

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

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-executive Directors.

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

Number of Board Meetings held & the dates on which held

Date	Board Strength	No of Directors Present
28 th May, 2010	10	06
11 th August 2010	10	06
3 rd November 2010	10	10
5 th February, 2011	10	09

Details of Directors, Attendance of Directors at the Board Meetings, at the Annual General Meeting held on 30th September, 2010 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 30.09.10	Other Directors hip	Committee Membershi p	Committee Chairmans hip
1.	Shri Vinod P. Arora (Chairman & Managing Director)	Promoter Executive	4	Yes	2	-	-
2.	Shri Ashish V. Shah (Managing Director)	Promoter Executive	4	Yes	-	-	-
3.	Shri Kalpesh V. Shah (Wholetime Director)	Promoter Executive	4	Yes	-	-	-
4.	Shri Parmanand T. Arora	Promoter Non-Executive	2	-	-	-	-
5.	Shri Rajesh P. Arora	Promoter	2	-	-	-	-

		Non-Executive					
6.	Shri Sanjay S. Majmudar	Independent Non executive	4	Yes	4	3	-
7.	Shri Ashok C. Gandhi	Independent Non executive	4	-	6	7	-
8.	Shri Arvind D. Sanghvi	Independent Non executive	1	-	2	-	-
9.	Shri Tilak Raj Kapoor	Independent Non executive	2	-	-	-	-
10.	Shri Amol R. Dalal	Independent Non executive	4	Yes	1	-	-

- 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 Rajesh P. Arora** is 51 years. His educational qualification is B.Com. He has more than 25 years of experience in textile business. He looks after group marketing and is based at Delhi. Mr. Vinod Arora and Mr. Parmanand Arora, directors of the company are related to him.
- Shri Sanjay Majmudar** is 48 years. His educational qualification is B.Com. LL.B, FCA. He is practicing chartered accountant at Ahmedabad and has more than 24 years of rich and varied experience of corporate finance, project financing, taxation, corporate laws, joint ventures etc. 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 quality and veracity of Company's transactions and to review the manner in which they are performing their responsibilities.
- To review the internal audit function.
- To review and discuss the financial statements before they are presented to the Board of Directors.
- To review financial and risk management policies.
- To approve the appointment of Chief Financial Officer (CFO) or equaling officer in the Company.
- 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. Mr. Alpesh Suthar, 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 28th May, 2010, 11th August, 2010, 3rd November, 2010 and 5th February, 2011, 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 2010-11 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. 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

One meeting of the committee was held on 11th August, 2010; whereas all members of the committee were remain present. The committee reviewed the remuneration structure of three executive directors of the Company and appointment of three Vice president of the Company under the provision of Section 314(1B) of the Companies Act, 1956 read with the Director's Relatives (Office or Place of Profit) Rules, 2003.

(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, 2011 is as under:

1. Shri Vinod P. Arora, Chairman & Managing Director	Rs. 27,60,000
2. Shri Ashish V. Shah, Managing Director	Rs. 19,50,000
3. Shri Kalpesh V. Shah, Whole-time Director	Rs. 13,80,000

The sitting fees paid during the financial year 2010-11 for attending the Board & Committee Meetings are as follows:

Shri Sanjay S. Majmudar	Rs. 21,000
Shri Amol R. Dalal	Rs. 21,000
Shri Ashok C. Gandhi	Rs. 21,000
Shri Arvind D. Sanghvi	Rs. 4,000

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) 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. 10th April, 2010, 06th July, 2010, 11th October, 2010 and 8th January, 2011 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	08	08	Nil
3.	Query regarding Demat credit	01	01	Nil
4.	OTHERS	Nil	Nil	Nil
	Total	09	09	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
21 st AGM	30 th September, 2010	10.00 A.M.	6
20 th AGM	30 th September, 2009	10.00 A.M.	-
19 th AGM	29 th September, 2008	10.30 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, 2011.

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. 22nd Annual General Meeting

Day, Date, Time & Venue: **Friday, 30th September, 2011 at 10.00.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 **From 21st September TO 30th September 2011**
(both days inclusive)

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 2011-12.

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 - 2010 to March – 2011 is produced hereunder:

Month & year	BSE SENSEX *	BSE		NSE	
		High Price (Rs.)	Low Price (Rs.)	High Price (Rs.)	Low Price (Rs.)
April – 2010	17558.71	75.50	57.75	82.20	57.50
May – 2010	16944.63	71.00	48.00	64.00	54.50
June – 2010	17700.90	63.95	53.05	65.00	51.20
July -2010	17868.29	67.90	58.25	67.95	58.20
August – 2010	17971.12	93.80	62.15	93.70	64.35
September – 2010	20069.12	91.50	77.00	93.00	77.00
October – 2010	20032.34	93.00	78.50	93.00	78.15
November –2010	19521.25	93.15	69.00	92.95	65.15
December – 2010	20509.09	83.85	60.00	85.00	63.25
January – 2011	18327.76	84.00	62.70	84.00	60.15
February – 2011	17823.40	71.00	52.15	79.35	50.00
March – 2011	19290.18	66.00	53.10	67.00	50.60

* 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 31-03-2011

No. of Shares	Shareholders		Shareholding	
	Number	%	Number	%
Upto 500	9970	93.835	1364022	5.814
501-1000	361	3.398	295711	1.261
1001-2000	125	1.176	190306	0.811
2001-3000	38	0.358	101214	0.431
3001-4000	16	0.151	56123	0.239
4001-5000	19	0.179	89712	0.382
5001-10000	30	0.282	218410	0.931

Above 10000	66	0.621	21144302	90.130
Total	10625	100.000	23459800	100.000

J. Shareholdings Pattern As On 31-03-2011

Sr. No.	Category	No. of Shares held	% of Shareholding
A	PROMOTERS' HOLDINGS		
1	Promoters		
	Indian Promoters/Person Acting in Concert	13795029	58.50
	Foreign Promoters		
	Sub Total	13795029	58.80
B	Institutional Investors		
1	Institutional Investors		
	a. Mutual Funds		
	b. Banks,	674	0.00
	c. Insurance Companies	493758	2.10
	d. FIs		
	e. Foreign Financial Institution	3373100	14.38
	Sub -Total	3867532	16.46
2	Non Institutional Investors		
	a. Private Corporate Bodies	163541	0.70
	b. Indian Public	4105239	17.50
	c. NRIs	1528459	6.52
	Sub -Total	5797239	24.72
	Grand - Total	23459800	100.00

K. Dividend declared for the last 10 years

Financial Year	% Dividend per shares
2002-03	10
2003-04	10
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. to be considered as Final Div 2010-11)	5

L. Dematerialisation of Shares and liquidity

Electronic / Physical*	No of Shares	%
NSDL	22188832	94.58
CDSL	459455	1.96
Physical	811513	3.46
TOTAL	23459800	100.00

*As on 31st March, 2011

As on 31st March, 2011, 22648287 (96.54%) Equity Shares of the Company were dematerialised.

M. Plant Location

Spinning Plant

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

Weaving Plant

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

Home Textiles

191, Moje – shawadi, Narol – Sarkhej Highway,
Ahmedabad – 382 405

N. 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, Narol,
Ahmedabad 382 405.
Tele : (079)30417000
E-mail: cs@aarvee-denims.com

Amish P. Shah
Company Secretary