ARVIND

ANNUAL REPORT 2007 - 2008

enriching lifestyles

ARVIND LIMITED

ARVIND

ENRICHING LIFESTYLES

**After 77 years of changing the face of fashion,
it was time to change ours.**

So we got ourselves a brand new logo.
And given our new strategic thrust, we've also changed our name from
The Arvind Mills Ltd. to **Arvind Ltd.**
But we'll continue to do what we've always done.
Lead the change by being it.

Directors

Mr. Sanjay S. Lalbhai	Chairman & Managing Director
Mr. Jayesh K. Shah	Director & Chief Financial Officer
Mr. Sudhir Mehta	
Mr. Tarun Sheth	
Mr. Munesh Khanna	
Mr. G. M. Yadwadkar	Nominated by IDBI Bank Ltd.
Mr. K. M. Jayarao	Nominated by ICICI Bank Ltd.
Mr. S. R. Rao	Nominated by Export-Import Bank of India

Company Secretary

Mr. R.V. Bhimani

Bankers

State Bank of Saurashtra
State Bank of India
Bank of Baroda
UCO Bank
State Bank of Patiala
Calyon Bank
HDFC Bank Ltd.
Standard Chartered Bank
ICICI Bank Ltd.
Export-Import Bank of India
Axis Bank Ltd.
ABN Amro Bank NV
State Bank of Hyderabad

Auditors

Sorab S. Engineer & Co.
Chartered Accountants
381, Dr. D. Naoroji Road,
Fort, Mumbai-400 023.

Registrars and Transfer Agents

Pinnacle Shares Registry Pvt. Ltd.
Near Asoka Mills,
Naroda Road,
Ahmedabad - 380 025.

Registered Office

Naroda Road,
Ahmedabad - 380 025.

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Notice

NOTICE is hereby given that the Annual General Meeting of the members of the Company will be held on Thursday, the 31st July, 2008 at 12:30 p.m. at Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad-380006 to transact the following Business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statements of Accounts for the financial year ended on 31st March, 2008 and the Reports of the Directors and Auditors thereon.
2. To declare dividends.
3. To appoint a Director in place of Mr. Sanjay S. Lalbhai, who retires by rotation in terms of Article 129 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Jayesh K. Shah, who retires by rotation in terms of Article 129 of the Articles of Association of the Company and being eligible, offers himself for reappointment.
5. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS

6. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as an Ordinary Resolution:

   "RESOLVED that Mr. Munesh Khanna, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds the office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director U/s. 257 of the Companies Act, 1956, being eligible for appointment to the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

7. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force) the consent of the Company be and is hereby accorded to the terms of reappointment of Mr. Jayesh K. Shah as Wholetime Director with the designation of Director and Chief Financial Officer of the Company, for a further period of three years from 1st October, 2008 to 30th September, 2011 on the terms and conditions as set out in the draft agreement of the reappointment submitted to the meeting and initialled by the Chairman for identification and that he be paid remuneration by way of salary, perquisites, allowances and commission as approved by the Board of Directors of the Company and the Remuneration Committee and as set out in the Explanatory Statement annexed hereto.

   RESOLVED FURTHER THAT the Board of Directors and the Remuneration Committee be and are hereby severally authorised to alter, amend, vary, enhance or modify the scope and quantum of remuneration of Mr. Jayesh K. Shah as they may deem proper from time to time considering the nature and scope of his activities as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956."

8. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and the rules made thereunder from time to time and subject to the prior approval of the Central Government and further subject to such modifications, amendments and variations as the Central Government may suggest, which the Board of Directors of the Company (which term shall include any Committee thereof) is hereby authorised to accept and subject to such other consents, approvals permissions as may be required, consent of the Company be and the same is hereby accorded for appointment of Mr. Punit Lalbhai, to the position of Chief Manager - Projects or under such other designation as the Company may decide from time to time with effect from 1st September, 2008 or effective after receipt of approval from the Central Government, whichever is later, on the following remuneration (including perquisites) or such remuneration as may be approved by the Central Government while according its approval and as may be accepted by Mr. Punit Lalbhai :

   Basic Salary : Rs. 35,000 per month in the scale of Rs. 35,000 to Rs. 1,00,000 with such annual increments as may be decided by the management.

   Perquisites : In addition to the salary, Mr. Punit Lalbhai will be entitled to the following perquisites up to Rs.65,000 to Rs. 1,50,000 per month as per the rules of the Company and as applicable to other employees in the same grade with similar qualification and experience in which Mr. Punit Lalbhai is being appointed.

Type of Allowances	Particulars	Rs. per month
Personal Allowance	Hard Furnishing Allowance, Supplementary Allowance, Appliances etc.	Up to Rs. 50,492 per month.
Flexible Benefit	Medical, transport allowance, children education allowance, children hostel expenses allowance, books / magazines/ periodicals, professional attire reimbursement, food coupons etc.	Up to Rs. 8,850 per month.
Retiral Benefits	Provident Fund, Gratuity as per the Company Rules	Up to Rs. 5,658 per month.
Total		**Rs. 65,000 per month**

   FURTHER RESOLVED THAT consent of the Company be and the same is hereby accorded for Mr. Punit Lalbhai, to hold an office or place of profit in the Company, as above, he being a relative (son) of Mr. Sanjay S. Lalbhai, Chairman and Managing Director of the Company.

   FURTHER RESOLVED THAT the Board of Directors of the Company (the term 'Board' includes any Committee thereof) be and is hereby authorised to do all such acts, deeds and things as may be expedient and desirable for the purpose of giving effect to the resolutions including all such modification/s, when necessary, to the above terms of remuneration as the Central Government may suggest or require while granting approval."

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.

Registered Office: By Order of the Board
Naroda Road
Ahmedabad-380 025

SANJAY S. LALBHAI
Chairman & Managing Director

Date : 10th May, 2008

NOTES

1. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends upto the financial year ended 31st March, 1998 have been transferred to the Investor Education and Protection Fund of the Central Government. The Company did not declare any dividends on equity shares for the financial years 1998-99 and 1999-2000.
3. Members are requested to notify promptly any change in their addresses to our Registrars viz. Pinnacle Shares Registry Pvt. Ltd., Unit: Arvind Limited, Nr. Asoka Mills, Naroda Road, Ahmedabad-380 025.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 21st July, 2008 to Thursday, the 31st July, 2008 (both days inclusive).
5. Documents referred to in the Explanatory Statement attached hereto are available for inspection by the shareholders at the Registered Office of the Company during business hours on any working day.
6. Members are requested to bring their copies of the Annual Report to the meeting. The Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
7. Shareholders intending to require information about Accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

Registered Office: By Order of the Board
Naroda Road
Ahmedabad-380 025

SANJAY S. LALBHAI
Chairman & Managing Director

Date : 10th May, 2008

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 6

The Board of Directors, at their meeting held on 27th October, 2007 appointed Mr. Munesh Khanna as an Additional Director of the Company. The said appointment was in pursuance of the provisions of Section 260 of the Companies Act, 1956 and accordingly the said Director holds office only upto the date of this Annual General Meeting. The Company has received a notice in writing along with the necessary amount as deposit from a member signifying his intention to propose his candidature for the office of the Director, in terms of Section 257 of the Companies Act, 1956.

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, Mr. Munesh Khanna has disclosed to the Company that he is holding nil equity shares in the Company.

The Board commends the resolution at Item No. 6 for approval of members. Mr. Munesh Khanna may be deemed to be concerned or interested in the said resolution relating to his appointment. No other Directors are in any manner concerned or interested in the said resolution.

Item No. 7

Resolution under Item No. 7 of the Notice relates to the reappointment of Mr. Jayesh K. Shah as Wholetime Director with the designation of Director and Chief Financial Officer of the Company for a further period of three years from 1st October, 2008 to 30th September, 2011 and approval of his remuneration and terms of reappointment.

The Remuneration Committee, at its meeting held on 10th May, 2008, had recommended the reappointment of Mr. Jayesh K. Shah as Wholetime Director with the designation of Director and Chief Financial Officer of the Company and terms of remuneration payable to him for a further period of three years from 1st October, 2008 to 30th September, 2011. The Board of Directors, at their meeting held on 10th May, 2008, had approved the same. The Remuneration Committee and the Board of Directors of the Company are of the opinion that he is fit and proper person to hold the said office and his reappointment will be in the interest of the Company.

The material terms of remuneration in terms of Item No. 7 of Mr. Jayesh K. Shah effective from 1st October, 2008 to 30th September, 2011 as approved by both Remuneration Committee and Board of Directors in their respective meetings held on 10th May, 2008 are as under :

Remuneration :

(a) **Basic Salary :**

Rs. 2,50,000/- (Rupees two lacs fifty thousand only) per month with such increase as may be decided by the Board of Directors (which includes any Committee thereof) from time to time, but subject to maximum salary of Rs. 5,00,000/- (Rupees five lacs only) per month.

(b) **Perquisites and Allowances :**

In addition to salary, the following perquisites / allowances shall be allowed to the Director & Chief Financial Officer :

CATEGORY – A

(i) **Housing :**

The Company shall provide furnished accommodation to the Director & Chief Financial Officer. If the Director & Chief Financial Officer is having his own accommodation, the Company shall pay house rent allowance at the rate of 30% of the Basic Salary.

The Company shall provide equipment and appliances, furniture, fixtures and furnishing at the residence of the Director & Chief Financial Officer at the entire cost of the Company. The Company shall reimburse the expenses of maintenance, electricity, servants etc.

(ii) **Leave Travel Concession :**

The Company shall provide leave travel fare for the Director & Chief Financial Officer and his family once in a year.

(iii) **Other Allowances :**

The Company shall pay other allowances as per the Company's policy.

(iv) **Personal Accident Insurance :**

The Company shall pay/reimburse Personal Accident Insurance Premium upto Rs. 25,000 for the Director & Chief Financial Officer.

(v) **Club Fees :**

The Company shall reimburse annual fees for a maximum of 2 clubs.

The aggregate value of perquisites for (i) to (v) above for each year shall be computed as per the provisions of Income-tax Act, 1961. In case of benefits for which no specific rule of valuation is provided under the Income-tax Act, the perquisites value of such benefit shall be taken at actual cost.

(vi) **Medical Reimbursement :**

Medical Expenses actually incurred for self and family shall be reimbursed by the Company.

CATEGORY – B

(i) The Company shall contribute towards Provident Fund/ Superannuation Fund/Annuity Fund provided that such contributions either singly or put together shall not exceed the tax-free limit prescribed under the Income-tax Act.

(ii) The Company shall pay Gratuity as per rules of the Company.

(iii) Leave on full pay and allowances, as per rules of the Company, but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term as per rules of the Company.

The above shall not be included in the computation of ceiling on remuneration or perquisites aforesaid.

CATEGORY – C

(i) The Company shall provide car(s) with driver at the entire cost of the Company for use on Company's business and the same will not be considered as perquisites.

(ii) The Company shall provide telephone and other communication facilities at the residence of the Director & Chief Financial Officer at the entire cost of the Company.

CATEGORY – D

The Director and Chief Financial Officer shall be entitled to Performance Linked Variable Pay/Special Allowance/Role Award/Bonus/Commission on profits etc. or in any other form of Rs.100 lacs per annum or such other amount as the Remuneration Committee may determine within the overall limit of remuneration prescribed under Sections 198 and 309 and other applicable provision of the Companies Act, 1956.

Overall Limit :

The aforesaid remuneration is subject to the limit of 5% of the annual net profits of the Company and subject further to the overall limit of 10% of the annual net profits of the Company. Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of the Director & Chief Financial Officer, the Company has no profits or its profits are inadequate, the Company will pay remuneration for a period not exceeding three years by way of salary, commission and perquisites as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower, unless otherwise determined by the Board of Directors or the Remuneration Committee, subject to approval of Central Government, if required, as Minimum Remuneration.

The abovementioned remuneration may be altered, amended, varied, enhanced or modified from time to time by the Board of Directors of Company or the Remuneration Committee as it may, in its discretion, deem fit, within the maximum amount payable to Managing and Whole-time Directors in accordance with the provisions of the Companies Act, 1956, including those of Schedule XIII or any amendments thereto made hereafter in this regard within the overall limits approved by the Company in General Meeting.

In terms of the Schedule XIII to the Companies Act, 1956, the Company can revise the limit of payment of managerial remuneration in a financial year when it has no profit or has inadequacy of profit. The Company can pay remuneration of upto Rs. 4 lacs per month by way of salary as well as perquisites provided, *inter alia*, the members approval by way of special resolution has been obtained for payment of managerial remuneration for a period not exceeding three years. Accordingly, the resolution at Item No. 7 is put before the members as Special Resolution.

As required under Schedule XIII to the Companies Act, 1956, the relevant details for Item No. 7 to be sent along with the Notice calling the general meeting are as under :

I. **General Information**

1 Nature of industry : Textiles Industry

2 Date or expected date of commencement of commercial production :

The Company was incorporated on 1st June, 1931 and commenced commercial production thereafter.

3 In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not applicable

4 Financial performance based on given indicators (As per audited financial statements for the year ended 31.03.2008)

Particulars	Rs. in crores
Sales & Other Income	2287.72
EBIDTA	1038.20
Net Profit	29.61

5 Export performance and net foreign exchange collaborations (As per audited financial statements for the year ended 31.03.2008)

Earnings in foreign exchange by exports : Rs. 963.88 crores.

6 Foreign investments or collaborators, if any : Not applicable.

II. **Information about the appointee**

1 Background details :

Mr. Jayesh K. Shah, a Commerce Graduate and Chartered Accountant has been in employment with the Company since 1st July, 1993 and prior to his employment with the Company he was associated with group companies for seven years.

2 Past remuneration:

Particulars	FY. 2007-08	FY. 2006-07
Salary	30,00,000	21,00,000
Perquisites/allowances	92,54,893	91,62,232
Commission/Bonus	Nil	Nil
Total	1,22,54,893	1,12,62,232

Note : Remuneration includes contribution to Provident Fund and Superannuation.

3 Job profile and his suitability :

Mr. Jayesh K. Shah has been appointed as the Director and Chief Financial Officer of the Company and he will carry out such duties as may be entrusted to him by the Chairman and Managing Director but subject to supervision and control of Board of Directors, from time to time.

Taking into consideration his qualifications and expertise in the relevant fields, he is suited for the responsibilities assigned to him by the Board of Directors.

4 Remuneration proposed: Since the same have been already explained in detail hereinabove, the same are not repeated.

5 Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):

Considering the size of the Company, the profiles of Mr. Jayesh K. Shah, the responsibilities shouldered by him and the industry benchmarks, the remuneration proposed to be paid to him is commensurate with the remuneration packages paid to similar appointees in other companies.

6 Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any :

Besides the remuneration proposed, Mr. Jayesh K. Shah does not have any pecuniary relationship with the Company and its managerial personnel.

The Board commends the resolution at Item No. 7 for your approval.

The Draft of Agreement to be entered into between the Company and Mr. Jayesh K. Shah for remuneration is available for inspection by the shareholders at the Registered Office of the Company during business hours on any working day.

Since the resolution at Item No. 7 relates to payment of remuneration to Mr. Jayesh K. Shah he is deemed to be concerned or interested in the said resolution. None of the other Directors of the Company is, in any way, concerned or interested in the resolution.

The above explanatory statement also sets out an abstract of material terms of the contract with Wholetime Director and hence the same may be treated as an abstract of memorandum of interest in accordance with Section 302 of the Companies Act, 1956.

Item No. 8

The Company is in the process of implementing its expansion plans, which include setting up green field projects. The project department is responsible for such implementation. In view of several expansion plans and new projects being implemented and the significant role the project department has to play in such implementation, it is considered desirable that the project team be strengthened.

Mr. Punit Lalbhai, has been identified as a potential candidate for being appointed as Chief Manager – Projects. Mr. Punit Lalbhai, holds a Masters Degree in Forestry and Environmental Studies from Yale University, U S A. In terms of requirements of Section 314(1B) read with Directors' Relatives (Office or Place of Profit) Rules, 2003, the Selection Committee has conducted its selection process and recommended the Board of Directors to appoint Mr. Punit Lalbhai as Chief Manager – Projects for a period of 5 years with effect from 1st September, 2008 on the remuneration (including perquisites) mentioned in the resolution.

Company has identified the strategic thrust in areas such as Organic Cotton farming, Bio-Fuels, Carbon Credits etc. These are areas which are related to Company's current businesses, either in the form of forward or backward integration.

As a Corporate Citizen, the Company is also quite conscience about its Corporate Social Responsibility [CSR]. The Company also would like to work towards establishing the sustainability of businesses, without disturbing the ecological balances in the environment. Organic Cotton Farming Project, mentioned above, is one such project, which is a backward integration for a vertically integrated Textile Mills like Arvind, and is also related to efforts related to conservation of environment.

The Company has already filed applications for getting the Carbon Credits [CERs] by reducing the carbon emission in Power Generation Plant by switching over from Naphtha to Natural Gas. The implications of these raw materials switchovers for Carbon credits are new methodologies and require specialised persons. Bio-Fuels, Municipal Solid Waste Management are other areas under study. These are new emerging field which require specialised training and knowledge base.

In view of these business trajectories and environment issues converge, Company increasingly find a need for a person who is expert in these areas.

As the Chief Manager - Projects, Mr. Punit Lalbhai shall be responsible for:

1. Execution of these projects.
2. He will bring in special knowledge of wildlife and environment conservation.
3. He will be responsible for implementation of these projects as well as for formulating the strategy of the Company in these fields.
4. He will be responsible for constantly tracking the new events unfolding in these fields and continuously updating these emerging knowledge based businesses.
5. He will be responsible for identifying the synergy between Company's current and future businesses.

The scale of basic salary and the perquisites to which Mr. Punit Lalbhai will be entitled, as mentioned in the Special Resolution in Item No. 8 of the Notice are the same as are applicable to other employees of the Company in the same grade who have similar qualification and experience. Mr. Punit Lalbhai shall also be subject to all other service conditions as applicable to any other employee of the Company. The Company will be obtaining an undertaking from Mr. Punit Lalbhai that he shall be in the exclusive employment of the Company and will not hold a place of profit in any other Company.

Since Mr. Punit Lalbhai is related to Mr. Sanjay S. Lalbhai, Chairman and Managing Director of the Company, being his son and since the remuneration (including perquisites) payable to Mr. Punit Lalbhai as an employee of the Company will be in excess of Rs. 50,000/- per month, Mr. Punit Lalbhai will be deemed to be holding an office or place of profit in the Company within the meaning of Section 314 of Companies Act, 1956 and holding of such an office or place of profit requires the prior consent of the Company by a Special Resolution and the prior approval of the Central Government. In the circumstances consent of the members is being sought for Mr. Punit Lalbhai to hold such an office or place of profit in the Company. Accordingly, Special Resolution set out in Item No. 8 of the Notice is submitted to the meeting.

The proposed holding of office or place of profit by Mr. Punit Lalbhai will also be subject to the prior approval of the Central Government for which necessary application will be made by the Company. The Special Resolution set out in the Notice also authorises the Board of Directors to accept such modifications or amendments or variations in the terms and conditions of appointment of Mr. Punit Lalbhai, as may be suggested by the Central Government while according its approval and as may be accepted by Mr. Punit Lalbhai. Your Directors commend the resolution for your approval.

Except Mr. Sanjay S. Lalbhai, Chairman and Managing Director of the Company, no other director is concerned or interested in this resolution.

Registered Office: By Order of the Board
Naroda Road,
Ahmedabad-380 025

SANJAY S. LALBHAI
Chairman & Managing Director

Date : 10th May, 2008.

Directors' Report

To the Members,

Your Directors are pleased to present the Annual Report along with the Audited Financial Statements for the period from 1st April, 2007 to 31st March, 2008.

1. FINANCIAL RESULTS

Highlights of Financial Results for the year are as under:

Rs. in crores

	2007-08	2006-07
Turnover & Other Income	2271.27	1847.99
Profit before Depreciation, Interest & Taxation	297.65	321.33
Less : Interest and Finance costs	131.40	150.26
Gross Profit after Interest & Finance costs but before Depreciation & Taxation	166.25	171.07
Less : Deprecation/ Impairment	136.64	143.36
Net Profit before Taxation for the year	29.61	27.71
Add: Non Recurring / Extra Ordinary Items (Net)	0.00	94.29
Profit after Extra Ordinary Items	29.61	122.00
Less : Current Tax	3.10	11.61
Less : Deferred Tax	0.00	0.00
Less: Fringe Benefit Tax	2.25	2.44
Add: MAT Credit Entitlement	3.10	11.61
Net Profit for the year	27.36	119.56
Balance of Profit/(Loss) brought forward	425.00	321.17
Less : Transfer to Capital Redemption Reserve	13.20	9.90
Less: Transfer to Debenture Redemption Reserve	0.00	2.25
Less: Provision for Leave Encashment	1.34	0.00
Balance available for appropriation	437.82	428.58
Your Directors appropriate the same as under :		
Preference Dividend paid	2.48	3.14
Tax on Interim Dividend	0.42	0.44
Proposed Dividend on Equity Shares	0.00	0.00
Tax on proposed Dividend	0.00	0.00
Additional Dividend on Equity Shares	0.00	0.00
Tax on Additional Dividend	0.00	0.00
Balance carried forward to next year	434.92	425.00
Total	434.92	425.00

2. OPERATIONS

Your directors are pleased to inform you that the company has been able steer through financial year 2007-08 , which was another challenging year. The company continues to operate the denim capacities at lower utilization level and has in fact shut down one of the manufacturing units and also had to face the rapidly rising energy cost as the gas supply agreement ended in November 2007. The impact of the factors is visible in the results. Even though the turnover went up by 23%, the operational earnings increased merely by 7%.

The company has registered a Net Profit after Extra-ordinary Items of Rs. 27 Crores compared to 120 Crores in the previous financial year, a drop of 77%.

A detailed analysis of the financial results is given in the Management Discussion and Analysis Report which forms part of this report.

The company during the year laid out the strategy of transforming itself from being a fabrics and apparel solutions company to a diversified business group with focus on branded apparels and retailing. Over the last eight decades, ability of your company to understand change and willingness to evolve has helped it to change the face of fashion itself. Today, as we enter an exciting new world of opportunities, your company has gone through a new phase in its evolution to address the aspirations of its stakeholders. To reflect the new focus the company has changed its name from "The Arvind Mills Limited" to "Arvind Limited" and launched a new brand identity.

3. DIVIDENDS

Dividend aggregating to Rs. 2.48 crores on 66,00,000 6% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- each has been paid by the Company as interim dividend for the year 2007-08. Your Directors recommend that the interim dividend be fully adjusted as final dividend for the year ended on 31st March, 2008.

Keeping in mind the need to conserve resources, your Directors do not recommend any dividend on Equity Shares for the year.

4. FINANCE

During the year, your company has repaid the installments of Term Loans amounting to Rs. 165 crores falling due during the current year. The Company has also made fresh borrowings of Rs. 81 Crores for funding capital expenditure and other requirements. Long Term Debt including lease of the company stands to Rs. 1172 crores as on 31st March, 2008.

5. SUBSIDIARIES

A detailed discussion on subsidiary companies and their performance during the year is contained in the Management Discussion and Analysis Report which forms part of this Report.

Pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India the Company has prepared Consolidated Financial Statements of the Company and its subsidiaries are included in the Annual Report.

In view of the closure of business and disposal of the business undertaking, the accounts of Arvind Overseas (Mauritius) Limited, Arvind Spinning Limited and Lifestyle Fabrics Limited, have not been prepared on the going on concern basis. Aakar Foundationwear Limited and Arvind Textile Mills Limited have not commenced their businesses. Hence, the accounts of these subsidiary companies have not been consolidated with accounts of the company as per the provisions of the Accounting Standard 21 relating to consolidation of accounts.

6. DIRECTORS

Your Directors note with deep regret the sad demise of Mr. Arvind N. Lalbhai, Chairman of the Company on 3rd August, 2007 who had been a Chairman for 34 years, a Managing Director for 28 years and a Director for 34 years. Your Directors place on record their deep sense of appreciation for the valuable services rendered by him to the Company during the tenure of his office.

Industrial Development Bank of India (IDBI) nominated Mr. G.M.Yadwadkar as its Nominee Director on the Board of the Company in place of Mr. V.K.Pandit with effect from 25th October, 2007. The Board places on record its appreciation for the valuable services rendered by Mr. V.K.Pandit during his tenure as Director.

Mr. Munesh Khanna was appointed as an additional Director of the Company on 27th October, 2007. He hold office only upto the date of this Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956. The Company has received a notice from a member of the Company intending to propose him as a Director on the Board.

At the ensuing Annual General Meeting, Mr Sanjay S. Lalbhai and Mr. Jayesh K. Shah, Directors of the Company, retire by rotation and being eligible seek re-appointment.

7. CORPORATE GOVERNANCE

Your Company is committed to the tenets of good Corporate Governance and has taken adequate steps to ensure that the requirements of Corporate Governance as laid down in Clause 49 of the Listing Agreement are complied with.

A separate report on Corporate Governance and a Management Discussion and Analysis Report are being published as a part of the Annual Report of the Company.

The Auditors of the Company have certified that conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement are complied by the Company and their Certificate is annexed to the Report on Corporate Governance.

8. RESPONSIBILITY STATEMENT

The Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards;

2. such accounting policies have been selected and applied consistently and such judgements and estimates have been made as 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 ended on 31st March, 2008 and of the profit of the Company for that period;

3. proper and sufficient care has been taken 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 for preventing and detecting fraud and other irregularities; and

4. the statements of accounts for the year ended on 31st March, 2008 have been prepared on a going concern basis.

9. FIXED DEPOSITS

The Company did not accept any deposits during the year. Out of the unclaimed fixed deposits of Rs. 0.02 crores, the Company has repaid deposits of Rs. 0.001 crores during the year and the balance deposits of Rs. 0.02 crores involving 17 depositors are still lying unclaimed with the Company.

10. INFORMATION REGARDING CONSERVATION OF ENERGY ETC. AND EMPLOYEES

Information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this report. However, as per the provisions of Section 219 (1)(b) (iv), the report and accounts are being sent to all shareholders of the Company excluding the information relating to conservation of energy, technology absorption and foreign exchange earning and outgo, and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Secretary for a copy.

11. AUDITORS

The Auditors, Sorab S. Engineer & Co., retire and offer themselves for re-appointment. It is proposed that Sorab S. Engineer & Co., be re-appointed as auditors of the Company. You are requested to appoint the auditors and fix their remuneration.

12. ACKNOWLEDGEMENT

Your Directors are sincerely thankful to the Financial Institutions, Commercial Banks, Overseas Banks for the faith reposed in the Company and for their continued support. Your Directors also place on record their deep sense of appreciation for the services rendered by the employees of the company.

By Order of the Board

Place : Ahmedabad
Date : 10th May, 2008

Sanjay S. Lalbhai
Chairman and Managing Director

Corporate Governance Report

Company's Philosophy on Code of Governance

The Company's philosophy on Corporate Governance is to attain the highest levels of transparency, accountability and integrity. This objective extends, not merely to meet with statutory requirements but also to go beyond them by putting into place procedures and systems which are in accordance with best practices for governance. Corporate governance at Arvind means being responsive to aspirations of all the stakeholders - customers, suppliers, lenders, employees, the shareholders and expectations of the society. The Board of Directors supports the broad principles of Corporate Governance and lays strong emphasis on its trusteeship role to align and direct the actions of the organisation to achieve its avowed objectives of transparency, accountability and integrity. Given below is the report on Corporate Governance at Arvind.

Board of Directors

Composition of the Board

The Board has 8 Directors, comprising of 2 Executive Directors viz. 1 Managing Director and 1 Director and Chief Financial Officer and 6 Non-Executive Directors. The Non-Executive Directors include 5 Independent Directors who are leading professionals from varied fields who bring in independent judgement to the Board's discussions and deliberations.

The following is the Composition of the Board as at 31st March, 2008 :

Sr. No.	Name of Director	Executive / Non-executive/ Independent	No. of other Directorshipsin Public Limited Companies	No. of other Board / Committees of which Member / Chairman
1	Mr. Sanjay S. Lalbhai*	Executive Chairman & Managing Director	2	_
2	Mr. Jayesh K. Shah	Executive Director and Chief Financial Officer	8	–
3	Mr. Sudhir Mehta	Non-executive, Independent - Director	5	1 as Chairman
4	Mr. Tarun Sheth	Non-executive, Independent -Director	4	2 as Chairman and 2 as Member
5	Mr. K. M. Jayarao	Non-executive -Nominee of ICICI Bank Ltd.	4	2 as Member
6	Mr. S. R. Rao	Non-executive, Independent -Nominee of EXIM Bank	2	–
7	Mr. G. M. Yadwadkar**	Non-executive, Independent - Nominee of IDBI Bank	3	1 as Member
8	Mr. Munesh Khanna***	Non-executive, Independent - Director	2	–

Notes :

1. Mr. Arvind N. Lalbhai ceased to be a Chairman of the Board due to his demise on 3rd August, 2007
2. Mr. Deepak M. Satwalekar has resigned from the Board with effect from 1st May, 2007.
3. Mr. V. K. Pandit a Nominee of IDBI Bank Ltd. has ceased to be a Director with effect from 25th October, 2007.

* Mr. Sanjay S. Lalbhai Appointed as a Chairman of the Board with effect from 28th September 2007.

** Mr. G. M. Yadwadkar has been appointed as a Nominee Director of IDBI Bank Ltd. on 25th October, 2007.

*** Mr. Munesh Khanna has been appointed as a Director with effect from 27th October, 2007.

Board Agenda

The annual calendar of Board and Committee Meetings is agreed upon at the beginning of each year. Meetings are governed by a structured Agenda and a Board member may bring up any matter for consideration of the meeting in consultation with the Chairman. Agenda papers are generally circulated to the Board members at least 4-5 working days in advance. Detailed presentations are made at the meetings on all major issues to enable the Board to take informed decisions. An indicative list of the information placed before the Board during the year is as under:

- Annual Budgets and updates thereon.
- Capital expenditure proposals and review of their implementation.
- Quarterly and Annual Results.
- Product-wise business performance.
- Business presentations covering production, marketing, raw materials, sales, etc.
- New projects and joint ventures.
- Sales of material nature of investments, subsidiaries, assets, etc. which are not in the normal course of business.
- Performance of subsidiaries.

- Business restructuring.
- Legal proceedings involving the Company.
- Minutes of meetings of Audit Committee, Management Committee, Remuneration Committee and Investors' Grievance Committee.
- Materially important show cause notices, non-compliances, if any, etc.
- Other relevant information pertaining to the Company including information detailed in Clause 49 of the Listing Agreement.

Meetings and Attendance

During the year, the Board of Directors met 6 times, twice on 12th May, 2007, 28th July, 2007, 28th September 2007, 27th October, 2007 & 28th January, 2008. The gap between two Board Meetings was within the maximum time gap prescribed in Clause 49 of the Listing Agreement.

The Attendance of Directors at these Board Meetings and at the last Annual General Meeting was as under:

Sr. No.	Name of Director	Number of Board Meetings held during the period when the Director was on the Board	Number of Board Meetings attended	Whether present at the previous AGM
1	Mr. Arvind N. Lalbhai●	3	2	No
2	Mr. Sanjay S. Lalbhai	6	5	Yes
3	Mr. Jayesh K. Shah	6	5	Yes
4	Mr. Deepak M. Satwalekar*	Nil	Nil	No
5	Mr. V.K. Pandit**	4	1	No
6	Mr. Sudhir Mehta	6	4	Yes
7	Mr. Tarun Sheth	6	5	No
8	Mr. K. M. Jayarao	6	2	No
9	Mr. S. R. Rao	6	3	No
10	Mr. G. M. Yadwadkar+	2	1	No
11	Mr. Munesh Khanna++	2	1	No

● Mr. Arvind N. Lalbhai ceased to be a Chairman due to his demise on 3rd August, 2007.

* Mr. Deepak M. Satwalekar has resigned from the Board on 1st May 2007.

** Mr. V. K. Pandit a Nominee of IDBI Bank Ltd has ceased to be a director with effect from 25th October, 2007.

+ Mr. G. M. Yadwadkar has been appointed as a Nominee Director of IDBI Bank Ltd. on 25th October, 2007

++ Mr. Munesh Khanna has been appointed as a Director with effect from 27th October, 2007.

Committees of the Board

The Board of Directors has constituted 4 Committees of the Board viz.

- Audit Committee
- Remuneration Committee
- Investors' Grievance Committee and
- Management Committee

The Board determines the terms of reference of these Committees from time to time. Meetings of these Committees are convened by the respective Committee Chairman / Company Secretary. At each Board Meeting, minutes of these Committees are placed before the Directors for their perusal and noting.

1. Audit Committee

The Audit Committee of the Company comprises of 4 members, out of which 3 members are Independent Directors and 1 member is Non-Executive Director, Mr. Tarun Sheth, an Independent Director acts as Chairman of the Committee. The Committee members are professionals having requisite experience in the fields of Finance and Accounts, Banking and Management.

The Audit Committee met 4 times during the year. The Director and Chief Financial Officer and representatives of Internal and Statutory Auditors are invitees to Audit Committee meetings and the Company Secretary acts as the Secretary of the Audit Committee.

Role

The terms of reference of the Audit Committee are as under:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

3. Approval of payment of statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
   (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
   (b) Changes, if any, in accounting policies and practices and reasons for the same.
   (c) Major accounting entries involving estimates based on the exercise of judgment by management.
   (d) Significant adjustments made in the financial statements arising out of audit findings.
   (e) Compliance with listing and other legal requirements relating to financial statements.
   (f) Disclosure of any related party transactions.
   (g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

    Explanation (i) : The terms "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

    Explanation (ii) : If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.
14. Management discussion and analysis of financial condition and results of operations.
15. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
16. Management letters / letters of internal control weaknesses issued by the statutory auditors.
17. Internal audit reports relating to internal control weaknesses; and
18. The appointment, removal and terms of remuneration of the Chief Internal auditor shall be subject to review by the Audit Committee.
19. To look into any other matter which may be referred to it by the Board.

In addition to the above, the Committee shall have such functions / role / powers as may be specified in the Companies Act, Listing Agreement with Stock Exchanges or any other applicable law.

Meetings and Attendance

During the year, 4 Audit Committee Meetings were held on 12th May, 2007, 28th July, 2007, 27th October, 2007 and 28th January, 2008.

The Attendance of Members at meetings was as under:

Sr. No.	Name	Position	No of Meetings held during relevant period	No. of Meetings attended
1.	Mr. Tarun Sheth	Chairman	4	4
2	Mr. V. K. Pandit *	Member	2	1
3	Mr. K. M. Jayarao	Member	4	1
4	Mr. S. R. Rao	Member	4	2
5	Mr. Munesh Khanna**	Member	1	-
6	Mr. Sudhir Mehta+	Member	1	1

* Mr. V. K. Pandit a Nominee of IDBI Bank Ltd has ceased to be a Director with effect from 25th October, 2007.

** Mr. Munesh Khanna has been appointed as a Member with effect from 27th October, 2007.

+Mr. Sudhir Mehta was appointed as a member of the Committee only for the meeting held on 12th May 2007.

2. Remuneration Committee

The Board of Directors of the Company has constituted a Remuneration Committee consisting of 3 Directors, all of whom are Non-Executive Independent Directors. The Remuneration Committee met once during the year.

Role

The terms of reference of the Remuneration Committee are as under :

1. To frame company's policies for compensation and benefits for Executive Directors.
2. To Review and recommend compensation payable to the Executive Directors.
3. To administer and supervise Employee Stock Option Schemes (ESOS) including framing of policies related to ESOS and reviewing grant of ESOS.
4. To Review HR Policies and initiatives.

Meetings and Attendance

During the year, 1 meeting was held on 12th May, 2007.

The Attendance of Members at the meeting was as under:

Sr. No.	Name	Position	No of MeetingsHeld during relevant period	No. of MeetingsAttended
1	Mr. Tarun Sheth	Member	1	1
2	Mr. V. K. Pandit*	Member	1	Nil
3	Mr. Sudhir Mehta**	Chairman	1	1
4	Mr. Munesh Khanna***	Member	Nil	Nil

*Mr. V. K. Pandit ceased to be a Member with effect from 25th October, 2007.

**Mr. Sudhir Mehta has been appointed as a Chairman with effect from 4th April, 2008.

***Mr. Munesh Khanna has been appointed as a Member with effect from 4th April, 2008.

Remuneration of Directors

Remuneration of Executive directors is recommended by the Remuneration Committee and approved by the Board of Directors and the Shareholders of the Company.

The terms of remuneration of the Managing Director were fixed by the Board of Directors and the same were approved by the Shareholders at the Annual General Meeting held on 29th September, 2005 when he was appointed for a further period of five years beginning from 1st January, 2005. Company has entered into an agreement with the Managing Director laying down his tenure, remuneration, and other terms. The terms of his remuneration were revised by the Board of Directors and the same were approved by the Shareholders at the Annual General Meeting held on 29th September 2007.

The Remuneration Committee and the Board of Directors at their respective meeting held on 27th July, 2005 and Shareholders at the Annual General Meeting held on 29th September, 2005, have approved remuneration payable to Mr. Jayesh K. Shah, Whole-time Director with designation as Director and Chief Financial Officer of the Company for a period from 20th November, 2005 to 30th September, 2008. Company has entered into an agreement with him laying down his tenure, remuneration and other terms. The terms of his remuneration were revised by the Board of Directors and the same were approved by the Shareholders at the Annual General Meeting held on 29th September 2007.

The remuneration of Non Executive Directors is determined by the Board and is also approved by the Shareholders in General Meeting. Non Executive Directors were paid Sitting Fees of Rs. 5000/- for every meeting of Board of Directors or Committee attended by them. Apart from this, Non Executive Directors (other than Chairman, Managing Director, Whole Time Director/ and Nominee Directors), are entitled to be paid commission not exceeding 1% of the net profits of the Company per annum for each year for a period of 5 years commencing from 1st January, 2008.

Within the above limit, Executive Directors and Non-Executive Directors have been paid commission for the year as under :

Sr. No.	Name of Director	Salary Rs.	Perquisites & Allowances Rs.	Sitting Fees Rs.	Commission/ Bonus Rs.	Total Rs.
1	Mr. Arvind N. Lalbhai (Chairman) •	Nil	Nil	20000/-	Nil	20000/-
2	Mr. Sanjay S. Lalbhai (Chairman & MD) §	3600000/-	9236755/-	Nil	Nil	12836755/-
3	Mr. Jayesh K. Shah@	3000000/-	9254893/-	Nil	Nil	12254893/-
4	Mr. D. M. Satwalekar*	Nil	Nil	Nil	41096/-	41096/-
5	Mr. V.K Pandit**	Nil	Nil	10000/-	Nil	10000/-
6	Mr. K. M. Jayarao	Nil	Nil	15000/-	Nil	15000/-
7	Mr. S. R. Rao	Nil	Nil	25000/-	Nil	25000/-
8	Mr. Sudhir Mehta	Nil	Nil	Nil	Nil	Nil
9	Mr. Tarun Sheth	Nil	Nil	65000/-	600000/-	665000/-
10	Mr. G. M.Yadwadkar+	Nil	Nil	5000/-	Nil	5000/-
11	Mr. Munesh Khanna++	Nil	Nil	5000/-	258082/-	263082/-

• Mr. Arvind N. Lalbhai ceased to be a Chairman due to his demise on 3rd August, 2007.

* Mr. D. M. Satwalekar has resigned from the Board with effect from 1st May, 2007.

** Mr. V. K. Pandit, a Nominee of IDBI Bank Ltd has ceased to be a Director with effect from 25th October, 2007.

+ Mr. G. M. Yadwadkar has been appointed as a Nominee Director of IDBI Bank Ltd. on 25th October, 2007.

++ Mr. Munesh Khanna has been appointed as a Director with effect from 27th October, 2007.

§ Service Contract is for five years, notice period – three months, compensation for loss of office to be determined in accordance with Section 318 of the Companies Act, 1956.

@ Service Contract is for three years, notice period – three months, compensation for loss of office to be determined in accordance with Section 318 of the Companies Act, 1956.

3. **Investors' Grievance Committee**

The Investors' Grievance Committee has 4 Members comprising of 2 Non-Executive Directors and 2 Executive Directors. Mr. Tarun Sheth, an Independent Director, acts as Chairman of the Committee

Role

The terms of reference of the Investors' Grievance Committee are as under:

1. To specifically look into the redressal of Investors' Grievances pertaining to :
   - Transfer of shares and debentures
   - Dividends, interests and redemption proceeds of debentures
   - Dematerialisation of shares and debentures
   - Replacement of lost, stolen, mutilated share and debenture certificates
   - Non-receipt of rights, bonus, split share certificates
2. To look into other related issues towards strengthening investors' relations.
3. To consider and approve issuance of share/debenture certificates including duplicate share/debenture certificates.
4. To look into the reasons for any defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Meetings and Attendance

During the year, 3 Investors' Grievance Committee Meetings were held on 28th July, 2007, 27th October, 2007 & 28th January, 2008.

The Attendance of Members at meetings was under:

Sr.No.	Name	Position	No of Meetings held during relevant period	No. of Meetings attended
1.	Mr. Tarun Sheth	Chairman	3	3
2.	Mr. Arvind N. Lalbhai•	Member	1	Nil
3.	Mr. Sanjay S. Lalbhai	Member	3	3
4.	Mr. Jayesh K. Shah	Member	3	3
5	Mr. Sudhir Mehta*	Member	Nil	Nil

• Mr. Arvind N. Lalbhai ceased to be a Member of the Committee with effect from 3rd August, 2007.
* Mr. Sudhir Mehta appointed as a Member of the Committee on 4th April, 2008.

4. **Management Committee**

The Management Committee consists of 2 Directors, all of whom are Executive Directors. The Management Committee is chaired by Mr. Sanjay S. Lalbhai who is also the Executive Chairman & Managing Director of the Board. The Management Committee met 25 times during the year.

Role

The Management Committee's primary role is to look after the day-to-day business activities of the Company within Board approved direction / framework. The Committee meets frequently, as and when need arises to transact matters within the purview of its terms of reference.

Meetings and Attendance

During the year, 25 Management Committee Meetings were held on various dates.

The Attendance of Members at meetings as under:

Sr.No.	Name	Position	No of Meetings held during relevant period	No. of Meetings attended
1	Mr. Arvind N. Lalbhai•	Chairman	6	2
2	Mr. Sanjay S. Lalbhai	Member	25	24
3	Mr. Jayesh K. Shah	Member	25	25

• Mr. Arvind N. Lalbhai ceased to be a Chairman of the Committee with effect from 3rd August, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

This is given as a separate chapter in the Annual Report.

Brief Resume of Directors seeking Re-appointment/ Appointment

Information required under Clause 49 IV (G) of the Listing Agreement with respect to the Directors retiring by rotation and seeking reappointment / Directors sought to be appointed is as under:-

At the ensuing Annual General Meeting, Mr. Sanjay S. Lalbhai and Mr. Jayesh Shah, Directors of the Company, retire by rotation and being eligible seek re-appointment.

On 27th October, 2007 Mr. Munesh Khanna was appointed as an Additional Director.

Brief profiles of the above Directors alongwith particulars of their directorships and committee memberships are as under :

Mr. Sanjay S. Lalbhai

Mr. Sanjay S. Lalbhai, 55 years, is a Chairman and Managing Director of the Company. He is a Science Graduate with a Masters degree in Business Management. He has been associated with the Company for more than 28 years.

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Arvind Spinning Limited, Mauritius	-	-
2	Amol Dicalite Limited	-	-
3	Torrent Pharmaceuticals Limited	-	-
4	Arvind Worldwide Inc. USA	-	-
5	Arvind Worldwide (M) Inc, Mauritius	-	-
6	Arvind Overseas (M) Ltd., Mauritius	-	-
7	Ananya Investments Pvt. Limited	-	-
8	Animesh Holding Pvt. Limited	-	-

Mr. Jayesh K. Shah

Mr. Jayesh K. Shah, 48 years, is a Wholetime Director with the designation of Director and Chief Financial Officer of the Company. He is a Commerce Graduate and Chartered Accountant and has been with the company since 1st July,1993. He has a distinguished academic career and has extensive administrative, financial, regulatory and managerial expertise.

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Asman Investments Limited	-	-
2	Lifestyle Fabrics Limited	-	-
3	Arvind Spinning Limited, Mauritius	-	-
4	Arya Omnitalk Wireless Solutions Limited	-	-
5	Anagram Stockbroking Limited	-	-
6	Anagram Comtrade Limited	-	-
7	Anagram Securities Limited	-	-
8	Dropadi Finance Limited	-	-
9	e-Infochips Limited	-	-
10	Firenze Properties & Investments Pvt. Ltd.	-	-
11	Arvind Murjani Brands Pvt. Ltd.	-	-

Mr. Munesh Khanna

Mr. Munesh Khanna is a Non-executive & Independent Director of the Company. He is a Chartered Accountant from ICAI. He has 21 years of experience in Investment Banking from across the Industrial spectrum in India in the areas of M&A, Financial Restructuring and Resource Raising. He has also an extensive experience in the Energy, Utilities and Telecom Sectors. Prior to joining Halcyon Resources & Mgt. Consulting Pvt. Ltd., he was the MD & Head of Investment Banking in DSP Merrill Lynch. He was the Country Head and MD of Rothschild India and Partner- Country Head of Arthur Andersen Corporate Finance. He has advised Indian Lenders on the Restructuring of the Dabhol Power Project and LNG facility for a total value of US$ 1.9 billion. AXA on its joint venture with Bharati Group, Air Deccan on raising funds US$ 40m through Private Equity, IPO and many other significant transactions. He was also a Member of CII and a member of the Executive Committee of 'FICCI' and Co - Chairman of the Finance & Capital Market committee of FICCI.

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Anagram Securities Limited	–	–
2	Indofil Organic Industries Limited	–	–
3	Caption Investments & Trading Co. Pvt. Ltd.	–	–

Prevention of Insider Trading

In accordance with SEBI (Prohibition of Insider Trading) Regulations, 1992, the Board has adopted the following codes:

- **Arvind Code for Prevention of Insider Trading** – Under this code, obligations are cast upon Directors and Officers to preserve Price Sensitive Information, which is likely to have a bearing on share price of the Company. Procedures are prescribed to ensure that such information is not misused for any personal advantage. The Head (Legal & Secretarial) has been appointed as the Compliance Officer for monitoring implementation of the Code across the Company.
- **Arvind Code of Corporate Disclosures** – This code lays down principles and procedures with the objective of ensuring that the Price Sensitive Information related to the Company is handled in prescribed manner. Adequate disclosure of such information is sought to be made to the Public through Stock Exchanges, Press, Media and the Arvind web-site in a timely manner to enable the investors to take informed investment decisions with regard to the Company's Securities. The Director and Chief Financial Officer has been appointed as the Company's Public Spokesperson under this Code.
- **Code of Conduct For Directors and Senior Management Personnel**

  In terms of para No. I - D of Clause 49 of the Listing Agreement, the Board of Directors of the Company has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The said Code of Conduct has been posted on the website of the Company. The Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code. The Managing Director of the Company has given a declaration to the Company that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code.

  Investors may write to the Company's Secretarial Department for a copy of these Codes.

Disclosures

i) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflicts with the interest of the company at large :

Transactions with related parties are disclosed in detail in Note No. 21 in "Notes forming part of the Accounts" annexed to the financial statements for the year. There were no related party transactions having potential conflict with the interest of the Company at large.

ii) Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or other authority on any matter related to capital markets, during last three years : Nil

iii) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49 :

The Company has complied with the mandatory requirements relating to strengthening the responsibilities of Audit Committee, improving the quality of financial disclosures, including related party transactions, calling upon Company Board to adopt formal code of conduct, clearly setting out the position of nominee directors and improving disclosure relating to the compensation paid to non-executive directors and securing the approval of shareholders for this compensation, setting the procedure for legal compliance and periodical review by the Board.

The Company has not adopted the non-mandatory requirements.

Shareholders' Information

1. **Name and Designation of Compliance Officer:**

Mr. Ramnik V. Bhimani Company Secretary Arvind Limited	Mr. Mukesh Trivedi / Mr. Girish Patel General Managers Pinnacle Shares Registry Pvt. Ltd. Registrars & Transfer Agents

2. **Details of Complaints / Queries received and redressed during 1st April, 2007 to 31st March, 2008 :**

Sr. No.	Particulars of Complaints / Queries	Received	Redressed	Pending as on 31.3.2008
1	Non receipt of Share Certificates	44	44	Nil
2	Non receipt of Dividend /Interest Warrants	26	26	Nil
3	Confirmation of Demat Credit	-	-	-
4	Non receipt of Debentures Redemption payment	8	8	Nil
5	Non receipt of letter of offer, allotment advice, share certificates etc. for Rights Issue & others	N.A	N.A	N.A
6	Others – Complaints received from SEBI, Stock Exchanges, NSDL, ROC, Company Law Board etc.	10	10	Nil
	Total	88	88	Nil

3. **Share Transfer Details for the period from 1st April, 2007 to 31st March, 2008 :**

Transactions	Physical	Demat	Total
Number of Transfers	1255	3599	4854
Average Number of Transfers per month	105	300	405
Number of Shares Transferred	105290	417929	523219
Average Number of shares Transferred per month	8774	34827	43602
No. of Pending Share Transfers	Nil	Nil	Nil

4. **Investors' Grievances :**

The Registrars and Transfer Agents under the supervision of the Secretarial Department of the Company look after investors' grievances. Mr. Mukesh Trivedi , General Manager of Pinnacle Shares Registry Private Limited is responsible for redressal of Investors' Grievances. The Company Secretary of the Company has been appointed as the Compliance Officer for this purpose. At each Meeting of the Investors' Grievance Committee, all matters pertaining to investors including their grievances and redressal are reported.

5. **Information on General Body Meetings**

The last 3 Annual General Meetings of the Company were held as under:

Date	Time	Venue
29th September, 07	10.00 am	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad -06
30th September 06	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad -06
29th September 05	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad -06

Whether special resolutions were put through postal ballot last year, details of voting pattern:

Resolutions at above Annual General Meetings were passed by show of hands. None of the Resolutions placed before the previous AGM required a postal ballot under Section 192A of the Companies Act, 1956. Similarly, no special resolution requiring a postal ballot is being proposed at the ensuing AGM.

Details of Extra Ordinary General Meeting :

During last 3 years, two Extra Ordinary General Meetings were held as under :

Date	Time	Venue
30th May, 2005	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad –06
23rd October, 2007	10.00 am	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad –06

6. **Means of communication**

(i) The Quarterly Results are published in the Financial Express - All India Editions and Financial Express Gujarati Edition of Ahmedabad and are also posted on the Company's website at www.arvindmills.com.

(ii) Information released to the press at the time of declaration of results is also sent to all Stock Exchanges where the shares of the company are listed for the benefit of investors. Moreover, the company's web site hosts a special page giving information which investors usually seek.

(iii) Presentations made to institutional investors/analysts are posted on the Company's web site at www.arvindmills.com

7. **Annual General Meeting :**

Date	31st July, 2008
Time	12.30 pm
Venue	Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad - 380 006

8. **Financial Calendar :**

The Financial Year of the Company is for a period of 12 months from 1st April to 31st March.

First quarter results	:	By end of July, 2008
Second quarter results	:	By end of October, 2008
Third quarter results	:	By end of January, 2009
Fourth quarter results / Year end results	:	Second Week of May, 2009

9. **Book Closure :** Monday, the 21st July, 2008 to 31st July, 2008 (Both days inclusive)

10. **Dividend payment Date :** Not Applicable as the Board has not recommended any dividend for the financial year.

11. **Listing on Stock Exchanges :**

Shares of the Company are listed on the following Stock Exchanges.

Sr.No	Name of the Stock Exchange	Address
1.	Ahmedabad Stock Exchange Ltd. (Regional Stock Exchange) Code.05090	Kamdhenu Complex, Opp.Sahajanand College, Panjarapole, Ahmedabad-380 015
2.	Bombay Stock Exchange Ltd. Code: 500101	Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400 001
3.	National Stock Exchange of India Ltd. Code: ARVINDMILL	Exchange Plaza, 5th Floor, Plot No.C/1,G. Block, Bandra – Kurla Complex, Bandra (E) Mumbai – 400 051
4.	The Luxembourg Stock Exchange (Listing of GDRs)	11, Avenue de la Porte-NeuveL-2227 Luxembourg

The company has paid Annual Listing Fees for the year 2008-2009 to the above Stock Exchanges.

12. **Market Price Data :**

The data on price of equity shares of the Company are as under :

High, Low during each month in last financial year and Performance in comparison to broad-based indices such as BSE Sensex and NSE Nifty :

	Share price BSE		BSE Sensex		Volumes	Share price NSE		NSE (NIFTY)		Volumes
Month	High (Rs.)	Low (Rs.)	High	Low	No of shares	High (Rs.)	Low (Rs.)	High	Low	No of shares
Apr-07	48.65	42.30	14383.72	12425.52	15098334	48.60	41.80	4217.90	3617.00	35815736
May-07	49.15	43.10	14576.37	13554.34	23022408	49.20	42.50	3774.15	2896.40	51414984
Jun-07	46.60	42.55	14683.36	13946.99	8315408	46.60	42.20	3134.15	2595.65	21878940
Jul-07	52.95	44.00	15868.85	14638.88	37202756	53.00	41.90	3208.85	2878.25	85585736
Aug-07	48.70	41.50	15542.40	13779.88	20684644	48.70	41.20	3452.30	3113.60	43474792
Sep-07	63.65	48.00	17361.47	15323.05	69785032	63.70	48.00	3603.70	3328.45	134683872
Oct-07	82.45	55.00	20238.16	17144.58	122577872	82.40	54.20	3782.85	3508.65	210976032
Nov-07	79.35	63.55	20204.21	18182.83	54792464	79.50	60.10	3976.80	3737.00	95303080
Dec-07	93.50	74.05	20498.11	18886.40	72403920	93.30	74.00	4046.85	3657.65	128919024
Jan-08	92.50	35.00	21206.77	15332.42	44253608	91.25	34.00	4167.15	3833.60	80360704
Feb-08	56.90	44.00	18895.34	16457.74	30620624	56.90	43.90	4245.30	3674.85	57982312
Mar-08	48.95	34.25	17227.56	14677.24	13917741	50.00	34.25	3901.75	3554.50	27029818

13. **Registrars and Transfer Agents :**

Pinnacle Shares Registry Private Limited

AAA Hospital Premises,

Naroda Road

Ahmedabad – 380 025.

Contact Persons: Mr. Mukesh Trivedi / Mr. Girish Patel

Phone Numbers: 079- 22200582 / 22204226

E-mail: mukesh.trivedi@psrpl.com

14. **Delegation of Share Transfer Formalities :**

Since the Company's shares are compulsorily traded in the demat segment on stock exchanges, bulk of the transfers take place in the electronic form.

For expediting physical transfers, the Board has delegated share transfer formalities to certain officers of the Company who attend to them at least 3 times in a month. Physical transfers are effected within the statutory period of one month. The Board has designated the Company Secretary as the Compliance Officer.

15. Shareholding Pattern as on 31st March 2008 :

Sr. No.	Category	No. of shares held	Percentage of Shareholding
	Holding of Promoter Group ('Group' as per MRTP Act, 1969)		
1	*Individuals:*		
	Mr. Arvind N. Lalbhai	104	0.00
	Mr. Sanjay S. Lalbhai	152	0.00
	Mr. Samveg A. Lalbhai	172404	0.08
	Mr. Shrenik K. Lalbhai	1414	0.00
	Relatives of above Individuals*	90614	0.04
2	*Major Bodies Corporate and Trusts:*		
	Aura Securities Private Limited	60615274	27.68
	AML Employees Welfare Trust	10027624	4.58
	Agrimore Limited	636000	0.29
	Amazon Investments Limited	1830358	0.84
	Acropolis Investments Limited	325000	0.15
	Altair Investment Limited	0	0.00
	Aeon Investment Limited	1126200	0.51
	Anshuman Holdings Private Limited	400000	0.18
	Anubhav Investments Limited	303000	0.14
	Atul Limited	4127471	1.88
	Anukul Investments Limited	173608	0.08
	Ameer Trading Corporation Limited	0	0.00
	Jeet Holdings Private Limited	0	0.00
	Adore Investment Limited	130995	0.06
	Amardeep Holdings Private Limited	94250	0.04
	Ajax Investment Limited	10000	0.00
	Anagram Securities Limited	300000	0.14
	Anagram Stockbroking Limited	125000	0.06
	Enagram Online Limited	0	0.00
	Sanjay Family Trust	100	0.00
	Total Promoter Group holding	**80489568**	**36.76**
	Non Promoter holding		
3	Mutual Funds and UTI	4865441	2.22
4	Banks, Financial Institutions, Insurance Companies	21164856	9.67
5	Foreign Institutional Investors, NRIs/OCBs. F.B.	19392241	8.86
6	GDR	730042	0.33
7	Private Corporate Bodies	19167615	8.74
8	Indian Public	73167778	33.42
	Total Non-Promoter holding	**138487973**	**63.24**
	GRAND TOTAL	**218977541**	**100%**

* The names of 'Relatives of above Individuals' are as per disclosures made as on 31st March, 2008 under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

16. Distribution of shareholding as on 31st March, 2008 :

	PHYSICAL MODE		ELECTRONIC MODE		TOTAL	%	TOTAL	%
No. of shares	No. of holders	No. of shares	No. of holders	No. ofShares	No. of holders		No. of Shares	
1 to 500	42204	3306775	1599801	25749659	202184	89.29	29056434	13.27
501 to 1000	507	351660	13539	11237800	14046	6.20	11589460	5.29
1001 to 2000	152	207927	5411	8372295	5563	2.46	8372295	3.92
2001 to 3000	30	74717	1655	4279012	1685	0.74	4353729	1.99
3001 to 4000	19	66675	638	2309433	657	0.29	2376108	1.09
4001 to 5000	12	54073	750	3566131	762	0.34	3620204	1.65
5001 to 10000	5	32235	821	6117384	826	0.37	6149619	2.81
Above 10001	10	10403844	715	142847921	725	0.31	153251765	69.98
Total	**42939**	**14497906**	**183509**	**204479635**	**226448**	**100**	**2189775411**	**100**

17. **Dematerialisation of shares and liquidity :**

The Company's shares are available for dematerialisation on both the Depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Shares of the Company are compulsorily to be delivered in the demat form on Stock Exchanges by all investors. As on 31st March, 2008, 20,44,79,635 shares representing 93.38% of the issued capital have been dematerialised by investors and bulk of transfers take place in the demat form.

Demat ISIN Numbers:

Equity Shares fully paid	:	INE034A01011
6% Non-Convertible Cumulative Preference Shares (Issued on 1st January, 2001)	:	INE034A04015
6% Non-Convertible Cumulative Preference Shares (Issued on 30th March, 2001)	:	INE034A04023

18. **Outstanding GDRs/ADRs/Warrants or any convertible instruments and conversion date and likely impact on equity :**

As on 31st March, 2008 7,30,042 GDRs (previous year 7,49,692) are outstanding. Each GDR represents one underlying equity share. On the same date, 4,10,00,000 Warrants (Previous year : NIL) are outstanding and each warrant entitles the holder to purchase one Equity Share before 17th May, 2009.

19. **Plant Locations :**

- Naroda Road, Ahmedabad – 380 025, Gujarat (Two Units)
- Santej, Taluka Kalol, Dist. Gandhinagar – 382 721, Gujarat
- Khatrej, Taluka Kalol, Dist. Gandhinagar - 382 721, Gujarat
- Khokhra, Memdabad, Ahmedabad – 380 008, Gujarat
- Gut No. 172, Daravali Village, Taluka Mulshi, Dist. Pune – 412 018, Maharashtra.
- 55, Whitefield Road, Mahadevapura post, Bangalore – 560 048.

20. **Unclaimed Dividend**

(1) Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividends upto and including the financial years 1993-1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants relating to any financial year upto 1993-1994 are requested to claim the amounts from the Registrar of Companies, Gujarat, ROC Bhavan, Near Ankur Bus Stand, Naranpura, Ahmedabad 380 013 in the prescribed form. Investors may write to the Secretarial Department of the Company or the Registrars and Transfer Agents for a copy of the form.

(2) Pursuant to the provisions of Section 205(5) of the Companies Act, 1956, dividends on equity shares for the financial years 1994-95 to 1997-98 which were remained unclaimed for a period of 7 years from their due dates have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Shareholders are requested to note that no claims shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

(3) The Company did not declare any dividends on equity shares for the financial years 1998-99 to 2003-04.

21. **Nomination Facility**

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit the prescribed Form 2B for this purpose. Shareholders may write to the Secretarial Department of the Company for a copy of the Form.

22. **Address for correspondence :**

Shareholders may correspond with the company at the Registered Office of the Company or at the office of Registrars and Transfer Agent of the Company:

Arvind Limited Secretarial Department Naroda Road Ahmedabad – 380 025. Phone Nos: 079-22203030 / 22200206 Fax No. : 079-22201608 e-mail : investor@arvind.com Web site address: www.arvindmills.com	Pinnacle Shares Registry Pvt. Ltd. Registrars and Transfer Agents AAA Hospital Premises Naroda Road, Ahmedabad-380 025. Phone Nos. : 079-22200582 / 22200338 Fax No. : 079-22202963 e-mail : mukesh.trivedi@psrpl.com girish.patel@psrpl.com

The above Report has been placed before the Board at its meeting held on 10th May, 2008 and the same was approved.

for and on behalf of the Board
SANJAY S. LALBHAI
Chairman & Managing Director

Place : Ahmedabad
Date : 10th May, 2008

Compliance of conditions of Corporate Governance

To the Members of

ARVIND LIMITED

We have examined the compliance of conditions of corporate governance by Arvind Limited, for the year ended on 31st March, 2008, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. 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 and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned 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 **Sorab S. Engineer & Co.**
Chartered Accountants

CA. N. D. Anklesaria
Partner
Membership No. 10250

Ahmedabad
May 10, 2008

CEO/CFO Certification

The Board of Directors

Arvind Limited

Ahmedabad.

Re : Financial Statements for the year 2007-08 – Certification by CEO and CFO

We, Sanjay S. Lalbhai, Chairman & Managing Director and Jayesh K. Shah, Director & Chief Financial Officer of Arvind Limited, on the basis of review of the financial statements and the Cash Flow Statement for the financial year ending 31st March, 2008 and to the best of our knowledge and belief, hereby certify that :

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended 31st March, 2008 which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that :
   (a) there have been no significant changes in internal control during this year.
   (b) there have been no significant changes in accounting policies during this year.
   (c) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

	Sanjay S. Lalbhai	**Jayesh K. Shah**
Place : Ahmedabad	Chairman & Managing Director	Director & CFO
Date : 10th May, 2008		

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT FOR

DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

This is to confirm that the Company has adopted a Code of Conduct for Directors and Senior Management Personnel which is available on the Company's website.

I confirm that the Company has in respect of the Financial Year ended 31st March, 2008, received from the Members of the Board and Senior Management Personnel a declaration of compliance with the Code of Conduct as applicable to them.

Ahmedabad	**Sanjay S. Lalbhai**
10th May, 2008	Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

DISCLAIMER

Readers are cautioned that this discussion and analysis contains forward-looking statements that involve risks and uncertainties. When used in this discussion, the words "anticipate," "believe," "estimate," "intend," "will," and "expected" and other similar expressions as they relate to the Company or its business are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Actual results, performances or achievements, risks and opportunities could differ materially from those expressed or implied in these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements as these are relevant at a particular point of time & adequate restrain should be applied in their use for any decision making or formation of an opinion.

The following discussion and analysis should be read in conjunction with the Company's financial statements included herein and the notes thereto.

OVERVIEW

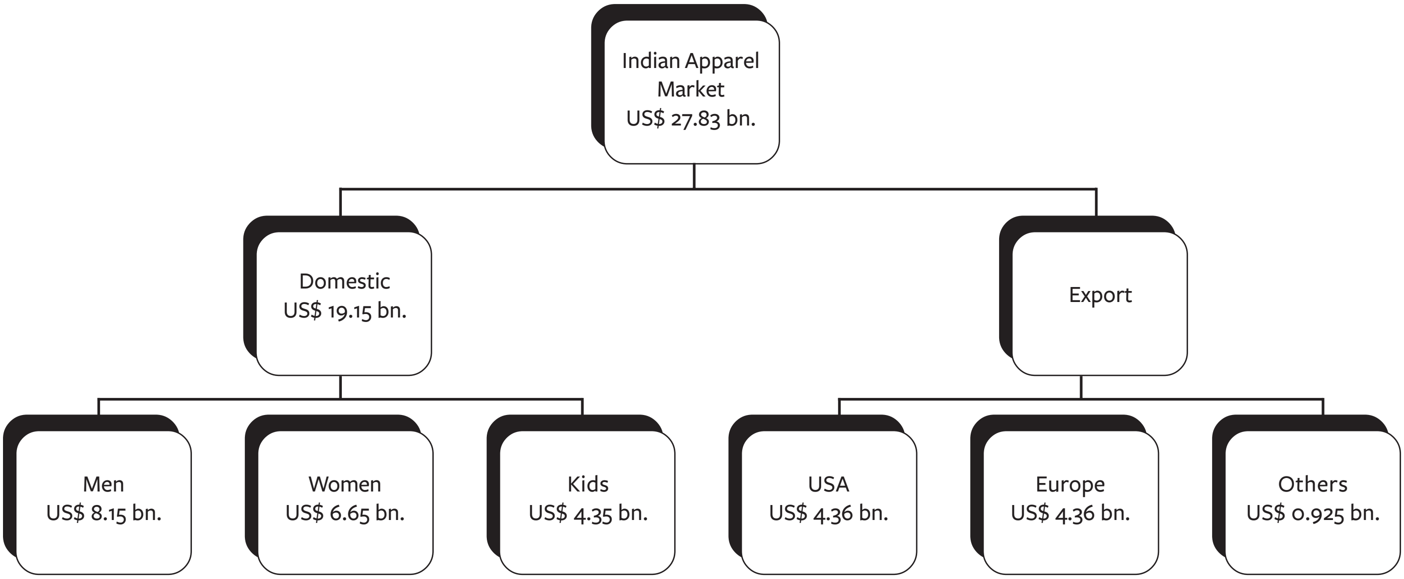
2007-2008 has been a year of mixed bag for the company. While the company achieved significant part of the goals set out for the year, macro economic factors have continued to affect the business adversely.

Your company continues to focus on the strategic efforts initiated in the previous financial year towards long term stability. In the current year company has made rapid strides in the branded apparel business and retail business of the company. The year also saw strategic cutback in the fabric manufacturing capacities.

Reflecting the shift in the company focus from traditional business of textile to diversified value added player the company changed its name from "The Arvind Mills Limited" to "Arvind Limited" and launched a new brand identity and logo.

OPERATING ENVIRONMENT

Your Company operates across multiple products and businesses in diverse markets and environments. These include the Indian retail market for its branded apparel business as well as value retail operations under 'MegaMart' umbrella, the Indian intermediary market for fabrics, Indian brands and third party converters for its fabrics and apparels and the global market for the fabrics and apparel business.



(Source : Crisil)

Indian Intermediary Market

The demand in the domestic market continues to grow at robust pace on back of growing economy. However there exist substantial excess capacity across product groups due to huge capacity creation in anticipation of growth , with the export market weakening, the players are also diverting production meant for export to Indian markets. The situation is acute in the denim and Khakis product group with almost 100% overcapacity and with quite a few new capacities coming up in the current year shirting fabric will also soon face the supply glut.

Your company in response to this situation has strategically reduced capacity producing commodity products and thus reducing the fixed operating cost. Your company is focused on delivering value added products and services where the margins are better. Your company is focusing on building unique product and delivery capabilities to maintain distinctive competitive advantage and current year would see launch of such initiatives.

Export Market

Global trade in apparel and textile for 2006 was estimated to be at US$ 311 billion and growing at pace of 12% up from 6.5% from the previous financial year. The growth figure for 2007 is estimated to be lower. The value of US imports in apparel and textile space was US$ 96 billion of which apparel alone contributed US$74 billion. In the global apparel and textile s export market 65% share is controlled by China alone and with India coming a distant 8th position. Interestingly India occupies a safe second position at 15% of global textile and apparel production behind 50% share of China, indicating a very robust domestic market. Despite reports of an economic slowdown and a "Hesitation Holiday," the U.S. apparel market posted growth this past year. According to The NPD Group, Inc., leading provider of consumer and retail information, 2007 dollar volume sales were $195.6 billion, up 3% over the prior year. The 2008 though has not begun on positive note with the total import into USA in the first three months of 2008 has fallen by 4% with Mexico bearing the maximum brunt followed by Sri Lanka , Philippines and China. Indian and Bangladeshi imports have relatively done well and in fact have grown by about 4.5% and 5% respectively. Vietnam is fast emerging as a credible sourcing destination and has grown its exports into US by astounding 29%.

Cotton fabrics and apparel is the primary space in which your company operates and the one of the best ways to track the growth could be to track the global consumption of cotton. The cotton consumption for the year is estimated to remain flat at 26.70 Million Metric tons. A possible interpretation could be that globally the cotton apparel and textile markets could see a flat growth in volumes and possibly some improvements in the value. In spite of this situation the cotton prices are at five year highs on back of rapid rise in the global commodity prices. A direct impact of this is being reflected in the global trade. US import of cotton apparel though has fallen by 4% in line with the trend but volumes from China which is a net importer of cotton has fallen by sharper 11% and the value of imports from Mexico has dropped by 14% . India in spite of being surplus on cotton has not been able to capitalize on the situation and has grown business merely by 3%.

According to the statistics from China Customs, China's textile and apparel exports for 2007 totaled US$171 billion, an increase of 19% as compared with the corresponding period of last year. Among such exports, textiles and apparels exports amounted to US$56 billion and US$115 billion respectively, grew by 15% and 21% as compared with the corresponding period of last year. In 2007, China's exports to 4 markets (the EU, the US, Japan and Hong Kong) amounted to US$91 billion in aggregate, accounting for 53% of the total textile export value, among which exports to the EU amounted to US$28 billion with a decrease of 2%, exports to the US amounted to US$25 billion with a growth of 14%, exports to Japan amounted to US$20 billion with an increase of 4%, and exports to Hong Kong amounted to US$18 billion with a growth of 1%.

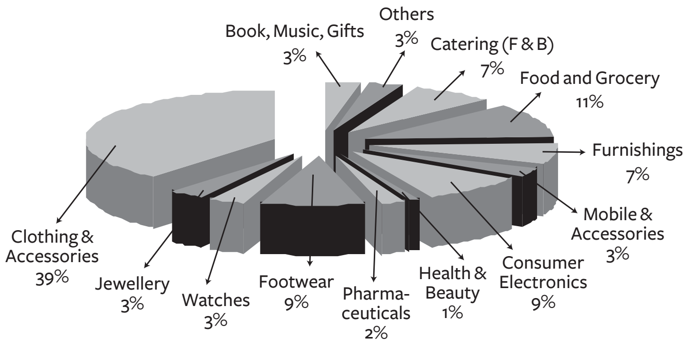
The biggest opportunity that could lie ahead is the relative weakening of Chinese competition. Chinese government has adjusted the tax rebates policy for exports which lowered the rebate rate for textile exports from 13% to 11% of 2442 items have been put on trade exports restriction list including textile. It is expected that the Chinese government will further accelerate the change in the components of foreign trade in 2008, with an aim to redress the imbalance of the balance of payments. Measures to be taken include tough restrictions on the export of energy-consuming and highly polluted resource products. After six interest rises in 2007, the one-year loan interest rate of China has already rose to 7.47%, leading to the continuous increase in finance cost of Chinese enterprises.

Indian Retail Market

The estimated size of Indian retail market is about US$280 billion of which apparel forms about 7% of this market estimated at US$19 billion. Whereas the organized retail which is the customer and market space your company operates in is only a miniscule US$14 billion or 5%. Within the apparel market space the share of menswear which is the largest customer base of your company both as customers for fabrics as well as end consumers of branded apparel is estimated to be about US$7.92 billion. Compared to overall average, the organized retail penetration in apparel is relatively higher at almost 12%. The organized retail penetration though high in the urban area is still at nascent stage in the Tier II and III cities. If we breakdown the organized retail , apparel forms the largest chunk at 39% of the total market and the next nearest being electronics at 10%.

Whereas the overall apparel retail market is growing at an estimated rate of 13% the pie of organized retail is expected to grow at over 25%-30% per annum. Organized retail is likely to account for 25% to 30% of the total retail markets in next ten years. The prospering economy in the last decade has increased the number of upper middle class and middle class households by 158% and 62.5% respectively, increasing the overall purchasing power considerably.

Organized Retail



The retail revolution is also being aided by the rapid growth in availability of quality retails space. The year under review has seen astronomical growth in the mall space from 5.4 Million sq. ft to 8.8 Million sq. ft in one year. Even this rate of growth has not been in commensurate with the requirement and rentals had headed north steeply. With the supply finally catching up with demand and the rentals returning to reasonable rates the organized retail is expected to grow even faster.

The unorganized sector is continuously being squeezed by the value conscious branded apparel and the private labels. Branded apparel companies exploit the brand equity of their products coupled with scale of operations and deliver a better product to the end consumer and managing better margins at the same time. Around 125 key brands have collectively grown at 35% to 40% while many smaller players have suffered negative growth.

The future demand for the branded apparel and resultant growth for apparel retail players is expected to be robust due to varied factors but important among them being :

- Shift in demographic profile
- Exponential growth in organized retail
- Clothing still holding lion's share of organized retail pie

In summary even though there may be some growth dampening in the coming financial year due to rapidly rising inflation and a general recession in the developed world , the growth story remains intact and the fundamentals of the market is likely keep the wagon wheels of organized apparel retail moving faster.

RESULT REVIEW

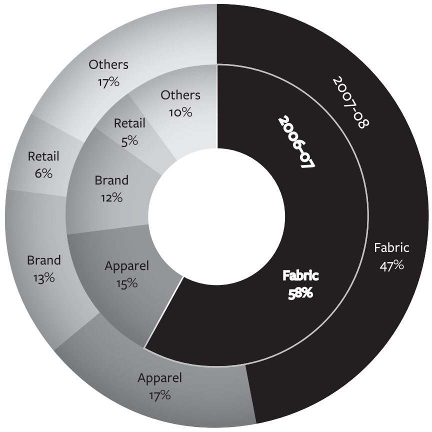
Revenue of your Company, for the year ended 31st March 2008, was Rs.2271 crores. This represents an increase of 23% over the revenue of Rs.1848 crores for the previous financial year. The operating profit for the year ended 31st March 2007 stood at Rs. 304 crores as against Rs.321 crores in the previous financial year, representing a drop of 5%. There is an exceptional item of loss as your company based on principle of prudence & in conformity with the announcement made by the Institute of Chartered Accountants of India , has provided for the loss of Rs. 12.56 Crores on the foreign exchange derivatives entered into by the Company and outstanding on the balance sheet date, on account of marking these derivatives to market (MTM). Also during the year the Company has introduced Voluntary Retirement Scheme for certain category of employees and the expenses incurred on account of this has been amortized up to 31st March 2010 & recognized as exceptional items in accordance with Accounting Standard 15 (Revised). The exceptional item also includes an income on account of provision no longer required of Rs.8.10 Crores. The profit after tax and extra ordinary items stood at Rs.27 crores compared to Rs.120 crores in the previous financial year, representing a drop of 77%.

Sales & Operating Income

Business revenue from the fabric business is unchanged compared to previous year primarily due to lower denim volumes. Revenues from the apparel exports business grew by 40% on account of full year operation numbers of the Jeans plant. The revenue of Arvind Brands for the year ended 31st March 2008 was at Rs.483 crores up by 39%. The turnover also includes Rs.106 crores from cotton trading activity which was not present in previous financial year.

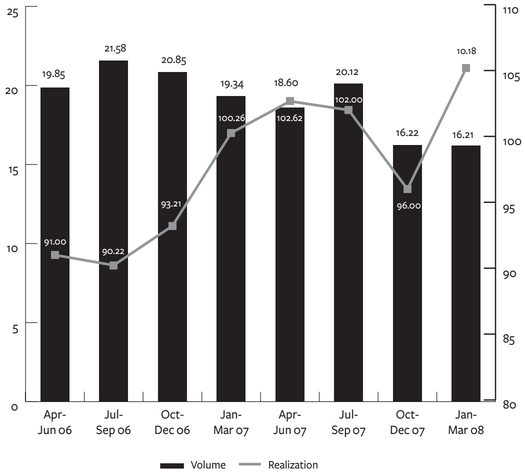
The Sale mix pie would clearly reflects forward strategy laid out by your company where the fabrics business has gone below 50% of the total turnover.

Sales Mix

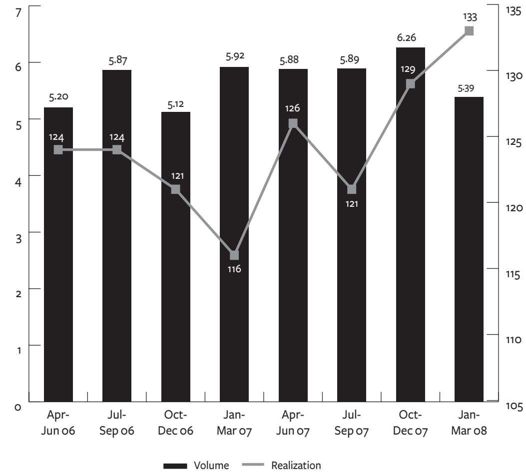


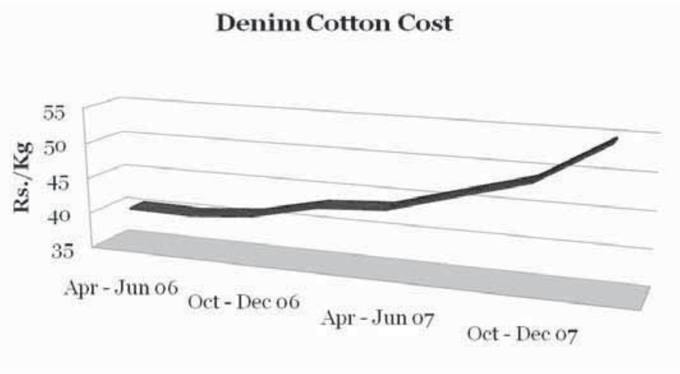
Denim at one point of time used to constitute more than two thirds of the company's turnover has gradually declined and today accounts for only 32% of the turnover with shirting forming 13% and knits fabrics business forming the remaining 2%. Previous financial year denim had formed 41% of the turnover.

Denim Volume & Realization



Shirting Volume & Realization





Raw Materials

The increase in raw material consumption is mainly because of substantially higher cotton prices in the last quarter of the financial year. The prices for the cotton used in denim remained low for first nine months as your company had bought cotton at bargain prices at the opening of the previous season hence the increase in price is steeper. The cotton and yarn prices for other products were slightly higher as compared to the previous year.

Purchase of Finished Goods

The overall value is higher because of inclusion of figures from Arvind Brands which has a substantially higher "Purchase of finished goods" and also during the year Arvind Brands business had increasingly focused on buying full packages instead of buying fabrics and getting the job work done. Apart from it, the purchase of finished goods is also high on purchase of cotton for the cotton trading activity.

Direct Materials

The direct materials at Rs 242 crores this year are higher as compared to Rs. 213 crores last year. This is because of the prices for petroleum based dyes and chemicals have shot up to new high because of high oil prices. Costs for the coming year are expected to stay at the increased level unless and until the oil prices come down.

Power and Fuel

The gas supply agreement for the company expired in November 2007. Your Company is currently purchasing power from energy utility companies at higher prices as well as buying gas in the spot market for its steam requirements. The rates in spot markets are 4-5 times higher than the earlier contracted rate. Hence the power cost for the whole year has gone up by 25% .

Salaries & Wages

The salaries and wages figure for the year is higher by 14% which is in line with the general cost of increase in manpower cost in the country. Rapid expansion in the retail and apparel industries has also resulted in an overall increase in wage and salary rates .Your Company continues an organization-wide rationalization exercise. Your company has introduced voluntary separation scheme in its fabric manufacturing operations.

Other Costs

The rise in other costs is due to an increase in advertisement expenses and general increase in the cost of services. The company has initiated organization wide cost cutting initiatives and plans to get the increase under control.

Operating Margins (Profit)

The operating margin for the year was 13%. The 23% drop from the previous year is attributed to lower denim volumes and increasing contribution of Apparel and Brands in the turnover. Rapidly rising power cost is also a significant contributor to the lower operating margin. Further with the Rupee appreciating against US dollar margins have been affected on the same export prices.

Net Interest & Finance Cost

The net interest and finance cost for the current financial year is Rs.131 crores as against Rs.150 crores for the previous financial year. The interest for the current year is lower because your Company continues to borrow under the Textile Upgradation Fund (TUF) for all its capital expenditures and because of gains in the foreign exchange borrowings.

Since more than 50% of your Company's revenue is dollar denominated, it hedges its position in the foreign exchange market. Hence, for all decision making purposes, the dollar rate is frozen. The accounting standard requires restatement of all assets and liabilities at the exchange rate prevailing at the end of the quarter. Therefore, dollar denominated long term borrowing and some working capital borrowing against shipments made, are reinstated every quarter and all profit or loss booked in the financials is on account of these only.

Cash Accrual

The cash generated from operations this year is Rs 172crores, which is 2% higher than Rs171 crores last year. Your Company proposes to utilize these internal accruals for funding new projects and expansions as well as repayment of outstanding debt.

Depreciation

There has been no change in the method of depreciation for the year under consideration. In accordance with the Accounting Standard - 28 on Impairment of Assets, impairment loss amounting to Rs. 12 crores is charged to Profit and Loss account. The depreciation charged in the current financial year amounted to Rs. 137 crores this year, as compared to Rs. 143 crores last year.

Profit Before Tax (PBT) and exceptional items

The PBT of Rs 30 crores is 7% higher than the previous year's figure of Rs 28 crores.

Net Profit (PAT)

The Profit after Tax and extraordinary items at Rs 27 crores for the current financial year is lower by 77%age compared to Rs.120 crores in the previous financial year. This is primarily on account of previous year figures include extraordinary incomes of Rs.94 Crores on account of sale of stake in VF Arvind Brands Private Limited.

Debt

The debt of the company was Rs 1872 crores as opposed to Rs 1934 crores last year. This comprised long term loans repaid during the year from banks and Financial institutions, lower utilization of working capital credit facilities and inclusion of Arvind Brands' debt.

Working Capital & Liquidity

Inventory at year-end is lower because of lower stocks of cotton and denim. The year-end push has also increased the level of receivables and is expected to normalize going forward.

BUSINESS REVIEW & DEVELOPMENTS

Denim

The denim realization and volume which had improved in first few quarters slipped back on account of downturn in both US and EU order positions in the third quarter but has subsequently regained lost ground at least on account of volume. The sales mix in spite of efforts from the company is skewed in favour of exports as the domestic market continues to be in oversupply, suffered severe setbacks. While the reinforced sales tem in the US and EU were supposed to bring in volumes to offset the cost incurred on them , the altered market condition and worsening currency scenario has pushed the plans further back. The below par performance of retailers in the current holiday season and continued trouble at one of the major customers has further depressed the order book.

The company as a long term strategy is reducing capacity of its denim operations in the country and as informed in the past shut down the 20 Million meters per annum Khatrej unit. The company intends to focus only on the premium and mid premium product segments and for regular market is exploring possibilities of moving manufacturing capacities to logical locations.

The company has almost completed the process of voluntary separation of workers at its Khatraj unit and is currently exploring alternative uses for the location.

Branded Apparel & Retail

The branded apparel and retail business of the company continues to perform exceptionally well. The sales for the year at Rs. 483 Crores has grown by 39% over previous financial year. The current year saw 100% growth in sales volume of Flying Machine brand which was re-launched with new look and Mr. Abhishek Bacchan as Brand Ambassador.

Multiple brand portfolio at multiple price points strategy is yielding desired results with rapid rise in the turnover. Focusing on value through Megamart chain is expanding on the projected rate and currently stand at 83 small format and 1 Large Format store. License agreement for Cherokee, US Polo Association, IZOD, Pierre Cardin, Hart Shaffner Marx and Sansabelt were concluded during the year. Your Company now has one of the strongest portfolio of brands in the country and is in unique position to take leadership position across customer segments. MegaMart opened its first Outlet Centre in Chennai on the 23rd January, 2008 and plans to have 30 such Megamart Outlet Centers in top 20 cities over the next 4 years.

The company's focus on supply chain has resulted in clearance in the old season inventory and general compression in the working capital cycle. The business had delivered positive PBDIT for three quarters as well as for the whole year and the portfolio of mature brands continue to return their best ever performances.

Garment Operations

Shirts product group volume has grown by 27% compared to previous financial year. The Shirts business is also the only business in the group which has been relatively insulated from the rapid slide in Dollar as most of the sales are to EU customers and denominated in Euro. The company is looking for leasehold facility to increase the volume and is likely to add volumes in the first quarter of next financial year. Both the operation parameters and earnings levels are at all time high at the shirts business.

Knits product group grew by 41% by volume and 32% by value compared to previous financial year. The company strategy of focusing only on the value added segment has yielded very positive results and reflected in the earnings. The company is in a position to offer unique offerings to discerning customers at value price due to its efforts in installing both facilities and process like panel printing , overall printing , certification for Organic and Fair Trade products.

Jeans product group had its first full year of operation. The washing plant operations are streamlined and the company has been able to establish possibly the best denim laundry in the country. The projections provided by the key customers for the oncoming season look very encouraging. With the on time delivery and wastage under control your company expects next year to be better than year under review.

Shirting

With new focused management and operations team in place the operational parameters are at all time high and the product group has returned their best ever earnings performance in last three years. The order book which had suffered in the past due to lack of fresh placement from Indian exporters has been bolstered by rapid growth in orders by Indian brands and retail companies. Here again the focus on delivering unique products at value has positioned the company for long term sustainable growth in this segment.

Exchange Rate

The Rupee had substantially appreciated against the dollar during the financial year compared to previous year. The Company is predominantly a "dollar revenue rupee cost" company as most of its revenue is either in dollars or linked to dollars. The Company is insulated to an extent, because of a cover for its revenue earnings but due to further appreciation in rupee the average rate of cover had come down. The company takes forward cover on net dollar exposure and the average exchange rate for the entire year was in range of Rs.42.50 to a US dollar, the second half is at a lower rate than the annual average. The near and medium term outlook on Rupee were very strong and based on which the company had taken forward cover for the year 2008-09 and with the rupee depreciating rapidly in the month of April and May 2008thereis a possibility of having some notional losses in books of accounts.

INTERNAL CONTROL SYSTEMS

The Company has well defined and institutionalized business processes with effective control systems to ensure that assets and interests of the Company are safeguarded.

The Company has a dedicated task force working on budgetary controls, responsible for preparation of the budget, which is reviewed along with the performance on monthly basis and corrective actions, wherever needed, are taken to ensure compliance. Considering the size and nature of operations of the Company, the overall control systems are adequate to meet the need and the purpose.

The Company has its own internal audit team comprising qualified professionals that monitors and checks the efficiency of the system and compliance and it also has retained external audit firm to monitor business processes of key divisions.

DEVELOPMENTS ON HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The year under review has seen a change in the policies and procedures, necessitated by the need to make the organisation high performing and successful. The Company has always valued its human resources and believes in unlimited potential of each employee.

Industrial relations were cordial in all the plants of the Company without any disruptions of manufacturing activities.

SUBSIDIARIES

Arvind Products Limited

The company returned profits for second year in row but lower by 59% compared to previous financial year. The performance of the company has been affected by two factors , reduction in volumes at Arvind Intex which is a captive spinning unit for Denim business reflecting in the reduction capacity utilization. Khakis division which was doing extremely well in the previous financial year and the first half of the current financial year has suffered some downturn due to sudden drop in volumes in the exports market.

Anup Engineering Limited

A group company engaged in Engineering and fabrication business listed on Ahmedabad Stock Exchange. The company was referred to BIFR in 2001 based on March 2001 balance sheet . BIFR order passed in 19th July 2007 had converted the Rs. 2 Crores advanced by Arvind into Equity and with this conversion Arvind will control 59% of the expanded equity making it a subsidiary of the company . The company has done remarkable turnaround in last three years and business has been growing at a rapid pace and already booked for most of next financial year. The company had a turnover of about Rs.63 Crores and profit after tax of Rs. 8 Crores for 2007-08

OUTLOOK

Denim performance is expected to remain at the current levels and any incremental volume and realization will be impacted by the exchange rate of Rs.40 to US $ at which the company is hedged for 2008-09. Your company expects no significant increase in interest rates from the current level but expects reduction in debt level. Fabrics as product group is expected to maintain the current level of operations and improvement in earnings over the last quarter of 2007-08 is likely to come way of better product mix and process efficiencies. Turnover increase will primarily come from the Brand and Retail business and Jeans factory utilization. Power situation will remain under stress for major part of the year and the possibility of relief by way of fresh gas supply is at best possible only in second half of the year. In spite of going through the lowest phase in its existence denim is still the largest revenue earnings product and Shirting which has long been performing below potential is showing singhs of maturing and the drop in denim earnings have to an extent being cushioned by shirting. The new generation business of Megamart and Brands are contributing to turnover but not yet a significant contributor to earnings.

In light of the above outlook company had embarked on a strategy of moving away from focus on fabrics and focus on lifestyle brands, retailing and value-added fabric and garmenting solutions. The strategic action plan focuses on following pillars

- Profitable fabrics and apparel business in India
- Fastest growing Brand and Retail business
- Unlock value in non strategic assets
- Use the cash flows to de-leverage the balance sheet

The new brand identity and name change of the company was to reflect the strategic focus. We believe the impact of new and focused strategy will be seen in the coming financial year.

Corporate Social Responsibility (CSR)

Arvind Limited CSR activities during the year 2007-08

For the first time in the organisation's history, we reported extensively, in the year 2006-07, the company's CSR efforts. Mr Sanjay Lalbhai, Company's Chairman and Managing Director, articulated the organisation's philosophy concerning the company's approach to "Corporate Social Responsibility." Since this idea is the foundation of our CSR activities, we are reproducing here the company's approach to Corporate Social Responsibility from the previous year's annual reports.

Mr. Lalbhai's statement about Arvind Ltd's foundation for its approach to "Corporate Social Responsibility"

"We in the Lalbhai Group make a sharp distinction between a corporation being 'Socially Responsible' and a corporation undertaking 'Social Responsibility'. By a corporation being 'socially responsible', we mean that the corporation must conduct its operations in a socially acceptable way-in ways that honour ethical values and stakeholders' concerns, and not merely stockholders' interests. Its financial statements should be truthful and it must operate within the law and accepted norms of the society. In other words, it must be a 'good citizen.' But when we say that a corporation is undertaking 'Social Responsibility', we mean that the corporation, besides being a 'good citizen', is also addressing societal issues on its own volition. We believe that a corporation's being a 'good citizen' is a prerequisite for its undertaking 'Social Responsibility'. 'CSR' goes much beyond 'good citizenship'.

This view of 'CSR' is based on our conviction that corporations and society are interdependent. Though distinct, they are not mutually exclusive. They exist together and function together. Social issues affect corporations and the corporations' actions in turn affect the society. Obviously, no corporation can address all the societal issues. It has to make a choice about the societal issues it would address; still more important is the decision about the issues to be left for other organisations to resolve. How should a corporation make its choice? A good criterion for doing so is what Professor Michael Porter calls the 'shared value'. This suggests that a corporation should address only those societal issues that would create benefit for the society and the corporation both. Arvind's CSR programmes have been informed by these considerations and based on this foundation. The SHARDA Trust and the Narottam Lalbhai Rural Development Fund (NLRDF) are Arvind's two arms for carrying out the Programmes for its "Corporate Social Responsibility." In the previous year's annual report we extensively reported the activities that the SHARDA and NLRDF carried out in the previous year and hence they are not repeated here and only the activities that these organizations carried out in the year 2007-08 are reported.

Salient features of SHARDA Trust's activities during the year 2007-08

Continuing its thrust on spreading the education of English, Mathematics and Computers in the city's municipal schools, the Trust inaugurated a new centre in Municipal School No 11 located in Khanpur.

The Trust spent about Rs.5 lacs for installing the latest computers and a LCD TV. In addition, the Trust spent approximately Rs.4.25 lacs for upgrading the infrastructure in the rooms where the Trust has set up its Educational Centre. Thus, the Trust total investment in the centre is about Rs. 9.25 lacs. Further, the Trust spent Rs.1.25 lacs for operating the centre during the year 2007-08. Mr Kaushik Patel, the former revenue minister of the Government of Gujarat inaugurated the centre in October 2007.

The editor of Apparel online, a prestigious magazine of the apparel industry, visited the SHARDA Trust on 28 February 2008. We are reproducing some highpoints from this article that show the success that our education programme has achieved and the demands the outside world is making on us because of the programme's success.

> *"A group of about 50 parents are seated patiently on durries in a large compound of the Shala No. 11, the municipal school where the Sharda (SHARDA) Trust runs one of its education centres....... One of the mothers requested to ask the Sharda (SHARDA) Trust to continue this education for students from the VIII standard as well clamour the parents in unison."*

On 11 February 2008, we celebrated *Saraswati poojan* in Leelavati Benbungalow, where the Trust's third centre is. This bungalow when it was built in 1930s was completely away from the city and was close to Shaibaug where the city's affluent have built their houses. However, now this Bungalow shares a border of the city's poor locality comprising *slums and chawals.* Of course it continues to share the border with Shaibaug where the city's affluent live even now. The students in the Trust's centre in the LeelavatiBenBungalow come from the nearby slums and chawls. On the day of the celebrations, the Trust transported on the day of the celebration, students from the Trust's centres in Municipal School No 5, and Municipal School No 11 to the place of celebration. The place where we organised the celebrations is about 7 kilometres from the Trust's other two centres. On the other hand the Rachna School is hardly a stone's throw

from the place of celebration. Approximately 200 students, including Rachna's students, participated in the celebrations. Of these 200 students, about 28 students from the SHARDA Trust's education centres and belonging to the socially deprived community participated in the celebrations. It was, heartening for us to see that students from both the strata of the society participating in these celebrations.

A Trustee of the SHARDA Trust's overseas donors expressed his satisfaction on these developments. We reproduce below an extract from these comments:

> *"I want to congratulate the teachers for their dedicated work and in creating such an outstanding impression on these underprivileged kids. The enthusiasm of students and their parents (particularly their mothers) is heartwarming. Hope for a better future for their offspring and a feeling that their children can make it with educational skills is a powerful testament to the fulfilment of dreams of a secular democratic society so fondly cherished and nourished by Gandhiji, Nehru, Azad and other founding fathers of Indian Republic. We feel privileged to play a small role in striving to achieve these lofty "impossible" dreams. It is the foot soldiers though who are doing groundbreaking work in winning the trust and confidence of a minority underprivileged class suspicious of the dominance of privileged majority and it is their work and interaction that seems to be breaking down barriers and stereotypes. So kudos again to all your team and to your leadership in creating and cultivating a class organisation in a city that has perhaps been unjustly embellished in the national and international media for its perceived race relations."*

Besides the Trust's strategy for spreading education among the city's municipal schools, the Trust is continuing its efforts for helping the urban poor get secondary and tertiary health care. The world over it is now acknowledged that without health insurance a person cannot get the benefit of modern health care facilities. However, helping the poor get health insurance is not easy. Trust is preparing to start a pilot project for providing health insurance. The Trust plans to start this with some of company's workers. Once we gain some experience, we would expand it to the urban poor with whom we have been working.

The Narottam Lalbhai Rural Development Fund (NLRDF) continued its thrust for helping the rural poor. Below we give a thumbnail sketch of the important programmes that the Foundation carried out.

World Food Programme

This project aims at increasing the awareness among the tribal about the conservation of forests and the need to make the optimal use of the forest products. In addition this programme aims at reducing the dependency on the forests by upgrading their skills so that the tribal community can participate in the other productive sectors of the Indian economy.

Providing economic assistance to widows, who have very little support from families.

Under this programme the Foundation upgrades the skills of widows to make simple products that can supplement their meagre income. During the year 2007-08 the Foundation trained about 1500 women for making such products. In addition the Foundation gave to widows, kits worth Rs.41 lakhs for making the simple products.

Training to Below Poverty Line members for earning a livelihood

Here again the emphasis of the programme is on upgrading the skills of the poorest of the poor to make simple products and supplement their meagre earnings. In this programme the Foundation gave sewing machines and other kits for making such simple products.

Training to leaders of sakhi mandals

Many taluka panchayats have formed self-help groups of women. However, their leaders have no formal understanding of financial accounting, doing business with banks and opportunities for promising economic activities. In a modern economy it is necessary that the leaders have at least a rudimentary understanding of the formal methods of accounting and systematic search for economic opportunities. Sensing, this need the Foundation provided a basic training to about 400 women leaders.

Concluding remarks.

Carrying out the projects we described above has convinced us in Arvind that when a company deploys its expertise, knowledge, skills, financial resources, and clout to address a social problem, it generates long term "mutual benefits." It creates, to use Professor Porter's words, "shared value" for the company and the society.

The Late President Kennedy had warned that if the sections of the society that have financial resources, skills, and expertise do not help the society's poor then their long-term interests will suffer. He said, "If a free society cannot help the many who are poor, it cannot save the few who are rich."

Auditors' Report

TO THE MEMBERS OF ARVIND LIMITED (FORMERLY KNOWN AS THE ARVIND MILLS LIMITED)

1. We have audited the attached Balance Sheet of ARVIND LIMITED (Formerly known as The Arvind Mills Limited) as at March 31, 2008, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date both 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 (Auditors' Report) Order, 2003 ("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 above, we report that:

   i) 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;

   ii) 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;

   iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

   v) On the basis of written representations received from the directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:

      (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;

      (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **SORAB S. ENGINEER & CO.**
Chartered Accountants

Ahmedabad
May 10, 2008

CA. N. D. ANKLESARIA
Partner
Membership No. 10250

Annexure to the Auditors' Report

Re : ARVIND LIMITED (FORMERLY KNOWN AS THE ARVIND MILLS LIMITED)

Referred to in Paragraph 3 of our Report of even date,

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.

(b) Some of the fixed assets were physically verified by the management during the year in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.

(c) No substantial part of fixed assets has been disposed of during the year.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) The Company has not granted/taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, requirement of clauses (iii,b), (iii,c), (iii,d), (iii,e), (iii,f) and (iii,g) of paragraph 4 of the order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there were no contracts or arrangements that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, requirement of clauses (v,a) and (v,b) of paragraph 4 of the order are not applicable.

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and rules framed thereunder. 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.

(vii) The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.

(viii) We have broadly reviewed the books of accounts 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 these records with a view to determine whether they are accurate and complete.

(ix) (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, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956.

(b) There are no undisputed amounts outstanding as at March 31, 2008 for a period of more than six months from the date they became payable.

(c) Following amounts have not been deposited as on March 31, 2008 on account of any dispute :

Nature of the Statute	Financial year to which the matter pertains	Forum where matter is pending	Rs. in crore
Sales Tax Act	1998-1999, 2001-2002 to 2005-2006	Reference with High Court	9.43
	2000-2001	CST Appeal	0.32
	2002-2003	Appellate Tribunal	0.05
Central Excise Act	2002-2003	Appeal with CESTAT	0.37
	2002-2003, 2004-2005, 2005-2006, 2006-2007	Commissioner of Central Excise	2.16
	2002-2003, 2005-2006	Joint Commissioner (Appeals)	0.67
Service Tax Act	2005-2006	Commissioner (Appeals)	0.12
	2002-2003, 2003-2004	CESTAT/Asstt. Commissioner	0.38
Income Tax Act	2000-2001	CIT Appeal	0.41

(x) The Company has neither any accumulated losses nor has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of paragraph 4 of the order are not applicable.

(xv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial Institutions are not prejudicial to the interest of the Company.

(xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans obtained during the year were, *prima facie,* applied by the Company for the purpose for which they were obtained, other than temporary deployment pending application.

(xvii) According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not, *prima facie*, been used during the year for long-term investments.

(xviii) According to the information and explanations given to us, the Company has made preferential allotment of shares to persons covered in the register maintained under Section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.

(xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any Secured Debentures during the year.

(xx) The Company has not raised any money by public issue during the year.

(xxi) 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 has been noticed or reported during the year.

For SORAB S. ENGINEER & CO.
Chartered Accountants

Ahmedabad
May 10, 2008

CA. N. D. ANKLESARIA
Partner
Membership No. 10250

Balance Sheet as at 31st March, 2008

	Schedule	As at 31.03.2008	(Rs. in crores) As at 31.03.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	273.30	255.58
Reserves and Surplus	2	1197.05	1131.45
		1470.35	1387.03
Loan Funds			
Secured Loans	3	1774.94	1772.74
Unsecured Loans	4	97.52	161.57
		1872.46	1934.31
Deferred Tax Liability		12.82	12.82
Total		3355.63	3334.16
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		2942.99	2817.21
Less : Depreciation		906.78	772.32
Net Block		2036.21	2044.89
Capital work in progress		116.14	71.45
		2152.35	2116.34
Investments	6	104.99	48.05
Current Assets, Loans & Advances	7		
Inventories		575.34	645.01
Sundry Debtors		261.77	204.85
Cash and Bank Balances		16.32	22.31
Other Current Assets		73.26	54.95
Loans and Advances		544.45	663.79
		1471.14	1590.91
Less :**Current Liabilities and Provisions**	8		
Liabilities		360.54	408.99
Provisions		21.81	12.15
		382.35	421.14
Net Current Assets		1088.79	1169.77
Miscellaneous Expenditure (To the extent not written off)	9	9.50	0.00
Total		3355.63	3334.16
Notes Forming Part of Accounts	18		

As per our report attached

For SORAB S. ENGINEER & CO.
Chartered Accountants

CA. N.D. ANKLESARIA
Partner

Ahmedabad. 10th May, 2008

SANJAY S. LALBHAI — Chairman & Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

Profit and Loss Account for the year ended on 31st March, 2008

	Schedule	2007-2008	(Rs. in crores) 2006-2007
INCOME :			
Sales and Operating Income	10	2271.27	1847.99
Other Income	11	16.45	13.17
		2287.72	1861.16
EXPENSES :			
Raw Materials Consumed		577.13	571.93
Purchase of Finished goods & Others		305.54	36.97
Employees' Emoluments	12	233.40	204.33
Others	13	877.19	780.24
Interest & Finance Costs (Net)	14	131.40	150.26
Depreciation/Impairment		136.64	143.36
Exceptional Items (Net)	15	6.30	0.00
(Increase)/Decrease in Stocks	16	(9.49)	(53.64)
		2258.11	1833.45
Profit before Tax for the year		29.61	27.71
Less : Current Tax		3.10	11.61
Less : Fringe Benefit Tax		2.25	2.44
Add : MAT Credit Entitlement		(3.10)	(11.61)
Profit before Extra-ordinary Items		27.36	25.27
Extra Ordinary Items (Net)	17	0.00	94.29
Profit after Extra-ordinary Items		27.36	119.56
Balance as per last year's Balance Sheet		425.00	321.17
Interim Dividend on Preference Shares Paid		(2.48)	(3.14)
Tax on Interim Dividend		(0.42)	(0.44)
Provision for Leave Encashment (Note No.13)		(1.34)	0.00
Transferred to Capital Redemption Reserve		(13.20)	(9.90)
Transferred to Debenture Redemption Reserve		0.00	(2.25)
		434.92	425.00
Balance carried to Balance Sheet		434.92	425.00
Earning Per Share (Note No. 22)			
- Basic before extra-ordinary items		1.17	1.04
- Diluted before extra-ordinary items		0.98	1.04
- Basic after extra-ordinary items		1.17	5.54
- Diluted after extra-ordinary items		0.98	5.54
Notes Forming Part of Accounts	18		

As per our report attached

For **SORAB S. ENGINEER & CO.**
Chartered Accountants

CA. N.D. ANKLESARIA
Partner

Ahmedabad. 10th May, 2008

SANJAY S. LALBHAI — Chairman & Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

Cash Flow Statement for the year ended on 31st March, 2008

(Rs. in crores)

		2007-2008		2006-2007	
A	CASH FLOW FROM OPERATING ACTIVITIES	Rs.	Rs.	Rs.	Rs.
	Net Profit before extra-ordinary items		29.61		27.71
	Adjustments for :				
	Depreciation/Impairment	136.64		143.36	
	Retrenchment Compensation under VRS	(11.33)		0.00	
	Exceptional Items	6.30		0.00	
	Interest Income	(14.24)		(11.47)	
	Income from Investment	(0.17)		(0.35)	
	Interest & Lease Rent Expenses	166.46		157.13	
	Exchange Rate Difference	(33.70)		(8.78)	
	Fixed Assets Written Off	0.00		0.20	
	Bad Debts/Advances Written Off	0.63		0.37	
	Provision for Doubtful Debts	0.49		2.65	
	Sundry Debits/Credit Written Off (Net)	0.06		0.27	
	Profit on Sale of Investment	0.00		(6.49)	
	Product Development Expenses	0.00		(8.26)	
	Loss on Sale of Fixed Assets	0.16	251.30	0.78	269.41
	Operating Profit before Working Capital Changes		280.91		297.12
	Working Capital Changes :				
	Changes in Inventories	69.67		(57.80)	
	Changes in Trade Receivables	(58.04)		69.04	
	Changes in Other Receivables	101.01		(73.02)	
	Changes in Current Liabilities	(44.43)		26.59	
	Net Changes in Working Capital		68.21		(35.19)
	Cash Generated From Operations		349.12		261.93
	Advance Tax/TDS (Net of Income Tax Refund)		(1.30)		(13.09)
	Fringe Benefit Tax		(2.25)		(1.62)
	Net Cash from Operating Activities		345.57		247.22
B	CASH FLOW FROM INVESTING ACTIVITIES				
	Purchase of Fixed Assets	(179.48)		(187.38)	
	Sale of Fixed Assets	6.67		6.92	
	Profit on Sale of Business	0.00		144.79	
	Changes in Investments	(54.94)		(15.85)	
	Changes in Loans & Advances	0.82		(0.32)	
	Income from Investment	0.17		0.35	
	Interest Income	14.70		11.02	
	Net Cash Flow from Investing Activities		(212.06)		(40.47)
C	CASH FLOW FROM FINANCING ACTIVITIES				
	Issue of Equity Share Capital	9.60		0.00	
	Redemption of Preference Share Capital	(13.20)		(9.90)	
	Issue of Warrants	21.32		0.00	
	Share Premium Received	40.32		0.00	
	Unclaimed Dividend	(0.01)		(0.02)	
	Interim Dividend on Preference Shares	(2.48)		(3.14)	
	Tax on Interim Dividend	(0.42)		(0.44)	
	Dividend on Equity Shares	0.00		(20.74)	
	Tax on Equity Dividend	0.00		(2.94)	
	Changes in Borrowings	(28.26)		(6.41)	
	Interest & Lease Rent Paid	(166.37)		(159.07)	
	Net Cash Flow from Financing Activities		(139.50)		(202.66)
	Net Increase/(Decrease) in Cash & Cash Equivalents		(5.99)		4.09
	Cash & Cash Equivalent at the beginning of the Period		22.31		18.22
	Cash and Cash Equivalent at the end of the Period		16.32		22.31

Notes to Cash Flow Statement (Refer Schedule 18, Note 19)

As per our report attached

For SORAB S. ENGINEER & CO.
Chartered Accountants

CA. N.D. ANKLESARIA
Partner

Ahmedabad. 10th May, 2008

SANJAY S. LALBHAI — Chairman & Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

Schedules forming part of the Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '1' : SHARE CAPITAL		
AUTHORISED		
36,00,00,000 Equity Shares (Previous Year 23,00,00,000) of Rs. 10/-each	360.00	230.00
90,00,000 Preference Shares (Previous Year 90,00,000) of Rs. 100/- each	90.00	90.00
	450.00	320.00
ISSUED & SUBSCRIBED		
EQUITY SHARES		
21,89,78,441 Equity Shares (Previous Year 20,93,78,441) of Rs. 10/- each (96,00,000 Equity Shares of Rs. 10/- each allotted at a premium of Rs. 42/- per share during the year on conversion of Warrants)	218.98	209.38
PREFERENCE SHARES		
69,50,000 6% Redeemable Cumulative Non Convertible Preference Shares of Rs. 100/- each (Previous Year 69,50,000)	69.50	69.50
	288.48	278.88
PAID UP (Note No. 5)		
EQUITY SHARES	218.98	209.38
21,89,77,541 Equity Shares (Previous Year 20,93,77,541) of Rs. 10/- each fully paid up. Add : 900 Shares Forfeited during the year (Paid up amount of Rs. 4,500/- (Previous Year Rs. 4,500/-) on forfeited shares)		
(of the above shares 39,44,950 Equity shares have been allotted as fully paid Bonus Shares (Previous Year 39,44,950 Equity shares) by way of capitalisation of Reserves and 16,12,268 Equity shares (Previous Year 16,12,268 Equity shares) allotted as fully paid in terms of scheme of Amalgamation without payment being received in cash.)		
WARRANTS	21.32	0.00
4,10,00,000 Warrants (Previous Year NIL) of Rs. 52/- each, Paid up Rs. 5.20 each		
PREFERENCE SHARES		
66,00,000 6% Redeemable Cumulative Non Convertible Preference Shares of Rs. 100/- each (Previous Year 66,00,000)	33.00	46.20
	273.30	255.58

Schedules forming part of the Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '2' : RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last Balance Sheet	3.17	3.17
Add : Created during the year (Note No. 8)	2.16	0.00
	5.33	3.17
SECURITIES PREMIUM		
As per last Balance Sheet	653.21	928.73
Add : Received during the year	40.32	0.00
Less : Utilised during the year	0.00	275.52
	693.53	653.21
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	2.25	0.00
Add : Transferred from Profit and Loss Account	0.00	2.25
	2.25	2.25
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	23.30	13.40
Add : Transferred from Profit and Loss Account	13.20	9.90
	36.50	23.30
REVALUATION RESERVE		
As per last Balance Sheet	24.52	0.00
Add : Created during the year	0.00	24.52
	24.52	24.52
BALANCE IN PROFIT AND LOSS ACCOUNT	434.92	425.00
	1197.05	1131.45
SCHEDULE '3' : SECURED LOANS (Note No. 6)		
DEBENTURES	3.30	4.50
Add : Funded Interest	1.17	1.17
	4.47	5.67
FROM BANKS		
Cash Credit and Other Facilities	651.27	585.61
Term Loans	881.87	926.89
	1533.14	1512.50
FROM FINANCIAL INSTITUTIONS AND OTHERS	237.33	254.57
	237.33	254.57
	1774.94	1772.74
SCHEDULE '4' : UNSECURED LOANS		
FROM BANKS		
Term Loan	43.73	78.29
Other Facilities	49.24	78.63
FROM FINANCIAL INSTITUTIONS & OTHERS	4.55	4.65
(Out of above Rs. 54.60 crores (Previous Year Rs. 84.46 crores) is payable within one Year)		
	97.52	161.57

Schedules forming part of the Accounts

SCHEDULE '5' : FIXED ASSETS (Rs. in crores)

	GROSS BLOCK				DEPRECIATION				NET BLOCK	
Assets	As on 31.03.2007	Additions	Deductions	As on 31.03.2008	As on 31.03.2007	Depreciation/ Impairment	Deductions	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
Goodwill	326.80	0.00	0.00	326.80	0.00	0.00	0.00	0.00	326.80	326.80
Intangible Assets	2.45	0.00	0.00	2.45	2.45	0.00	0.00	2.45	0.00	0.00
Freehold Land	332.28	0.25	0.00	332.53	0.00	0.00	0.00	0.00	332.53	332.28
Leasehold Land	177.55	0.00	0.00	177.55	0.00	0.00	0.00	0.00	177.55	177.55
Buildings	489.48	2.44	0.88	491.04	79.44	15.01	0.21	94.24	396.80	410.04
Plant & Machinery	1414.74	95.31	2.40	1507.65	666.63	113.72	0.54	779.81	727.84	748.11
Vehicles	11.76	2.36	1.79	12.33	4.89	2.06	1.10	5.85	6.48	6.87
Office Machinery & Dead Stocks	62.15	34.73	4.24	92.64	18.91	6.15	0.63	24.43	68.21	43.24
Total	2817.21	135.09	9.31	2942.99	772.32	136.94	2.48	906.78	2036.21	2044.89
Previous Year	2192.24	1036.33	411.36	2817.21	882.64	186.84	297.16	772.32		
Capital Work In Progress (Including Advances for Capital Expenditure)									116.14	71.45
Total									2152.35	2116.34

Notes :

1 Buildings includes Rs. 1.18 crore (Rs. 1.18 crore) in respect of ownership flats in Co-Operative housing Society and Rs. 2,500/- (Rs. 2,500/-) in respect of shares held in Co-Operative Housing Society.

2 Net block includes Rs. 24.52 crore being the amount added on revaluation as at 1st October, 2006 and credited to Revaluation Reserve.

3 Out of current year depreciation, an amount of Rs. 0.30 crore (Rs. 3.62 crore) has been capitalised during the year.

4 Depreciation is net of Rs. 5.10 crore (Rs. Nil) on account of prior period adjustment.

5 Depreciation includes Rs. 11.58 crore (Rs. Nil) on account of Impairment Loss provided during the year.

Schedules forming part of the Accounts

SCHEDULE '6' : INVESTMENTS (AT COST) **		No. of Shares/ Debentures/ Units	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
A	NON TRADE INVESTMENTS - (UNQUOTED)			
	GOVERNMENT SECURITIES		0.01	0.01
	7-Year National Savings Certificates			
	(Lodged with Government Authorities)			
B	TRADE INVESTMENTS			
(i)	FULLY PAID EQUITY SHARES (QUOTED)			
	Atul Ltd.	559420	6.51	6.51
	(Shares of Rs. 10/- each)			
(ii)	FULLY PAID EQUITY SHARES (UNQUOTED)			
	Ahmedabad Cotton Merchants' Co-operative			
	Shops and Warehouses Society Ltd.	10		
	(Shares of Rs. 10/- each)			
	(Rs. 2,500/-) (Previous Year Rs. 2,500/-)			
	Gujarat Cloth Dealers Co-operative			
	Shops and Warehouses Society Ltd.	10		
	(Shares of Rs. 10/- each)			
	(Rs. 1,000/-) (Previous Year Rs. 1,000/-)			
	Syntel Telecom Ltd.	2		
	(Shares of Rs. 10/- each)			
	(Rs. 20/-) (Previous year Rs. 20/-)			
	Silverstone Properties Ltd.	25000	0.03	0.00
	(Shares of Rs. 10/- each)			
	Purchased during the year			
(iii)	INVESTMENT IN JOINT VENTURE			
	FULLY PAID EQUITY SHARES (UNQUOTED)			
	Arya Omnitalk Wireless Solutions Ltd.	1000000	1.00	1.00
	(Shares of Rs. 10/- each)			
	Arvind Murjani Brands Private Limited	2350000	6.25	4.00
	(Shares of Rs. 10/- each)			
	(2250000 shares purchased during the year)			
	VF Arvind Brands Private Limited	5466680	5.47	5.47
	(Shares of Rs. 10/- each)			
	Diesel Fashion India Arvind Private Limited	50000	0.05	0.00
	(Shares of Rs. 10/- each)			
	Purchased during the year			
(iv)	INVESTMENT IN SUBSIDIARY COMPANIES			
	FULLY PAID EQUITY SHARES (UNQUOTED)			
	Asman Investments Ltd. ***	76500	7.65	7.65
	(Shares of Rs. 10/- each)			
	Arvind Worldwide (M) Inc., Mauritius ***	54840	0.00	0.00
	(Shares of US$ 100 each)			
	Arvind Worldwide Inc., Delaware ***	500	0.07	0.07
	(Shares without par value)			
	Arvind Overseas (M) Ltd., Mauritius	2385171	28.32	28.32
	(Shares of Mau Rs. 100/- each)			
	Arvind Spinning Limited	824099	5.39	5.39
	(Shares without par value)			
	Arvind Brands Limited ****	713383	0.71	0.71
	(Shares of Rs. 10/- each)			
	Arvind Textile Mills Limited	70000	0.34	0.34
	(Shares of Taka 10/- each)			
	Aakar Foundationwear Limted	50000	0.05	0.00
	(Shares of Rs. 10/- each)			
	Purchased during the year			

Schedules forming part of the Accounts

SCHEDULE '6' : INVESTMENTS (AT COST) **	No. of Shares/ Debentures/ Units	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
FULLY PAID EQUITY SHARES (QUOTED)			
Arvind Products Ltd.	2857142	7.14	7.14
(Shares of Rs. 10/- each)			
Anup Engineering Ltd. +	200000	2.00	0.00
(Shares of Rs. 100/- each)			
Allotted consequent to conversion of Loan into Equity			
FULLY PAID PREFERENCE SHARES (UNQUOTED)			
Arvind Products Ltd.	135000	0.14	0.14
10% Cumulative Redeemable Preference shares			
(Shares of Rs. 10/- each)			
Arvind Products Ltd.			
12% Cumulative Redeemable Preference shares	6000000	65.01	13.00
(Shares of Rs. 100/- each)			
48,00,000 purchased during the year			
C CURRENT INVESTMENT (QUOTED) ++			
Standard Chartered Mutual Fund	72.096	0.01	0.01
Reliance Mutual Fund	3955.45	(Rs. 39,575/-)	(Rs. 37,222/-)
(234.403 units invested during the year)			
D Share Application Money		2.55	2.00
		138.70	81.76
Less : Provision for Diminution in Value of Investment		33.71	33.71
Total		104.99	48.05

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
Aggregate value of quoted Investments		
At cost price	15.66	13.66
At market price	7.16	6.81
Aggregate value of unquoted Investments		
At cost price	123.04	68.10

** Investments are held as long term investment and valued at cost unless otherwise stated.

*** Revalued and adjusted in 2001-2002 as per the Scheme of Arrangement and the direction of High Court.

**** Adjusted as per Composite Scheme of Arrangement sanctioned by High Court of Gujarat.

\+ Listed but not quoted and book value is taken as market value.

++ Valued at lower of cost or market value.

Schedules forming part of the Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories		
Stores, Accessories and Spares	39.37	36.37
Fuel	4.80	4.60
Stock in trade		
Raw materials (Including Material in Transit Rs. Nil) (Previous year Rs. 0.27 crores)	139.77	264.27
Finished Goods	157.34	154.11
Finished Goods (Traded)	85.89	44.31
Goods in Transit	0.78	0.22
Work-in-Progress	146.58	140.12
Waste	0.81	1.01
	531.17	604.04
	575.34	645.01
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered good	25.23	24.47
Considered doubtful	10.73	10.76
Less : Provision	10.73	10.76
	0.00	0.00
	25.23	24.47
Others (Considered good)	236.54	180.38
	261.77	204.85
Cash & Bank Balances		
Cash on hand	0.52	0.44
Bank Balances		
With Scheduled Banks		
In Current Accounts (including Rs. 0.34 crores in unpaid dividend accounts) (Previous Year Rs. 0.35 Crores)	13.38	18.11
In Exchange Earners Foreign Currency A/c	0.39	1.90
In Cash Credit Account	0.50	0.41
In Saving Accounts (Rs. 41,275/-) (Previous year Rs. 39,867/-)		
In Fixed Deposit Accounts (Rs. 0.07 crores lodged with Court for ESI case (Previous year Rs. 0.07 crores))	1.53	1.45
	15.80	21.87
	16.32	22.31
Other Current Assets		
Interest accrued	(Rs. 3,699/-)	0.46
Other receivables	73.26	54.49
	73.26	54.95

Schedules forming part of the Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES		
LOANS & ADVANCES (Unsecured, considered good unless stated Otherwise)		
Loans & Advances		
Advances Receivable in Cash or kind or for the value to be received		
Considered good	356.80	476.63
Considered doubtful	0.88	2.53
Less : Provision	0.88	2.53
	0.00	0.00
	356.80	476.63
Balances with Custom,Excise etc.	0.09	0.08
MAT Credit Entitlement Receivable	26.11	23.01
Other Loans	27.23	27.64
	410.23	527.36
Loans and Advances to Subsidiary Companies		
Considered good	133.51	133.92
Considered doubtful	7.91	7.91
Less : Provision	7.91	7.91
	0.00	0.00
	133.51	133.92
Advance tax paid (Net of Provision of Rs. 35.29 crore, Previous Year Rs. 32.19 crore)	0.71	2.51
	544.45	663.79
	1471.14	1590.91
SCHEDULE '8' : CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Acceptances	30.03	1.40
Sundry Creditors		
-Due to Micro & Small Enterprises (Note No. 17)	0.00	0.00
-Others	204.46	278.00
Other Liabilities	123.66	127.17
Interest accrued but not due on loans	1.45	1.31
Investor Education and Protection Fund shall be credited by the following amount namely : @		
-Unpaid dividend	0.34	0.35
-Unpaid Matured Deposits	0.02	0.02
-Unpaid Matured Debentures	0.25	0.36
-Warrants issued but not encashed		
-Interest on Deposits	0.06	0.06
-Interest on Debentures	0.27	0.32
	0.94	1.11
	360.54	408.99
Provisions		
Derivative Contracts	12.56	0.00
Pension	0.58	0.62
Superannuation	2.11	2.00
Gratuity	0.00	4.09
Leave Encashment	6.56	5.44
	21.81	12.15
	382.35	421.14

@ No amount is due as on 31st March, 2008 for credit to Investor Education and Protection Fund (Fund).
The actual amount to be transferred to the Fund in this respect will be determined on the respective due dates.

Schedules forming part of the Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '9' : MISCELLANEOUS EXPENDITURE		
(To the extent not written off)		
Retrenchment Compensation under VRS	11.33	0.00
Less : Written Off during the year	1.83	0.00
	9.50	0.00

	Rs. in crores 2007-2008	Rs. in crores 2006-2007
SCHEDULE '10' : SALES AND OPERATING INCOME		
Sales	2152.67	1826.12
Less : Excise Duty	1.73	14.50
	2150.94	1811.62
Processing Income	30.53	18.89
(Income Tax deducted Rs. 0.63 crore) (Previous year Rs. 0.36 crore)		
Gain on Forward Contracts	57.35	9.88
Other Operating Income	32.45	7.60
	2271.27	1847.99
SCHEDULE '11' : OTHER INCOME		
Income from Investments (Gross)		
From Trade Investments	0.17	0.34
From Other Investments	0.00	0.01
Other Income	7.82	5.27
(Income Tax deducted Rs. 0.08 crores. Previous Year Rs. 0.04 crores)		
Rent	0.52	1.04
(Income Tax deducted Rs. 0.03 crores. Previous year Rs. 0.13 crores)		
Excess/Short Provision No Longer required (Net)	7.94	0.02
Profit on sale of Investments (Net)	0.00	6.49
	16.45	13.17
SCHEDULE '12' : EMPLOYEES' EMOLUMENTS		
Salaries, Wages, Bonus and Gratuity	207.12	174.50
Contribution to Provident Fund and Other Funds	19.29	23.05
Welfare expenses	4.41	3.92
	230.82	201.47
Directors' Remuneration	2.49	2.24
Directors' Commission (Note No. 2)	0.09	0.62
	2.58	2.86
	233.40	204.33

Schedules forming part of the Accounts

	Rs. in crores 2007-2008	Rs. in crores 2006-2007
SCHEDULE '13' : OTHERS		
Power & Fuel	215.00	171.67
Stores consumed	241.94	213.23
Processing charges	82.97	96.14
Repairs		
Building repairs	2.45	2.40
Machinery repairs	37.45	37.01
Other repairs	9.33	7.20
	49.23	46.61
Printing, Stationery and Communication	7.95	7.59
Insurance premium	5.57	6.24
Rates & Taxes	8.66	6.75
Excise duty	0.60	1.28
Rent	50.82	32.56
Commission, Brokerage and Discount	46.71	33.55
Royalty on Sales	3.06	6.95
Advertisement expenses	33.56	23.59
Freight, Insurance and Clearing Charges	31.73	31.80
Provision for doubtful debt	0.49	2.65
Bad Debts Written Off	0.63	0.37
Loss on sale of Fixed Assets (Net)	0.16	0.78
Fixed Assets Written Off	(Rs. 8,536/-)	0.20
Directors' Sitting Fees	0.01	0.03
Other expenses	98.10	98.25
	877.19	780.24
SCHEDULE '14' : INTEREST AND FINANCE COSTS (NET)		
Interest		
On loans for a fixed period	114.57	103.98
Others	43.48	44.31
	158.05	148.29
Less : Interest Income		
Interest from others (Gross)	14.24	11.47
(Income tax deducted Rs. 0.38 crores Previous Year Rs. 0.16 crores)		
Net Interest Expenses	143.81	136.82
Other Finance Cost	19.15	21.12
Exchange Rate Gain	(31.56)	(7.68)
	131.40	150.26

Schedules forming part of the Accounts

	Rs. in crores 2007-2008	Rs. in crores 2006-2007
SCHEDULE '15' : EXCEPTIONAL ITEMS		
Provision for Loss on Derivative Contracts	12.56	0.00
Retrenchment Compensation under VRS Written Off	1.83	0.00
Liability No Longer Required	(8.09)	0.00
	6.30	0.00
SCHEDULE '16' : (INCREASE)/DECREASE IN STOCK		
Finished goods, Work-in-progress and Waste		
Closing Stocks	304.73	295.24
Opening Stocks	295.24	185.20
Add : Acquired on Merger and Amalgamation	0.00	59.57
	295.24	244.77
	(9.49)	(50.47)
Excise Duty in Value of Stocks - Increase/(Decrease)	(Rs. 14,352/-)	(3.17)
(Increase)/Decrease in Stock	(9.49)	(53.64)
SCHEDULE '17' : EXTRA-ORDINARY ITEMS		
Profit on Sale of Business	0.00	100.12
CENVAT Reversal	0.00	(5.83)
	0.00	94.29

Notes forming part of the Accounts

SCHEDULE '18' : NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

(A) ACCOUNTING CONVENTION

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention (except so far as they relate to revaluation of certain fixed assets and providing for depreciation on revalued amounts) and accounting principles generally accepted in India.

The preparation of financial statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including current liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements as prudent and reasonable. Future results could differ from these estimates.

(B) INFLATION

Assets and liabilities are recorded at historical cost to the company except so far as they relate to revaluation of certain fixed assets. These costs are not adjusted to reflect the changing value in the purchasing power of money.

(C) REVENUE RECOGNITION

(C.1) Sales and operating income includes sale of products, by-products and waste, income from job work services and foreign exchange differences. Sales are recognized based on passage of title to goods which generally coincides with dispatch. Revenue from export sales are recognized on shipment basis. Sales are stated net of returns, excise duty and Sales Tax/VAT. Export incentives are accounted on accrual basis at the time of export of goods, if the entitlement can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

(C.2) Revenue from job work services is recognized based on the services rendered in accordance with the terms of contracts.

(C.3) Revenue in respect of projects for Construction of Plants and Systems, execution of which is spread over different accounting periods, is recognized on the basis of percentage of completion method in accordance with Accounting Standard 7 – Accounting for Construction Contracts.

Percentage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract cost.

Difference between costs incurred plus recognised profit/less recognised losses and the amount invoiced is treated as contract in progress.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company, some of which are of a technical nature, relating to the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.

(C.4) Claims receivable on account of Insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.

(D) VALUATION OF INVENTORY

(D.1) The stock of Work-in-progress and finished goods of the Yarn, Fabric and Branded Garment Business has been valued at the lower of cost and net realizable value. The cost has been measured on the standard cost basis and includes cost of materials and cost of conversion.

(D.2) All other inventories of stores, consumables, raw materials (Electronics Division) are valued at cost. The stock of waste is valued at market price. The other raw materials, finished goods and stock at branches are valued at lower of cost and market value. Cost is measured on actual average for the whole year. Excise duty wherever applicable is provided on finished goods lying within the factory and bonded warehouse at the end of the year.

(E) FIXED ASSETS & DEPRECIATION

(E.1) Fixed assets are stated at their original cost of acquisition/ revalued cost (revalued as on 1st October, 2006) wherever applicable less accumulated depreciation and impairment losses. Cost comprises of all costs incurred to bring the assets to their location and working condition and includes all expenses incurred up to the date of launching new stores, to the extent they are attributable to the new store.

(E.2) Depreciation on Revalued Fixed Assets is calculated on the residual life of the assets or as per rates specified in the Schedule XIV to the Companies Act , 1956, whichever is higher.

(E.3) Additions to fixed assets after 1st October, 2006 have been stated at cost net of CENVAT wherever applicable.

(E.4) Directly identifiable preoperative expenses of new projects of capital nature under implementation are carried forward under capital work-in-progress, pending capitalisation.

(E.5) Depreciation on Fixed Assets is provided, pro rata for the period of use, on Straight Line Method (SLM), as per rates specified in the Schedule XIV to the Companies Act, 1956 except for the following which are based on management's estimate of useful lives of the fixed assets :

Car Vehicles : 20/25%

For the assets of Branded Garments

Furniture given to Employees : 18%

Leasehold Improvements : 10%

(E.6) Depreciation on impaired asset is provided on the asset's revised carrying amount, over its remaining useful life.

(E.7) Individual assets costing less than Rs. 5,000/- have been fully depreciated in the year of purchase on pro rata basis.

Notes forming part of the Accounts

(F) IMPAIRMENT OF ASSETS

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the profit and loss account

(G) INVESTMENTS

Long-term investments are stated at cost. Fall in the value, other than temporary, has been charged to Profit and Loss Account. Current investments are stated at lower of cost and net realizable value.

(H) FOREIGN CURRENCY TRANSACTIONS

(H.1) The foreign currency monetary items consisting of loans, trade receivables, payables and balances in bank accounts at the end of the year have been restated at the rate prevailing at the balance sheet date. The difference arising as a result has been accounted as income/expense as per the Accounting Standard 11 (Revised 2003) on "Accounting for the Effects of Changes in Foreign Exchange Rates" issued by The Institute of Chartered Accountants of India.

(H.2) Non-monetary items in the form of investments in the shares of foreign subsidiary companies are reported at the rate of exchange prevailing on the date of investment.

(H.3) Expenses of overseas offices are translated and accounted at the monthly average rate.

(H.4) The premium or discount arising at the inception of the forward exchange contracts, or other financial instruments that are in substance forward exchange contracts is amortized as expense or income over the life of the contracts.

(H.5) Realised gain or loss on cancellation of forward exchange contracts are recognised in the Profit and Loss Account of the period in which they are cancelled.

(H.6) Forward Contracts remaining unsettled at the Balance Sheet date are revalued at the closing rate and exchange difference arising on such revaluation is charged to Profit and Loss Account.

(I) DERIVATIVES & COMMODITY HEDGING TRANSACTIONS

(I.1) The derivative instruments for hedging risk arising out of movement in the foreign currency vis-a-vis Indian rupees, interest rates and prices of Cotton are measured based on available market data with respect to spot price of underlying instrument, time duration of the derivative instrument, volatility, interest rates etc. and accepted pricing methods/models.

(I.2) Currency Swaps which are outstanding as on Balance Sheet date are marked to market and net depreciation is charged to Profit and Loss Account.

(I.3) The Commodity hedging contracts are accounted on the date of their settlement and realized gain/(loss) in respect of contracts are recognized in the profit and loss account.

(J) EMPLOYEE BENEFITS

(J.1) The Company has Defined Contribution Plans for post employment benefits namely Provident Fund and Superannuation Fund which are recognized by the Income Tax Authorities. These funds are administered through trustees and the Company's contributions thereto are charged to revenue every year. The Company also pays insurance premiums to fund a post-employment medical assistance scheme, a Defined Contribution Plan administered by ICICI Lombard General Insurance Company Limited which are charged to revenue every year. The Company's Contribution to State Plans namely Employee's State Insurance Fund and Employee's Pension Scheme are charged to revenue every year.

(J.2) The Company has Defined Benefit Plans namely leave encashment/compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end and incremental liability, if any, is provided for in the books. Gratuity scheme is administered through trust recognised by the Income Tax Authorities and/or by LIC.

(J.3) Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

(J.4) Compensation under voluntary retirement scheme is amortized over a period from the introduction of Scheme up to 31st March, 2010.

(K) BORROWING COST

Borrowing costs include interest, fees and other charges incurred in connection with the borrowing of funds and is considered as revenue expenditure for the year in which it is incurred except for borrowing costs attributed to the acquisition/improvement of qualifying capital assets and incurred till the commencement of commercial use of the asset and which is capitalised as cost of that asset.

(L) LEASE RENTAL

(L.1) Lease Rental payable on assets taken on lease have been treated as finance cost to be amortised over useful life of the assets.

(L.2) Lease Rentals for assets taken on operating lease are recognised as an expense in Profit and Loss Account on a straight line basis over the lease term.

(M) TAXES ON INCOME

(M.1) Tax expense consists of both current as well as deferred tax liability. Current tax represents amount of income tax payable including the tax payable u/s 115JB, if any, in respect of taxable income for the year.

Notes forming part of the Accounts

(M.2) MAT Credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax within the specified period.

(M.3) Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year that originates in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

(M.4) Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(M.5) Fringe Benefits Tax (FBT) payable under the provisions of Section 115 WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI regarded as an additional income tax and considered in determination of the profits for the year.

(N) EARNING PER SHARE

The Company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

(O) CONTINGENT LIABILITIES

Provision is made for all known liabilities. Contingent liabilities, if any, are disclosed in the account by way of a note.

(P) CAPITAL ISSUE EXPENSES

Expenses on issue of Shares, Debentures and GDRs are being adjusted against Share Premium Account as permitted by Section 78 of the Companies Act.

2. MANAGERIAL REMUNERATION :

A. DIRECTORS' REMUNERATION (Rs. in crore)

Particulars	2007-08	2006-07
Managing/Whole-time Directors		
(i) Salaries	0.66	0.57
(ii) Contribution to :		
Provident Fund	0.08	0.08
Superannuation Fund	0.10	0.09
Provision for Gratuity	0.08	0.03
(iii) Perquisites	0.86	0.90
(iv) Medical Expenses	0.01	0.02
(v) Leave Encashment	0.00	0.10
(vi) Other Allowances	0.70	0.45
(vii) Commission	0.00	0.46
Total	2.49	2.70
(viii) Estimated monetary value of perquisites on account of equipments	0.01	0.01
Total	2.50	2.71
(ix) Commission to Non Whole-time Directors	0.09	0.16
Total	2.59	2.87

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

(Rs. in crore)

Particulars	2007-08
Profit before Taxes as per Profit and Loss Account	29.61
Add :	
Managerial Remuneration	2.58
Directors' Sitting Fees	0.01
	32.20
Less :	
Surplus on disposal of fixed assets	
Per Section 349	0.71
Net profit	31.49

Commission to

(a) Non Whole-time Directors at 1% maximum Rs. 0.31 crore, restricted up to Rs. 0.09 crore.

3. CONTINGENT LIABILITIES

(a) Bills discounted Rs. 86.90 crore (Rs. 83.96 crore).

(b) Claims against the Company not acknowledged as Debt Rs. 10.34 crore (Rs. 13.39 crore).

(c) Guarantees given by the Banks on behalf of the Company Rs. 3.38 crore (Rs. 14.23 crore).

(d) Guarantees given by the Company on behalf of the subsidiary/ joint venture companies Rs. 61.15 crore (Rs. 4.00 crore).

(e) Excise/Custom demands, Sales Tax demands, Income Tax demands and Service Tax demand in dispute Rs. 3.36 crore (Rs. 9.45 crore), Rs. 16.01 crore (Rs. 15.24 crore), Rs. 0.41 crore (Rs. 0.66 crore) and Rs. 0.53 crore (Rs. 0.14 crore) respectively.

(f) Dividend on Redeemable Cumulative Non Convertible Preference Shares Rs. 0.74 crore (Rs. 0.74 crore).

(g) Liability for Recompense Payment Rs. 72.92 crore (Rs. 65.05 crore). The payment and the rate at which Recompense Payment is payable is contingent on the repayment of the Total Outstanding to the Restructured Lenders in terms of the Scheme of Restructuring approved by the High Court of Gujarat.

4. The estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 29.64 crore (Rs. 26.79 crore).

Notes forming part of the Accounts

5. (a) Equity Shares and Warrants

During the year, the Company has issued on a preferential basis 5,06,00,000 warrants at an issue price of Rs. 52/- to Promoters/ Promoter Group which are convertible into 5,06,00,000 equity shares of Rs. 10/- each at a premium of Rs. 42/- at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment, in one or more tranches. Out of the above, 96,00,000 warrants have been converted in to equity shares.

(b) **Preference Shares :**

Preference Shares issued in accordance with the Restructuring Scheme of the Company :

Class of Preference Shares (redeemable cumulative non-convertible)	Redemption period	Quarterly Instalments (% of Principal)
66,00,000 – 6% Preference shares of Rs. 100/- each. (Previous Year 66,00,000 – 6% Preference shares of Rs. 100/- each)	30.06.2004 to 31.03.2005 30.06.2005 to 31.03.2006 30.06.2006 to 31.03.2007 30.06.2007 to 31.03.2008 30.06.2008 to 31.03.2009 30.06.2009 to 31.03.2010	5% 10% 15% 20% 20% 30%

Notes : 20% of Principal amount was redeemed and paid during the year.

6. SECURED LOANS

(A) DEBENTURES

The break up of the Debentures and relevant details thereof are as under :

(Rs. in crore)

No. of Debentures	Rate of Interest	Total amount of Issue	Balance as on 31.3.2008	Balance as on 31.3.2007
600 000 11% privately placed Secured Redeemable Non-Convertible Debenture of Rs. 100/- each (Redeemable at Face value in Twenty Quarterly installments commencing on April 1, 2006 and ending on January 1, 2011)	11.00%	6.00	3.30	4.50
Funded Interest (Payable on 31st March, 2010)			1.17	1.17
Total			4.47	5.67

SECURITY :

600,000 11% Privately placed Secured Redeemable NCD of Rs. 100/- Each

Secured by a first charge on Land and Building, Plant and Machinery and other assets of the Company situated at Bommasandra Industrial Area, Bangalore, subject to charges created for loans from banks and bank borrowings as referred in note (C) & (E) below.

Funded Interest

Second charge on all the Immovable Properties, Movable Properties, Intangible Properties and general assets of the Company presently relating to the Textile Plants and all Immovable Properties, Movable Properties, Intangible Properties and general assets acquired by the Company at any time after execution of and during the continuance of the Indenture of Mortgage.

B) LOANS FROM BANKS, FINANCIAL INSTITUTIONS AND OTHERS

The loans from Banks, Financial institutions and others stand secured as under :

Out of Term Loans of Rs. 881.87 crore

A. Loans amounting to Rs. 700.71 crore are secured by first charge on all the Immovable Properties, Movable Properties, Intangible Properties and General Assets of the Company presently relating to the Textile Plants and all Immovable Properties, Movable Properties, Intangible Properties and General Assets acquired by the Company at any time after execution of and during the continuance of the Indenture of Mortgage and are also secured by second charge on all the Company's Current Assets both present and future relating to the Textile Plants. Out of these Rs. 227.00 crore are additionally secured by first charge on Movable Fixed Assets of Jeans and Shirts Garment divisions at Bangalore.

B. Loan of Rs. 100.00 crore is secured by exclusive charge on the Fixed Assets and Brands of Arvind Brands, Bangalore Division.

C. Loans of Rs. 0.76 crore are secured by hyphotecation of related vehicles.

D. Facilities of Rs. 78.15 crore are secured by a first mortgage and charge on all the movable properties acquired by the company from Anagram Finance Ltd. The said facilities are also secured by first *pari passu* pledge by Asman Investments Ltd. (A Subsidiary of the Company) of 28% shareholding in Arvind Products Ltd. and by a first *pari passu* pledge of 0.21% shareholding in the Company by its promoters.

E. Loan amounting to Rs. 2.25 Crore is secured by some of the movable properties of Arvind Brands, Bangalore Division by deposit of title deeds and also by hypothecation of all movable properties of Bangalore Division.

Out of Cash Credit and other facilities of Rs. 651.27 crore

A. Facilities amounting to Rs. 551.20 crore are secured by first charge on all the Company's Current Assets presently relating to the Textile Plants and all the Current Assets acquired by the Company at any time after the execution of and during the continuance of the Indenture of Mortgage. They are also secured by a second charge over all the Immovable Properties, Movable Properties, Intangible Properties and General Assets of the Company presently relating to the Textile Plants and all Immovable Properties, Movable Properties, Intangible Properties and General Assets acquired by the Company at any time after execution of and during the continuance of the Indenture of Mortgage. Some of the facilities are additionally secured by second charge on movable Plant and Machinery of the Jeans and Shirts Garment divisions at Bangalore.

Notes forming part of the Accounts

B. Facilities amounting to Rs. 100.07 crore are secured by way of hypothecation of the Company's entire stocks of cotton both present and future.

From Financial Institutions and others :

Out of Loans of Rs. 237.33 crore.

A. Loans amounting to Rs. 235.49 crore are secured by first charge on all the Immovable Properties, Movable Properties, Intangible Properties and General Assets of the Company presently relating to the Textile Plants and all Immovable Properties, Movable Properties, Intangible Properties and General Assets acquired by the Company at any time after execution of and during the continuance of the Indenture of Mortgage and are also secured by second charge on all the Company's Current Assets both present and future relating to the Textile Plants.

B. Facilities of Rs. 1.84 crore are secured by a first mortgage and charge on all the movable properties acquired by the company from Anagram Finance Ltd. The said facilities are also secured by first *pari passu* pledge by Asman Investments Ltd. (A Subsidiary of the Company) of 28% shareholding in Arvind Products Ltd. and by a first *pari passu* pledge of 0.21% shareholding in the Company by its promoters.

"Textile Plants" means all immovable properties, and all movable properties of the Company, including movable machinery, machinery spares, tools and accessories, but excluding Investments and excluding current assets charged in favour of the Working Capital Lenders, at the following textile plants of the Company :

a) Naroda Road, District Ahmedabad

b) Village Santej at Taluka Kalol, District Mehsana

c) Village Khatrej at Taluka Kalol, District Mehsana

d) Asoka Spintex Division at Naroda Road, District Ahmedabad

e) Asoka Cotsyn Division at Khokhara Memdabad, District Ahmedabad

7. Other Liabilities include Rs. 2.45 crore (Rs. 3.71 crore) on account of book overdraft.

8. During the year, the Company has reinstated the loan given to Anup Engineering Limited of Rs. 2.16 crore which was written off in earlier year. The same has been credited to Capital Reserve.

9. Current Assets includes Rs. 53.37 crore (Rs. 196.22 crore) due from subsidiary companies. Current Liabilities includes Rs.7.55 crore (Rs. 82.94 crore) due to subsidiary companies.

10. **Impairment of Fixed Assets**

In accordance with the Accounting Standard – 28 on "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the management has carried out impairment test on individual assets and/or cash generating units in respect of its economic life of fixed assets and have reviewed the potential generation of economic benefits from the fixed assets and have concluded that some of the fixed assets employed in continuing business are unlikely to generate adequate economic returns over their useful lives. Consequently, some of the items of Plant & Machineries of Textile Segment are written down to their recoverable amount, being the residual realizable value as per the report of approved valuer.

In accordance with the said standard, impairment loss amounting to Rs. 11.58 crore is charged to Profit and Loss Account.

11. **Derivatives**

Consequent to the Announcement made by the Institute of Chartered Accountants of India, based on the principle of prudence, the Company has provided for the loss of Rs. 12.56 crore on the forex derivatives entered into by the Company and outstanding on the balance sheet date, on account of marking these derivatives to market (MTM).

12. There was a major fire in one of the godowns of the Company's Branded Garment on 05/03/2008 on account of which Garment Stock of approximately 0.05 crore pieces were destroyed. The claim has been lodged based on the realizable value as per the preliminary assessment pending final settlement. The Company has received Rs. 10 crore as on account payment from the Insurance Company.

13. **Employee Benefits**

Consequent to the adoption of Accounting Standard on Employee Benefits (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made as required by the Standard :

a) An amount of Rs. 1.34 crore being the difference between the liabilities as on March 31, 2007 on account of Leave Encashment/Compensated Absences determined based on the revised AS 15 and the liability as per the Company's previous accounting policy has been adjusted against the opening balance of Profit and Loss account, in terms of Transitional Provision of AS 15 (revised).

b) (i) **Defined Contribution Plans**

The Company has recognised the following amounts in the Profit and Loss Account for Defined Contribution Plans :

Particulars	Rs. in crore
Provident Fund	8.76
Superannuation Fund	2.43

The Company's Provident Fund is administered by the Trust except for Branded Garment Divisions at Bangalore which is administered by the State Government. The Rules of the Company's Provident Fund administered by a Trust require that if the Board of the Trustees are unable to pay interest at the rate declared for Employees' Provident Fund by the Government under para 60 of the Employees' Provident Fund Scheme, 1952 for the reason that the return on investment is less or for any other reason, then the deficiency shall be made good by the Company. Having regard to the assets of the fund and the return on the investments, the Company does not expect any deficiency in the foreseeable future.

(ii) **State Plans**

The Company has recognised the following amounts in the Profit and Loss Account for Contribution to State Plans :

Particulars	Rs. in crore
Employee's State Insurance	0.48
Employee's Pension Scheme	5.73

Notes forming part of the Accounts

(iii) Defined Benefit Plans

(a) **Leave Encashment/Compensated Absences**

Salaries, Wages and Bonus includes Rs. 3.11 crore (Rs. 3.23 crore) towards provision made as per actuarial valuation in respect of accumulated leave encashment/ compensated absences.

(b) **Contribution to Gratuity Funds**

The details of the Company's Gratuity Fund for its employees including Managing Director are given below which is certified by the actuary and relied upon by the auditors :

Particulars	Rs. in crore
Change in the Benefit Obligations :	
Liability at the beginning of the year	33.93
Interest Cost	2.71
Current Service Cost	3.41
Benefits Paid	(6.54)
Actuarial Loss/(Gain)	0.90
Liability at the end of the year	34.41
Fair Value of Plan Assets :	
Fair Value of Plan Assets at the beginning of the year	32.66
Expected Return on Plan Assets	2.81
Contributions	5.98
Benefits Paid	(6.54)
Actuarial gain on Plan Assets	0.66
Fair Value on Plan Assets at the end of the year	35.57
Total Actuarial Loss/(Gain) to be recognized	(0.24)
Actual Return on Plan Assets :	
Expected Return on Plan Assets	2.81
Actuarial gain on Plan Assets	0.66
Actual Return on Plan Assets	3.47
Amount Recognized in the Balance Sheet :	
Liability at the end of the year	34.41
Fair Value of Plan Assets at the end of the year	35.57
Amount recognized in the Balance Sheet under "Current Assets, Loans and Advances"	(1.16)
Expense Recognized in the Profit and Loss Account :	
Interest Cost	2.71
Current Service Cost	3.41
Expected Return on Plan Assets	(2.81)
Net Actuarial Loss/(Gain) to be recognized	0.24
Expense recognized in the Profit and Loss Account under "Employee Emoluments"	3.55
Reconciliation of the Liability Recognized in the Balance Sheet :	
Opening Net Liability	1.27
Expense Recognized	3.55
Contribution by the Corporation	(5.98)
Amount recognized in the Balance Sheet under "Current Assets, Loans and Advances"	(1.16)

Based on the above allocation and the prevailing yields on these assets, the long-term estimate of the expected rate of return on fund assets has been arrived at.

Principal Assumptions :

Particulars	Current Year (%)
Discount Rate	8
Return on Plan Assets	8

INVESTMENT PATTERN :

Particulars	% Invested Current Year
Central Government Securities	1.41
State Government Securities/Securities guaranteed by State/Central Government	2.78
Public Sector/Financial Institutional Bonds	14.72
Portfolio with Mutual Fund	80.15
Others (including bank balances)	0.94
Total	100

14. **Disclosure in respect of Construction/Jobwork Contracts**

Sr.		Particulars	Rs. in crore
1.		Amount of Contract Revenue recognised	2.09
2.		Disclosure in respect of contracts in progress at the reporting date	
	A	Contract cost incurred and recognised profits less recognised losses up to the reporting date	1.84
	B	Progress billings	1.84
	C	Due from customers	Nil
	D	Due to customers	Nil

15. **Disclosures in respect of Joint Venture**

(a) List of Joint Venture

Sr. No.	Name of Joint Venture	Description of Interest (Description of job)	Proportion of ownership interest	Country of	
				Incorpo-ration	Residence
1	Arya Omnitalk Wireless Solutions Limited	Jointly Controlled Entity	50%	India	India
2	Arvind Murjani Brands Pvt. Ltd.	Jointly Controlled Entity	50%	India	India
3	VF Arvind Brands Pvt. Ltd.	Jointly Controlled Entity	40%	India	India
4	Diesel Fashion India Arvind Private Limited	Jointly Controlled Entity	49%	India	India

Notes forming part of the Accounts

(b) Financial interest in Jointly Controlled Entity (Unaudited)

(Rs. in crore)

Sr. No.	Name of Joint Venture	Company's share of			
		Assets	Liabilities	Income	Expenses
		As at 31st March, 2008		For the year	
1	Arya Omnitalk Wireless Solutions Limited	10.84 (7.77)	8.77 (5.85)	10.24 (6.92)	9.20 (6.33)
2	Arvind Murjani Brands Pvt. Ltd.	15.53 (6.26)	15.04 (7.99)	16.41 (6.62)	17.34 (11.08)
3	VF Arvind Brands Pvt. Ltd.	103.13 (100.29)	66.98 (43.08)	78.00 (43.57)	101.45 (47.15)

Company's share in :

(i) Contingent Liability in respect of guarantee given by Bank Rs. 0.63 crore (Rs. 0.35 crore)

(ii) Excise Duty Demand in Dispute Rs. 0.03 crore (Rs. 7,500/-)

(iii) Capital commitments Rs. 2.58 crore (0.22 crore).

(iv) Counter Guarantee given to ultimate holding company Rs. 52.00 crore (Rs. 28.60 crore).

(c) Financial Interest in Diesel India Fashions Arvind Private Limited has not been disclosed as the said Joint Venture has not commenced any business.

16. (A) Factory Building is taken on lease period of 20 years with the no option of renewal, no sub lease of the building and having an escalation clause for increase in lease rental by 15% after every 3 years.

The particulars of these leases are as follows : (Rs. in crore)

Particulars	2007-08	2006-07
Future Minimum lease payments obligation on non-cancellable operating leases :	65.05	71.37
Not later than one year	2.59	3.64
Later than one year and not later than Five years	14.69	15.10
Later than five years	47.77	52.63
Lease Payment recognised in Profit and Loss Account	4.30	1.59

(B) Plant and Machineries are taken on operating lease for a period of 3 to 60 months with the option of renewal.

The particulars of these leases are as follows : (Rs. in crore)

Particulars	2007-08	2006-07
Future Minimum lease payments obligation on non-cancellable operating leases :	24.77	30.91
Not later than one year	4.73	6.14
Later than one year and not later than Five years	17.81	18.09
Later than five years	2.23	6.68
Lease Payment recognised in Profit and Loss Account	8.37	8.78

(C) Rent expense includes lease rental payments towards office premises, showrooms and other facilities. Such leases are generally for a period of 11 to 108 months with the option of renewal against increased rent.

The particulars of these leases are as follows : (Rs. in crore)

Particulars	2007-08
Future Minimum lease payments obligation on non-cancellable operating leases :	85.25
Not later than one year	25.58
Later than one year and not later than Five years	49.02
Later than five years	10.65
Lease Payment recognised in Profit & Loss Account	22.48

(D) Rent Income includes Lease Rental received towards Plant and Machineries. Such operating lease is generally for a period of 5 years with the option of renewal on mutual consent and premature termination of agreement through agreed notice period.

(Rs. in crore)

Class of Assets	Gross Block		Depreciation Fund		
	As at 31-03-07	As at 31-03-08	As at 31-03-07	For the year	As at 31-03-08
Plant and Machineries	5.68	5.68	2.84	0.59	3.43

The particulars of these leases are as follows : (Rs. in crore)

Particulars	2007-08	2006-07
Future Minimum lease payments under non-cancellable operating leases :	0.17	0.26
Not later than one year	0.10	0.09
Later than one year and not later than Five years	0.07	0.17
Later than five years	Nil	Nil
Lease Income recognised in Profit and Loss Account	0.09	0.10

17. Micro & Small Enterprises Dues

The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures regarding :

(a) Amount due and outstanding to suppliers as at the end of accounting year

(b) Interest paid during the year

(c) Interest payable at the end of the accounting year

(d) Interest accrued and unpaid at the end of the accounting year, have not been given.

The Company is making efforts to get the confirmations from the suppliers as regards their status under the Act.

Notes forming part of the Accounts

18. Auditors' Remuneration :

(Rs. in crore)

Statutory Auditors	2007-2008	2006-2007
As Auditors	0.50	0.50
In Other Capacity		
Tax Audit Matters	0.18	0.11
Taxation Matters	0.08	0.06
Company Law Matters	0.26	0.07
Other Services including Certification Work	0.17	0.20
Out of Pocket Expenses	0.04	0.03
Cost Auditor		
Cost Audit Fees	0.02	0.01

19. Notes to Cash Flow Statement :

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard – 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Figures in bracket represent outflow of cash.
3. Cash and Cash Equivalents includes Rs. 0.07 crore (Previous Year Rs. 0.07 crore) not available for use by the Company.

20. Segment Reporting :

(A) Primary Segment (Business Segment) (Rs. in crore)

Particulars	2007-08	2006-07
Segment Revenue		
a) Textiles	1797.19	1508.24
b) Branded Garments	483.38	347.13
c) Others	20.93	11.93
d) Unallocable	0.16	0.12
Total Sales	2301.66	1867.42
Less :Inter Segment Revenue	30.39	19.43
Net Sales	2271.27	1847.99
Segment Results		
Segment Results before Interest & Finance Cost		
a) Textiles	157.09	178.00
b) Branded Garments	13.30	10.00
c) Others	3.46	(1.01)
d) Unallocable	(12.84)	(9.02)
Total Segment Results	161.01	177.97
Less : Interest & Finance Cost	131.40	150.26
Profit from Ordinary Activities	29.61	27.71
Extra-ordinary Items (Net)	0.00	94.29
Profit before Tax	29.61	122.00
Other Information		
Segment Assets		
a) Textiles	2340.08	2645.49
b) Branded Garments	412.71	286.61
c) Others	19.24	17.40
d) Unallocable	956.45	805.80
Total Assets	3728.48	3755.30
Segment Liabilities		
a) Textiles	185.93	241.35
b) Branded Garments	153.49	147.73
c) Others	6.79	8.20
d) Unallocable	48.96	36.68
Total Liabilities	395.17	433.96
Segment Depreciation/Impairment		
a) Textiles (Including Impairment Loss of Rs. 11.58 crore)	122.12	129.91
b) Branded Garments	7.57	6.94
c) Others	1.16	1.34
d) Unallocable	5.79	5.17
Total Depreciation/Impairment	136.64	143.36
Capital Expenditure		
a) Textiles	77.99	468.52
b) Branded Garments	65.90	21.67
c) Others	0.60	0.03
d) Unallocable	35.29	0.84
Total Capital Expenditure	179.78	491.06
Non cash expenses other than Depreciation		
a) Textiles	0.60	0.85
b) Branded Garments	0.56	2.65
c) Others	0.04	0.00
d) Unallocable	0.12	0.49
Total non cash expenses other than Depreciation	1.32	3.99

(B) Secondary Segment (Geographical by Customers)

(Rs. in crore)

Particulars	2007-08	2006-07
Segment Revenue		
a) In India	1304.09	1037.28
b) Outside India	967.18	810.71
Total Sales	2271.27	1847.99
Carrying Cost of Assets by location of Assets		
a) In India	3615.21	3667.21
b) Outside India	113.27	88.09
Total	3728.48	3755.30
Addition to Assets		
a) In India	179.78	491.06
b) Outside India	0.00	0.00
Total	179.78	491.06

Notes forming part of the Accounts

Notes :

1. The Company has disclosed business segments as the primary segment. Segments have been identified taking into account the nature of the products, differential risks and returns, the Organisational structure and internal reporting system. The Company's operations predominantly relate to manufacturing of textiles and Branded Garments.
2. Types of Products and Services in each business segment :

   Textiles : Yarn, Fabric and Garments

   Branded Garments : Branded Garments

   Others : EPABX and RAX Systems (Electronic Division), I.T. Services and Construction business
3. Intersegment Revenues are recognised at sales price.

21. Related Party Disclosures :

As per the Accounting Standard on "Related Party Disclosures" (AS 18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows :

List of Related Parties & Relationship :

Subsidiary Companies	Key Management Personnel	Joint Venture
(A)	(B)	(C)
Asman Investment Limited	Shri Sanjay S. Lalbhai, Managing Director	Arya Omnitalk Wireless Solutions Limited
Arvind Products Limited	Shri Jayesh K. Shah, Director & Chief Financial Officer	Arvind Murjani Brands Private Limited
Arvind Brands Limited		VF Arvind Brands Pvt. Ltd.
Lifestyle Fabrics Limited		Diesel Fashion India Arvind Private Limited
The Anup Engineering Limited		
Aakar Foundationwear Limited		
Arvind Worldwide Inc., USA		
Arvind Worldwide (M) Inc., Mauritius		
Arvind Overseas (M) Limited, Mauritius		
Arvind Spinning Limited, Mauritius		
Arvind Textile Mills Limited, Bangladesh		

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

Related Party Transactions :

(Rs. in crore)

Nature of Transactions	Referred in 1(A) Above		Referred in 1(B) Above		Referred in 1(C) Above	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Purchases						
Goods and Materials	47.82	41.40			82.30	57.71
Fixed Assets	0.26	2.86				
Sales						
Goods and Materials	72.27	68.11			18.21	17.69
Fixed Assets	1.35	0.66				
Expenses						
Receiving of Services	47.13	52.83			2.85	3.54
Remuneration & Other Services			2.49	2.70		
Agent Commission	0.09	0.09				
Others	0.99	0.77			0.05	0.00
Income						
Rendering of Services	35.34	29.45			36.16	14.17
Interest Income					0.82	0.00
Sale of Business					0.00	181.65
Finance						
Lease Rent Income	0.10	0.10			0.00	0.01
Loan Given/(Repaid) (Net)	(0.41)	1.13				
Lease Rent Expenses	0.76	0.67				
Guarantees & Collaterals	53.43	0.00				
Credit Balance written back	8.09	0.00				
Investments (Net)	54.05	12.99			2.28	5.47

Notes forming part of the Accounts

Nature of Transactions	Referred in 1(A) Above		Referred in 1(B) Above		Referred in 1(C) Above	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Outstanding :						
Receivable in respect of						
Current Assets	53.37	196.22			17.43	21.80
Receivable in respect of loans	141.42	141.83				
Payable in respect of						
Current Liabilities	7.55	82.94			42.71	36.88

(Rs. in crore)

Name of Subsidiary	Loans & Advances in the nature of Loans	
	Closing Balance	Maximum Outstanding
Arvind Overseas (Mauritius) Ltd.	7.91	7.91
Arvind Products Ltd.	24.00	185.63
Asman Investments Ltd.	121.65	122.34
Arvind Worldwide (M) Inc.	3.79	6.52
Arvind Worldwide Inc. USA	1.85	1.87
Arvind Brands Limited	8.88	8.88
Aakar Foundationwear Limited	0.11	0.11
Arvind Textile Mills Limited	0.01	0.01
Anup Engineering Limited	1.16	2.16
Total	169.36	335.43

Note :

1. No repayment schedule has been fixed in case of above mentioned Loans & Advances in the nature of loans given to Subsidiary Companies and they are interest free.

22. Earning Per Share (EPS) :

Particulars		2007-08	2006-07
Profit available to Equity Shareholder before Extra-ordinary Item	Rs. in crore	24.46	21.69
Profit available to Equity Shareholder after Extra-ordinary Item	Rs. in crore	24.46	115.98
Weighted average no. of Equity Shares for Basic EPS	Nos.	209482746	209377541
Weighted average no. of Equity Shares for Diluted EPS	Nos.	250482746	209377541
Nominal value of Equity Shares	Rs.	10	10
Basic Earning per Equity Share before Extra Ordinary Item	Rs.	1.17	1.04
Diluted Earning per Equity Share before Extra-ordinary Item	Rs.	0.98	1.04
Basic Earning per Equity Share after Extra-ordinary Item	Rs.	1.17	5.54
Diluted Earning per Equity Share after Extra-ordinary Item	Rs.	0.98	5.54

(Rs. in crore)

(A) Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share	2007-08	2006-07
Profit for the year before Extra-ordinary Items	27.36	25.27
Less : Dividend on redeemable cumulative non Convertible Preference Shares	2.48	3.14
Less : Tax on Preference Dividend	0.42	0.44
Profit available to Equity Shareholder before Extra-ordinary Item	24.46	21.69
Extra-ordinary Item (Net)	0.00	94.29
Profit available to Equity Shareholder after Extra-ordinary Item	24.46	115.98

(B) Weighted average number of Equity Shares	2007-08	2006-07
No. of Shares for Basic EPS	209482746	209377541
No. of Shares for Diluted EPS after considering potential equity share to be converted from warrants	250482746	209377541

23. Deferred Tax

In terms of the provisions of the Accounting Standard – 22 “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India, there is a net deferred tax asset on account of accumulated business losses and unabsorbed depreciation.

In compliance with provisions of Accounting Standard and based on General Prudence, the Company has not recognised the deferred tax asset nor written back excess deferred tax liability, while preparing the accounts of the year under review.

24. Disclosure in respect of

(a) Provision for Disputed Matters

The Company has made provisions for pending disputed matters in respect of Indirect Taxes like Sales Tax, Excise Duty and Custom Duty in respect of Branded Garment Divisions

Notes forming part of the Accounts

acquired on Amalgamation/Merger, the liability for which may arise in the future, the quantum whereof will be determined as and when the matters are disposed of.

(Rs. in crore)

Particulars	Indirect Taxes
Opening Balance	3.93
Add : Provision made	0.00
Less : Provision reversed	0.44
Closing Balance	**3.49**

(b) **Provision for Loss on Derivatives**

The Company has made provisions for loss on Derivatives, the liability for which may arise in the future, the quantum whereof will be determined as and when the derivatives are settled/ cancelled.

(Rs. in crore)

Particulars	Derivatives
Opening Balance	0.00
Add : Provision made	12.56
Less : Provision reversed	0.00
Closing Balance	**12.56**

25. **Breakup of sales (Net of Excise) :**

Class of Goods	Unit of Quantity	2007-08		2006-07	
		Quantity * in crore	Amount Rs. in crore	Quantity * in crore	Amount Rs. in crore
(A) **Textile :**					
Cloth	Meters	9.47	1020.94	10.39	1028.62
Grey	Meters	0.07	4.50	0.06	5.44
Grey	Kgs	(28,049)	0.15	0.01	0.62
Knit Fabric	Kgs	0.19	46.13	0.14	34.50
Cotton	Kgs	1.76	101.85	Nil	Nil
Yarn	Kgs	0.44	55.13	0.60	61.87
			1228.70		1131.05
(B) **Electronics :**					
EPABX/RAX	Lines	0.01	10.82	0.01	5.04
FCBC/PBT	Nos.	Nil	Nil	(149)	0.01
Delta	Lines	(6347)	1.32	(12764)	2.27
Others			5.28		4.61
			17.42		11.93
(C) **Garments** **	Nos.	2.16	819.30	1.55	605.94
(D) **Utility**			26.23		21.41
(E) **I T Services**			(Rs. 23,000/-)		0.01
(F) **Misc Sales**			59.29		41.28
Total Sales			2150.94		1811.62

* After adjusting shortages/excess, if any.

** Including 0.05 crore Garments damaged due to fire.

26. **Breakup of Raw Materials Consumed :**

Item	Unit of Quantity	2007-08		2006-07	
		Quantity in crore	Amount Rs. in crore	Quantity in crore	Amount Rs. in crore
Cotton	Kgs	5.94	306.05	7.63	345.91
Yarn/Fibre *	Kgs	1.38	197.09	0.95	151.73
Grey Cloth **	Meters	0.17	13.33	0.07	5.33
Fabric	Meters	0.26	49.41	0.51	60.14
Others			11.25		8.82
			577.13		571.93

* Net of consumption capitalized – Kgs 0.05 crore (0.09 crore), Rs. 5.86 crore (Rs. 10.91 crore)

** Net of consumption capitalized – Meters Nil (0.03 crore), Rs. Nil (Rs. 2.57 crore)

Notes forming part of the Accounts

27. Breakup of Purchases of Finished Goods :

Item	Unit of Quantity	2007-08 Quantity in crore	2007-08 Amount Rs. in crore	2006-07 Quantity in crore	2006-07 Amount Rs. in crore
Textiles :					
Cloth	Meters	0.08	9.96	0.01	1.12
Cloth	Kgs	(13,472)	0.23		
Cotton	Kgs	1.76	100.23		
			110.42		1.12
Electronics :					
Delta	Lines	(5023)	0.69	(14192)	1.44
Garments :					
Garments	Nos.	0.66	194.43	0.31	34.41
Total			305.54		36.97

28. Breakup of Finished Goods Stock :

Item	Unit of Quantity	2007-08 Quantity in crore	2007-08 Amount Rs. in crore	2006-07 Quantity in crore	2006-07 Amount Rs. in crore
Opening Stocks :					
Textiles					
Cloth	Metres	0.94	95.55	0.54	56.18
Knits Fabric	Kgs	0.03	7.00	0.02	5.28
Yarn	Kgs	0.03	2.89	0.04	3.82
			105.44		65.28
Electronics :					
FCBC/PBT	Nos.	(24)	(30074)	(149)	0.01
EPABX/RAX	Lines	0	0.00	(273)	0.01
Delta	Lines	(2040)	0.15	(612)	0.06
Others			0.00		0.01
			0.15		0.09
Garments :					
Garments	Nos.	0.34	92.83	0.02	5.82
Transfer From CWIP on Commissioning of Project	Nos.	0	0.00	0	0.00
Acquired on Merger/Amalgamation	Nos.	0	0.00	0.26	54.32
			92.83		60.14
Total			198.42		125.51

Notes forming part of the Accounts

29. Breakup of Finished Goods Stock :

Item	Unit of Quantity	2007-08 Quantity in crore	2007-08 Amount Rs. in crore	2006-07 Quantity in crore	2006-07 Amount Rs. in crore
Closing Stocks :					
Textiles :					
Cloth	Metres	0.79	89.35	0.94	95.55
Knit Fabrics	Kgs	0.04	10.20	0.03	7.00
Yarn	Kgs	0.05	4.52	0.03	2.89
			104.07		105.44
Electronics :					
FCBC/PBT	Nos.	0	0.00	(24)	(30074)
EPABX/RAX	Lines	(1597)	0.10	0	0.00
Delta	Lines	(716)	0.10	(2040)	0.15
Others			0.00		0.00
			0.20		0.15
Garments :					
Garments	Nos.	0.46	138.96	0.34	92.83
Total			243.23		198.42

30. Actual Production

Class of Goods	Unit of Quantity	2007-08 Quantity in crore	2006-07 Quantity in crore
Cloth *	Metres	9.24	10.78
Cloth **	Kgs	0.20	0.15
Yarn ***	Kgs	0.39	0.43
EPABX	Lines	0.01	0.01
Garments ****	Nos.	1.62	1.34
Yarn @	Kgs	0.06	0.16
Grey @	Meters	0.07	0.06
Grey @	Kgs	(28049)	0.01

* Net of internal consumption of 1.15 crore (0.87 crore) Metres

** Net of internal consumption of 0.18 crore (0.17 crore) Kgs

*** Net of internal consumption of 1.78 crore (1.73 crore) Kgs

**** Includes Garments produced outside the Company by Job workers

@ Semi Processed Goods meant for Sale

Note :

Quantity of cloth shown in opening stock, production and closing stock is packed cloth only and does not include loose finished cloth lying in folding/stamping department.

31. Installed Capacity

Particulars	Installed Capacity 2007-08	2006-07
Spindles	106776	106776
Rotors	7824	7824
Stitching Machines	678	678
Knitting Machines	116	105
Looms	1012	1040
EPABX/RAX System Lines	200000	200000
Garments (Pcs.)	12340000	8620000

Notes :

1. The Company is exempt from the licensing provisions of the Industrial (Development & Regulation) Act, 1951.
2. Installed Capacity is as certified by the management and relied upon by the auditors, being a technical matter.

(Rs. in crore)

32. C.I.F value of Imports

	2007-08	2006-07
(a) Capital Goods	38.40	61.74
(b) Dyes & Chemicals , Stores and Spares Parts	41.13	41.93
(c) Raw Materials & Accessories	41.59	51.36
(d) Finished Goods	2.24	2.97

Notes forming part of the Accounts

33. **Expenditure in Foreign Currency** (Rs. in crore)

	2007-08	2006-07
(a) Interest	44.63	38.97
(b) Commission	10.98	6.34
(c) Professional Consultation Fees	2.81	4.61
(d) Other Matters	23.03	27.10
Total	81.45	77.02

34. **Consumption of Imported Raw Materials and Spares** (Rs. in crore)

	2007-08		2006-07	
	Raw materials	Spares	Raw materials	Spares
Imported	53.23 9.22%	9.54 25.46%	40.67 7.11%	12.68 34.26%
Indigenous	523.90 90.78%	27.91 74.54%	531.26 92.89%	24.33 65.74%
Total	577.13 100%	37.45 100%	571.93 100%	37.01 100%

35. **Remittances in foreign Currency on account of dividends**

	2007-08	2006-07
(a) Year to which the dividend relates	N.A.	2005-06
(b) Number of non- resident shareholders to whom remittances were made	Nil	8
(c) Numbers of shares on which remittances were made	Nil	2670
(d) Amounts remitted Rs.	Nil	2854

(Rs.In crore)

36. **Earning in foreign exchange**

	2007-08	2006-07
(a) Export of goods on FOB basis	963.72	820.15
(b) Consultancy Income	0.16	3.71

37. Figures less than 50,000, which are required to be shown separately, have been shown as actual in brackets.

38. Previous year's figures are shown in brackets and are regrouped or recast wherever necessary.

Signatures to Schedules 1 to 18

As per our report attached

For **SORAB S. ENGINEER & CO.**
Chartered Accountants

CA. N.D. ANKLESARIA
Partner

Ahmedabad. 10th May, 2008

SANJAY S. LALBHAI
Chairman & Managing Director

JAYESH K. SHAH
Director & Chief Financial Officer

R. V. BHIMANI
Company Secretary

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile :

1. **Registration Details :**

Registration No.	L17119GJ1931PLC000093	State Code	04
Balance Sheet Date	31.03.08		

2. **Capital Raised During the period : (Amount in Rs. Thousand)**

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	309,200

3. **Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousand)**

Total Liabilities	37,379,526	Total Assets	37,379,526

Sources of Funds :		**Application of Funds :**	
Paid-up Capital	2,732,980	Net Fixed Assets	21,523,487
Reserves & Surplus	11,970,555	Investments	1,049,899
Secured Loans	17,749,379	Net Current Assets	10,887,972
Unsecured Loans	975,175	Miscellaneous Expenditure	94,968
Deferred Tax Liability	128,237		

4. **Performance of Company : (Amount in Rs. Thousand)**

Turnover	22,712,742	Total Expenditure	22,581,135
Profit before tax	296,135	Profit after tax	273,681

Earning per Share - Basic (Rs.)	1.17
Earning per Share - Diluted (Rs.)	0.98
Dividend Rate	Nil

5. **Generic Names of Principal Products, Services of the Company :**

Item Code No. (ITC Code)	52094200	Product Description	Denim
Item Code No. (ITC Code)	52080000	Product Description	Woven Fabrics of Cotton weighing not more than 200 g/m²
Item Code No. (ITC Code)	62034200	Product Description	Mens/Boys Trousers/ Pants & Shorts
Item Code No. (ITC Code)	62052000	Product Description	Mens/Boys Shirts

SANJAY S. LALBHAI Chairman & Managing Director

JAYESH K. SHAH Director & Chief Financial Officer

R. V. BHIMANI Company Secretary

Ahmedabad. 10th May, 2008

CONSOLIDATED FINANCIAL ACCOUNTS

Consolidated Auditors' Report

TO THE BOARD OF DIRECTORS OF ARVIND LIMITED (FORMERLY KNOWN AS THE ARVIND MILLS LIMITED) ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ARVIND LIMITED , ITS SUBSIDIARIES AND JOINT VENTURES.

We have examined the attached Consolidated Balance Sheet of ARVIND LIMITED (Formerly Known as The Arvind Mills Limited) and its subsidiaries and Joint Ventures ("Arvind Group") (excluding 5 subsidiaries and 1 Joint Venture for the reasons stated in Note No. 3 and 5 of Schedule 18 respectively) as at 31st March, 2008, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year then ended.

These consolidated 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. We have conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of four Subsidiaries whose financial statements reflect (before giving effect to the consolidation adjustments) total Assets of Rs. 193.65 crore as at 31st March, 2008 and total Revenue of Rs. 82.08 crore for the year then ended. These Financial Statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amount included in respect of these subsidiaries, is based solely on the report of the other auditors.

We did not audit the financial statements of three Joint Venture Entities whose financial statements reflect (before giving effect to the consolidation adjustments) total Assets of Rs. 129.43 crore as at 31st March, 2008 and total Revenue of Rs. 106.53 crore for the year then ended which were prepared by the management. The same has been considered for the purpose of consolidation and accepted as correct by us. Any adjustment to their balances on completion of audit could have consequential effect on the attached Consolidated Financial Statements.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' and Accounting Standard (AS) 27, 'Financial Reporting of Interests in Joint Ventures', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Arvind Group included in the consolidated financial statements.

On the basis of the information and explanations given to us, and on the consideration of the separate audit reports on individual audited financial statements of the Arvind Group, we are of the opinion that :

(a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Arvind Group as at 31st March, 2008

(b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Arvind Group for the year then ended and

(c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Arvind Group for the year then ended.

For **Sorab S. Engineer & Co.**
Chartered Accountants

CA. N. D. ANKLESARIA
Partner
Membership No. 10250

Ahmedabad
May 10, 2008

Consolidated Balance Sheet as at 31st March, 2008

(Rs. in crores)

	Schedule	As at 31.03.2008	As at 31.03.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	273.30	255.58
Reserves and Surplus	2	1113.01	1062.31
		1386.31	1317.89
Minority Interest		21.97	65.43
Loan Funds			
Secured Loans	3	2035.46	1938.19
Unsecured Loans	4	145.83	161.57
		2181.29	2099.76
Deferred Tax Liabilities (Net)		25.52	25.34
Total		3615.09	3508.42
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross Block		3509.47	3348.29
Less: Depreciation/Impairment		1136.32	957.99
Net Block		2373.15	2390.30
Capital work in progress		132.50	84.34
		2505.65	2474.64
Investments	6	16.88	18.38
Current Assets, Loans & Advances	7		
Inventories		728.11	757.51
Sundry Debtors		283.89	206.50
Cash and Bank Balances		23.41	28.20
Other Current Assets		83.06	61.77
Loans and Advances		420.26	367.54
		1538.73	1421.52
Less : Current Liabilities and Provisions	8		
Liabilities		430.62	391.96
Provisions		25.05	14.16
		455.67	406.12
Net Current Assets		1083.06	1015.40
Miscellaneous Expenditure (To the extent not written off)	9	9.50	0.00
Total		3615.09	3508.42
Notes Forming Part of Accounts	18		

As per our report attached
For **Sorab S.Engineer & Co.**
Chartered Accountants

CA. N. D. ANKLESARIA
Partner

Ahmedabad. May 10, 2008

SANJAY S. LALBHAI — Chairman & Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

Consolidated Profit & Loss Account for the year ended 31st March, 2008

(Rs. in crores)

	Schedule	2007-2008	2006-2007
INCOME :			
Sales and Operating Income	10	2654.96	2182.22
Other Income	11	20.66	18.59
		2675.62	2200.81
EXPENSES :			
Raw Materials Consumed		718.29	707.85
Purchase of Finished goods		301.41	54.11
Employees' Emoluments	12	290.43	245.58
Others	13	1021.23	868.59
Interest & Finance Costs (Net)	14	156.60	171.23
Depreciation		175.40	179.14
Exceptional Items (Net)	15	6.50	0.00
(Increase)/Decrease in Stocks	16	(20.30)	(59.38)
		2649.56	2167.12
Profit before Taxes for the year		26.06	33.69
Less : Current Tax		7.73	12.24
Less : Deferred Tax		0.03	(0.05)
Less : Fringe Benefit Tax		2.76	2.73
Add : MAT Credit Entitlement		(3.10)	(11.61)
Profit before Extra-ordinary Items		18.64	30.38
Add : Extra ordinary Items (Net)	17	0.00	94.29
Profit after Extra-ordinary Items		18.64	124.67
Less : Share of Minority Interest		3.10	3.33
		15.54	121.34
Balance as per last year's Balance Sheet		328.19	278.81
Add/(Less) : Adjustment on account of Consolidation		(62.66)	(55.70)
Net Balance		265.53	223.11
Deferred Tax Adjustment on initial adoption		0.00	(0.53)
Provision for Leave Encashment (Note No. 15)		(1.34)	0.00
Interim Dividend on Preference Shares Paid		(2.48)	(3.14)
Tax on Interim Dividend		(0.42)	(0.44)
Transferred to Capital Reserve – Pre-acquisition Profit		(1.54)	0.00
Transferred to Capital Redemption Reserve		(13.20)	(9.90)
Transferred to Debenture Redemption Reserve		0.00	(2.25)
		262.09	328.19
Balance carried to Balance Sheet		262.09	328.19
		262.09	328.19
Earning Per Share (Note No. 24)			
- Basic before extra ordinary items		0.60	0.98
- Diluted before extra ordinary items		0.50	0.98
- Basic after extra ordinary items		0.60	5.48
- Diluted after extra ordinary items		0.50	5.48
Notes Forming Part of Accounts	18		

As per our report attached
For **Sorab S.Engineer & Co.**
Chartered Accountants

CA. N. D. ANKLESARIA
Partner

Ahmedabad. May 10, 2008

SANJAY S. LALBHAI — Chairman & Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

Consolidated Cash Flow Statement for the year ended on 31st March, 2008

(Rs. in crores)

		2007-2008		2006-2007	
A	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit before extra-ordinary items		26.06		33.69
	Adjustments for:				
	Depreciation/Impairment	175.40		179.14	
	Retrenchment Compensation under VRS	(11.33)		0.00	
	Exceptional Items	6.50		0.00	
	Interest Income	(15.44)		(11.82)	
	Interest & Lease Rent Expenses	204.87		191.00	
	Income from Investment	(0.36)		(0.42)	
	Exchange Rate Difference on Loans	(33.45)		(7.95)	
	Loss/(Profit) on Sale of Investments	0.27		(6.49)	
	Bad Debts/Advances Written Off	2.36		0.45	
	Sundry Debit/(Credit) Written Off	0.06		0.27	
	Fixed Assets Written Off	0.00		0.39	
	Provision for Doubtful Debts	2.61		3.87	
	Product Development Expenses	0.00		(8.26)	
	Foreign Currency Translation Reserve	(0.09)		(0.01)	
	Loss/(Profit) on Sale of Fixed Assets	(0.50)		0.61	
			330.90		340.78
	Operating Profit before Working Capital Changes		356.96		374.47
	Working Capital Changes:				
	Changes in Inventories	56.23		(53.20)	
	Changes in Trade and Other Receivables	(134.44)		(37.62)	
	Changes in Current Liabilities	25.90		95.68	
	Net Changes in Working Capital		(52.31)		4.86
	Cash Generated From Operations		304.65		379.33
	Advance Tax and Fringe Benefit Tax Paid (Net of Income Tax Refund)		(8.28)		(15.48)
	Net Cash from Operating Activities		296.37		363.85
B	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of Fixed Assets	(209.83)		(215.00)	
	Sale Proceeds from Fixed Assets	8.89		10.18	
	Profit on Sale of Business	0.00		144.79	
	Changes in Investments	(4.24)		(5.94)	
	Changes in Loans & Advances	(1.11)		2.64	
	Income from Investment	0.36		0.42	
	Interest Income	15.88		11.42	
	Net Cash Flow from Investing Activities		(190.05)		(51.49)
C	CASH FLOW FROM FINANCING ACTIVITIES				
	Issue of Equity Shares	9.60		0.00	
	Redemption of Preference Share Capital	(13.20)		(9.90)	
	Share Premium Received	40.32		0.00	
	Issue of Warrants	21.32		0.00	
	Unclaimed Dividend	(0.01)		(0.02)	
	Interim Dividend on Preference Shares	(2.48)		(3.14)	
	Tax on Interim Dividend	(0.42)		(0.44)	
	Dividend on Equity Shares	0.00		(20.74)	
	Tax on Equity Shares	0.00		(2.94)	
	Change in Borrowings	37.35		(77.93)	
	Interest & Lease Rent Paid	(204.87)		(193.08)	
	Net Cash Flow from Financing Activities		(112.39)		(308.19)
	Net Increase/(Decrease) in Cash & Cash Equivalents		(6.07)		4.17
	Cash & Cash Equivalent at the beginning of the Period		28.20		24.03
	Adjustment due to Consolidation		1.28		0.00
			29.48		24.03
	Cash and Cash Equivalent at the end of the Period		23.41		28.20
	Notes Forming Part of Accounts	18			

Notes to Cash Flow Statement (Refer Schedule 18, Note 20)

As per our report attached
For Sorab S.Engineer & Co.
Chartered Accountants

CA. N. D. ANKLESARIA
Partner
Ahmedabad. May 10, 2008

SANJAY S. LALBHAI — Chairman & Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

SCHEDULES forming part of Consolidated Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '1': SHARE CAPITAL		
AUTHORISED		
36,00,00,000 Equity Shares (Previous Year 23,00,00,000) of Rs. 10/-each	360.00	230.00
90,00,000 Preference Shares (Previous Year 90,00,000) of Rs. 100/- each	90.00	90.00
	450.00	320.00
ISSUED & SUBSCRIBED		
EQUITY SHARES		
21,89,78,441 Equity Shares (Previous Year 20,93,78,441) of Rs.10/- each (96,00,000 Equity Shares of Rs. 10/- each allotted at a premium of Rs. 42/- per share during the year on conversion of Warrants)	218.98	209.38
PREFERENCE SHARES 69,50,000 6% Redeemable Cumulative Non Convertible Preference Shares of Rs. 100/- each (Previous Year 69,50,000)	69.50	69.50
	288.48	278.88
PAID UP (Note No. 8)		
EQUITY SHARES 21,89,77,541 Equity Shares (Previous Year 20,93,77,541) of Rs. 10/- each fully paid up. Add : 900 Shares Forfeited during the year (Paid-up amount of Rs. 4,500/- (Previous Year Rs. 4,500/-) on forfeited shares) (of the above shares 39,44,950 Equity shares have been allotted as fully paid Bonus Shares (Previous Year 39,44,950 Equity Shares) by way of capitalisation of Reserves and 16,12,268 Equity Shares (Previous Year 16,12,268 Equity Shares) allotted as fully paid in terms of scheme of Amalgamation without payment being received in cash.)	218.98	209.38
WARRANTS 4,10,00,000 Warrants (Previous Year NIL) of Rs. 52/- each, Paid up Rs. 5.20 each	21.32	0.00
PREFERENCE SHARES		
66,00,000 6% Redeemable Cumulative Non Convertible Preference Shares of Rs. 100/- each (Previous Year 66,00,000)	33.00	46.20
	273.30	255.58
SCHEDULE '2' : RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last Balance Sheet	4.61	4.61
Add : Adjustment on account of consolidation	5.38	0.00
	9.99	4.61
CAPITAL RESERVE ON CONSOLIDATION		
As per last Balance Sheet	26.62	26.62

SCHEDULES forming part of Consolidated Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '2' : RESERVES AND SURPLUS (Contd.)		
FOREIGN CURRENCY TRANSLATION RESERVE		
As per last Balance Sheet	(0.39)	(0.38)
Less : Adjustment on account of consolidation	(0.09)	(0.01)
	(0.48)	(0.39)
CAPITAL REDEMPTION RESERVE		
As per last Balance Sheet	23.30	13.40
Add : Transferred from Profit & Loss Account	13.20	9.90
	36.50	23.30
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	653.21	928.73
Add : Received during the year	40.32	0.00
Add : Adjustment on account of consolidation	57.99	0.00
Less : Utilised during the year	0.00	275.52
	751.52	653.21
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	2.25	2.00
Add/(Less) : Adjusted on account of consolidation	0.00	(2.00)
Add : Transferred from Profit & Loss Account	0.00	2.25
	2.25	2.25
REVALUATION RESERVE		
As per last Balance Sheet	24.52	0.00
Add : Created during the year	0.00	24.52
	24.52	24.52
BALANCE IN PROFIT & LOSS ACCOUNT	262.09	328.19
	1113.01	1062.31
SCHEDULE '3' : SECURED LOANS		
DEBENTURES	3.30	4.50
Add : Funded Interest	1.17	1.17
	4.47	5.67
FROM BANKS		
Cash Credit and Other Facilities	729.93	619.00
Term Loans	1041.40	1040.71
	1771.33	1659.71
FROM FINANCIAL INSTITUTIONS AND OTHERS	259.66	272.81
	259.66	272.81
	2035.46	1938.19
SCHEDULE '4' : UNSECURED LOANS		
FROM BANKS		
Term Loan	80.41	78.29
Other Facilities	49.24	78.63
FROM FINANCIAL INSTITUTIONS AND OTHERS	16.18	4.65
	145.83	161.57

Out of the above, Rs. 54.60 crores (Previous Year Rs. 84.46 crores) is payable within one year

SCHEDULE '5' : FIXED ASSETS

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
Assets	31.03.2007	Adjustment on Consolidation	Additions	Deduction/ Adjustments	As on 31.03.2008	As on 31.03.2007	Adjustment on Consolidation	Depreciation Impairment	Adjustments	As on 31.03.2008	As on 31.03.2008	As on 31.03.2007
Goodwill on Consolidation	51.65	0.00	0.00	1.00	50.65	0.00	0.00	0.00	0.00	0.00	50.65	51.65
Owned Assets												
Goodwill	326.80	0.00	0.00	0.00	326.80	0.00	0.00	0.00	0.00	0.00	326.80	326.80
Freehold Land	364.52	0.00	0.25	0.00	364.77	0.00	0.00	0.00	0.00	0.00	364.77	364.52
Leasehold Land	197.43	0.01	0.00	0.00	197.44	0.00	0.00	(Rs. 1,195/-)	0.00	0.00	197.44	197.43
Buildings	568.04	1.21	8.23	0.93	576.55	93.00	0.50	17.63	0.22	110.91	465.64	475.04
Machineries	1757.22	5.82	113.57	2.79	1873.82	837.23	4.14	147.92	0.76	988.53	885.29	919.99
Motor Vehicles	12.76	0.36	2.96	2.01	14.07	5.06	0.05	2.31	1.17	6.25	7.82	7.70
Intangibles	2.45	0.00	0.00	0.00	2.45	2.45	0.00	0.00	0.00	2.45	0.00	0.00
Office Machinery & Dead Stocks	67.42	2.35	37.63	4.48	102.92	20.25	0.46	8.14	0.67	28.18	74.74	47.17
Total	3348.29	9.75	162.64	11.21	3509.47	957.99	5.15	176.00	2.82	1136.32	2373.15	2390.30
Previous Year	3318.64	(320.87)	508.25	156.73	3349.29	1081.15	(291.20)	182.76	14.72	957.99		
Capital Work-in-Progress including advance for capital expenditure											132.50	84.34
											2505.65	2474.64

Notes :

1 Freehold Land includes Rs. 1.15 crore (Rs. 1.15 crore) relating to land at Peenya, Bangalore, which is pending registration in favour of the Company.

2 Buildings includes Rs. 1.18 crore (Rs. 1.18 crore) in respect of ownership flats in Co-Operative Housing Society and Rs. 2,500/- (Previous Year Rs. 2,500/-) in respect of shares held in Co-Operative Housing Society.

3 Net block includes Rs. 24.52 crore being the amount added on revaluation as at 1st October, 2006 and credited to Revaluation Reserve.

4 Out of current year depreciation, an amount of Rs. 0.60 crore (Previous Year Rs. 3.62 crore) has been capitalised during the year.

SCHEDULES forming part of Consolidated Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '6' : INVESTMENTS (AT COST) **		
GOVERNMENT SECURITIES (UNQUOTED)	0.01	0.01
TRADE INVESTMENTS (QUOTED)		
Fully Paid Equity Shares	11.97	11.97
INVESTMENT IN JOINT VENTURES (UNQUOTED)		
Fully Paid Equity Shares	0.05	5.47
OTHER INVESTMENTS		
Fully Paid Equity Shares (Quoted)	0.01	0.01
Fully Paid Equity Shares (Unquoted)	3.89	0.50
Fully paid Debentures / Bond / Units (Quoted)	0.00	0.07
INVESTMENTS IN SUBSIDIARY COMPANIES (Refer Note No. 3)		
Fully Paid Equity Shares (Unquoted)	34.10	34.05
CURRENT INVESTMENTS (QUOTED) ***	0.01	0.01
SHARE APPLICATION MONEY	0.55	0.00
	50.59	52.09
Less : Provision for diminution in value of Investment	(33.71)	(33.71)
	16.88	18.38

Note :

** Investments are held as long-term investments and valued at cost unless otherwise stated.

*** Valued at lower of cost or market value

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories		
Stores and Spares	53.24	49.41
Fuel	5.17	4.94
Stock in trade		
Raw Materials	177.23	298.92
Finished Goods	189.37	182.68
Finished Goods (Traded)	96.56	44.36
Goods in Transit	1.04	0.22
Work-in-Progress	204.40	175.69
Waste	1.10	1.29
	669.70	703.16
	728.11	757.51
Sundry Debtors (Unsecured)		
Outstanding for a period exceeding six months		
Considered good	26.26	24.65
Considered doubtful	13.49	11.62
Less : Provision	13.49	11.62
	0.00	0.00
	26.26	24.65
Others (Considered good)	257.63	181.85
	283.89	206.50

SCHEDULES forming part of Consolidated Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES (Contd.)		
Cash & Bank Balances		
Cash on hand	0.70	0.68
Cheques on hand	0.05	0.00
Bank Balances		
With Scheduled Banks in India		
In Current Accounts (including Rs. 0.34 crore in unpaid dividend accounts) (Previous Year Rs. 0.35 crore)	18.35	20.06
In Exchange Earners Foreign Currency A/c	0.39	1.90
In Cash Credit Account	0.50	0.41
In Savings Account (Rs. 41,275/-) (Previous Year Rs. 39,867/-)		
In Fixed Deposit Accounts (Rs. 0.07 crore lodged with Court for ESI case, Rs. 0.20 crore pledged with bank (Previous Year Rs. 0.07 crore and Rs. 0.01 crore respectively)	2.38	2.31
With Banks outside India (In books of foreign subsidiaries)	1.04	2.84
	22.66	27.52
	23.41	28.20
Other Current Assets		
Interest accrued	0.07	0.51
Other receivables	82.99	61.26
	83.06	61.77
LOANS & ADVANCES (Unsecured, considered good unless stated Otherwise)		
Loans & Advances		
Advances Receivable in Cash or kind	364.71	313.69
MAT Credit Entitlement Receivable	26.33	23.01
Other Loans	29.22	29.10
	420.26	365.80
Considered Doubtful	2.15	3.68
Less : Provision	2.15	3.68
	0.00	0.00
Loans and advances to Subsidiary Companies		
Considered Doubtful	7.91	7.91
Less : Provision	7.91	7.91
	0.00	0.00
Advance Tax paid (Net of Tax Provision)	0.00	1.74
	420.26	367.54
	1538.73	1421.52

SCHEDULES forming part of Consolidated Accounts

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '8': CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Acceptances	30.07	1.49
Sundry Creditors		
- Due to Micro and Small Enterprises (Note No. 18)	0.00	0.00
- Others	262.00	264.32
Other Liabilities	135.85	123.33
Interest accrued but not due on loans	1.76	1.71
Investor Education & Protection Fund shall be credited by the following amounts namely : @		
- Unpaid Dividend	0.34	0.35
- Unpaid Matured Deposits	0.02	0.02
- Unpaid Matured Debentures	0.25	0.36
- Interest on Deposits	0.06	0.06
- Interest on Debentures	0.27	0.32
	0.94	1.11
	430.62	391.96
Provisions		
Derivative Contracts	12.56	0.00
Pension	0.58	0.62
Taxation (Net of Advance Tax Paid)	0.62	0.00
Gratuity	0.24	4.83
Superannuation	2.11	2.00
Leave Encashment	7.00	6.59
Others	1.94	0.12
	25.05	14.16
	455.67	406.12

@ No amount is due as on 31st March, 2008 for credit to Investor Education and Protection Fund (Fund). The actual amount to be transferred to the fund in this respect will be determined on the respective due dates.

	Rs. in crores As at 31.03.2008	Rs. in crores As at 31.03.2007
SCHEDULE '9': MISCELLANEOUS EXPENDITURE		
(To the extent not written off)		
Retrenchment Compensation under VRS	11.33	0.00
Add : Adjustment on Consolidation	0.20	0.00
Less : Written Off during the year	2.03	0.00
	9.50	0.00

SCHEDULES forming part of Consolidated Accounts

	Rs. in crores 2007-2008	Rs. in crores 2006-2007
SCHEDULE '10': SALES AND OPERATING INCOME		
Sales	2554.34	2165.33
Less : Excise Duty	8.04	14.56
	2546.30	2150.77
Processing Income	14.27	11.84
(Income Tax deducted Rs. 0.72 crore - Previous Year Rs. 0.36 crore)		
Other operating Income	37.04	9.73
Gain/(Loss) on Forward Contracts	57.35	9.88
	2654.96	2182.22
SCHEDULE '11': OTHER INCOME		
Income from Investments		
From Trade Investments	0.36	0.41
From Other Investments	0.00	0.01
Other Income	11.12	11.13
(Income Tax deducted Rs. 0.09 crore previous Year Rs. 0.16 crore)		
Rent	0.18	1.09
(Income Tax deducted Rs. 0.03 crore Previous Year Rs. 0.13 crore)		
Profit on Sale of Investments	0.00	6.49
Profit/(Loss) on Sale of Fixed Assets	0.50	(0.61)
Excess Provision No Longer required (Net)	8.50	0.07
	20.66	18.59
SCHEDULE '12': EMPLOYEES' EMOLUMENTS		
Salaries, Wages, Bonus and Gratuity	258.66	211.11
Contribution to Provident Fund and Other Funds	24.07	27.50
Welfare Expenses	5.12	4.11
	287.85	242.72
Directors' Remuneration	2.49	2.24
Directors' Commission	0.09	0.62
	2.58	2.86
	290.43	245.58
SCHEDULE '13': OTHERS		
Power & Fuel	254.56	210.16
Stores consumed	295.49	261.10
Processing charges	66.35	62.70
Repairs		
Building repairs	3.24	3.05
Machinery repairs	47.58	45.99
Other repairs	10.72	7.96
	61.54	57.00
Printing, Stationery and Communication	10.28	9.20
Insurance premium	7.20	7.84
Rates & Taxes	12.14	8.82
Excise duty	0.61	1.28
Rent	54.33	33.19
Commission,Brokerage and Discount	55.56	42.35
Advertisement expenses	45.48	25.64
Freight, Insurance and Clearing Charges	35.97	34.62
Provision for doubtful debt/Advances/Contingencies	2.61	3.87
Bad Debts/Advances Written Off	2.36	0.45
Loss on Sale of Investments	0.27	0.00
Fixed Assets Written Off	0.00	0.39
Directors' fees	0.05	0.05
Other expenses	116.43	109.93
	1021.23	868.59

SCHEDULES forming part of Consolidated Accounts

	Rs. in crores 2007-2008	Rs. in crores 2006-2007
SCHEDULE '14': INTEREST AND FINANCE COSTS (NET)		
Interest		
On loans for a fixed period	131.40	119.03
Others	50.78	48.01
	182.18	167.04
Less : Interest Income		
Interest from others	15.44	11.82
(Income Tax deducted Rs. 0.40 crore - Previous Year Rs. 0.18 crore)		
Net Interest Expenses	166.74	155.22
Other Finance Cost	23.31	23.96
Exchange Rate Difference	(33.45)	(7.95)
	156.60	171.23
SCHEDULE '15': EXCEPTIONAL ITEMS		
Provision for Loss on Derivative Contracts	12.56	0.00
Retrenchment Compensation under VRS Written Off	2.03	0.00
Liability No Longer Required	(8.09)	0.00
	6.50	0.00
SCHEDULE '16': (INCREASE)/DECREASE IN STOCK		
Finished goods, Work-in-progress and Waste		
Closing Stocks	394.87	359.66
Opening Stocks	359.66	332.23
Add/(Less) : Adjustment on account of consolidation	15.59	(28.78)
	375.25	303.45
	(19.62)	(56.21)
Excise Duty in Value of Stocks - Increase/(Decrease)	(0.68)	(3.17)
(Increase)/Decrease in Stock	(20.30)	(59.38)
SCHEDULE '17': EXTRA -ORDINARY ITEMS		
Profit on Sale of Business	0.00	100.12
CENVAT Reversal	0.00	(5.83)
	0.00	94.29

SCHEDULES forming part of Consolidated Accounts

SCHEDULE 18 : NOTES FORMING PART OF CONSOLIDATED ACCOUNTS

1. BASIS OF CONSOLIDATION

Basis

(i) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard - 21 on "Consolidated Financial Statements" and relevant clarifications issued by the Institute of Chartered Accountants of India. The Consolidated Financial Statements comprise the financial statements of **The Arvind Mills Limited** and its subsidiaries and its Joint Venture entity. Reference in these notes to The Arvind Mills Limited, AML, Company, Parent Company, Companies or Group shall mean to include The Arvind Mills Limited or any of its subsidiaries and its Joint Venture entity consolidated in the financial statements, unless otherwise stated.

(ii) The Notes and Significant Policies to the Consolidated Financial Statements are intended to serve as a guide for better understanding of the Group's position. In this respect, the Company has disclosed such notes and policies, which represent the needed disclosure.

Principles

(i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. The intra-group balances and intra-group transactions and unrealised profits or losses are fully eliminated.

(ii) The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies are made, is recognised as "goodwill" being an asset in the consolidated financial statements.

(iii) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity subsequent to the dates of investments.

(iv) In case of Foreign Subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All assets and Liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on translation is accumulated in a Foreign Currency Translation Reserve in the Balance Sheet.

(v) The subsidiary companies which have closed their business and disposed of entire undertaking, and ceased to operate as going-on concern basis have been excluded from consolidation as there are no material economic resources or obligations to be disclosed in case of such companies.

(vi) The Company's interest in the Joint Venture has been consolidated on line to line basis by adding together the value of assets, liabilities, income and expenses, after eliminating the unrealised profits/ losses of intra group transactions. Joint Venture accounts have been included in segment to which they are related.

2. The List of Subsidiaries included in the Consolidated Financial Statements are as under :

Sr. No.	Name of subsidiary	Country of incorporation	Proportion of ownership as on 31st March, 2008
1	Asman Investments Limited	India	95.63%
2	Arvind Products Limited	India	53.66%
3	Arvind Brands Limited	India	99%
4	Anup Engineering Limited	India	78.38%
5	Arvind Worldwide Inc.	USA	100%
6	Arvind Worldwide (M) Inc.	Mauritius	100%

3. The List of Subsidiaries not included in the Consolidated Financial Statements are as under :

Sr. No.	Name of subsidiary	Country of incorporation	Proportion of ownership as on 31st March, 2008
1	Lifestyle Fabrics Limited	India	71.80%
2	Arvind Overseas (Mauritius) Limited	Mauritius	100%
3	Arvind Spinning Limited	Mauritius	100%
4	Arvind Textile Mills Limited	Bangladesh	100%
5	Aakar Foundationwear Limited	India	100%

Note :

1. In view of the sale of all the fixed assets and in the absence of any business activity, the accounts of Lifestyle Fabrics Limited could not be termed as prepared on a going concern basis.
2. Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited have closed their business and disposed off entire undertaking, and ceased to operate as going-on concern basis.
3. Arvind Textile Mills Limited and Aakar Foundationwear Limited have yet not commenced business operations.

   In view of above, such subsidiaries have been excluded from consolidation as there are no material economic resources or obligations to be disclosed in case of such companies. Investments in such subsidiaries are valued as per Accounting Standard 13 - "Accounting for Investments" issued by the Institute of Chartered Accountants of India.

4. The following Joint Venture entities have been included in the Consolidated Financial Statements :

Sr. No.	Name of Joint Venture	Country of incorporation	Proportion of ownership as on 31st March, 2008
1	Arya Omnitalk Wireless Solutions Limited	India	50%
2	Arvind Murjani Brands Private Limited	India	50%
3	VF Arvind Brands Private Limited	India	40%

5. The List of Joint Venture Company not included in the Consolidated Financial Statements is as under :

Sr. No.	Name of Joint Venture	Country of incorporation	Proportion of ownership as on 31st March, 2008
1	Diesel Fashion India Arvind Private Limited	India	50%

Note :

The Accounts of Joint Venture Company Diesel Fashion India Arvind Private Limited has not been considered for consolidation as it is being held for subsequent disposal in near future.

6. SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention (except so far as they relate to revaluation of certain fixed assets and providing for depreciation on revalued amounts) and accounting principles generally accepted in India.

The Accounts of the foreign subsidiaries have been prepared in accordance with local laws and applicable accounting standards/ generally accepted accounting principles.

(A) REVENUE RECOGNITION

(A.1) Sales and operating income includes sale of products, by-products and waste, income from job work services and foreign exchange differences. Sales are recognised based on passage of title to goods which generally coincides with dispatch. Revenue from export sales are recognised on shipment basis. Sales are stated net of returns, excise duty and Sales Tax/ VAT. Export incentives are accounted on accrual basis at the time of export of goods, if the entitlement can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

(A.2) Revenue from job work services and Rental Income are recognised based on the services rendered in accordance with the terms of contracts.

(A.3) Revenue in respect of projects for Construction of Plants and Systems, execution of which is spread over different accounting periods, is recognised on the basis of percentage of completion method in accordance with Accounting Standard 7 - Accounting for Construction Contracts.

Percentage of completion is determined by the proportion that contract costs incurred for work done till date bears to the estimated total contract cost.

Difference between costs incurred plus recognised profit/less recognised losses and the amount invoiced is treated as contract in progress.

Determination of revenues under the percentage of completion method necessarily involves making estimates by the Company, some of which are of a technical nature, relating to the percentage of completion, costs to completion, the expected revenue from the contract and the foreseeable losses to completion.

(A.4) Claims receivable on account of Insurance are accounted for to the extent the Company is reasonably certain of their ultimate collection.

(A.5) Dividend is accounted for as and when it is received.

(B) VALUATION OF INVENTORY

(B.1) The stock of Work-in-progress and Finished goods has been valued at the lower of cost and net realisable value. The cost has been measured on the standard cost/moving average/FIFO basis as applicable and includes cost of materials and cost of conversion.

(B.2) All other inventories of stores, consumables, raw materials (Electronics Division) are valued at cost. The stock of waste is valued at market price. The other raw materials, finished goods and stock at branches are valued at lower of cost and market value. Cost is measured on actual average for the whole year. Excise duty wherever applicable is provided on finished goods lying within the factory and bonded warehouse at the end of the year.

(C) FIXED ASSETS & DEPRECIATION

(C.1) Fixed assets are stated at their original cost of acquisition or construction/revalued cost wherever applicable less accumulated depreciation and impairment losses. Cost comprises of all costs incurred to bring the assets to their location and working condition and includes all expenses incurred up to the date of launching new stores to the extent they are attributable to the new store.

(C.2) Depreciation on Revalued Fixed Assets is calculated on the residual life of the assets or as per rates specified in the Schedule XIV to the Companies Act , 1956, whichever is higher.

(C.3) Additions to fixed assets have been stated at cost net of CENVAT.

(C.4) Directly identifiable preoperative expenses of new projects of capital nature under implementation are carried forward under capital work-in-progress, pending capitalisation.

(C.5) Depreciation on additions to Fixed Assets has been provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956, as existing at the time of capitalisation except for motor vehicles where depreciation has been provided at 20/25%.

(C.6) Depreciation on leasehold improvements in case of Branded Garment divisions has been provided at 10% and in case of Furniture given to Employees it has been provided at 18%.

(C.7) Depreciation on impaired asset is provided on the asset's revised carrying amount, over its remaining useful life.

(C.8) Individual assets costing less than Rs. 5,000/- have been fully depreciated in the year of purchase on pro-rata basis.

(C.9) In the case of foreign subsidiaries, depreciation has been provided as per the rates permitted under the local laws/at such rate so as to write off the assets over its useful life.

(C.10) Premium on Leasehold Land is amortised over the period of lease.

(D) INVESTMENTS

Long-term investments are stated at cost less permanent diminution in value, if any. Current investments are stated at lower of cost and net realisable value.

(E) IMPAIRMENT OF ASSETS

An asset is considered as impaired in accordance with Accounting Standard - 28 on Impairment of Assets when at Balance Sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Profit and Loss Account.

(F) FOREIGN CURRENCY TRANSACTIONS

(F.1) The foreign currency monetary items consisting of loans, trade receivables, payables and balances in bank accounts at the end of year have been restated at the rate prevailing at the Balance Sheet date. The difference arising as a result has been accounted as income/expense as per the Accounting Standard - 11 (Revised 2003) on "Accounting for the Effects of Changes in Foreign Exchange Rates" issued by The Institute of Chartered Accountants of India.

(F.2) The premium or discount arising at the inception of the forward exchange contracts, or other financial instruments that are in substance forward exchange contracts is amortised as expense or income over the life of the contracts.

(F.3) Realised gain or loss on cancellation of forward exchange contracts are recognised in the Profit and Loss Account of the period in which they are cancelled.

(F.4) Forward Contracts remaining unsettled at the Balance Sheet date are revalued at the closing rate and exchange difference arising on such revaluation is charged to Profit and Loss Account.

(F.5) Expenses of overseas offices are translated and accounted at the monthly average rate.

(F.6) Non-monetary items in the form of investments in the shares of foreign subsidiary companies are reported at the rate of exchange prevailing on the date of investment.

(G) DERIVATIVES & COMMODITY HEDGING TRANSACTIONS

(G.1) The derivative instruments for hedging risk arising out of movement in the foreign currency vis-a-vis Indian rupees, interest rates and prices of Cotton are measured based on available market data with respect to spot price of underlying instrument, time duration of the derivative instrument, volatility, interest rates etc. and accepted pricing methods/ models.

(G.2) Currency Swaps which are outstanding as on Balance Sheet date are marked to market and net depreciation is charged to Profit and Loss Account.

(G.3) The Commodity hedging contracts are accounted on the date of their settlement and realised gain/(loss) in respect of contracts are recognised in the Profit and Loss Account.

(H) EMPLOYEE BENEFITS

(H.1) The Company has Defined Contribution Plans for post employment benefits namely Provident Fund and Superannuation Fund which are recognised by the Income Tax Authorities. These funds are administered through trustees and the Company's contributions thereto are charged to revenue every year. The Company also pays insurance premiums to fund a post-employment medical assistance scheme, a Defined Contribution Plan administered by ICICI Lombard General Insurance Company Limited which are charged to revenue every year. The Company's Contribution to State Plans namely Employee's State Insurance Fund and Employee's Pension Scheme are charged to revenue every year.

(H.2) The Company has Defined Benefit Plans namely leave encashment/compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end and incremental liability, if any, is provided for in the books. Gratuity scheme is administered through trust recognised by the Income Tax Authorities and/or by LIC.

(H.3) Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

(H.4) Compensation under voluntary retirement scheme is amortised over a period from the introduction of scheme up to 31st March, 2010.

(I) BORROWING COST

Borrowing costs includes interest, fees and other charges incurred in connection with the borrowing of funds and is considered as revenue expenditure for the year in which it is incurred except for borrowing costs attributed to the acquisitions/improvement of qualifying capital asset and incurred till the commencement of commercial use of the asset and which is capitalised as cost of that asset.

(J) LEASE RENTAL

(J.1) Lease rental payable on assets taken on lease have been treated as finance cost to be amortised over useful life of the assets.

(J.2) Lease Rentals for assets taken on operating lease are recognised as an expense in Profit and Loss Account on a straight-line basis over the lease term.

(K) TAXES ON INCOME

(K.1) Tax expense consists of both current as well as deferred tax liability. Current tax represents amount of income tax payable including the tax payable u/s 115JB, if any, in respect of taxable income for the year.

(K.2) MAT Credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax within the specified period.

(K.3) Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year that originates in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

(K.4) Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(K.5) Fringe Benefits Tax (FBT) payable under the provisions of Section 115 WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI regarded as an additional income tax and considered in determination of the profits for the year.

(L) EARNING PER SHARE

The Company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard - 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

(M) CONTINGENT LIABILITIES

Provision is made for all known liabilities. Contingent liabilities, if any, are disclosed in the accounts by way of a note.

(N) CAPITAL ISSUE EXPENSES

Expenses on issue of Shares, Debentures and GDRs are being adjusted against Share Premium Account as permitted by Section 78 of the Companies Act.

(O) ACCOUNTING FOR JOINT VENTURE

Accounting for Joint Venture has been done as follows :

Type of Joint Venture	Accounting Treatment
Jointly Controlled Entity	Company's share of profit or loss accounted on determination of profits or loss by the Joint Venture and the net investment in the Joint Venture reflected as investment

Joint Venture interests accounted as above have been included in segments to which it relate.

7. CONTINGENT LIABILITIES

(a) Bills discounted Rs. 87.65 crore (Rs. 83.96 crore).

(b) Guarantees given by the Banks on behalf of the Company Rs. 15.79 crore (Rs. 14.59 crore).

(c) Guarantees given by the Company on behalf of other Company Rs. 68.47 crore (Rs. 2.00 crore).

(d) Income Tax demands, Excise/Custom Duty demands, Sales Tax demands and Service Tax Demands Rs. 0.41 Crore (Rs. 0.66 crore), Rs. 30.24 crore (Rs. 35.79 crore), Rs. 16.01 crore (Rs. 15.24 crore) and Rs. 0.53 crore (Rs. 0.14 crore) respectively.

(e) Other demands in dispute Rs. 11.34 crore (Rs. 14.49 crore).

(f) Dividend on redeemable cumulative non convertible preference shares Rs. 0.74 crore (Rs. 43.70 crore). Out of this, Rs. Nil crore (Rs. 42.96 crore) are payable to Minority Shareholders of the Company.

(g) Liability for Recompense Payment Rs. 72.92 crores (Rs. 65.05 crores). The payment and the rate at which Recompense Payment is payable is contingent on the repayment of the total outstanding to the Restructured Lenders in terms of the Scheme of Restructuring approved by the High Court of Gujarat.

8. EQUITY SHARES AND WARRANTS

During the year, the Company has issued on a preferential basis 5,06,00,000 warrants at an issue price of Rs. 52/- to Promoters/ Promoter Group which are convertible into 5,06,00,000 equity shares of Rs. 10/- each at a premium of Rs. 42/- at any time after the date of allotment but on or before the expiry of 18 months from the date of allotment, in one or more tranches. Out of the above, 96,00,000 warrants have been converted in to equity shares.

9. The estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 37.12 crore (Rs. 29.15 crore).

10. Other Liabilities include Rs. 2.45 crore (Rs. 3.71 crore) on account of book overdraft.

11. Current Assets includes Rs. 0.12 crore (Previous Year Rs. 0.03) due from subsidiary companies. Current Liabilities includes Rs. Nil (Previous Year Rs. 8.09 crore) due to subsidiary companies.

12. IMPAIRMENT OF FIXED ASSETS

In accordance with the Accounting Standard - 28 on "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the management has carried out impairment test on individual assets and/or cash generating units in respect of its economic life of fixed assets and have reviewed the potential generation of economic benefits from the fixed assets and have concluded that some of the fixed assets employed in continuing business are unlikely to generate adequate economic returns over their useful lives. Consequently, some of the items of Plant & Machineries of Textile Segment are written down to their recoverable amount, being the residual realisable value as per the report of approved valuer.

In accordance with the said standard, impairment loss amounting to Rs. 11.58 crore is charged to Profit and Loss Account.

13. DERIVATIVES

Consequent to the Announcement made by the Institute of Chartered Accountants of India, based on the principle of prudence, the Company has provided for the loss of Rs. 12.56 crore on the forex derivatives entered into by the Company and outstanding on the Balance Sheet date, on account of marking these derivatives to market (MTM).

14. There was a major fire in one of the godowns of the Company's Branded Garment on 05/03/2008 on account of which Garment Stock of approximately 0.05 crore pieces were destroyed. The claim has been lodged based on the realisable value as per the preliminary assessment pending final settlement. The Company has received Rs. 10 crore as on account payment from the Insurance Company.

15. EMPLOYEE BENEFITS

Consequent to the adoption of Accounting Standard on Employee Benefits (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made as required by the Standard :

An amount of Rs. 1.34 crore being the difference between the liabilities as on March 31, 2007 on account of Leave Encashment/ Compensated Absences determined based on the revised AS 15 and the liability as per the Company's previous accounting policy has been adjusted against the opening balance of Profit and Loss Account, in terms of Transitional Provision of AS 15 (revised).

16. DISCLOSURE IN RESPECT OF CONSTRUCTION/JOBWORK CONTRACTS

Sr.		Particulars	Rs. in crore
1.		Amount of Contract Revenue recognised	2.09
2.		Disclosure in respect of contracts in progress at the reporting date	
	A	Contract cost incurred and recognised profits less recognised losses up to the reporting date	1.84
	B	Progress billings	1.84
	C	Due from customers	Nil
	D	Due to customers	Nil

17. (A) Factory Building, Office Premises, Plant and Machineries, Showrooms and other facilities are taken on lease for the period of 3 months to 20 years with/without the option of renewal, no sub lease and having an escalation clause for increase in lease rental.

The particulars of these leases are as follows:

(Rs. in crore)

Particulars	2007-08	2006-07
Future Minimum lease payments obligation on non-cancellable operating leases :	188.66	136.20
Not later than one year	38.07	18.00
Later than one year and not later than Five years	89.95	58.99
Later than five years	60.65	59.31
Lease Payment recognised in Profit and Loss Account	38.82	37.93

(B) Rent Income includes Lease Rental received towards Plant & Machineries. Given on operating leases which are generally for a period of 12 to 60 months with the option of renewal on mutual consent and premature termination of agreement through agreed notice period.

(Rs. in crore)

Class of Assets	Gross Block		Depreciation
	As at 31-03-07	As at 31-03-08	For the Year
Plant & Machinery	1.26	1.26	0.13

The particulars of these leases are as follows:

(Rs. in crore)

Particulars	2007-08	2006-07
Future Minimum lease payments under non-cancellable operating leases :	0.17	2.60
Not later than one year	0.17	0.38
Later than one year and not later than Five years	0.00	2.22
Later than five years	0.00	Nil
Lease Income recognised in Profit & Loss Account	0.17	0.38

18. MICRO & SMALL ENTERPRISES DUES

The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures regarding:

(a) Amount due and outstanding to suppliers as at the end of accounting year

(b) Interest paid during the year

(c) Interest payable at the end of the accounting year

(d) Interest accrued and unpaid at the end of the accounting year, have not been given.

The Company is making efforts to get the confirmations from the suppliers as regards their status under the Act

19. AUDITORS' REMUNERATION:

(Rs. in crore)

	2007-08	2006-07
Statutory Auditors		
As Auditors	0.75	0.65
In other capacities	0.83	0.57
Travelling and Out of Pocket Expenses	0.05	0.04
Cost Auditor		
Cost Audit Fees	0.03	0.02

20. NOTES TO CASH FLOW STATEMENT:

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements.
2. Figures in bracket represent outflow of cash.
3. Anup Engineering Limited has become subsidiary of the Company during the year by conversion of loan into equity and hence it is a non cash transaction for the Company. Cash and Cash Equivalent at the beginning of the year of Anup Engineering Limited has been included in Adjustment due to Consolidation.
4. Cash and Cash Equivalents include Rs. 0.27 crore (Rs. 0.08 crore) not available for use by the Company.

21. SEGMENT REPORTING :

(A) Primary Segment (Business Segment)

(Rs. in crore)

Particulars	2007-08	2006-07
Segment Revenue		
a) Textiles	2019.16	1826.29
b) Branded Garments	575.84	353.91
c) Others	95.51	21.33
d) Unallocable	0.16	0.12
Total Sales	2690.67	2201.65
Less : Inter Segment Revenue	35.71	19.43
Net Sales	2654.96	2182.22
Segment Results		
Segment Results before Interest & Finance Cost		
a) Textiles	178.24	209.79
b) Branded Garments	(1.08)	6.17
c) Others	18.34	(1.90)
d) Unallocable	(12.84)	(9.14)
Total Segment Results	182.66	204.92
Less : Interest & Finance Cost	156.60	171.23
Profit from Ordinary Activities	26.06	33.69
Extra Ordinary Items (Net)	0.00	94.29
Profit before Tax	26.06	127.98
Other Information		
Segment Assets		
a) Textiles	2600.28	2790.36
b) Branded Garments	462.43	293.31
c) Others	69.34	25.07
d) Unallocable	929.21	805.80
Total Assets	4061.26	3914.54
Segment Liabilities		
a) Textiles	240.08	229.47
b) Branded Garments	170.23	151.37
c) Others	21.92	13.94
d) Unallocable	48.96	36.68
Total Liabilities	481.19	431.46
Segment Depreciation/Impairment		
a) Textiles (Including Impairment Loss of Rs. 11.58 crore)	159.09	165.34
b) Branded Garments	8.87	7.14
c) Others	1.65	1.49
d) Unallocable	5.79	5.17
Total Depreciation	175.40	179.14
Capital Expenditure		
a) Textiles	101.76	484.17
b) Branded Garments	70.45	21.99
c) Others	0.60	0.25
d) Unallocable	37.63	0.84
Total Capital Expenditure	210.44	507.25
Non cash expenses other than Depreciation		
a) Textiles	4.45	3.65
b) Branded Garments	0.56	0.55
c) Others	0.04	0.29
d) Unallocable	0.12	0.49
Total Non cash expenses other than Depreciation	5.17	4.98

(B) Secondary Segment (Geographical by Customers) (Rs. in crore)

Particulars	2007-08	2006-07
Segment Revenue		
a) In India	1683.80	1308.69
b) Outside India	971.16	873.53
Total Sales	2654.96	2182.22
Carrying Cost of Assets by location of Assets		
a) In India	3937.81	3807.98
b) Outside India	123.45	106.56
Total	4061.26	3914.54
Addition to Assets		
a) In India	210.44	505.18
b) Outside India	0.00	2.07
Total	210.44	507.25

Notes:

1. The Company has disclosed business segments as the primary segment. Segments have been identified taking into account the nature of the products, differential risks and returns, the organisational structure and internal reporting system. The company's operations predominantly relate to manufacturing of textiles.
2. Types of Products and Services in each business segment :

   Textiles : Yarn, Fabric and Garments

   Branded Garments : Branded Garments

   Others : EPABX and RAX Systems (Electronic Division), I.T. Services & Engineering
3. Inter segment Revenues are recognised at sales price.

22. Related Party Disclosures :

As per the Accounting Standard on "Related Party Disclosures" (AS 18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows :

List of Related Parties & Relationship :

Subsidiary Companies *	Key Management Personnel	Joint Venture *
(A)	(B)	(C)
Lifestyle Fabrics Limited	Shri Sanjay S. Lalbhai, Managing Director	Diesel Fashion India Arvind Private Limited
Arvind Overseas (M) Limited, Mauritius	Shri Jayesh K. Shah, Director & Chief Financial Officer	
Arvind Spinning Limited, Mauritius	Shri Arvind N. Lalbhai, Chairman & Managing Director	
Arvind Textile Mills Limited, Bangladesh		
Aakar Foundationwear Limited		

* Excluded for consolidation.

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

Nature of Transactions (Rs. in crore)

	Referred in (A) Above		Referred in (B) Above		Referred in (C) Above	
	2007-08	2006-07	**2007-08**	2006-07	**2007-08**	2006-07
Purchases						
Goods and Materials					**0.00**	57.66
Sales						
Goods and Materials					**0.00**	17.73
Expenses						
Remuneration & Other Services			**2.49**	2.70	**0.00**	0.01
Income						
Rendering of Services					**0.00**	12.22
Finance						
Loan Given/(Repaid) (Net)	**0.00**	(2.92)				
Sale of Business					**0.00**	181.65
Investments (Net)	**0.05**	0.34			**0.05**	5.47
Credit Balance Written Back	**8.09**	0.00				
Outstanding :						
Receivable in respect of :						
(a) Current Assets	**0.12**	0.03			**0.00**	9.38
(b) Loans	**7.91**	7.91				
Payable in respect of :						
(a) Current Liabilities	**0.00**	8.09			**0.00**	36.50

(Rs. in crore)

Name of Subsidiary	Loans & Advances in the nature of Loans	
	Closing Balance	Maximum Outstanding
Arvind Overseas (Mauritius) Limited	7.91	7.91
Arvind Textile Mills Limited	0.01	0.01
Aakar Foundationwear Limited	0.11	0.11
Total	**8.03**	**8.03**

Note : No repayment schedule has been fixed in case of above mentioned Loans & Advances in the nature of loans given to Subsidiary Companies and they are interest free.

23. DISCLOSURE IN RESPECT OF PROVISIONS

(a) Provision for Disputed Matters

The Company has made provisions for pending disputed matters in respect of Indirect Taxes like Sales Tax, Excise Duty and Custom Duty in respect of Branded Garment Divisions acquired on Amalgamation/Merger, the liability for which may arise in the future, the quantum whereof will be determined as and when the matters are disposed off.

(Rs. in crore)

Particulars	Indirect Taxes
Opening Balance	3.93
Add : Provision made	0.00
Less : Provision reversed	0.44
Closing Balance	3.49

(b) Provision for Loss on Derivatives

The Company has made provisions for loss on Derivatives, the liability for which may arise in the future, the quantum whereof will be determined as and when the derivatives are settled/cancelled.

(Rs. in crore)

Particulars	Derivatives
Opening Balance	0.00
Add : Provision made	12.56
Less : Provision reversed	0.00
Closing Balance	12.56

24. EARNING PER SHARE (EPS) :

Particulars		2007-08	2006-07
Profit available to Equity Shareholder before Extra-ordinary Item	Rs. in crore	12.64	20.48
Profit available to Equity Shareholder after Extra-ordinary Item	Rs. in crore	12.64	114.77
Weighted average no. of Equity Shares for Basic EPS	Nos.	209482746	209377541
Weighted average no. of Equity Shares for Diluted EPS	Nos.	250482746	209377541
Nominal value of Equity Shares	Rs.	10	10
Basic Earning per Equity Share before Extra-ordinary Item	Rs.	0.60	0.98
Diluted Earning per Equity Share before Extra-ordinary Item	Rs.	0.50	0.98
Basic Earning per Equity Share after Extra-ordinary Item	Rs.	0.60	5.48
Diluted Earning per Equity Share after Extra-ordinary Item	Rs.	0.50	5.48

(Rs.in crore)

(A)	Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share	2007-08	2006-07
	Profit for the year before Extra-ordinary Items	15.54	27.05
	Less: Dividend on redeemable cumulative non Convertible Preference Shares	2.48	5.76
	Less : Tax on Preference Dividend	0.42	0.81
	Profit available to Equity Shareholder before Extra-ordinary Item	12.64	20.48
	Extra Ordinary Item (Net)	0.00	94.29
	Profit available to Equity Shareholder after Extra-ordinary Item	12.64	27.05

(B)	Weighted average number of Equity Shares	2007-08	2006-07
	No. of Shares for Basic EPS	209482746	209377541
	No. of Shares for Diluted EPS after considering Potential equity share to be converted from warrants	250482746	209377541

25. DEFERRED TAX

In accordance with the mandatory Accounting Standard - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company is accounting for deferred tax.

In compliance with provisions of Accounting Standard, during the year under review, total deferred tax liability of Rs. 0.03 crore has been provided.

However, based on General Prudence, the Company has not recognised the deferred tax assets on account of accumulated business losses and unabsorbed depreciation nor written back excess deferred tax liability.

26. CAPITAL RESERVE ON CONSOLIDATION

Capital Reserve on consolidation represents the losses in the value of the investments in subsidiary companies provided by the Arvind Mills Limited (Holding Company) in accordance with the scheme of arrangement sanctioned by the High Court of Gujarat.

27. Figures less than Rs. 50,000/- which are required to be shown separately, have been shown as actual in brackets.

28. Previous year's figures not comparable with those of the current year as previous figures does not include figures of Joint Venture Company VF Arvind Brands Private Limited.

29. Previous year's figures are shown in brackets and are regrouped or recast wherever necessary.

Signatures to Schedules 1 to 18

As per our report attached
For **Sorab S. Engineer & Co.**
Chartered Accountants

CA. N. D. ANKLESARIA
Partner

Ahmedabad
10th May, 2008

SANJAY S. LALBHAI
Chairman & ManagingDirector

JAYESH K. SHAH
Director & Chief Financial Officer

R. V. BHIMANI
Company Secretary

Financial Statements – year ended March 31, 2008

Dear Shareholder

The Board of Directors is pleased to present the financial statements of The Arvind Overseas (Mauritius) Limited for the year ended March 31, 2008, the contents of which are listed below:

All shareholders agree that the Annual Report need not comply with Section 218 of the Companies Act, 2001.

This report was approved by the Board of Directors on 16th May, 2008.

SANJAY S. LALBHAI
Director

SAMVEG A. LALBHAI
Director

Report of the Auditors to the Members

We have audited the financial statements of The Arvind Overseas (Mauritius) Limited set out on pages 80 to 84.

This report is made solely to the company's members, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit, for this report or for the opinion we have formed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.We beleive that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, which has been prepared under the break up basis, gives a true and fair view of the state of affairs of the company as at March 31, 2008 and of its loss for the year then ended.

BDO DE CHAZAL DU MEE
Chartered Accountants

Port Louis,
Mauritius.

Per Georges Chung Ming Kan F.C.C.A

Date : 16th May, 2008

Balance Sheet - March 31, 2008

		2008		2007	
ASSETS	Notes	Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs**
Current assets					
Amount receivable from related parties		0	0.00	40,377,272	545.09
Cash and cash equivalents		1,731,959	27.19	1,816,669	24.53
Total assets		1,731,959	27.19	42,193,941	569.62
EQUITY AND LIABILITIES					
Capital and deficit					
Share capital	3	238,517,100	3,744.72	238,517,100	3,219.98
Revenue deficit		(236,785,141)	(3,717.53)	(196,323,159)	(2,650.36)
Equityholders' interest		1,731,959	27.19	42,193,941	569.62

SANJAY S.LALBHAI
DIRECTOR

SAMVEG A.LALBHAI
DIRECTOR

Income Statement - Year Ended March 31,2008

		2008		2007	
	Notes	Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs**
Administrative expenses		(37,317)	(0.60)	(6,789,021)	(91.66)
Net finance (costs)/income	4	(47,393)	(0.74)	1,865,161	25.19
Loss before exceptional item		(84,710)	(1.34)	(4,923,860)	(66.47)
Exceptional item	5	(40,377,272)	(633.92)	(7,160,823)	(96.67)
Loss for the year	6	(40,461,982)	(635.26)	(12,084,683)	(163.14)

These financial statements have been approved for issue by the Board of Directors on : 16th May, 2008.

SANJAY S.LALBHAI
DIRECTOR

SAMVEG A.LALBHAI
DIRECTOR

The notes on pages 82 to 83 form an integral part of these financial statements.

Auditors' report on page 79.

* The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)

** The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)

Statement of Changes In Equity - Year Ended March 31, 2008

	Share Capital		Revenue Deficit		Total	
	Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs*
Balance at April 1, 2007	238,517,100	3744.72	(196,323,159)	(3082.27)	42,193,941	662.45
Loss for the year	0	0.00	(40,461,982)	(635.25)	(40,461,982)	(635.25)
Balance at March 31, 2008	238,517,100	3,744.72	(236,785,141)	(3,717.52)	1,731,959	27.20
Balance at April 1, 2006	238,517,100	3219.98	(184,238,876)	(2487.22)	54,278,224	732.76
Loss for the year	0	0.00	(12,084,283)	(163.14)	(12,084,283)	(163.14)
Balance at March 31, 2007	238,517,100	3,219.98	(196,323,159)	(2,650.36)	42,193,941	569.62

Auditors' report on page 79.

* The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)

** The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)

Cash Flow Statement - Year Ended March 31, 2008

	Notes	2008		2007	
		Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs**
Cash flows from operating activities					
Cash absorbed in operations	7(a)	(84,710)	(1.33)	(15,110,700)	(203.99)
Net cash used in operating activities		(84,710)	(1.33)	(15,110,700)	(203.99)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		0	0.00	15,130,000	204.26
Net cash from investing activities		0	0.00	15,130,000	204.26
(Decrease)/increase in cash and cash equivalents		(84,710)	(1.33)	19,300	0.27
Movement in cash and cash equivalents:					
At April 1,		1,816,669	28.52	1,797,369	24.26
(Decrease) / Increase		(84,710)	(1.33)	19,300	0.26
At March 31,	7(b)	1,731,959	27.19	1,816,669	24.52

The notes on pages 83 to 84 form an integral part of these financial statements.
Auditors' report on page 79.

* The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)
** The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)

Notes to the Financial Statements - Year Ended March 31, 2008

1. GENERAL INFORMATION

The Arvind Overseas (Mauritius) Limited is a private company incorporated and domiciled in Mauritius. The address of its registered office is 10, Frère Félix de Valois Street, Port Louis,

Mauritius and the place of business is at La Tour Koenig, Pointe aux Sables. Its immediate and ultimate holding company is The Arvind Mills Ltd, incorporated in India. The company ceased business in August 2004. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the company.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) **Basis of preparation**

The financial statements of The Arvind Overseas (Mauritius Limited) have been prepared under the **break up basis**. All assets have been stated at the lower of cost and net realisbale value. All long term assets have been reclassified as current.

(b) **Foreign currencies**

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(c) **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(d) **Provisions**

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

Notes to the Financial Statements - Year Ended March 31, 2008

		2008		2007	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
3.	SHARE CAPITAL				
	AUTHORISED				
	2,500,000 ordinary shares of Rs. 100 each	250,000,000	3,925.00	250,000,000	3,375.00
	ISSUED AND FULLY PAID				
	2,385,171 ordinary shares of Rs. 100 each	238,517,100	3,744.72	238,517,100	3,219.98
4.	NET FINANCE (COSTS) / INCOME				
	Net foreign exchange transaction (Losses)/gains	(47,393)	(0.74)	1,865,561	25.19
5.	EXCEPTIONAL ITEM				
	Amount receivable from related parties written off	(40,377,272)	(633.92)	(7,160,823)	(96.67)
		(40,377,272)	(633.92)	(7,160,823)	(96.67)
6.	LOSS FOR THE YEAR				
	The loss for the year is arrived at after:				
	Charging				
	Loss on disposal of property ,plant and equipment	0	0.00	2,370,000	32.00
7.	NOTES TO THE CASH FLOW STATEMENT				
	(a) Cash absorbed in operations				
	Loss for the year	(40,461,982)	(635.25)	(12,084,283)	(163.14)
	Adjustment for:				
	Loss on disposal of property, plant and equipment	0	0.00	2,370,000	32.00
		(40,461,982)	(635.25)	(9,714,283)	(131.14)
	Changes in working capital:				
	- Amounts receivable from related parties	40,377,272	633.92	(5,396,417)	(72.85)
	Cash absorbed in operations	(84,710)	(1.33)	(15,110,700)	(203.99)
	(b) Cash and cash equivalents				
	Cash and bank balances	1,731,959	27.19	1,816,669	24.53

8. DEFERRED TAXATION

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of related tax benefit is probable. The company has tax losses of Mau. Rs. 388,944,132 Rs. In Lacs 6,106.42* (2007 : Mau Rs. 388,859, 422 Rs. in Lacs 5,249.60**) to carry forward against future taxable income, which have not been recognised in these financial statements due to cessation of business.

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* The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)

** The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)

Financial Statements – year ended March 31, 2008

Dear Shareholder

The Board of Directors is pleased to present the financial statements of Arvind Spinning Ltd. for the year ended March 31, 2008, the contents of which are listed below :

All shareholders agree that the Annual Report need not comply with Section 218 of the Companies Act, 2001.

This report was approved by the Board of Directors on 16th May, 2008.

SANJAY S. LALBHAI
Director

JAYESH K. SHAH
Director

Report of the Auditors to the Members

We have audited the financial statements of Arvind Spinning Ltd set out on pages 86 to 90.

This report is made solely to the Company's members, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit, for this report or for the opinion we have formed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, which has been prepared under the **break up basis**, gives a true and fair view of the state of affairs of the Company as at March 31, 2008 and of its **Loss** for the year then ended.

BDO DE CHAZAL DU MEE

Chartered Accountants

Per **Georges Chung Ming Kan F.C.C.A.**

Port Louis

Mauritius

Date : 16th May, 2008

Balance Sheet - March 31, 2008

	Notes	2008 Mau. Rs.	2008 Rs.in Lacs*	2007 Mau. Rs.	2007 Rs.in Lacs**
ASSETS					
Current assets					
Cash and cash equivalents		597,370	9.38	598,656	8.08
Total assets		597,370	9.38	598,656	8.08
EQUITY AND LIABILITIES					
Capital and deficit					
Share capital	3	82,409,966	1,293.84	82,409,966	1,112.53
Revenue deficit		(81,812,596)	(1,284.46)	(81,811,310)	(1,104.45)
Total capital and deficit		597,370	9.38	598,656	8.08

SANJAY S. LALBHAI
Director

JAYESH K. SHAH
Director

Income Statement - Year Ended March 31,2008

	Notes	2008 Mau. Rs.	2008 Rs.in Lacs*	2007 Mau. Rs.	2007 Rs.in Lacs**
Administrative expenses		(1,286)	(0.02)	(3,130,050)	(42.25)
Loss before taxation		(1,286)	(0.02)	(3,130,050)	(42.25)
Exceptional items	4	0	0.00	7,160,823	96.67
(Loss) / Profit for the year	5	(1,286)	(0.02)	4,030,773	54.42

These financial statements have been approved for issue by the Board of Directors on: 16th May, 2008.

SANJAY S. LALBHAI
Director

JAYESH K. SHAH
Director

The notes on pages 87 to 88 form an integral part of these financial statements.

Auditors' report on page 84.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)

** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)

Statement of Changes In Equity - Year Ended March 31, 2008

	Share Capital		Revenue Deficit		Total	
	Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs*
Balance at April 1, 2007	82,409,966	1,293.84	(81,811,310)	(1,284.44)	598,656	9.40
Loss for the year	0	0.00	(1,286)	(0.02)	(1,286)	(0.02)
Balance at March 31, 2008	82,409,966	1,293.84	(81,812,596)	(1,284.46)	597,370	9.38
Balance at April 1, 2006	82,409,966	1,112.53	(85,842,083)	(1,158.87)	(3,432,117)	(46.34)
Profit for the year	0	0.00	4,030,773	54.42	4,030,773	54.42
Balance at March 31, 2007	82,409,966	1,112.53	(81,811,310)	(1,104.45)	598,656	8.08

Auditors' report on page 85.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)

** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35

Cash Flow Statement - Year Ended March 31, 2008

	Notes	2008		2007	
		Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs**
Cash flows from operating activities					
Cash absorbed in operations	6(a)	(1,286)	(0.02)	(8,778,270)	(118.51)
Net cash used in operating activities		(1,286)	(0.02)	(8,778,270)	(118.51)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		0	0.00	9,390,738	126.77
Net cash from investing activities		0	0.00	9,390,738	126.77
Net (decrease)/increase in cash and cash equivalents		(1,286)	(0.02)	612,468	8.26
Movement in cash and cash equivalents					
At April 1,		598,656	9.40	(13,812)	(0.19)
(Decrease)/increase		(1,286)	(0.02)	612,468	8.27
At March 31,	6(b)	597,370	9.38	598,656	8.08

The notes on pages 89 to 90 form an integral part of these financial statements.

Auditors' report on page 85.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)

** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)

Notes to the Financial Statements - Year Ended March 31, 2008

1. GENERAL INFORMATION

Arvind Spinning Ltd is a private company incorporated and domiciled in Mauritius. Its main activity is the manufacture of ring and open end spun cotton yarn. The address of its registered office is at 10 Frère Félix de Valois Street, Port Louis, Mauritius and the place of business was at La Tour Koenig, Pointe aux Sables. The company ceased business in August 2004. Arvind Mills Ltd, incorporated in India is the holding company.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the company.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of Arvind Spinning Ltd have been prepared under the **break up basis**. All assets have been stated at the lower of cost and net realisable value. All long term assets have been reclassified as current.

(b) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction effects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

(c) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

Notes to the Financial Statements - Year Ended March 31, 2008

	2008 Mau. Rs.	2008 Rs. In Lacs*	2007 Mau. Rs.	2007 Rs. In Lacs**
3. SHARE CAPITAL				
STATED CAPITAL				
Ordinary shares				
At April 1, and March 31,	82,409,966	1,293.84	82,409,966	1,112.53
4. EXCEPTIONAL ITEM				
Current account with fellow subsidiary company written back	0	0.00	7,160,823	96.67
5. (LOSS)/PROFIT FOR THE YEAR				
The (loss)/Profit for the year is arrived at after charging:				
Loss on disposal of property, plant and equipment	0	0.00	3,109,262	41.98
6. NOTES TO THE CASH FLOW STATEMENT				
(a) **Cash absorbed in operations**				
(Loss) / Profit for the year	(1,286)	(0.02)	4,030,773	54.42
Adjustments for:				
Loss on disposal of property, plant and equipment	0	0.00	3,109,262	41.98
	(1,286)	(0.02)	7,140,035	96.40
Changes in working capital:				
- payables to fellow subsidiary company	0	0.00	(15,918,305)	(214.90)
Cash absorbed in operations	(1,286)	(0.02)	(8,778,270)	(118.50)
(b) **Cash and cash equivalents**				
Cash in hand and at bank	597,370	9.38	598,656	8.08

7. DEFERRED TAXATION

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of related tax benefit is probable. The company has tax losses of Rs. 74,264,539 Rs. in Lacs*1,165.95 (2007 : Mau. Rs. 74,263,253 Rs. in Lacs** 1,002.55) to carry forward against future taxable income, which have not been recognised in these financial statements due to cessation of business.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2008 (1 Mau Rs.= 1.57)

** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)

Directors' Report

To,

The Members,
Lifestyle Fabrics Limited

Your Directors present their Fourteenth Annual Report along with the audited Financial Statements for the year ended on 31st March, 2008.

1. FINANCIAL RESULTS

(Rs. in lacs)

	2007-2008	2006-2007
Sales & Other Income	Nil	Nil
Profit/(Loss) before Depreciation, Interest and taxation	(1.94)	(2.47)
Less : Net Interest	Nil	Nil
Profit/(Loss) after Interest but before Depreciation and Taxation	(1.94)	(2.47)
Less : Depreciation	Nil	Nil
Profit/(Loss) before tax	(1.94)	(2.47)
Less : Short provision for Income Tax of earlier years	Nil	(0.12)
Profit/(Loss) for the year	(1.94)	(2.59)
Balance as per last year's Balance Sheet	(651.09)	(648.50)
Balance carried to Balance Sheet	(653.03)	(651.09)

2. OPERATIONS

As reported earlier, the Company is not carrying any manufacturing operations since August, 2001 and the expenses incurred during the year were mainly towards administration and general office purposes etc. As reported last year, your directors continue to explore various options in the best interest of the members, including its merger.

3. DIVIDEND

In view of the loss for the year and carried forward losses of the Company, your directors do not recommend any dividend for the year under review.

4. SUBSIDIARY COMPANIES

The Company continued to be subsidiary of Arvind Limited by virtue of Clause (c) of Section 4 of the Companies Act, 1956.

5. DIRECTORS

Mr. Kamal R. Sheth and Mr. Jayesh K. Shah, the Directors of the Company, retire by rotation as required under Section 256 of the Companies Act, 1956, at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

6. DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956, the Directors state that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
2. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as 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 ended on and loss of the Company for the year.
3. Proper and sufficient care have been taken 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 for preventing and detecting fraud and other irregularities; and
4. In view of the sale of all the fixed assets and in absence of any business activity the attached annual account could not be termed as prepared on a going concern basis. However, the directors have prepared the Annual Accounts after providing for all the potential losses and expenses and as such no further adjustments were required to be made in respect thereof.

7. REPORT ON CORPORATE GOVERNANCE

A separate report on Corporate Governance is being published as a part of the Annual Report of the Company. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

8. AUDITORS

The Auditors, M/s. G. K. Choksi & Co., Chartered Accountants, retire and offer themselves for re-appointment. It is proposed that M/s. G. K. Choksi & Co., Chartered Accountants, be re-appointed as Auditors of the Company. You are requested to appoint the Auditors and fix their remuneration.

9. PARTICULARS OF EMPLOYEES AND INFORMATION REGARDING CONSERVATION OF ENERGY ETC.

As the Company does not have any employee, the Particulars of employees as required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are not being given.

After the closure of the factory in August, 2001, the Company had disposed of Leasehold Land and Factory Building during the financial year 2002-03, hence information required under Section 217(1)(e) of the Companies Act, read with Rule 2 of the Companies [Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are not being given.

10. ACKNOWLEDGEMENT

Your Directors record their appreciation of support and co-operation extended by all shareholders, bankers of the Company and government authorities.

For and on behalf of the Board
For **Lifestyle Fabrics Limited**

Place : Ahmedabad
Date : 22nd April, 2008

Bhupendra M. Shah — Director
Jayesh K. Shah — Director

Auditors' Report

To

The Members,
LIFESTYLE FABRICS LIMITED
Ahmedabad.

1. We have audited the attached Balance Sheet of LIFESTYLE FABRICS LIMITED as at 31st March, 2008 and the Profit and Loss Account 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 (Auditors' Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. The accounts have been prepared on the basis that the Company will continue as a Going Concern inspite of the fact that the carried forward losses as at 31st March, 2008 being Rs. 6,53,03,113/-, have exceeded the paid up share capital thus wiping off its capital base, which is not in accordance with Accounting Standard — I issued by the ICAI. The ability of the company to continue as a going concern is dependent upon availability of adequate continued finance from the parent organisation and future profitability.

5. Further to our comments in the Annexure refer to 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 and the Profit and Loss Account dealt with by this report are in agreement with the books of account;

   d. In our opinion, the Balance Sheet and Profit and Loss Account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   e. On the basis of written representation received from the directors of the Company as at 31st March 2008 and taken on record by the board of directors, we report that none of the directors is disqualified from being appointed as director of Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 31st March, 2008,

      and

      ii. in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For G. K. CHOKSI & CO.
Chartered Accountants

SANDIP A. PARIKH
Partner
Membership No. 40727

Place : Ahmedabad
Date : 22nd April, 2008

Annexure to the Auditors' Report

The annexure referred to in the Auditors' Report to the members of Lifestyle Fabrics Limited (the company) for the year ended 31st March, 2008. We report that:

1. In respect of Fixed Assets :
   The Company does not have any Fixed assets for the year under review and therefore the clauses 4 (i) (a) to (c) of the Order are not applicable.
2. The Company does not carry any inventories during the year and therefore the clauses 4 (ii) (a) to (c) of the Order are not applicable.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained u/s. 301 of the Companies Act, 1956. Accordingly the clauses 4(ii)(b), 4(iii)(c) and 4(iii)(d) of the report are not applicable.
   (b) The Company has taken an interest free unsecured loan from the Holding company. The maximum amount involved during the year was Rs. 4,81,000/-.
   (c) The terms and conditions of such interest free loan are not *prima facie* prejudicial to the interest of the Company.
   (d) According to the information and explanation given to us , the principal amount of such interest free loan is repayable on demand.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of this business with regard to purchase of inventories, and for the sale of goods. However there are no purchase of inventories and sale of goods during the year.
5. (a) There are no transactions made in pursuance of contracts or arrangements, that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
   (b) There are no transactions of purchase and sale of goods, material and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 5 lacs or more in respect of each party.
6. The Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956.
7. The Company does not have any internal audit system as such, because in the opinion of the management, the same was not considered essential in view of low volume of transactions.
8. According to information and explanation given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of services carried out by the company.
9. (a) According to information and explanation given to us, and on the basis of our examination of the books of accounts, the company has been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it except tax at source on Rs. 57,298 which was required to be deducted, has not been deducted hence not paid.
   (b) According to the information and explanations given to us, the Company had disputed Income tax dues amounting to Rs. 4,99,800/- relevant to Assessment Year which is at present pending with CIT (Appeals), Mumbai.
10. The accumulated losses of the Company exceed 50 percent of its net worth and has incurred cash losses in the current financial year as well as and in the immediately preceding financial year.
11. According to the records of the company examined by us and on the basis of information and explanations given to us, the Company has neither taken any loans from a financial institutions and a bank nor issued any debentures. Accordingly clause 4(xi) of the order is not applicable.
12. The Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities. Accordingly clause 4(xii) of the order is not applicable.
13. The company is not Chit fund, Nidhi, Mutual Benefit Funds or a Society. Accordingly clause 4(xiii) of the order is not applicable.
14. The Company is not dealing or trading in shares, securities, debentures or other investments and hence the requirements of clause 4 (xiv) are not applicable to the Company.
15. In our opinion and according to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions during the year. Accordingly clause 4(xv) of the order is not applicable.
16. In our opinion and according to the information and explanations given to us, the Company has not obtained any term loans during the year under review. Accordingly clause 4(xvi) of the order is not applicable.
17. On the basis of an overall examination of the balance sheet of the company in our opinion and according to the information and explanations given to us, the Company has not raised any funds on short- term basis which has been used for long-term investment.
18. The Company has not made any preferential allotment to parties and companies covered under register maintained under Section 301 of The Companies Act, 1956, during the year. Accordingly clause 4(xviii) of the order is not applicable.
19. During the period covered by audit report, the Company has not issued any debentures. Accordingly clause 4(xix) of the order is not applicable.
20. The Company has not raised any money by public issues during the year. Accordingly clause 4(xx) of the order is not applicable.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period under review.

For G. K. CHOKSI & CO.
Chartered Accountants

SANDIP A. PARIKH
Partner
Membership No. 40727

Place : Ahmedabad
Date : 22nd April, 2008

Balance Sheet
as at 31st March, 2008

	Schedule	As at 31.03.2008 Rupees	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
SOURCES OF FUNDS :				
Shareholders' Funds				
Share Capital	A	55,000,000		5 5,000,000
Reserves & Surplus	B	9,831,129		9,831,129
			64,831,129	64,831,129
Loan Funds				
Unsecured Loan	C		481,000	271,000
TOTAL			65,312,129	65,102,129
APPLICATION OF FUNDS				
Current Assets, Loans and Advances	D			
Cash and Bank Balances		38,634		6,844
Less : Current liabilities and provisions:	E			
Current liabilities		29,618		13 ,483
Net Current Assets			9,016	(6,639)
Balance in Profit and Loss account			65,303,113	65,108,768
TOTAL			65,312,129	65,102,129
			–	-

Significant Accounting Policies G

Notes forming part of accounts H

As per our attached report of even date

For G. K. CHOKSI & CO.
Chartered Accountants
SANDIP A. PARIKH
Partner

For and on behalf of the Board
Bhupendra M. Shah Director
Jayesh K. Shah Director

Place : Ahmedabad
Date : 22nd April, 2008

Profit & Loss Account
for the year ended on 31st March, 2008

	Schedule	Year ended 31.03.2008 Rupees	Year ended 31.03.2007 Rupees
INCOME		0	0
EXPENDITURE			
Administrative and Other Expenses	F	194,345	247,489
Profit/(Loss) before tax		(194,345)	(247,489)
Provision for Taxation			
Short Provision of Income Tax of earlier years		0	(11,640)
Profit/(Loss) after tax		(194,345)	(259,129)
Balance brought forward		(65,108,768)	(64,849,639)
Balance carried to Balance Sheet		(65,303,113)	(65,108,768)
Basic and Diluted Earnings per Equity Share		(0.04)	(0.05)
(Refer Note No. 3 of Schedule - 'H')			
Significant Accounting Policies	G		
Notes forming part of accounts	H		

As per our attached report of even date

For G. K. CHOKSI & CO.
Chartered Accountants
SANDIP A. PARIKH
Partner

For and on behalf of the Board
Bhupendra M. Shah Director
Jayesh K. Shah Director

Place : Ahmedabad
Date : 22nd April, 2008

Cash Flow Statement for the year ended on 31st March, 2008

	2007-2008 Rupees	2006-2007 Rupees
(A) CASH FLOW FROM OPERATING ACTIVITIES		
NET OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(194,345)	(259,129)
Adjustments for :		
Trade payables	16,135	(4,680)
Cash Generated from Operations	(178,210)	(263,809)
Direct taxes paid (Net of Refund)	–	–
Net Cash from Operating Activities	(178,210)	(263,809)
(B) CASH FLOW FROM INVESTING ACTIVITIES	–	–
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Unsecured loan from the Holding Company	210,000	256,000
Net Cash from Financing Activities	210,000	256,000
NET DECREASE IN CASH & CASH EQUIVALENTS	31,790	(7,809)
CASH & CASH EQUIVALENTS		
Opening Balance at Beginning of the year	6,844	14,653
Closing Balance at the End of the year	38,634	6,844
NET DECREASE IN CASH & CASH EQUIVALENTS	31,790	(7,809)

Explanatory Notes to Cash Flow Statement

1 The Cash Flow Statement is prepared in accordance with the format prescribed by Securities and Exchange Board of India and Accounting Standard 3 as prescribed by The Institute of Chartered Accountants of India.

2 In Part A of the Cash Flow Statement, figures in brackets indicates cash outflows. In Part B there is neither cash inflow nor cash outflow.

3 Figures of the previous year have been regrouped wherever necessary, to confirm to current year's presentation.

As per our attached report of even date

For G. K. CHOKSI & CO.
Chartered Accountants
SANDIP A. PARIKH
Partner

Place : Ahmedabad
Date : 22nd April, 2008

For and on behalf of the Board
Bhupendra M. Shah Director
Jayesh K. Shah Director

Place : Ahmedabad
Date : 22nd April, 2008

Schedules forming part of the Accounts

	As at 31.03.2008 Rupees	As at 31.03.2007 Rupees
SCHEDULE - 'A' : SHARE CAPITAL		
Authorised :		
70,00,000 Equity Shares of Rs. 10/- each	70,000,000	7 0,000,000
Issued, Subscribed and Paid-up :		
55,00,000 Equity Shares of Rs. 10/- each Fully paid up (Of the above 39,49,093 shares are held by the holding company, Asman Investments Limited, a subsidiary of Arvind Mills Limited)	55,000,000	5 5,000,000
SCHEDULE - 'B' : RESERVES AND SURPLUS		
Capital Reserve	9,831,129	9,831,129
SCHEDULE - 'C' : UNSECURED LOANS		
Intercorporate Deposits		
Asman Investments Limited - (Holding Company)	4 81,000	2 71,000
SCHEDULE - 'D' : CURRENT ASSETS, LOANS AND ADVANCES		
Bank Balances		
In Current account with		
UCO Bank	19,767	6,844
HDFC Bank	18,867	0
	38,634	6,844
SCHEDULE - 'E' : CURRENT LIABILITIES AND PROVISIONS		
Sundry Creditors		
For Expenses	29,618	13,483
	29,618	13,483

	For the Year ended 31.03.2008 Rupees	For the Year ended 31.03.2007 Rupees
SCHEDULE - 'F' : ADMINISTRATIVE AND OTHER EXPENSES		
Advertisement Expense	57,298	31,919
Printing and Stationery	28,125	26,648
Postage and Telephone	19,825	69,296
Membership & Subscription	11,236	3,874
Listing Fees (Inclusive of Interest Rs. 150/- P.Y nil)	35,150	35,000
Legal and Professional Expenses	26,846	57,826
Auditor's Remuneration	13,483	13,482
Filing Fees	1, 500	3,530
Bank Charges	596	443
Miscellaneous Expenses	286	5,471
Total	1 94,345	2 47,489

SCHEDULE - 'G' : SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

These financial statements have been prepared on the accrual basis of accounting, under the historical cost convention, and in accordance with the Companies Act, 1956 and the applicable accounting standard issued by The Institute of Chartered Accountants of India.

(b) Use of estimates

The presentation of financial statements requires estimates and assumptions to be made 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 reported period. Differences between the actual result and estimates are recognised in the period in which the results are known/determined.

(c) Provisions and Contingent Liabilities

Provisions involving substantial degree of estimation in measurement are recognised 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 recognised but are disclosed in the Notes.

(d) Taxation

(i) Current year tax is provided based on the taxable income computed in accordance with the provisions of the Incom Tax Act, 1961.

(ii) Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets are recognised on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

SCHEDULE - 'H' : NOTES FORMING PART OF ACCOUNTS

1. Contingent liabilities and capital commitments:

Particulars	2007-2008	2006-2007
Disputed Income tax Demand for A.Y. 2002-2003	4,99,800	4,99,800
	4,99,800	4,99,800

2. Particulars of Earning per Share

Particulars	2007-2008	2006-2007
Net Profit/(Loss) for the year	(1,94,345)	(2,59,129)
Number of equity shares	55, 00,000	55, 00,000
Nominal value of the share	10	10
Earning per Share	(0.04)	(0.05)

There is no change in the number of equity shares during the period.

3. In absence of virtual certainty the Company has not recognised Deferred tax Asset on carry forward Losses.

Schedules forming part of the Accounts

4. Related Party Disclosure

(a) List of related parties with whom transactions have taken place during the year : Holding Company ◆ Asman Investments Limited			
(b) Transaction with related party		March 31, 2008	March 31, 2007
(i)	Unsecured Loan	2,10,000	2,56,000
(ii)	Outstanding balances as at the end of the year	4,81,000	2,71,000

5. There are no Micro, Small and Medium Enterprises to whom the Company owes dues which are outstanding for more than 45 days as at the Balance Sheet date. Further, the Company has neither paid or payable any interest to any Micro, Small and Medium Enterprise on the Balance Sheet date.

   The above information has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

6. In respect of amounts mentioned under Section 205C of the Companies Act, 1956, there is no amount due and outstanding to be credited to the Investor Education and Protection Fund as on 31st March, 2008.

7. In the opinion of the Directors, Current Assets, Loans and Advances have a value on realisation in the ordinary course of business equal to the amount at which they are stated in the Balance Sheet.

8. Balance of sundry debtors, creditors, loans and advances and deposits are subject to confirmation.

9. Auditors' Remuneration is made up of:

Particulars	2007-2008	2006-2007
Audit Fees	13,483	13,482
Total	13,483	13,482

10. In view of losses the Company does not expect any Income Tax liability and therefore no provision is made.

11. Other information required in terms of Para 4C and 4D of Part II of Schedule VI to the Companies Act, 1956, are not applicable to the company.

12. Previous year figures have been regrouped, rearranged and reclassified wherever applicable.

As per our attached report of even date

For **G. K. CHOKSI & CO.**
Chartered Accountants
SANDIP A. PARIKH
Partner

Place : Ahmedabad
Date : 22nd April, 2008

For and on behalf of the Board

Bhupendra M. Shah Director

Jayesh K. Shah Director

Place : Ahmedabad
Date : 22nd April, 2008

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details :

Registration No. U17120GJ1993PLC049941

State Code 04

Balance Sheet Date .... 31st March, 2008

II. Capital raised during the year : (Amount in Rs. Thousands)

Public Issue .... —

Right Issue .... —

Bonus Issue .... —

Private Placement .... —

III. Position of mobilisation and deployment of funds : (Amount in Rs. Thousands)

Total Liabilities 65,312

Total Assets 65,312

Sources of Funds : ....

Paid-up Capital 55,000

Reserve and Surplus 9,831

Share Application Money .... —

Secured Loans .... —

Unsecured Loans 481

Deferred Tax Liability .... —

Application of Funds :

Net Fixed Assets .... —

Investments .... —

Net Current Assets 9

Miscellaneous Expenditure .... —

Accumulated Losses 65303

IV. Performance of Company : (Amount in Rs. Thousands)

Turnover and Other Income .... —

(+) Profit/(Loss) before tax .... (194)

Earnings per Share (Rs.) .... (0.04)

Total Expenditure 194

(+) Profit/(Loss) after tax .... (194)

Dividend Rate (%) .... —

V. Generic names of three principal products, services of the company : (as per monetary terms)

Product/Service Description .... Not Applicable

Item Code No. .... —

For and on behalf of the Board

Bhupendra M. Shah
Director

Jayesh K. Shah
Director

Place : Ahmedabad
Date : 22nd April, 2008

NOTE UNDER SUB-SECTION (1) OF SECTION 212

The Department of Company Affairs has, for the financial year 2007-08,exempted the Company from the applicability of the provisions of sub-section(1) of Section 212 of the Companies Act, 1956, relating to the statements to be attached in respect of the subsidiary companies, with the financial statements of the Company. As required by the above approval letter, the information in aggregate for each of the subsidiary Companies is furnished as under :

Shareholders interested in obtaining the statements of Company's interest in the subsidiaries or stand-alone financial statements of the subsidiaries may obtain it by writing it to the Company. The Annual Accounts of the subsidiary companies are available for inspection at the head office of the Company and that of the concerned subsidiary companies.

INFORMATION AS REQUIRED BY LETTER DATED 4TH APRIL,2008 BY DEPARTMENT OF COMPANY AFFAIRS GRANTING APPROVAL U/S 212 (8) OF THE COMPANIES ACT,1956

Rs. in crores

Sr. no.	Name of Subsidiary	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment	Turnover	Profit/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Proposed Dividend
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(I)	(j)
1	Arvind Products Limited	141.10	(40.91)	445.00	344.81	*	399.15	3.15	0.20	2.95	Nil
2	Asman Investments Limited	0.08	9.79	142.22	132.35	**	5.18	0.70	0.10	0.60	Nil
3	Arvind Worldwide Inc.	2.19	(1.36)	2.68	1.85	***	0.00	0.24	0.00	0.24	Nil
4	Arvind Worldwide (M) Inc.	23.87	(25.55)	7.56	9.24	***	3.98	(2.94)	0.00	(2.94)	Nil
5	Arvind Brands Limited	0.72	(0.67)	9.77	9.72	****	0.00	0.14	0.04	0.10	Nil
6	The Anup Engineering Limited	3.40	9.57	41.25	28.28	***	63.02	11.99	4.14	7.85	Nil

		Rs. in crore
*	Fully paid Equity Shares (Quoted)	0.37
**	Not applicable being Investment Subsidiary	
***	These Companies have no Investments	
****	Fully paid Equity Shares (Quoted)	5.03

Location & Sites

Lifestyle Fabrics - Denim
Arvind Limited
Naroda Road
Ahmedabad – 380025
Gujarat, India
Tel: +91-79-22203030
Fax: +91-79-22200267
Aamir.akhtar@arvindmills.com

Lifestyle Fabrics – Shirting & Khakis
Arvind Limited
PO Khatrej, Taluka Kalol
Dist Gandhinagar - 382721
Gujarat, India
Tel: +91-2764-281100/22
Fax: +91-2764-281177
Susheel.kaul@arvindmils.com

Lifestyle Fabrics - Knits
Arvind Limited
PO Khatrej, Taluka Kalol
Dist Gandhinagar - 382721
Gujarat, India
Tel: +91-2764-281100/22
Fax: +91-2764-281177
Senthilkumar.ma@arvindmills.com

Lifestyle Fabrics -Voiles
Ankur Textiles
Arvind Products Limited
Outside Raipur Gate
Ahmedabad – 380 022
Gujarat, India
Tel: +91-79-25461191-95
Fax: +91-79-25454182
Pd.chavda@arvindmills.com

Lifestyle Apparel -Jeans
Arvind Limited
26/2 , 27/2 Kenchenahaili
Mysore Road, Near Bangalore University
Bangalore 560 059
Tel: +91-80-26999000
Ravi.bhargava@arvindexports.com

Lifestyle Apparel - Shirts
Arvind Limited
No.55 , White Field Road
Puttapa Industrial Estate, Mahadevpura Post
Bangalore 560 048
Tel: +91-80-41123900
Fax : +91-80-51157681
sandeep.walia@arvindexports.com
Lifestyle Apparel -Knits

Arvind Limited
PO Khatrej, Taluka Kalol
Dist Gandhinagar - 382721
Gujarat, India
Tel: +91-2764-281100/22
Fax: +91-2764-281177
Senthilkumar.ma@arvindmills.com

Lifestyle Brands
Arvind Limited
10th Floor,Du Parc Trinity
17 MG Road
Bangalore 560 001
Tel: +91-80-41550605
sureshj@arvindbrands.com

Lifestyle Retail
Arvind Limited
5th Floor,Du Parc Trinity
17 MG Road
Bangalore 560 001
Tel: +91-80-41550605
venkat@arvindbrands.com

Subsidiaries & Joint Ventures

Arvind Products Limited
Arvind Limited
Naroda Road, Ahmedabad – 380025
Gujarat, India
Tel: +91-79-22203030
Fax: +91-79-22200267

Anup Engineering Limited
Behind 66KV Sub Station,
Odhav Road, Ahmedabad – 382415
Gujarat, India
Tel: +91-79-22870622-23
Fax: +91-79-22870642
anup@anupengg.com

VF Arvind Brands Private Limited
8th Floor,Du Parc Trinity
17 MG Road
Bangalore 560 001
Tel: +91-80- 41550100
Fax: +91-79-41550167

Arvind Murjani Brands Private Limited
4 Brunton First Cross Road
Bangalore 560 025
Tel: +91-80-41124093-94
Fax+91-79-41124092

Arya Omnitalk Wireless Solutions Private Limited
3rd Flooe, LingField Plaza,
S. No 66/67, Wanowrie,
Salunke Vihar Road
Pune 411040
Tel: +91-20-26851072/3352/3622, 40118100
Fax : +91-20-26851077
solutions@aryaomnitalk.com

Overseas Offices

USA
Arvind Worldwide Inc.
130 West 42nd Street, Suit No. 603, 6th Floor,
New York, NY 10036, USA
Tel. + 1212768 4815
Fax. + 1212768 7378
e-mail id : raju@arvindusa.com

Arvind Denim Lab
584, Broadway New York,
New York 10012.

Bangladesh
5, Mohakhali Commercial Area
Dhaka 1212, Bangladesh
Tel. : + 8802 28827122/9881794
Fax : + 8802 9883400

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