

## 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 2008-09, the Board met six times on the dates viz. 26<sup>th</sup> April, 2008, 30<sup>th</sup> June, 2008, 31<sup>st</sup> July, 2008, 25<sup>th</sup> October, 2008, 31<sup>st</sup> January , 2009 and 28<sup>th</sup> 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 29<sup>th</sup> 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 :

- 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.
- 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 relative 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 26<sup>th</sup> April, 2008, 30<sup>th</sup> June, 2008, 31<sup>st</sup> July, 2008, 25<sup>th</sup> October, 2008, 31<sup>st</sup> January , 2009 and 28<sup>th</sup> 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:

<b>Sr. No</b>	<b>Name of Member</b>	<b>Attendance Particulars</b>
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. 5<sup>th</sup> April, 2008, 09<sup>th</sup> July, 2008, 6<sup>th</sup> October, 2008 and 9<sup>th</sup> 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:

<b>Sr. No</b>	<b>Nature of Complaint</b>	<b>Complaints received</b>	<b>Complaints solved</b>	<b>Complaints pending</b>
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
	<b>Total</b>	<b>05</b>	<b>05</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:

<b>Annual General meeting</b>	<b>Date</b>	<b>Time</b>	<b>No. of Special Resolution passed</b>
19 <sup>th</sup> AGM	29 <sup>th</sup> September, 2008	10.30 A.M	-
18 <sup>th</sup> AGM	29 <sup>th</sup> September, 2007	10.00 A.M	-
17 <sup>th</sup> AGM	9 <sup>th</sup> 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](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 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 31<sup>st</sup> 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](http://www.aarvee-denims.com)

Management Discussion & Analysis is a part of Annual Report attached herewith.

### **13. General Shareholder Information**

#### **A. 20<sup>th</sup> Annual General Meeting**

**Date & Time:**  
**Venue:**

**30<sup>th</sup> September, 2009 at 10.a.m.**  
**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  
September 2009**

**From 21<sup>st</sup> September TO 30<sup>th</sup>**

**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 SENSEX *	BSE		NSE	
		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
<b>Total</b>	<b>11135</b>	<b>100.00</b>	<b>23459800</b>	<b>100.00</b>

### J. Shareholdings Pattern As On 31-03-2009

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	13333658	56.84
	Foreign Promoters	Nil	Nil
	<b>Sub Total</b>	<b>13333658</b>	<b>56.84</b>
<b>B</b>	<b>Public Holding</b>		
1	<b>Institutional Investors</b>		
	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
	<b>Sub -Total</b>	<b>3867158</b>	<b>16.48</b>



2	<b>Non Institutional Investors</b>		
	a. Private Corporate Bodies	173663	0.74
	b. Indian Public	4162141	17.74
	c. NRIs	1923180	8.20
	<b>Sub -Total</b>	<b>6258984</b>	<b>26.68</b>
	<b>Grand - Total</b>	<b>23459800</b>	<b>100.00</b>

#### **K. Dematerialisation of Shares and liquidity**

As on 31<sup>st</sup> 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](mailto: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](mailto:cs@aarvee-denims.com)

**Amish Shah**  
Company Secretary