

## REPORT ON CORPORATE GOVERNANCE

(CIN: L17110GJ1988PLC010504)

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

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

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

### 2. Board of Directors

#### Composition & particulars of Directors

The Board of Directors of the company is having optimum combination of executive & non-executive directors as suggested in the corporate governance norms. The current strength of the Board is ten comprising three executive directors and seven non-executive directors, of these seven non-executive directors, five are independent directors and two are non-independent directors.

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

#### Number of Board Meetings held & the dates on which held

Date	Board Strength	No of Directors Present
29 <sup>th</sup> May, 2013	10	07
2 <sup>nd</sup> August, 2013	10	09
30 <sup>th</sup> October, 2013	10	06
10 <sup>th</sup> February, 2014	10	10

Details of directors, attendance of directors at the board meetings, at the annual general meeting held on 30<sup>th</sup> September, 2013 and number of memberships held by directors in the Board/Committee of other Companies.

Sr. No	Name	Category	Attendance particulars		No. of other Directorship & Committee membership/Chairmanship		
			Board Meeting	AGM held on 30.09.13	Other Directorship	Committee Membership	Committee Chairmanship
1.	Shri Vinod P. Arora (Chairman & Managing Director) (DIN 00007065)	Promoter Executive	4	Yes	2	-	-
2.	Shri Ashish V. Shah (Managing Director) (DIN 00007201)	Promoter Executive	4	Yes	1	-	-
3.	Shri Kalpesh V. Shah (Wholetime Director) (DIN 00007262)	Promoter Executive	4	Yes	-	-	-
4.	Shri Parmanand T. Arora (DIN 00093659)	Promoter Non-Executive	2	-	-	-	-
5.	Shri Rajesh P. Arora (DIN 00092200)	Promoter Non-Executive	2	-	-	-	-
6.	Shri Sanjay S. Majmudar (DIN 00091305)	Independent Non executive	4	Yes	5	3	-
7.	Shri Ashok C. Gandhi (DIN 00022507)	Independent Non executive	4	-	6	6	-
8.	Shri Arvind D. Sanghvi (DIN 00435340)	Independent Non executive	2	-	3	-	-
9.	Shri Tilakraj Kapoor (DIN 00177651)	Independent Non executive	2	-	-	-	-
10.	Shri Amol R. Dalal (DIN 00458885)	Independent Non executive	4	Yes	1	-	-

- Directorship in other companies mentioned above excludes directorships in private limited companies, alternate directorship and of companies incorporated outside India and companies under Section 8 of the Companies Act 2013. (Section 25 of the Companies Act 1956)
- 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**

Details of appointment and reappointment of Directors are available in notice of 25<sup>th</sup> AGM.

**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) Recommending to the board the appointment, re-appointment and replacement of the statutory auditors and cost auditor to the company.
- c) To ensure compliance with the accounting policies of the Company.
- d) To interact with the internal and statutory auditors to ascertain the quality and veracity of Company's transactions and to review the manner in which they are performing their responsibilities.
- e) To review the internal audit function.
- f) To review and discuss the financial statements before they are presented to the Board of Directors.
- g) To review financial and risk management policies.
- h) To approve the appointment of Chief Financial Officer (CFO) or equaling officer in the Company.
- i) To carrying out such other functions as may be specifically referred to the committee by the Board of Directors and / or other committee of Directors of the Company.

**Internal Control**

Management feels that the internal controls in place are sufficient considering the size, nature and complexities of the operations of the company. Audit committee overlooks the operation and if required, modifications are put in place. The internal audit function is also reviewed by the audit committee of the board. Internal audit department of the Company is regularly reviewing the internal control systems of the company and to report it to the management and 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 177 of the Companies Act, 2013 the provisions of Clause 49 of the Listing Agreement.

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 meet on 29<sup>th</sup> May, 2013, 2<sup>nd</sup> August, 2013, 30<sup>th</sup> October, 2013 and 10<sup>th</sup> February , 2014 , 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 2013-14 are as under:

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

**4. Nomination & 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:**

Nomination & 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**

The company has not held any remuneration committee meeting during the year.

**(V) 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, 2014 is as under:

Shri Vinod P. Arora, Chairman & Managing Director	₹ 36,00,000/-
Shri Ashish V. Shah, Managing Director	₹ 30,00,000/-
Shri Kalpesh V. Shah, Whole-time Director	₹ 18,00,000/-

The sitting fees paid during the financial year 2013-14 for attending the Board & committee meetings are as follows:

Shri Sanjay S. Majmudar	₹ 24,000/-
Shri Amol R. Dalal	₹ 24,000/-
Shri Ashok C. Gandhi	₹ 24,000/-
Shri Arvind D. Sanghvi	₹ 8,000/-

**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) Stakeholder / Investors Grievance and Relationship Committee**

The Stakeholder Grievance and Relationship Committee specifically look into redressing of shareholders and investor's complaints such as transfer of shares, non-receipt of declared dividends and to ensure expeditious share transfer process.

The Company has constituted the Stakeholder Grievance and Relationship Committee under the Chairmanship of Shri Amol Dalal, Independent - Non Executive Director of the Company with a view to monitor the redressal of Investor's 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. 10<sup>th</sup> April, 2013, 15<sup>th</sup> July, 2013, 10<sup>th</sup> October, 2013 and 9<sup>th</sup> January, 2014 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.	-	-	-
2.	Non receipt of dividend warrants	04	04	Nil
3.	Query regarding demat credit	-	-	-
4.	Others	-	-	-
	<b>Total</b>	<b>04</b>	<b>04</b>	<b>Nil</b>

## 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 Meetings	Date	Time	No. of Special Resolution passed
24 <sup>th</sup> AGM	30 <sup>th</sup> September, 2013	10.00 A.M.	Nil
23 <sup>rd</sup> AGM	29 <sup>th</sup> September, 2012	10.00 A.M.	Nil
22 <sup>nd</sup> AGM	30 <sup>th</sup> September, 2011	10.00 A.M.	3

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](http://www.aarvee-denims.com). The confirmation of 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 is responsible for adherence to this code.

**9. CEO/CFO Certification:**

The managing Director and CFO has certified to the Board as required under clause 49(v) of the listing agreement for the year ended 31<sup>st</sup> March, 2014.

**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. All related party transactions are negotiated on arm's length basis and are intended to further 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 company's website [www.aarvee-denims.com](http://www.aarvee-denims.com) contains a separate dedicated section namely "Investors" where shareholders information is available. The 25<sup>th</sup> Annual Report of the company is also available on the web site of the company in downloadable form.

Management discussion & analysis is a part of Annual Report attached herewith.

**13. General Shareholder Information**
**A. 25<sup>th</sup> Annual General Meeting**

**Day, Date, Time & Venue: Tuesday, 30<sup>th</sup> September, 2014 at 11.00 a.m.**

**Registered Office** at 191, Shahwadi, Near Old Octroi Naka, Narol Sarkhej Highway, Narol, Ahmedabad - 382 405

**B. Registered Office**

191, Shahwadi, Near Old Octroi Naka, Narol Sarkhej Highway, Narol, Ahmedabad-382 405.

**C. Financial Calendar**

The financial year of the company is 1<sup>st</sup> April to 31<sup>st</sup> March and financial results will be declared as per the following schedule:

Particular	Tentative schedule
<b>Quarterly un-audited results</b>	
Quarter ending 30 <sup>th</sup> June, 2014	By 14 <sup>th</sup> August, 2014
Quarter ending 30 <sup>th</sup> September, 2014	By 14 <sup>th</sup> November, 2014
Quarter ending 31 <sup>st</sup> December, 2014	By 14 <sup>th</sup> February, 2015
<b>Annual audited result</b>	
Year ended 31 <sup>st</sup> March, 2015	Within 60 days from 31 <sup>st</sup> March, 2015

**D. Date of Book Closure**

Monday 22<sup>nd</sup> September, 2014 to Tuesday 30<sup>th</sup> September, 2014 (both days inclusive).

**E. Listing on Stock Exchanges**

The Company's shares are listed on Bombay Stock Exchange Ltd (BSE) and National Stock Exchange Ltd (NSE). The Company has paid the listing fees to the stock exchange for the year 2014-15.

**F. Stock Code and ROC Code**

Bombay Stock Exchange Ltd. – 514274

National Stock Exchange Ltd. - AARVEEDEN

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

The Company is registered in the State of Gujarat, India

Having Corporate Identity Number (CIN) is: L17110GJ1988PLC010504

**G. 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 - 2013 to March - 2014 is produced hereunder:

Month & year	BSE			NSE		
	BSE SENSEX*	High Price (₹)	Low Price (₹)	NSE NIFTY*	High Price (₹)	Low Price (₹)
April – 2013	19504.18	39.10	32.50	5930.20	38.90	32.85
May – 2013	19760.30	44.90	33.00	5985.95	44.45	32.20
June – 2013	19395.81	39.60	33.30	5842.20	39.90	31.45
July -2013	19345.70	38.90	33.55	5742.00	42.00	34.00
August – 2013	18619.72	36.50	26.40	5471.80	36.80	27.10
September – 2013	19379.77	36.20	28.60	5735.30	40.00	28.00
October – 2013	21164.52	38.95	29.25	6299.15	38.35	29.80
November –2013	20791.93	49.00	33.80	6176.10	49.00	33.65
December – 2013	21170.68	54.00	40.50	6304.00	54.00	40.05
January – 2014	20513.85	53.90	39.00	6089.50	53.50	38.80
February – 2014	21120.12	45.45	33.00	6276.95	45.65	33.15
March – 2014	22386.27	36.60	32.40	6704.20	37.50	31.40

\* Closing prices on the last working day of month.

**H. Registrar and Share Transfer Agent**

Mr. Navin Mahavar

**Sharepro Services (India) Pvt Ltd.**

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

**I. 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 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 ranging from two to three weeks, provided the documents lodged with the registrars/ company are clear in all respects.

**J. Distribution of Shareholding as on 31-03-2014**

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Up to 500	9576	93.42	1315043	5.61
501-1000	364	3.55	295066	1.26
1001-2000	138	1.35	210265	0.90
2001-3000	44	0.43	115854	0.49
3001-4000	18	0.17	64391	0.27
4001-5000	20	0.20	92340	0.39
5001-10000	36	0.35	268232	1.14
Above 10000	54	0.53	21098609	89.94
<b>Total</b>	<b>10250</b>	<b>100.00</b>	<b>23459800</b>	<b>100.00</b>

**K. Shareholding Pattern as on 31-03-2014**

Sr. No.	Category	No. of Shares held	% of Shareholding
<b>A</b>	<b>PROMOTERS' HOLDINGS</b>		
1	<b>Promoters</b> Indian Promoters/Person Acting in Concert Foreign Promoters	15430703 -	65.78 -
	<b>Sub Total</b>	<b>15430703</b>	<b>65.78</b>
<b>B</b>	<b>Institutional Investors</b>		
1	a. Mutual Funds	-	-
	b. Banks/Financial Institutions	300	-
	c. Insurance Companies	493758	2.10
	d. FIIs	-	-
	e. Foreign Financial Institution	3373100	14.38
	<b>Sub Total</b>	<b>3867158</b>	<b>16.48</b>
2	<b>Non Institutional Investors</b>		
	a. Private Corporate Bodies	107633	0.46
	b. Indian Public	2537264	10.82
	c. NRIs	1517042	6.46
	<b>Sub Total</b>	<b>4161939</b>	<b>17.74</b>
	<b>Grand Total</b>	<b>23459800</b>	<b>100.00</b>



**L. Dividend declared for the last 10 years**

Financial Year	% Dividend per shares
2004-05 (Interim Div.)	5
2004-05 (Final Div.)	10
2005-06 (I Interim Div.)	5
2005-06 (II Interim Div.)	5
2005-06 (III Interim Div.)	5
2005-06 (Final Div.)	5
2006-07 (Interim Div.)	5
2006-07 (Final Div.)	5
2009-10 (Interim Div.)	5
2009-10 (Final Div.)	5
2010-11 (Interim Div. considered as Final Div. 2010-11)	5
2012-13 (Interim Div. considered as Final Div. 2012-13)	5

**M. Dematerialisation of Shares and liquidity**

Electronic/ Physical (As on 31 <sup>st</sup> March, 2014)	No of Shares	%
NSDL	22212904	94.68
CDSL	525383	2.24
Physical	721513	3.08
<b>TOTAL</b>	<b>23459800</b>	<b>100.00</b>

As on 31<sup>st</sup> March, 2014, 22738287 (96.92%) Equity Shares of the Company were dematerialised. 100% promoters share holdings are in dematerialized form.

**N. Plant Location****Spinning Plant-I**

Survey No. 215-217, Village Sari, Sarkhej-Bavla Highway, Tal. Sanand, Dist. Ahmedabad -382 210.

**Spinning Plant-II**

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

**Narol Plant**

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

**Registered Office and Vijay Farm Plant**

191, Moje – Shahwadi, Narol – Sarkhej Highway, Ahmedabad-382 405

**O. 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, and please write to: [cs@aarvee-denims.com](mailto:cs@aarvee-denims.com).

**The Company Secretary**

Aarvee Denims And Exports Ltd.,

**Registered Office: -**

191, Shahwadi, Nr. Old Ocrtoi Naka, Narol – Sarkhej Highway, Narol Ahmedabad-382 405.

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

**Amish P. Shah**  
Company Secretary

**N.C. Shah & Associates**

Chartered Accountants  
191/1, New Cloth Market,  
Ahmedabad – 380 002

**Deloitte Haskins & Sells**

Chartered Accountants  
“Heritage” 3<sup>rd</sup> Floor,  
Nr. Gujarat Vidhyapith,  
Off Ashram Road,  
Ahmedabad – 380 014.

**AUDITORS' 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, 2014 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  
(Registration No.109692W)

**Nitin C. Shah**

Proprietor  
Membership No.34633

Place : AHMEDABAD  
Date : 29<sup>th</sup> May,2014

**For DELOITTE HASKINS & SELLS**

Chartered Accountants  
(Firm Registration No. 117365W)

**Gaurav J. Shah**

Partner  
Membership No. 35701