	1,407

* Capital Expenditure Rs. 161,600 Thousand being the exchange difference on long term monetary items related to the acquisition of a depreciable capital asset as per AS-11 notified by Government of India on 31st March, 2009

B) Secondary Segment : Geographical Segment

(Rs. in Thousand)

Particulars	Within India Year Ended		Outside India Year Ended		Total Year Ended	
	31-03-09	31-03-08	31-03-09	31-03-08	31-03-09	31-03-08
Sales Revenue	2,612,125	2,085,710	583,517	343,950	3,195,642	2,429,660
Carrying amount of Segment Assets	4,464,968	4,105,537	273,865	133,243	4,738,833	4,238,780
Carrying amount of Segment Liabilities	1,972,064	1,620,980	1,143,159	852,258	3,115,223	2,473,238

16) EMPLOYEE BENEFITS:

- (a) The disclosure required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006 are given below:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

(Rs in Thousand)

Particular	2008-09	2007-08
Employer's Contribution to Provident Fund	4821	4,853

Defined Benefit Plan

The employees' gratuity fund scheme managed by Life Insurance Corporation of India who invests the funds as per IRDA guidelines, is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

(Rs. in Thousand)

Particulars	2008-09	2007-08	2008-09	2007-08
	Gratuity (Funded)		Leave Encashment (Unfunded)	
a. Reconciliation of opening and closing balances of Defined Benefit obligation				
Defined Benefit obligation at beginning of the year	8,908	6,857	2145	3,034
Current Service Cost	1,327	1,552	318	735
Interest Cost	712	549	172	243
Actuarial (gain)/ loss	(2,676)	1,240	193	(132)
Benefits paid	(933)	(1,290)	(1,071)	(1,735)
Defined Benefit obligation at year end	7,338	8,908	1757	2,145
b. Reconciliation of opening and closing balances of fair value of plan assets				
Fair value of plan asset at beginning of the year	5058	4,100	0	0
Expected return on plan assets	522	394	0	0
Actuarial gain/(loss)	16	20	0	0
Employer contribution	2425	1,834	0	0
Benefits Paid	(933)	(1,290)	0	0
Fair value of plan assets at year end	7088	5,058	0	0
Expected return on plan assets	9%	9%	Nil	Nil
c. Reconciliation of fair value of assets and obligations				
Fair value of plan assets as at year end	7088	5,058	0	0
Present value of obligation as at year end	7338	8,907	1757	2,145
Net Liability in the Balance Sheet	250	3,849	1757	2,145
d. Expenses recognized during the year (Under the head "Employment Costs – Refer Schedule – 16)				
Current Service Cost	1,328	1,552	318	735
Interest Cost	712	549	172	243
Expected return on plan assets	(522)	(394)	0	0
Actuarial (gain) / loss	(2692)	1,219	193	(132)
Net Cost	(1174)	2,926	683	846
e. Investment Details	% Invested As At 31st March, 2009	% nvested As At 31st March, 2008		
L.I.C. Group Gratuity(Cash Accumulation) Policy	100%	100%	0%	0%
f. Actuarial assumptions				
Mortality - LIC 1994-96 mortality tables				
Discount rate (per annum)	8%	8%	8%	8%
Rate of escalation in salary (per annum)	6%	6%	6%	6%

The estimates or rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factor including supply and demand in the employment market. The above information is certified by the actuary.

17) RELATED PARTY DISCLOSURES:

(As identified by Management)

Name of the party and relationships

a) Companies and firms in which Directors/Directors' Relatives exercise control / significant influence:

Companies	Firms
New Ahmedabad Synthetics Pvt. Ltd.	B. Kalpeshkumar & Co.
Vee Bee Textile Pvt. Ltd.	Parmanand Rajeshkumar
Rentex Weavers Ltd.	Virendrabhai Bhogilal & Co.
Twenty First Century Marketing Ltd.	Arora Agencies
Ennbee Textiles Pvt. Ltd.	Parmanand Vinodkumar
V.B. Investment Pvt. Ltd.	Pari Bhogilal Laxmichand
Pee Vee Synthetics Pvt. Ltd.	Parmanand Arora & Sons, HUF
Shipa Fabrics Pvt. Ltd.	T.P. Vinodkumar, HUF
Kashvi Holding Pvt. Ltd.	T.P. Rajeshkumar, HUF
Kashvi Investments Pvt. Ltd.	K.V. Enterprise
Bhansali Trade Link Pvt. Ltd.	A.V. Enterprise

b) Key management personnel

Vinodkumar P. Arora	Rajesh P. Arora
Parmanand T. Arora	Ashish V. Shah
Kalpesh V. Shah	

c) Relatives of key management personnel

Nipun V. Arora	Renu Arora
Pankaj V. Arora	Rita Arora
Heena Khanna	Kasturan Arora
Chinmaya P. Arora	Bhrigu N. Arora
Jahanvi N. Arora	Parul K. Shah
Bela A. Shah	Pankil K. Shah
Preeti N. Arora	Shikha Arora

Transaction carried out with related parties referred in (1) above, in ordinary course of business:
(Rs. in Thousand)

	Related Referred in 15 (a) above (Rs.)	Related Referred in 15 (b) above (Rs.)	Related Referred in 15 (c) above (Rs.)	Total (Rs.)
Part I : Volume of transactions				
Unsecured Loans Taken	41,415 (42,150)	– (–)	– (–)	41,415 (42,150)
Fixed Deposits Taken	– (–)	– (–)	225 (5)	225 (5)
Sale of Goods	1,638,400 (1,431,186)	– (–)	– (–)	1,638,400 (1,431,186)
Machinery Rent	5,240 (31,440)	– (–)	– (–)	5,240 (31,440)
Job Work Charges	26200 (–)	– (–)	– (–)	26200 (–)
Interest on Loans / FDs	449 (5,009)	881 (916)	417 (456)	1,747 (6,381)
Remuneration	– (–)	4,408 (4,408)	– (–)	4,408 (4,408)
Salary	– (–)	– (–)	1,620 (1,620)	1,620 (1,620)
Commission	27 (–)	– (–)	– (–)	27 (–)
Part II: Balance as at year end				
Unsecured Loans	107,127 (65,500)	– (–)	– (–)	107,127 (65,500)
Fixed Deposits	5,000 (5,000)	8,900 (9,550)	4,240 (4,735)	18,140 (19,285)
Sundry Debtors	217,070 (135,533)	– (–)	– (–)	217,070 (135,533)
Unpaid Job Work Charges	2483 (–)	– (–)	– (–)	2483 (–)
Unpaid Interest on FDs	– (–)	445 (501)	159 (189)	604 (690)
Unpaid Remuneration	– (–)	284 (274)	– (–)	284 (274)
Unpaid Salary	– (–)	– (–)	132 (120)	132 (120)
Unpaid Commission	5 (–)	– (–)	– (–)	5 (–)

Note: Figures in brackets represent previous year's amounts.

Disclosure in respect of material transactions with related parties

(Rs. in Thousand)

Name of the related party	2008-09	2007-08
Loans taken		
Ennbee Textiles Pvt.Ltd	1,736	6,500
Rentex Weavers Ltd	11,367	6,900
Shipa Fabrics Pvt.Ltd	6,343	1,500
Twenty First Century Mktg. Ltd.	20,766	25,650
Virendrabhai Bhogilal & Co.,	1,079	—
Fixed Deposits taken		
Pankajbhai V Arora	200	—
Chinmaya P. Arora	15	—
Jahanvi N. Arora	10	—
Sale of goods		
Arora Agencies	583,877	497,486
Parmanand Vinodkumar	1,038,389	927,258
Pari Bhogilal Laxmichand	3,330	6,439
Machinery Rent		
Virendrabhai Bhogilal & Co.	2,620	15,720
Twenty First Century Mkt. Ltd.	2,020	12,120
Interest on Loans / FDs		
Vinod P Arora	827	862
Renu Arora	132	163
Ennbee Textiles Pvt.Ltd.	1,606	995
New Ahmedabad Synt.P.Ltd.	449	451
Rentex Weavers Ltd.	1,877	989
Twenty First Century Marketing Ltd.	5,362	1,642
Shipa Fabrics Pvt.Ltd.	1,291	610
Remuneration		
Vinodbhai P Arora	1,920	1,920
Ashishbhai V Shah	1,500	1,500
Kalpeshbhai V Shah	960	960
Salary		
Nipunbhai V Arora	540	540
Pankajbhai V Arora	540	540
Pankilbhai K Shah	540	540

18) QUANTITATIVE INFORMATION:
a) Class of Goods Manufactured

- i) Denim Fabric
- ii) Non Denim Cotton Fabric
- iii) Electrical Energy
- iv) Readymade Garment

b) Licensed /Installed Capacity

Sr. No.	Particular	2008-09	2007-08
i)	Licensed Capacity	Not Applicable	Not Applicable
ii)	Installed Capacity (As certified by the Management)		
	Sizing (Meters p.a.)	600.00 Lacs	600.00 Lacs
	Weaving (Meters p.a.)	580.68 Lacs	580.68 Lacs
	Spinning (MT p.a.)	25,500	25,500
	Wind Farm (MW)	20.500	20.500
	Power Plant (MW)	2.500	2.500

c) Information about Production, Turnover and Stock of Finished Goods
1) Production

Sr. No	Particulars	2008-09 Quantity	2007-08 Quantity
i)	Cloth (Meters)*	33,677,653	30,223,943
ii)	Garment (Pcs.)	291,529	235,239
iii)	Wind Energy(KWH)	42,898,620	27,017,932

*After adjustment of shrinkage 4,148,382 Meters (Previous Year 3,699,473 Meters)

*includes 392,323 (PY 310,196) meters are captively consumed in Garment Division

2) Sales

(Rs. in Thousand)

Particulars	UOM	2008-09		2007-08	
		Quantity	ValueRs.	Quantity	ValueRs.
Cloth	Meter	33,339,725	2,861,307	29,051,266	2,232,473
Yarn Sales	Kgs	0	0	64,750	4,302
Wastage Yarn Sales	Kgs	1,436,547	19,505	1,498,279	19,436
Waste Cotton Sales	Kgs	2,173,441	7,110	1,979,898	6,855
Job Charges Cloth	Meter	28,58,704	47,472	959,997	13,925
Wind Energy	Kwh	42,898,620	177,314	27,017,932	111,939
Garment and Accessories Sales	Piece	245,281	77,174	195,519	37,547
Scrape etc. Sales			5,760		3,183
TOTAL			3,195,642		2,429,660

3) Opening Stock of Finished Goods

(Rs. in Thousand)

Particulars	2008-09		2007-08	
	Quantity	ValueRs.	Quantity	ValueRs.
Cloth (Meters)	3,718,665	214,463	2,856,184	171,901
Garment (PCs)	100,633	16,896	19,622	2,664

4) Closing Stock of Finished Goods

(Rs. in Thousand)

Particulars	2008-09		2007-08	
	Quantity	ValueRs.	Quantity	ValueRs.
Cloth (Meters)	3,664,270	254,581	3,718,665	214,463
Garment & Accessories (PCS)	240,525	55,684	100,633	16,896

d) Details of Raw Material Consumed

(Rs. in Thousand)

Sr.No	Particulars	2008-09		2007-08	
		Quantity	ValueRs.	Quantity	ValueRs.
i)	Yarn Consumed (Kgs.) (Includes 14,094,117 Kgs Captively Consumed, Previous Year 12,788,345 Kgs.)	19,208,548	500,925	16,102,456	340,745
ii)	Cotton Consumed (Kgs.)	17,976,832	1,085,662	17,838,176	870,018
iii)	Grey/Fabrics Consumed(Meters)	2,727,875	157,740	2,297,359	121,015

e) Goods Traded in Purchases

(Rs. in Thousand)

Particulars	2008-09		2007-08	
	Quantity	ValueRs.	Quantity	ValueRs.
Garment / Accessories	93,644	14,705	41,291	5,411

f) Imported and indigenous Raw-Materials, Stores and Spare parts and Components consumed during the year:

(Rs. in Thousand)

Sr.No	Particulars	2008-09		2007-08	
		Indigenous	Imported	Indigenous	Imported
1)	RAW MATERIALS				
i)	Yarn	500,925	-	340,745	-
	% Consumption	100%		100%	
ii)	Cotton	1,077,253	8,409	870,018	-
	% Consumption	99.23%	0.77%	100%	
iii)	Grey	157,740	-	121,610	-
	% Consumption	100%		100%	

(Rs. in Thousand)

Sr.No	Particulars	2008-09		2007-08	
		Indigenous	Imported	Indigenous	Imported
2)	STORES & SPARES				
	Stores & Spares	54,038	9,009	56,754	11,771
	% Consumption	85.71%	14.29%	82.82%	17.18%
3)	COLOUR & CHEMICALS				
	Colour & Chemicals	263,088	15,805	178,019	28,781
	% Consumption	94.33%	5.67%	86.08%	13.92%

g) CIF Value of Imports

(Rs. in Thousand)

Particulars	2008-09	2007-08
Cotton	197,598	0
Stores & Spare	9,009	11,771
Capital Goods	4,659	36,296
Colour & Chemical	15,805	28,781

h) Expenditure in foreign currency

(Rs. in Thousand)

Particulars	2008-09	2007-08
Traveling	550	333
Commission on Export Sales	22,402	6,563
Professional Charges	1,275	5,100
Listing Fees/Custodian fess	226	19
FCCB issue Expenses (Adjusted against Security Premium Account)	0	30,373

i) Earnings in foreign currency

(Rs. in Thousand)

Particulars	2008-09	2007-08
FOB value of Export Sales	552,571	318,986

19) Previous year's figures have been regrouped / rearranged wherever necessary so as to make them comparable with the figures of the current year.

20) Schedule 1 to 19 form integral part of Balance Sheet and Profit and Loss Account and are duly authenticated.

As per our attached report of even date

For and On Behalf of the Board of Directors

For N.C.Shah & Associates
For Deloitte Haskins & Sells
Chartered Accountants
Chartered Accountants
Nitin C. Shah
Gaurav J. Shah
Vinod P. Arora
Ashish V. Shah

Proprietor

Partner

Chairman & Managing Director

Managing Director

M. No. 34633

M. No. 35701

Amish Shah

Company Secretary

Place : Ahmedabad

Place : Ahmedabad

Date: June 30, 2009

Date: June 30, 2009

ADDITIONAL INFORMATION PURSUANT TO PART-IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration No.	L17110GJ1988PLC010504
State Code	04
Balance Sheet Date	31-03-2009

II. Capital Raised During the Year (Rs. in Thousand)

Public Issue	NIL
Right Issue	NIL
Bonus Issue	NIL

III. Position of Mobilization and Deployment of Funds (Rs. in Thousand)

Total Liabilities	4,106,498
Total Assets	4,106,498

Sources of Funds

Paid –up capital	384,511
Reserves & Surplus	1,239,098
Secured Loans	800,283
Unsecured Loans	1,482,631
Deferred Tax Liability	199,975

Application of Funds

Net Fixed Assets	3,178,438
Investments	2,306
Net Current Assets	925753
Accumulated Losses	0

IV. Performance of the Company (Rs. in Thousand)

Turnover & Other Income	3,341,940
Total Expenditure	3,315,016
Profit/Loss Before Tax	26,924
Profit/Loss after Tax	23,241
Earning Per Share in Rs.	0.02
Dividend Rate % (Annualized)	-

V. Generic Names of Principal Products / Services of the Company(As per monetary terms)

Product Description	Item Code No. (ITC Code)
1) Denim Fabrics.	52094200
2) Non Denim Cotton Fabric	520800/520900
3) Readymade Garments	610300/610400
4) Electrical Energy	N.A.

For and On Behalf of the Board of Directors

Vinod P. Arora

Chairman & Managing Director

Ashish V. Shah

Managing Director

Amish Shah

Company Secretary

Place : Ahmedabad

Date : June 30, 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs. in Thousand)

	Year ended 31st March, 2009	Year ended 31st March, 2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax as per the Profit and Loss Account	28,379	58,482
Adjustments for :		
Depreciation	220,537	208,506
Unrealised Foreign Exchange Fluctuation (Gain)/Loss	28,002	(54,036)
Foreign Exchange (Gain) / Loss	88,631	(15,934)
Interest Expenses	109,740	122,102
Dividend income	(61)	(54)
Loss on sale of Fixed Assets	7,201	79
Interest Received	(4,882)	(14,242)
Provision for doubtful debts	-	1,328
Operating profit before working capital changes	449,168	247,749
Adjustments for :		
Trade Receivables	(276,016)	(30,661)
Loans & Advances	(54,462)	(18,594)
Inventories	(208,480)	(24,911)
Trade Payables	133,737	(693,808)
	(405,221)	(767,974)
Cash Generated From Operations	72,326	(461,743)
Prior Year Adjustments	(1,455)	3,176
Income Taxes Paid	(8,052)	(31,221)
Net Cash From Operating Activities	62,819	(489,788)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(90,391)	(483,905)
Sale of Fixed Assets	4,288	175
Capital Subsidy received under TUFs	14,502	-
Purchase of Investments	(20)	-
Sale of Investments	343	3
Dividend Received	61	35
Interest Received	4,882	14,242
Net Cash From Investing Activities	(66,335)	(469,450)

(Rs. in Thousand)

	Year ended 31st March, 2009	Year ended 31st March, 2008
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Foreign Currency		
Convertible Bonds (net of expenses)	-	825,063
Proceeds / (Repayment) from / to Financial Institutions (Net)	(16,744)	250,138
Proceeds/ (Repayment) of Unsecured Borrowings (Net)	109,487	64,533
Interest & Finance cost	(109,740)	(122,102)
Proposed dividend paid	-	(36,524)
Gain / (Loss) on cancellation of forward covers/options	(33,981)	15,934
Net Cash Generated in Financing Activities	(50,978)	997,042
Net changes in Cash & Cash Equivalents (A+B+C)	(54,495)	37,804
Cash and Cash Equivalents at the beginning of the year	93,934	56,213
Effect of Foreign Exchange Rate changes (Gain) / Loss	(12)	83
Cash and Cash Equivalents at the end of the year	39,451	93,934
	(54,495)	37,804

Notes to the Cash Flow Statement

- 1 Cash and Cash Equivalents represent Cash and Bank Balance (Refer Schedule No. 9)
- 2 Cash and Cash Equivalent includes Rs. 3,078 Thousand (P.Y. 3,090 Thousand) of unpaid dividend not available for use by the Company
- 3 The above cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements, issued by the Institute of Chartered Accountants of India.
- 4 Previous year figures have been regrouped/ rearranged wherever considered necessary.

As per our attached report of even date

For and On Behalf of the Board of Directors

For N.C.Shah & Associates
 Chartered Accountants

For Deloitte Haskins & Sells
 Chartered Accountants

Nitin C. Shah
 Proprietor
 M. No. 34633

Gaurav J. Shah
 Partner
 M. No. 35701

Vinod P. Arora
 Chairman & Managing Director

Ashish V. Shah
 Managing Director

Amish Shah
 Company Secretary

 Place : Ahmedabad
 Date: June 30, 2009

 Place : Ahmedabad
 Date: June 30, 2009