

REPORT ON CORPORATE GOVERNANCE

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

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

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

2. Board of Directors

During the financial year 2009-10, the Board met seven times on the dates viz. 14th May, 2009, 30th June, 2009, 29th July, 2009, 5th September, 2009, 16th October, 2009, 22nd December, 2009 and 29th January, 2010 .

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 30th September, 2009 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 30.09.09	Other Directorship	Committee Membership	Committee Chairmanship
1.	Shri Vinod P. Arora (Chairman & Managing Director)	Promoter Executive	7	Yes	2	-	-
2.	Shri Ashish V. Shah (Managing Director)	Promoter Executive	7	Yes	-	-	-
3.	Shri Kalpesh V. Shah (Wholetime Director)	Promoter Executive	6	Yes	-	-	-
4.	Shri Parmanand T. Arora	Promoter Non-Executive	6	-	-	-	-
5.	Shri Rajesh P. Arora	Promoter Non-Executive	6	-	-	-	-
6.	Shri Sanjay S. Majmudar	Independent	6	Yes	4	2	-

		Non executive					
7.	Shri Ashok C. Gandhi	Independent Non executive	3	-	7	7	-
8.	Shri Arvind D. Sanghvi	Independent Non executive	1	-	2	-	-
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 are:

- Shri Arvind Sanghavi** aged 53 years and Independent Directors of the company. He is under graduate and having 30 years vast experience in metal industries. He is founder of "Raajratna Metal Industries". He is independent director of the company since 1996. None of directors are related to him.
- Shri Anmol Dalal** aged 54 years and He is independent director of the Company since 2004. He is commerce graduate and engaged in business of manufacturing parts of machineries. None of directors are related to him.

3. Audit Committee

(I) Brief Description of terms of reference:

The broad terms of reference of the Audit Committee include:

- To supervise financial reporting process and to ensure financial and accounting control.
- To ensure compliance with the accounting policies of the Company.
- 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.
- f) To review financial and risk management policies.
- g) To approve the appointment of Chief Financial Officer (CFO) or equaling officer in 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. Mr. M Dhanvel, Manager (Internal Audit) is 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 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 30th June, 2009, 29th July, 2009, 16th October, 2009 and 29th January , 2010 , 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 2009-10 are as under:

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

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, 2010 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, Whole- time Director
Rs. 9,60,000

The sitting fees paid during the financial year 2009-10 for attending the Board & Committee Meetings are as follows:

Shri Sanjay S. Majmudar 15000	Rs.
Shri Amol R. Dalal Shri Ashok C. Gandhi 9000	Rs. 11000
Shri Arvind D. Sanghvi 2000	Rs.

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 Shareholders Grievance Committee specifically looks into redressing of shareholders and investors' complaints such as transfer of shares, non-receipt of declared dividends and to ensure expeditious share transfer process.

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. 15th April, 2009, 09th July, 2009, 10th October, 2009 and 21st January, 2010 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	Nil	Nil	Nil
3.	Query regarding Demat credit	01	01	Nil
4.	OTHERS	Nil	Nil	Nil
	Total	01	01	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
20 th AGM	30 th September, 2009	10.00 A.M.	-
19 th AGM	29 th September, 2008	10.30 A.M	-
18 th AGM	29 th September, 2007	10.00 A.M	-

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 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 has certified to the Board as required under clause 49(v) of the Listing Agreement for the year ended 31st March, 2010.

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. 21st Annual General Meeting

Day, Date, Time & Venue:
10.00.a.m.

Thursday, 30th September, 2010 at

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
2010**

From 27th September TO 30th September

(both days inclusive) **for payment**

of final dividend

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 2010-11.

E. 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

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 - 2009 to March - 2010 is produced hereunder:

Month & year	BSE SENSEX *	BSE		NSE	
		High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
April – 2009	11403.25	19.58	13.13	19.05	13.30
May – 2009	14625.25	25.80	15.50	26.90	15.05
June – 2009	14493.84	33.75	22.25	34.00	23.00
July -2009	15670.31	26.75	20.00	26.80	20.70
August – 2009	15666.64	32.40	23.90	32.30	24.00
September – 2009	17126.84	45.50	33.80	45.65	33.75
October – 2009	15896.28	65.55	42.00	65.10	42.20
November – 2009	16926.22	62.70	48.30	63.00	49.75
December – 2009	17464.8 1	64.50	57.90	65.00	57.25
January – 2010	16357.96	74.95	59.15	76.00	58.25
February – 2010	16429.55	68.00	52.50	69.00	53.75
March – 2010	17527.77	71.40	53.60	71.60	53.55

* Closing prices on the last working day of month.

G. Registrar and Share Transfer Agent

Mr. Nitin Joshi
Sharepro Services (India) Pvt Ltd.
416-420, 4th.Floor Devnandan Mall,
Opp.Sanyash Ashram, Ellisbridge,
Ahmedabad -380006 , Gujarat
Tel Nos.079 26582381 to 84
Fax No 079 26582385
Email sharepro@shareproservices.com

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 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 31-03-2010

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Upto 500	10112	93.98	1402349	5.99
501-1000	356	3.30	295857	1.26
1001-2000	133	1.24	205799	0.88
2001-3000	35	0.33	92362	0.39
3001-4000	10	0.09	35951	0.15
4001-5000	15	0.14	69138	0.29
5001-10000	32	0.30	227776	0.98
Above 10000	67	0.62	21130568	90.07
Total	10760	100	23459800	100

J. Shareholdings Pattern As On 31-03-2010

Sr. No.	Category	No. of Shares held	% of Shareholding
A	PROMOTERS' HOLDINGS		
1	Promoters		
	Indian Promoters/Person Acting in Concert	13795029	58.80
	Foreign Promoters	Nil	Nil
	Sub Total	13795029	58.80
B	Public Holding		
1	Institutional Investors		
	a. Mutual Funds	Nil	Nil
	b. Banks,	674	0.00
	c. Insurance Companies	493758	2.10
	d. FIIs	Nil	Nil
	e. Foreign Financial Institution	3373100	14.38
	Sub -Total	3867532	16.49
2	Non Institutional Investors		

	a. Private Corporate Bodies	163541	0.70
	b. Indian Public	4105239	17.51
	c. NRIs	1528459	6.52
	Sub -Total	5797239	24.71
	Grand - Total	23459800	100.00

K. Dematerialisation of Shares and liquidity

As on 31st March, 2010, 22622487 (96.43%) 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, and 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

Amish Shah
Company Secretary