

ANNUAL REPORT 2004-05

Arvind

THE ARVIND MILLS LIMITED

Notice

NOTICE is hereby given that the Annual General Meeting of the members of the Company will be held on Thursday, the 29th September, 2005 at 11:00 a.m. at Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad - 380 006 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, 2005 and the Reports of the Directors and Auditors thereon.
2. To declare dividends.
3. To appoint a Director in place of Ms. Rama Bijapurkar who retires by rotation in terms of Article 129 of the Articles of Association of the Company, and being eligible, offers herself for reappointment.
4. To appoint a Director in place of Mr. Jaithirth Rao 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 a Special Resolution :

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311, 314 (1B) 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. Sanjay S. Lalbhai as Managing Director of the Company, for a further period of 5 years from 1st January, 2005 to 31st December, 2009 on the terms and conditions as set out in the draft agreement of the reappointment submitted to the meeting and initialed 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. Sanjay S. Lalbhai 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.

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, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, and in partial modification of Resolution No. 7 passed by the members in the Annual General Meeting held on 30th December, 2002, approval of the Company be and is hereby accorded to variation in terms of remuneration payable to Mr. Jayesh K. Shah, as Wholetime Director with the designation of Director and Chief Financial Officer of the Company, with effect from 1st April, 2005 for the remaining period of his tenure i.e. upto 19th November, 2005 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 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 from 20th November, 2005 to 30th September, 2008 on the terms and conditions as set out in the draft agreement of the reappointment submitted to the meeting and initialed 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.

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

RESOLVED THAT pursuant to the provisions of the Clauses 4, 5, 6 and other applicable provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") and subject to the provisions of the Companies Act, 1956, and Securities Contracts (Regulation) Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force), and the Rules framed thereunder, Listing Agreement, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, consents, permissions or sanctions of the Securities and Exchange Board of India, Stock Exchanges where the Equity Shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), the consent of the Company be and is hereby accorded to the Board to delist the Equity Shares of the Company, which shall be voluntary in nature and without giving the exit opportunity to the investors, from The Calcutta Stock Exchange Association Ltd. and/or The Stock Exchange, Ahmedabad, (hereinafter referred to as "the said Stock Exchanges ") at such time as the Board may decide.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to seek voluntary delisting of the Company's equity shares from the said Stock Exchanges and take all necessary steps in this regard and to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper and desirable and to settle all questions, difficulties, doubts that may arise in regard to delisting of the Equity Shares without being required to seek any further approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to execute all such deeds, documents, writings, as may be necessary, desirable or expedient and to take all necessary steps in this regard in order to comply with the legal and procedural formalities and further to authorize any of its Committees or any of its Directors or any of the Officers of the Company to give effect to the aforesaid resolution.

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

RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to fix and pay the sitting fees for attending meetings of the Board of Directors and/or Committees thereof to the Non-Executive Directors (including Independent Directors) within the limits prescribed by the Central Government under provisions of Section 310 of the Companies Act, 1956, as may be amended from time to time.

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.

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, 1997 have been transferred to the Investor Education and Protection Fund of the Central Government. On 8th November, 2005 unclaimed dividends for the financial year 1997-98 will be due to be transferred to this Fund. Those members who have so far not encashed their dividend warrants for

the financial year 1997-98 are requested to approach the Company for payment thereof. Kindly note that once unclaimed / unpaid dividend is transferred to the Investor Education and Protection Fund, members will not be entitled to claim such dividend.

3. Members are requested to notify promptly any change in their addresses to our Registrars viz. Pinnacle Shares Registry Pvt. Ltd., Unit: The Arvind Mills Ltd., Nr. Asoka Mills, Naroda Road, Ahmedabad-380 025.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, the 21st September, 2005 to Thursday, the 29th September, 2005 (both days inclusive).
5. The dividend on equity shares for the year ended on 31st March, 2005, if declared at this meeting, will be paid :
 - i) to those members, holding shares in physical form, whose names appear on the register of Members of the Company, at the close of business hours on Thursday, the 29th September, 2005, after giving effect to all valid transfers in physical form lodged with the Company on or before Tuesday, the 20th September, 2005.
 - ii) In respect of shares held in electronic form, on the basis of beneficial ownership, as per the details furnished by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), at the close of business hours on Tuesday, the 20th September, 2005.
6. 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.
7. 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.
8. 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:
Naroda Road,
Ahmedabad - 380025.

By Order of the Board

Arvind N. Lalbhai
Chairman

Date : 30th July, 2005.

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

ITEM NOS. 6, 7 & 8 :

Resolution under Item No. 6 of the Notice relates to the reappointment of Mr. Sanjay S. Lalbhai as Managing Director of the Company for a further period of 5 years from 1st January, 2005 to 31st December, 2009 and approval of his remuneration and terms of reappointment.

The Remuneration Committee, at its meeting held on 28th October, 2004, had recommended the reappointment and terms of remuneration payable to Mr. Sanjay S. Lalbhai for a further period of 5 years from 1st January, 2005 to 31st December, 2009. The Board of Directors, at their meeting held on 28th October, 2004 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 payable to Mr. Sanjay Lalbhai are as under:

Remuneration

[a] Basic Salary :

Rs. 3,00,000/- (Rupees Three Lacs) per month with such increases 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. 10,00,000/- (Rupees Ten Lacs) per month.

[b] Perquisites and Allowances :

In addition to salary, the following perquisites / allowances shall be allowed to the Managing Director :

CATEGORY - A

i) Housing :

The Company shall provide furnished accommodation to the Managing Director. If the Managing Director is having his own accommodation, the Company shall pay house rent allowance at the rate of 40% of the Basic Salary.

The Company shall provide equipment and appliances, furniture, fixtures and furnishing at the residence of the Managing Director 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 Managing Director and his family once in a year.

iii) Personal Accident Insurance :

The Company shall pay / reimburse Personal Accident Insurance Premium upto Rs. 25,000/- for the Managing Director.

iv) Club Fees :

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

v) Other Allowances :

Subject to overall limit on remuneration mentioned herein below, the Managing Director may be given other allowances, benefits and perquisites as the Board of Directors (which includes any committee thereof) may from time to time decide.

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 etc. as per rules of the Company.

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(s) and other communication facilities at the residence(s) of the Managing Director at the entire cost of the Company.

CATEGORY - D

The Managing Director shall be entitled to commission at a rate not exceeding 1% of net profits of the Company.

Overall Limit :

The aforesaid remuneration in any one financial year shall not exceed the limits prescribed under sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said act as may, for the time being, be in force. Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of the managing Director, 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 (which includes any committee thereof) 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 (which includes any committee thereof) of Company 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, or any amendments thereto made hereafter in this regard.

Resolution under Item No. 7 of the Notice relates to the approval of increase in remuneration of Mr. Jayesh K. Shah, as Wholetime Director with the designation of Director and Chief Financial Officer of the Company.

At the Annual General Meeting held on 30th December, 2002 the Company had accorded its consent to his appointment as Wholetime Director with the designation of Director and Chief Financial Officer of the Company for a period of three years with effect from 20th November, 2002. The Agreement entered into with Mr. Jayesh K. Shah on 31-03-2003 based on the approval of the members as aforesaid provides for payment of remuneration by way of salary, allowance and perquisites. In case the

Company has no profits or its profits are inadequate in any financial year, remuneration is payable within the overall ceilings specified in Schedule XIII.

The remuneration paid to Mr. Jayesh K. Shah needs revision considering the size of the Company and the industry average. It is proposed to enhance his remuneration for the remaining period of his office upto 19th November, 2005 to make it commensurate with the remuneration packages being paid by other companies while keeping in view his experience and the responsibilities shouldered by him. The revised remuneration payable to him by way of salary, perquisites, allowances and commission has been specified below under Item No. 8 as the revised remuneration for the remainder of the present term from 1st April, 2005 upto 19th November, 2005 being the same as payable for new term of his reappointment for the period from 20th November, 2005 to 30th September, 2008.

The Remuneration Committee and the Board of Directors of the Company have at their respective meetings held on 30th July, 2005 approved enhancement in the remuneration payable to Mr. Jayesh K. Shah with effect from 1st April, 2005.

Resolution under Item No. 8 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 from 20th November, 2005 to 30th September, 2008 and approval of his remuneration and terms of reappointment.

The Remuneration Committee, at its meeting held on 30th July, 2005, 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 from 20th November, 2005 to 30th September, 2008. The Board of Directors, at their meeting held on 30th July, 2005, 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 revised remuneration for the remainder of the present term from 1st April, 2005 to 19th November, 2005 in terms of Item No. 7 and the terms of remuneration on reappointment of Mr. Jayesh K. Shah in terms of Item No. 8 effective from 20th November, 2005 to a period upto 30th September, 2008 as approved by both Remuneration Committee and Board of Directors in their respective meetings held on 30th July, 2005 are as under :

Remuneration

(a) Basic Salary :

Rs. 1,39,970/- (Rupees One Lac Thirty Nine Thousand Nine Hundred Seventy) per month with such increases 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. 2,50,000/- (Rupees Two Lacs Fifty Thousand) per month.

(b) Perquisites and Allowances:

In addition to salary, the following perquisites / allowances shall be allowed to the Director and 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 :

Subject to overall limit on remuneration mentioned herein below, the Director & Chief Financial Officer may be given other allowances, benefits and perquisites as the Board of Directors (which includes any committee thereof) may from time to time decide.

(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 as per rules of the Company.

(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.

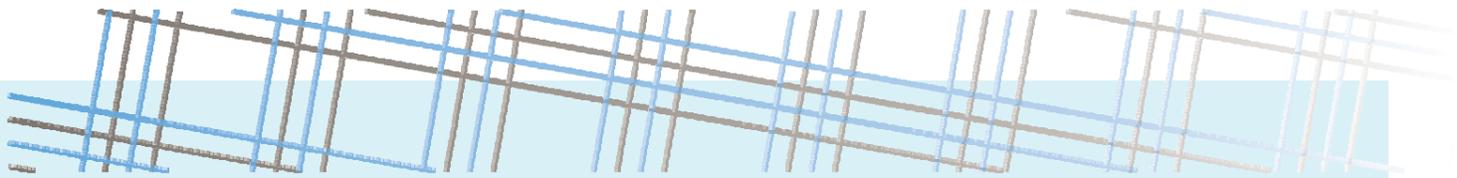
(ii) The Company shall provide telephone and other communication facilities at the residence of the Director & Chief Financial Officer at the entire cost of the Company.

CATEGORY - D

The Director & Chief Financial Officer shall be entitled to commission at a rate not exceeding 1% of net profits of the Company.

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



THE ARVIND MILLS LIMITED

for a maximum permissible period 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 over all limits approved by the Company in General Meeting.

In terms of the amended 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 resolutions at Item Nos. 6, 7 and 8 are put before the members as special resolutions.

As required under the amended Schedule XIII to the Companies Act 1956, the relevant details for Item Nos. 6, 7 and 8 to be sent alongwith the notice calling the general meeting are as under :

I. General Information

- Nature of industry : Textiles Industry
 - Date or expected date of commencement of commercial production :
The Company was incorporated on 1st June, 1931 and commenced commercial production thereafter.
 - In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus : Not applicable
 - Financial performance based on given indicators
(As per audited financial statements for the year ended 31.03.2005)
- | Particulars | Rs. in Crores |
|----------------------|---------------|
| Sales & Other Income | 1679 |
| EBIDTA | 389 |
| Net Profit | 127 |
- Export performance and net foreign exchange collaborations
(As per audited financial statements for the year ended 31.03.2005)
Earnings in foreign exchange by exports : Rs.773.46 Crores.
 - Foreign investments or collaborators, if any : Not Applicable.

II. Information about the appointees

- Background details :
Mr. Sanjay S. Lalbhai, 51 years, is a Science graduate with a Master's degree in Business Management. He has been associated with the Company for almost 28 years and has been its Managing Director since the last 20 years.
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:

- Mr. Sanjay S. Lalbhai

Particulars	FY. 04-05	FY. 03-04
Salary	36,00,000	36,00,000
Perquisites/allowances	69,01,461	70,97,518
Commission/Bonus	54,00,000	72,00,000
Total	1,59,01,461	1,78,97,518

Note: Remuneration includes contribution to Provident Fund and Superannuation.

- Mr. Jayesh K. Shah

Particulars	FY. 04-05	FY. 03-04
Salary	16,79,640	16,79,640
Perquisites/allowances	39,37,231	39,38,052
Commission/Bonus	25,19,460	25,19,460
Total	81,36,331	81,37,152

Note: Remuneration includes contribution to Provident Fund and Superannuation.

3 Job profile and their suitability:

- Mr. Sanjay S. Lalbhai has been appointed as the Managing Director of the Company and he will be in charge of its overall management subject to the direction, supervision and control of the Board of Directors of the Company.
- 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 Managing Director but subject to supervision and control of Board of Directors, from time to time.

Taking into consideration their qualifications and expertise in the relevant fields, they are suited for the responsibilities assigned to them by the Board of Directors.

- Remuneration proposed: Since the same have been already explained in detail hereinabove, the same are not repeated.
- 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. Sanjay S. Lalbhai and Mr. Jayesh K. Shah, the responsibilities shouldered by them and the industry benchmarks, the remuneration proposed to be paid to them is commensurate with the remuneration packages paid to similar appointees in other companies.
- Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any :

Besides the remuneration proposed, Mr. Sanjay S. Lalbhai does not have any pecuniary relationship with the Company and its managerial personnel.

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 Nos. 6, 7 & 8 for your approval. The Drafts of Agreements to be entered into between Mr. Sanjay S. Lalbhai and the Company and Mr. Jayesh K. Shah and the Company for remuneration are 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. 6 relates to payment of remuneration to Mr. Sanjay S. Lalbhai, 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. Since the resolution at Item No. 7 & 8 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 sets out an abstract of material terms of the contract with Managing Director and the same was dispatched to all the members of the Company. The same may again be treated as an abstract of memorandum of interest in accordance with Section 302 of the Companies Act, 1956.

The above explanatory statement also sets out an abstract of material terms of the contract with Wholtime 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. 9

The Securities and Exchange Board of India (SEBI) has issued the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred to as the "Delisting Guidelines") incorporating, among others, provisions for delisting of securities of a body corporate voluntarily by a promoter or an acquirer or any person other than the Stock Exchanges.

The Equity Shares of the Company are presently listed on the following Stock Exchanges in India :

- (i) The Stock Exchange Ahmedabad (Regional Stock Exchange, ASE)
- (ii) The Stock Exchange, Mumbai (BSE)
- (iii) The National Stock Exchange (NSE)
- (iv) The Calcutta Stock Exchange Association Limited (CSE)

As the provisions of Regional Stock Exchange is withdrawn, Company can delist its Equity Shares from The Stock Exchange, Ahmedabad also. With the extensive networking of BSE and NSE, as also the extension of BSE and NSE terminals to other cities as well, investors have access to on-line dealings in Equity Shares of the Company across the country. The bulk of the trading in the Company's Equity Shares takes place on the BSE and NSE which have nationwide trading terminals. It has been observed that trading volumes at the ASE and CSE (hereinafter referred to as "the said Stock Exchanges") are negligible and the listing fees paid to the said Stock Exchanges are disproportionate to the accrued benefits to the Company/its investors by continuing the listing of the Equity Shares on the said Stock Exchanges in the changed scenario of the nationwide trading terminals set up by BSE and NSE. The compliances, reporting and approvals under the Listing Agreements get multiplied and because of these multiple requirements to be complied with for each Stock Exchange separately, some of the Corporate Actions gets delayed. The shareholders of the Company do not get any additional benefit by continuing the listing of the Equity Shares on the said Stock Exchanges. The continued listing on the said Stock Exchanges is, therefore, not considered necessary. The

proposed delisting from the said Stock Exchanges would further contribute to the reduction in administrative costs/efforts of the Company. Moreover the Company's Equity Shares are one of the scrips, which the Securities and Exchange Board of India (SEBI) has specified for settlement only in dematerialized form by all investors. Accordingly, there is no physical movement of share certificates in transactions taking place on the Stock Exchanges.

As per the Delisting Guidelines, the Company can delist its shares from the said Stock Exchanges with the approval of Members by passing a Special Resolution, without providing an exit opportunity, provided that the shares will continue to be listed on a stock exchange having nationwide trading terminals. There is no compulsion for companies to remain listed on any Stock Exchange merely because it is a regional Stock Exchange. Accordingly, members' approval is being sought by a Special Resolution to enable the Board for voluntary delisting of the securities from the said Stock Exchanges as and when it decides.

The proposed delisting of the Company's Equity Shares from the said Stock Exchange, as and when it takes place, will not therefore adversely affect any investor as the Company's Equity Shares will continue to be listed on BSE and NSE. The delisting will take effect after all approvals, permissions and sanctions are received.

None of the Directors of the Company is, in any way, concerned or interested in the said Resolution.

ITEM NO. 10

The amended Clause 49 of the Listing Agreement to be implemented by all the Listed Companies w.e.f. 1st January, 2006, inter alia, provides that fees / commission can be paid to the Non-Executive Directors (including independent directors) only after prior approval of shareholders in General Meeting.

Pursuant to Rule 10-B of the Companies (Central Government's) General Rules & Forms, 1956 read with Section 310 of the Companies Act, 1956, the Company can pay upto Rs.20,000 by way of Sitting Fees to the Directors.

The resolution is proposed to authorise Board of Directors to fix and pay the Sitting Fees within the limits prescribed under the said Rule 10-B.

In additions to the commission as authorised by the resolution passed at the Company's Annual General Meeting held on 30th December, 2002, the Company is also presently paying Sitting Fees of Rs. 5,000/- per meeting to its existing Non-Executive Directors (including Independent Directors) for attending meetings of the Board or any Committee thereof .

The said resolution is proposed to comply with the said requirement of Clause 49 of the Listing Agreement.

All the Directors except Mr. Sanjay S. Lalbhai, Managing Director, and Mr. Jayesh K. Shah, Director & Chief Financial Officer, may be deemed to be interested in the Ordinary Resolution.

Registered Office:
Naroda Road,
Ahmedabad - 380025.

By Order of the Board

Arvind N. Lalbhai
Chairman

Date : 30th July, 2005.

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, 2004 to 31st March, 2005.

1. FINANCIAL RESULTS

Highlights of Financial Results for the year are as under:

	Rs. in Crores	
	2004-2005	2003-2004
Turnover & Other Income	1686.48	1447.87
Profit before Depreciation, Interest & Taxation	396.28	364.90
Less : Interest and Finance costs	117.91	113.29
Gross Profit after Interest & Finance costs but before Depreciation & Taxation	278.37	251.61
Less : Depreciation	149.07	150.31
Net Profit before Taxation for the year	129.30	101.30
Less : Current Tax	1.95	—
Less : Deferred Tax	—	4.55
Net Profit for the year	127.35	96.75
Balance of Profit brought forward	127.77	21.43
Less : Transfer to Capital Redemption Reserve	3.48	—
Add : Transfer from Debenture Redemption Reserve	8.00	19.00
Balance available for appropriation	259.64	137.18
Your Directors appropriate the same as under :		
Preference Dividend paid	4.09	8.34
Tax on Interim Preference Dividend	0.53	1.07
Proposed Dividend on Equity Shares	19.54	—
Tax on proposed Dividend	2.74	—
Balance carried forward to next year	232.74	127.77
Total	232.74	127.77

2. OPERATIONS

Your Directors are pleased to inform you that financial year 2004-05 has been a successful year for the Company. The Company has performed distinctively better than the previous financial year and has achieved suitable results.

Sales and operating income was at Rs.1679 Crores as against Rs.1435 Crores in the previous financial year, a growth of 17%. This is mainly on back of higher denim and garment sales both in terms of volume and realization. Operating profit was Rs.389 Crores as against Rs.353 Crores in the previous financial year, a growth of 10%. The earnings are depressed compared to the revenues due to high cotton cost during first three quarters of the current financial year. The key developments of the year are summarized below:

- Operations of Mauritius subsidiary closed and shifted to India
- Significantly better demand for denim
- Higher contribution from garment business
- Lower cotton cost during last quarter of the year
- Power plants have been shifted to lower priced natural gas instead of naphtha as fuel

The Company has registered a profit after tax at Rs.127 Crores as against Rs.97 Crores in the previous financial year, a growth of 31%.

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

3. DIVIDENDS

Dividend aggregating to Rs. 4.09 crores on 69,50,000 – 6% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- each has been paid by the Company as interim dividend for the year 2004-05. Your Directors recommend that the interim dividend be fully adjusted as final dividend for the year ended on 31st March, 2005.

Your Directors are pleased to recommend, a dividend of Re. 1 per Equity Share of Rs.10/- each fully paid up.

4. FINANCE

During the year, your Company has prepaid Term Loans instalments amounting to Rs. 297 crores. The prepayment was made from the fresh borrowings of Rs. 295 crores at lower rate of interest and balance out of the internal accruals. This is over and above the scheduled repayment of Term Loan instalments falling due during the current year. Long Term Debt including lease of the Company stands reduced from Rs. 1179 crores as on 31st March 2004 to Rs. 1098 crores as on 31st March 2005.

5. SUBSIDIARIES

A brief 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 closure of the 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. 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

At the ensuing Annual General Meeting, Ms. Rama Bijapurkar and Mr. Jaithirth Rao, 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, 2005 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, 2005 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. 0.05 crores, the Company has repaid deposits of Rs. 0.02 crores during the year and the balance deposits of Rs. 0.03 crores involving 30 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 would like to appreciate the efforts of the Company's employees for their continued co-operation and unstinted support extended to the Company. The support of all lenders including Financial Institutions, Commercial Banks, Overseas Banks and, vendors and buyers has also been invaluable to the Company's performance and your Directors take this opportunity to appreciate it deeply.

By Order of the Board

Arvind N. Lalbhai
Chairman

Place : Mumbai

Date : 27th April, 2005

Corporate Governance Report

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance has been emphasised a lot in the recent past. In the current dynamic and volatile environment, it becomes imperative that highest levels of transparency, accountability and integrity are achieved and maintained. The Company also strongly feels the need for a code of conduct to regulate this scenario. The Company ensures taking steps all through the year to maintain transparency and goes that extra mile to satisfy all of its stakeholders. The objective is not only to meet the statutory requirements but also to create and put in place procedures and systems which are in accordance with the best practices for governance.

Corporate Governance to us means being always responsive to its stakeholders – be it the customer, supplier, lender, an employee or the shareholder apart from the society at large. The Board also supports the principles of Corporate Governance and lays strong emphasis on its trusteeship role to align and direct the actions of the organisation to achieve its said objectives.

Given below is the report on Corporate Governance at Arvind.

Board of Directors

Composition of the Board

The Board has 9 Directors, comprising of two Executive Directors viz. 1 Managing Director and 1 Director and Chief Financial Officer and 7 Non-Executive Directors. The Non-Executive Directors include 6 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, 2005:

Sr. No.	Name of Director	Executive / Non-executive/ Independent	No. of other Directorships in Public Limited Companies	No. of other Board Committees Of which Member / Chairman
1	Mr. Arvind N. Lalbhai	Non-Executive – Chairman - Promoter	5	1 as a Member
2	Mr. Sanjay S. Lalbhai	Executive - Managing Director - Promoter	3	1 as a Chairman
3	Mr. Jayesh K. Shah	Executive-Director and Chief Financial Officer	1	NIL
4	Mr. Jaithirth Rao	Non-executive, Independent	5	1 as a Chairman
5	Ms. Rama Bijapurkar	Non-executive, Independent	5	2 as a Chairperson 4 as a Member
6	Mr. Deepak Satwalekar	Non-executive, Independent	8	2 as a Chairman 4 as a Member
7	Mr. V. K. Pandit	Non-executive, Independent – Nominee of IDBI	1	2 as a Member
8	Mr. Balaji Swaminathan	Non-executive, Independent – Nominee of ICICI Bank	4	Nil
9	Mr. Srinivasan Sridhar	Non-executive, Independent – Nominee of EXIM Bank	Nil	Nil

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, Half yearly 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 5 times on 29th April 2004, 22nd July 2004, 28th October 2004, 27th January 2005 and 18th & 19th February 2005. The gap between two Board Meetings was within the maximum time gap of 4 months 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	5	5	Yes
2	Mr. Sanjay S. Lalbhai	5	5	Yes
3	Mr. Jayesh K. Shah	5	5	Yes
4	Mr. Jaithirth Rao	5	5	No
5	Ms. Rama Bijapurkar	5	4	No
6	Mr. Deepak M. Satwalekar	5	5	No
7	Mr. V. K. Pandit	5	4	No
8	Mr. Balaji Swaminathan	5	5	Yes
9	Mr. Srinivasan Sridhar	5	3	No

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 3 members, all of whom are Non-Executive Independent Directors. Mr. Balaji Swaminathan, 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 the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
3. Recommending the appointment and removal of Internal Auditors, fixation of Audit Fees and also approval for payment of any other services.
4. Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgement by management
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with Stock Exchange and legal requirements concerning financial statements
 - Any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of Company at large.
5. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function including the structure of the internal audit function, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with internal auditors of any significant findings and follow up there on.
8. 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.
9. Discussion with external / internal auditors before the audit commences on nature and scope of audit as well as to have post-audit discussions to ascertain any area of concern.

10. Reviewing the Company's financial and risk management policies.
11. Seek external assistance of professionals, lawyers, accountants etc. whenever necessary.
12. 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 29th April 2004, 22nd July 2004, 28th October 2004 & 27th January 2005.

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. Balaji Swaminathan	Chairman	4	4
2	Mr. S. Sridhar	Member	4	2
3.	Mr. Jaithirth Rao	Member	4	4

2. Remuneration Committee

The Board of Directors of the Company at its meeting held on 20th November, 2002 has constituted a Remuneration Committee consisting of 3 Directors, all of whom are Non-Executive Independent Directors. Mr. Deepak Satwalekar, an Independent Director acts as Chairman of the Committee. 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, one meeting were held on 28th October 2004

The Attendance of Members at the meeting was as under:

Sr.No.	Name	Position	No of Meetings held during relevant period	No. of Meetings attended
1	Mr. Deepak M. Satwalekar	Chairman	1	1
2	Ms. Rama Bijapurkar	Member	1	1
3	Mr. Jaithirth Rao	Member	1	1

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 28th September 1999 when he was appointed for a further period of five years beginning from 1st January, 2000. Arvind has entered into an agreement with the Managing Director laying down his tenure, remuneration, and other terms. The Remuneration Committee and the Board of Directors at their respective meetings held on 20th November, 2002 and Shareholders at the Annual General Meeting held on 30th December 2002, have approved revision in remuneration of Mr. Sanjay S. Lalbhai, Managing Director, effective from 1st December 2002 up to the remainder of his tenure i.e. 31st December 2004.

Subject to the approval of the members in general meeting, the Remuneration Committee and the Board of Directors, at their respective meetings held on 28th October, 2004 has re-appointed him as a Managing Director for a further period of five years with effect from 1st January, 2005 on existing salary, perquisites, allowances and commission.

The Remuneration Committee and the Board of Directors at their respective meeting held on 20th November, 2002 and Shareholders at the Annual General Meeting held on 30th December 2002, 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 of 3 years effective from 20th November 2002 up to 19th November 2005. Arvind has entered into an agreement with him laying down his tenure, remuneration and other terms.

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 and in case of loss or inadequacy of profits, a minimum sum of Rs. 30 lacs per annum for each year for a period of 5 years commencing from 1st January, 2003.

The Remuneration paid/payable to the Directors is 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	1,30,000	Nil	1,30,000
2	Mr. Sanjay S. Lalbhai (MD)\$	36,00,000	69,01,461	Nil	54,00,000	1,59,01,461
3	Mr. Jayesh K. Shah+	16,79,640	39,37,231	Nil	25,19,460	81,36,331
4	Mr. Jaithirth Rao	Nil	Nil	50,000	6,00,000	6,50,000
5	Ms. Rama Bijapurkar	Nil	Nil	40,000	5,00,000	5,40,000
6	Mr. D. M. Satwalekar	Nil	Nil	30,000	5,00,000	5,30,000
7	Mr. V. K Pandit	Nil	Nil	20,000	Nil	20,000
8	Mr. Balaji Swaminathan	Nil	Nil	45,000	Nil	45,000
9	Mr. S. Sridhar	Nil	Nil	25,000	Nil	25,000

\$ 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 2 Non-Executive Directors and 2 Executive Directors. Ms. Rama Bijapurkar, an Independent Director acts as Chairperson of the Committee.

Role

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

- 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
- To look into other related issues towards strengthening investors' relations.
- To consider and approve issuance of share/debenture certificates including duplicate share/debenture certificates.
- 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, 4 Investors' Grievance Committee Meetings were held on 29th April 2004, 22nd July 2004, 28th October 2004 & 27th January 2005.

The Attendance of Members at meetings was under:

Sr.No.	Name	Position	No of Meetings held during relevant period	No. of Meetings attended
1	Ms. Rama Bijapurkar	Chairperson	4	3
2	Mr. Arvind N. Lalbhai	Member	4	4
3	Mr. Sanjay S. Lalbhai	Member	4	4
4.	Mr. Jayesh K. Shah	Member	4	4

4. Management Committee

The Management Committee consists of 3 Directors, 2 of whom are Executive Directors and 1 Non-Executive Director. The Management Committee is chaired by Mr. Arvind N. Lalbhai who is also the Non-Executive Chairman of the Board. The Management Committee met 19 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, 19 Management Committee Meetings were held on various dates.

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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	19	16
2	Mr. Sanjay S. Lalbhai	Member	19	17
3	Mr. Jayesh K. Shah	Member	19	17

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 VI (A) of the Listing Agreement with respect to the Directors retiring by rotation and seeking re-appointment / Directors sought to be appointed is as under:-

At this Annual General Meeting, Ms. Rama Bijapurkar and Mr. Jaithirth Rao, Directors of the Company, retire by rotation and being eligible seek re-appointment.

Ms. Rama Bijapurkar

Ms. Rama Bijapurkar is a B.Sc. (Hons) and MBA from IIM – A and has worked for McKinsey, Lintas and has been the Deputy Managing Director of MARG and a founder Director of MODE Services. She has also been consulting Hindustan Lever and other Indian and Multinational Corporate. She is visiting Professor at IIM- Ahmedabad and is on the Board of Infosys Technologies Ltd., CRISIL, Titan Industries, Godrej Consumer Products Ltd. and UTI Bank Limited.

Names of companies other than Arvind Mills in which Ms. Rama holds Directorships, Chairmanship / Membership of Audit Committees , Shareholders/ Investors' Grievance Committee or Remuneration Committee of other Public Limited Companies whether listed or not are as under :

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Infosys Technologies Ltd.	Investor Grievance Committee Audit Committee	Chairperson Member
2	Titan Industries Ltd.	Nil	Nil
3	Godrej Consumer Products Ltd.	Nomination Committee Audit Committee Human Resources Committee	Chairperson Member Member
4	Credit Rating Information Services India Ltd.	Compensation Committee	Member
5	UTI Bank Limited	Nil	Nil

(The above list excludes Directorships held in Private Limited Companies which are not subsidiaries or holding Companies of Public Limited Companies, Unlimited Companies, Statutory Entities and Alternate Directorships as provided under Section 278 of the Companies Act, 1956).

Mr. Jaithirth Rao

Mr. Jaithirth Rao, has a Masters Degree from the University of Chicago and IIM-Ahmedabad. He is the Chairman and CEO of Mphasis BFL Ltd. and is on the Board of Cadbury India Ltd., Mahindra Holidays & Resorts India Ltd., IDFC Asset Management Company Limited and Gabriel India Limited.

Names of companies other than Arvind Mills in which Mr. Jaithirth Rao holds Directorships, Chairmanship / Membership of Audit Committees, Shareholders/ Investors' Grievance Committee or Remuneration Committee of other Public Limited Companies whether listed or not are as under:

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Mphasis BFL Ltd	Investor Grievance Committee Share Transfer Committee	Member Member
2	Cadbury India Ltd	Nil	Nil
3	Mahindra Holidays & Resorts India Ltd	Nil	Nil
4	IDFC Asset Management Company Ltd.	Nil	Nil
5	Gabriel India Limited	Nil	Nil

(The above list excludes Directorships held in Private Limited Companies which are not subsidiaries or holding Companies of Public Limited Companies, Unlimited Companies, Statutory Entities and Alternate Directorships as provided under Section 278 of the Companies Act, 1956).

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

Disclosures

- 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.18 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.
- 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

Shareholders' Information
1. Name and Designation of Compliance Officer:

Ramnik .V. Bhimani, Company secretary The Arvind Mills Limited	Mr. Gautam V. Shah, General Manager Pinnacle Shares Registry Pvt. Ltd., Registrars & Transfer Agents
---	---

2. Details of Complaints / Queries received and redressed during 1st April, 2004 to 31st March, 2005:

Sr. No.	Particulars of Complaints / Query	Received	Redressed	Pending as on 31.3.2005
1	Non receipt of Share Certificates	33	33	Nil
2	Non receipt of Dividend /Interest Warrants	18	18	Nil
3	Confirmation of Demat Credit	Nil	Nil	Nil
4	Non receipt of Debentures Redemption payment	12	12	Nil
5	Non receipt of letter of offer, allotment advice, share certificates etc. for Rights Issue & others	Nil	Nil	Nil
6	Others- Complaints received from SEBI, Stock Exchanges, NSDL, ROC, Company Law Board etc.	25	25	Nil
	Total	88	88	Nil

3. Share Transfer Details for the period from 1st April, 2004 to 31st March, 2005:

Transactions	Physical	Demat	Total
Number of Transfers	5059	13214	18273
Average Number of Transfers Per Month	422	1101	1523
Number of Shares Transferred	406400	3134157	3540557
Average Number of shares Transferred Per Month	33867	261180	295047
No. of Pending Share Transfers	84	175	259

4. Investors' Grievances:

The Registrars and Transfer Agents under the supervision of the Secretarial Department of the Company look after investors' grievances. Mr. Gautam V. Shah, 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
07th August, 2004	11.00 a.m	Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad – 380 006
10th September, 2003	11.00 a.m	Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad – 380 006
30th December, 2002	11.00 a.m	Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad – 380 006

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.

6. Means of communication

- Half-Yearly Report is not being sent to each household of shareholders as half yearly results are intimated to stock exchanges.
- The Quarterly Results are published in the Economic Times - All India Editions and Financial Express Gujarati Edition and are also posted on the Company's web site at www.arvindmills.com.

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

7. Annual General Meeting :

Date	29th September, 2005
Time	11.00 AM
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 2005
Second quarter results	By end of October 2005
Third quarter results	By end of January 2006
Fourth quarter results / Year end results	By end of April, 2006.

9. Book Closure:

Wednesday, the 21st September, 2005 to Thursday, the 29th September, 2005 (Both days inclusive)

10. Dividend Payment Date:

Tuesday, 4th October, 2005

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.	The Stock Exchange, Ahmedabad (Regional Stock Exchange)	Kamdhenu Complex, Opp.Sahajanand College, Panjarapole, Ahmedabad-380 015
2.	The Stock Exchange, Mumbai Code: 500101	Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400 001
3.	The Calcutta Stock Exchange Association Ltd.	7, Lyons Range, Calcutta – 700 001
4.	National Stock Exchange of India Ltd. Symbol : ARVINDMILL	Exchange Plaza, 5th Floor, Plot No.C/1, G. Block Bandra – Kurla Complex, Bandra (E), Mumbai – 400 051
5.	The Luxembourg Stock Exchange (Listing of GDS)	11, Avenue de la Porte-Neuve, L-2227 Luxembourg

The company has paid Annual Listing Fees for the year 2005-2006 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 :

Month	Share price BSE		BSE Sensex		Volumes No of shares	Share price NSE		NSE (NIFTY)		Volumes No of shares
	High (Rs.)	Low (Rs.)	High	Low		High (Rs.)	Low (Rs.)	High	Low	
Apr-04	57.50	46.05	5979.25	5599.12	7974188	57.55	46.00	1912.35	1771.45	25240815
May-04	65.60	42.50	5772.64	4227.05	19473832	66.00	38.00	1837.95	1292.20	55051550
Jun-04	71.60	56.25	5012.52	4613.94	27213291	71.65	56.50	1566.50	1437.90	91454356
Jul-04	80.35	59.90	5200.85	4723.04	49425007	80.40	59.15	1638.70	1472.55	154828119
Aug-04	83.20	72.90	5269.22	5022.29	31247855	83.10	72.80	1658.90	1573.70	102345446
Sep-04	83.65	78.70	5638.79	5178.57	16417970	85.80	78.70	1760.80	1619.90	50181629
Oct-04	86.70	77.50	5803.82	5558.14	9360697	86.40	77.00	1829.45	1737.85	31313922
Nov-04	118.90	78.50	6248.43	5649.03	13790358	118.80	78.05	1963.80	1776.70	54939603
Dec-04	136.95	109.15	6617.15	6176.09	17835377	136.90	108.55	2088.45	1944.50	61387251
Jan-05	140.00	99.10	6696.31	6069.33	12065333	135.40	99.20	2120.15	1894.40	54592952
Feb-05	134.70	119.10	6721.08	6508.33	15184316	134.90	119.50	2110.15	2036.60	65648063
Mar-05	134.50	107.00	6954.86	6326.73	11252867	135.70	106.50	2183.45	1971.15	37421382

13. Registrars and Transfer Agents :

Pinnacle Shares Registry Private Limited
 AAA Hospital Premises,
 Naroda Road, Ahmedabad – 380 025.
 Contact Persons: Mr. Gautam V. Shah / Mr. Girish Patel
 Phone Numbers: 079- 22200582 / 22204226
 E-mail: gautam.shah@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 2005 :

Sr. No.	Category	No. of Shares held	% age of Shareholding
	Holding of Promoter Group ("Group" as per MRTP Act, 1969):		
1	<i>Individuals:</i>		
	Mr. Arvind N. Lalbhai	101781	0.05
	Mr. Sanjay S. Lalbhai	153	0.00
	Mr. Samveg A. Lalbhai	103295	0.05
	Mr. Shrenik K. Lalbhai	23081	0.01
	Relatives of above Individuals*	124948	0.06
2	<i>Major Bodies Corporate and Trusts:</i>		
	Aura Securities Private Limited	51015374	26.11
	AML Employees Welfare Trust	10027624	5.13
	Agrimore Limited	836076	0.43
	Amazon Investments Limited	1830358	0.94
	Acropolis Investments Limited	610877	0.31
	Altair Investment Limited	551406	0.28
	Aeon Investment Limited	1126200	0.58
	Anshuman Holdings Private Limited	400000	0.20
	Anubhav Investments Limited	303000	0.16
	Avishkar Finance and Trade Limited	230516	0.12
	Atul Limited	3878315	1.99
	Anukul Investment Limited	173608	0.09
	Ameer Trading Corporation Limited	149156	0.08
	Jeet Holdings Private Limited	134082	0.07
	Adore Investment Limited	130664	0.07
	Amardeep Holdings Private Limited	94250	0.05
	Alisma Investments Limited	0	0.00
	Affection Investments Limited	0	0.00
	Ajax Investment Limited	38333	0.02
	Anagram Securities Limited	300000	0.15
	Anagram Stockbroking Limited	125000	0.06
	Enagram Online Limited	0	0.00
	Sanjay Family Trust	0	0.00
	AML Management Employees Welfare Trust	0	0.00
	Total Promoter Group holding	72308097	37.01
	Non Promoter holding		
3	Mutual Funds and UTI	14988740	7.67
4	Banks, Financial Institutions, Insurance Companies	13250774	6.78
5	Foreign Institutional Investors, NRIs/OCBs, F.B.	47611459	24.38
6	GDR	1316292	0.67
7	Private Corporate Bodies	6763535	3.46
8	Indian Public	39139544	20.03
	Total Non-Promoter holding	123070344	62.99
	GRAND TOTAL	195378441	100%

* The names of 'Relatives of above Individuals' are as per disclosures made as on 31st March, 2005 under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

16. Distribution of shareholding as on 31st March 2005 :

No. of shares	PHYSICAL MODE		ELECTRONIC MODE		TOTAL		TOTAL	
	No. of holders	No. of shares	No. of holders	No. of shares	No. of holders	%	No. of shares	%
1 to 500	58899	5001630	87080	13388279	145979	92.08	18389909	9.41
501 to 1000	754	530705	6425	5172254	7179	4.53	5702959	2.92
1001 to 2000	227	305608	2642	4015042	2869	1.81	4320650	2.21
2001 to 3000	48	119760	826	2124337	874	0.55	2244097	1.15
3001 to 4000	26	91767	358	1287775	384	0.24	1379542	0.71
4001 to 5000	18	80163	353	1655896	371	0.23	1736059	0.89
5001 to 10000	11	69148	438	3240063	449	0.28	3309211	1.69
Above 10001	9	450191	429	157845823	438	0.28	158296014	81.02
Total	59992	6648972	98551	188729469	158543	100.00	195378441	100.00

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, 2005, 188729469 shares representing 96.60% 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
Equity Shares partly paid up	IN9034A01019
13% Secured Redeemable Non-Convertible Debentures	INE034A07042
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, 2005, 1316292 GDRs (previous year 2147120), are outstanding. Each GDR represents one underlying equity share.

19. Plant Locations :

- Naroda Road, Ahmedabad – 380 025, Gujarat (Two Units)
- Santej, Taluka Kalol, Dist. Gandhinagar – 382 721, Gujarat
- Khatraj, Taluka Kalol, Dist. Gandhinagar – 382 721, Gujarat
- Khokhara, Mehmdabad, 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 205A(5) of the Companies Act, 1956, dividend for the financial year ended 31st March, 1998, which remains unclaimed for a period of 7 years will be transferred by the Company to the Investor Education and Protection Fund (IEP Fund) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below:

Financial year ended	Date of declaration of Dividend	Due date for transfer to IEP Fund
31.03.1998	22.09.1998	08.11.2005
31.03.1999*	Not Applicable	Not Applicable
31.03.2000*	Not Applicable	Not Applicable

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate warrant(s) by writing to the office of the Registrar and Transfer Agents, M/s. Pinnacle Shares Registry Pvt. Ltd. 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.

* The Company did not declare any dividend on equity shares in respect of financial years ended 31.03.1999 and 31.03.2000.

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 :

The Arvind Mills 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 : gautam.shah@psrpl.com
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The above Report was placed before the Board at its meeting held on 27th April, 2005 and the same was approved.

for and on behalf of the Board

Place : Mumbai
 Date : 27th April, 2005

Arvind N. Lalbhai
 Chairman

Compliance of conditions of corporate governance

To the Members of The Arvind Mills Limited
 Ahmedabad

We have examined the compliance of conditions of corporate governance by THE ARVIND MILLS LIMITED, for the year ended on 31st March 2005, 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 Clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that the Registrars and Share Transfer Agents of the Company have maintained records to show Investors' Grievances against the Company and have certified that as on 31st March, 2005 there were no investor grievances remaining unattended / pending for a period exceeding one month.

We further 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

Mumbai
 27th April, 2005

N. D. Anklesaria
 Partner

Management Discussion and 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 restraint 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 OF THE YEAR GONE BY

The year gone by has been an eventful year for the Company and the textile sector as a whole.

The year 2005 marks the beginning of a Quota free trade in textile and clothing world over. The fallout and implications of ending of Agreement on Textiles & Clothing (ATC) shall be more visible and clear as we move ahead. Though, in anticipation of a surge in demand, lot of capacity build up is being seen in this part of the world and your Company has also contributed towards this. The Company continues to be the largest cotton textile manufacturer in India and one of the largest exporters in this domain. In its quest to be a well-synchronized integrated unit, it has further consolidated its position in the garments by augmenting its capacities in Bangalore. The various products like Denim, Shirting, Knits apart from the made ups have shown a lot of stability and are going to gain ground in the henceforth Quota free era.

During the year the Company continued to work on an optimal product mix with focus on newer markets & customers across the globe. The domestic market has lately shown lot of promise with the advent of "consumerism" in a big way. The existing mall mania further got a boost from the proposed FDI in the real estate sector. Already the apparels take more than 30% of the average mall space. The Company is fully geared not to let go this opportunity in the domestic sector.

The Mauritius plans of the Company suffered on account of the extension of the AGOA (African Growth and Opportunities) Act, which enables the African countries (except Mauritius and South Africa) to export garments to USA without any restriction on account of quota or duty. The shifting of Mauritius plant seemed to be a better option in order to boost the existing capacities here. This process got completed during the year and the plant has already become operational since March 2005.

Internally, the Company has worked on improving its productivity and efficiency and the impact of these efforts is being seen in the financial results. The Company continues to be exposed to volatile behaviour of the cotton prices, at times though favourably. Cotton prices lately have been under pressure due to low international prices, higher acreage and better yields, giving an opportunity to the Company to improve its margins going forward. Also, an option to go long on this crucial raw material has been exercised to hedge against the volatility for most of the next year. The shift

from Naptha to Gas also has had its fair share of cost savings and the Company remains committed to optimize its cost and expenses on an ongoing basis.

Branded apparel consuming class is expanding by 11% CAGR and is turning out to be a force impacting the domestic apparel sector. Your Company has been contemplating to capitalize on this opportunity for sometime now and the best platform seems to be its own group company 'Arvind Brands Limited' (ABL). In order to have a full control on the operations and also to ease an environment to streamline the entire chain of fibre to fashion, your Company (management) has decided to buy out the stake in ABL from ICICI ventures and make it a wholly owned subsidiary going forward. The value of the 53.4% stake has been fixed at Rs 106 crores. For general corporate purposes the Company is also going ahead with a GDR (Global depository receipts) issue, subject to the necessary approvals from the Board as well as the shareholders. The equity would get diluted in the range of the 5 - 6% on expanded capital base.

FINANCIAL PERFORMANCE AND REVIEW

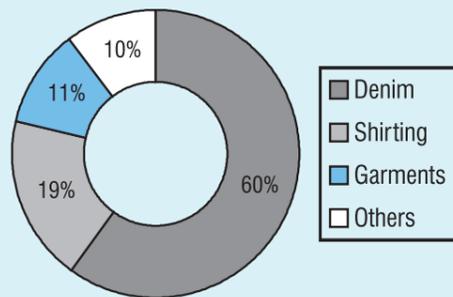
The analysis and comparison of the financials shall bring forth the positives in growth in denim volumes, better realizations in shirting, stabilization of knits and reduction in impact of high cotton prices through value engineering in house. The negatives in higher naptha prices and lower export incentives and have some what compensated these benefits. A detailed analysis follows:

Particulars	Year 2004-05 Rs.in crores	Year 2003-04 Rs.in crores	Variance
Sales & Operating Income	1,679	1,435	17%
Raw Materials	683	577	18%
Direct Materials	145	118	23%
Power, water, fuel	179	158	13%
Salaries & wages	123	111	11%
Decrease / (Increase) in stock	-13	-30	-57%
Other overheads	173	148	17%
Total cost of sales	1,290	1,082	19%
Operating Profit	389	353	10%
Other Income	8	13	-41%
Net Interest & Finance Cost	118	114	3%
Cash Accrual	278	252	11%
Depreciation	149	150	-1%
Profit before tax	129	101	27%
Deferred tax	0	5	-100%
Minimum Alternative Tax(MAT)	2	0	
Profit after Tax	127	97	31%

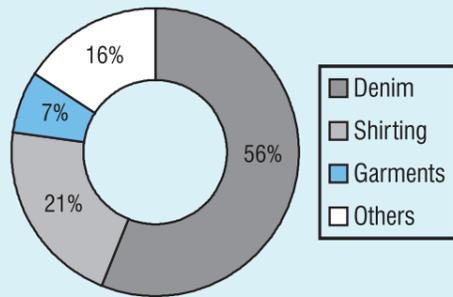
Sales & Operating Income

The Revenue numbers show an increase of 17% over the last year mainly on the strength of higher denim contribution towards the turnover and an all round increase in the capacity utilization of all the divisions. The Denim constituted 60% of the total whereas shirting and garments contributed 19% and 11% respectively. The shirting and knits business are showing signs of stability and going forward their share is likely to increase in the total turnover. Garments, being a thrust area is going to see a major boost in terms of the market opportunity as well as internal push and should show a marked improvement in % terms next year.

2004-2005

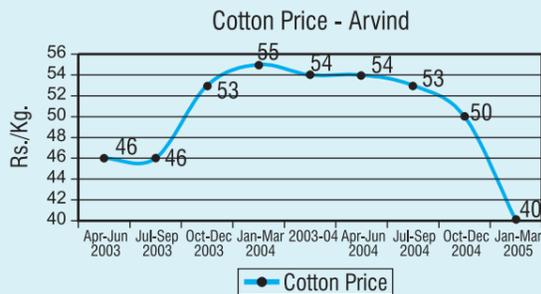


2003-2004



Raw Materials – Cotton

The 18% higher raw material cost as compared to last year has an impact of high cost of cotton apart from higher capacity utilization. Cotton cost has been high for most part of the year and has started easing only in the last quarter, when the impact of new season prices have started to trickle in. Most of the negative impact on account of the higher prices of cotton was compensated by in house value engineering.



Direct Materials

The direct materials at Rs 145 crores this year as compared to Rs 118 crores last year show an increase in use of dyes, chemicals and other stores items owing to increased capacity utilization as well as hardening of international dye prices. The Company is working on finding alternatives to these resources in order to reduce the cost.

Power and Fuel

The increase in power and fuel cost by 13% to Rs 179 crores is primarily attributed to the high cost of naphtha for the major part of the year. The plans to shift to Gas got delayed by three months owing to delay in laying of the pipeline for the gas supply. Going forward the Company expects to save substantially on account of usage of Gas for the captive power plant.

Salaries and wages

Looking at the potential of growth in the textile arena, special focus on hiring the right talent and retaining the existing has seen the cost on this account moving up by about 11% over the previous year. Lot of emphasis on 'right people for the right job' has been given and is expected to bear fruits in managing the operations more efficiently.

Operating Margins (Profit)

The Company has been able to offset the impact of high cotton and naphtha prices by pushing for higher volumes and offering value added products in denim, focusing on value engineering for optimum usage of cotton and shifting to gas. However, there has been a small dip in the operating margin as compared to last year, whereas the operating profits show a jump of 10% over the last year and have touched Rs. 389 crores.

Net Interest and Finance cost

The net interest and finance cost for the current financial year is Rs.118 Crores as against Rs.114 Crores during the previous financial year. This is after impact of a gain on account of foreign currency loan which stood at Rs.21 Crores during previous financial year and whilst the current year figure contains loss of Rs.1 Crore. The interest burden in the last quarter of the year has gone up on account of higher working capital loan interest due to cotton purchase.

Cash Accrual

The cash generated from operations this year is Rs 278 crores which is 10% higher than last year's Rs 252 crores. The Company proposes to utilize these internal accruals for funding the new projects, expansions as well as repayment of outstanding debt.

Depreciation

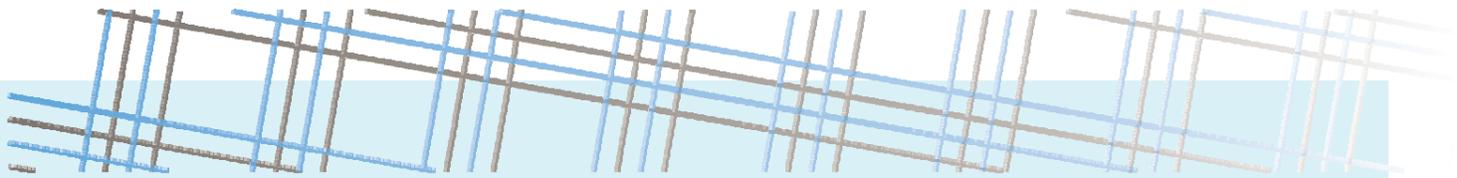
There has been no change in the method of depreciation for the year under consideration. The amount of Rs 149 crores this year as compared to Rs 150 crores last year shows no material change due to capitalization of additional capacities for the denim and garments.

Profit Before Tax (PBT)

Current year PBT of Rs 129 crores is higher than last year figure of Rs 101 crore by 27%. This figure sees an impact of higher denim volumes, better realization in shirting, and improved realizations from Garments. It further had a contribution from a reduced interest cost.

Net Profit (PAT)

The Profit after Tax at Rs 127 crores this year is higher by 31% to the last year figure of Rs 97 crore. The net margin has been maintained at around 7% as last year and with further reduction in interest cost and depreciation the Company expects to improve on this going forward.



THE ARVIND MILLS LIMITED

Debt

The incremental increase in the debt of the Company was to the tune of Rs 317 crores as opposed to Rs 48 crores last year. This comprised of additional loans taken during the year from the banks and FIs and higher utilization of the working capital credit facilities.

Working capital and liquidity

The inventories are at a higher level at the year-end due to the strong order book and the goods at different stages of production. The year-end push has also increased the level of receivables and is expected to normalize going forward.

OPERATIONS REVIEW AND PRODUCT PERFORMANCE

The Company continues to have the following product line under its textile umbrella:

Fabrics - Denim, Shirting, Knits

Garments - Shirts, Jeans, trousers and knitted garments

Denim fabric

Industry view

Denim world over has moved from being just a commodity to also a fashion product. The whole acceptability of this product has undergone a change from a rugged and long lasting material to something, which is in vogue due to its style and fashion. The women and children's segments have led the growth in the volumes over the period. These changes in this product segment have also forced the suppliers to change their strategies and keep-offering value added and niche products. New looks, new weaves, new styles and even with some functionalities, denim as a fabric is into a new league all together.

Innovation is going to be the name of the game and your Company is well geared to continue to be a significant player. It has a well-equipped research and development (product development wing) team churning out ideas, combinations and giving them concrete shape in tandem with the marketing and designer teams stationed at all strategic locations.

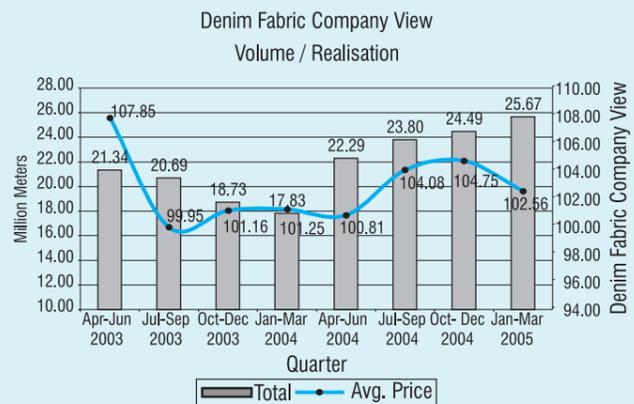
New capacities are being created in India and China to cater to the growing demand. The growth in capacity additions is a mix of potential substitutes for capacities getting closed elsewhere and for the growing demand. The market across the globe is fragmented in nature and it becomes tough to assess the real size both in the demand as well as the supply side. Current global capacities are assumed to be in the range of 4.5 billion meters and the demand and supplies are more or less balanced currently. India has a capacity of more than 250 million meters and your Company is the largest player with more than 40% share of these capacities. The domestic industry is seeing a growth of about 6-7% constituting domestic brands, dealers and garment exporters and the Company has a significant share in each pie.

Company view

Demand side pressures on denim as in the last year eased for better and the Company saw a surge in volumes from the beginning of the year itself. Main reason of increased volumes being shifting of some of the large garment operations to Africa and Asia from Europe and US. Over the period, to counter these cyclical natures in demand, relationships have also been built with some price sensitive markets to insulate against the dip in the volumes even though there are compromises on account of lower realizations. This flexible approach adopted by the Company ensures optimal capacity utilization through the year. During the year the de-bottlenecking of the denim facility assured additional 7 million meters p.a. of fabric which in these good times bolstered the top line. Over the period the average realizations have improved in spite of the strengthening of the

rupee against the dollar. Mauritius plant was shifted to India and made operational before the year-end thereby contributing additional 8 million meters p.a. capacity. The effect though, shall be seen next year onwards. The Company is in the process of expanding its denim operations through a new plant with a capacity of 10 million meters per annum, taking the total capacity to 120 million meters per annum. The strategic move to create a fungible capacity by outsourcing the weaving activity was completed during the year with the setting up of the Textile park at Santej with 102 looms being installed as part of the phase I. The park has a capacity of supplying around 18.5 million meters of fabric per annum.

The volume sold in million meters jumped from 79 to 96 this year showing a 22% change. The total revenue from denim rose to Rs 1052 crores, an increase of 21% over Rs 872 crores of previous year. The average price realizations also increased marginally to Rs 103 from Rs 102 per meter. With a slight increase in the operating margin at 28%, the operating profits from denim has been Rs 295 crores as compared to Rs 240 crores.



Shirting fabric

Industry view

The global markets lately have shown lot of stability in shirting. The main markets in the High Value Cotton Shirting are mainly in EU, USA and Japan. Main production happens in India, Turkey, Indonesia, China and USA. Your Company is a significant player in terms of value added product commanding a premium in many markets.

The global shirting market is taken at more than 1.25 billion meters with the industry growing at 5-6 % p.a.

Indian market is tipped to be around 45-50 million meters and the capacities are in the region of 75 million meters as the premium fabric mainly gets exported, and your Company is the largest exporter of the premium shirting fabric. The domestic market has been growing at 25% p.a. and is likely to show an aggressive jump now when quotas have been lifted.

India's strength is taken to be the high value, fine cotton shirting fabric and a lot of focus is shifting to the made ups. Hence, the Company has also augmented its made up facilities in Bangalore. Verticalization is the mantra being followed everywhere and your Company too endorses it.

Company view

Demand for the High Value Cotton Shirting (HVCS) has been continually strong through the year under consideration, but for some pressure towards the third quarter, though looking back to normalize slowly. The Company has consciously moved towards finer quality targeting higher realizations. The process of de-bottlenecking certain production processes and the setting up of outsourcing model has been as per schedule. It has helped

the Company to allocate outsourced capacities to undertake big orders as well accept niche orders on its own capabilities. To keep critical operations in house and outsource the routine jobs has been a part of the long-term plan getting implemented effectively during the year. The last quarter has seen some pressure on the volumes due to embargo on exporters of garments to USA. The outlook on shirting remains positive and the Company is doing the needful to further strengthen the existing relationships with its customers.

Shirting Fabric Company View
Volumes / Realisation



Knits fabric and garments

Industry view

Within textiles, Knitted fabric remains the fastest growing segment and the same growth is being seen at Arvind. Knits are supposed to be more fashion savvy and sensitive to the trends. The worldwide retail data reflects more than 50% retail sales of apparel happen in knits apparel category.

In India, the knit industry is still dominated by the unorganized sector though the organized sector is fast making inroads through big brands and many MNC labels setting foot in the domestic market. Tirupur in south India and Ludhiana in north still give a run for money to the organized sector and are taken to be undisputed leaders in terms of sheer volumes. But not deterred with this data or status of the industry your Company has pushed this product to achieve the highest growth rate going forward and contribute significantly to the top line of the Company. The scope is immense as half of the Indian garment exports is still in the form of Knitted garments. The markets showing lot of potential for growth are Europe and US. The Indian Knit industry is poised to grow at more than 15% p.a.

The Company has a competitive edge over other players as it has the capability to produce the entire spectrum of differentiated products. In house conversion from fabric to garment also gives it a lot of flexibility to cater to any kind of requirements of the big names it is already associated with.

Company view

The order book for the division swelled over the year. But for some unrest on account of minor industrial relations issue in the beginning of the year, the rest of the year has been really promising. The division has been able to add some international big wigs to its portfolio. The focus has been on increasing productivity and achieving a stable product mix and by far it has been able to achieve the same.

The sales (fabrics) showed a jump of 34% at 2304 tons as compared to last year figure of 1718 tons. In garments, there was an increase of 30% to last year number of 2.2 million pieces.

Garments

Industry view

Owing to the Quota restrictions getting lifted, the industry in the made ups is seeing a lot of action. There are regular announcements and news pouring in of closing of high cost capacities in the western countries and shifting of some of those to low cost converting countries. India and China are said to be the biggest beneficiaries and the results have started proving these beliefs with China increasing its exports to US by whopping 1000% month on month in January 2005 itself. India also sees a lot of additional capacities being built up gearing itself to capture a bigger pie of the changing markets for the supply side of the product.

Company view

The realizations have, to some extent made up for the losses in the volumes. Performance in new factory has been impacted by high operator's turnover. Reduction of export benefits by 4.9% in the third quarter and 6.6% in the fourth quarter had a negative impact of Rs 2.50 crores.

Jeans & Shirts

The 4 million pieces Jeans plant has been made operational in the month of March 2005 and next year shall have the full impact of this facility. Looking at the surge in the demand for the garments, there are plans to further expand the shirt garment facility, with dedicated customers. The current garment operations shall be converted to double shift by the year 2005-06 owing to liberalization of the labour laws.

The volume of pieces sold doubled to 2.6 million pieces. Though there was some dip in the average prices realized. Total Revenue clocked was Rs 86 crores and operating profit was Rs 4 crores as compared to Rs 45 crores and Rs 2 crores respectively last year.

OTHER INITIATIVES

Thrust on the Export and the Domestic Markets

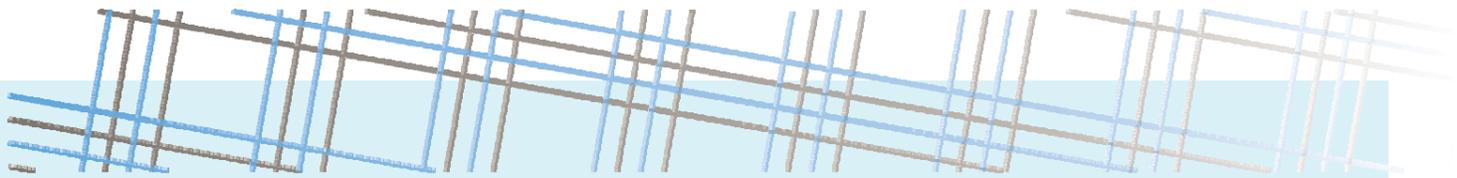
With the advent of a Quota Free era, the company feels that lot of capacities in made ups shall move towards low cost producing countries. India being one of the likely beneficiaries of this development apart from China, we also expect a lot of high value jobs to be shifted to this part of the world. To cater to the likely scenario of huge orders for mass production as well as value added stuff, your Company is in the process of augmenting its own capacities as well as is in the process of tying up for outsourcing. In the outsourcing model maintaining long term relationships and ensuring quality is being emphasized through specially created project teams.

This also throws open an interesting play in the domestic sector for likely higher demand of our fabric for eventual export through the converters. This aspect has also been considered and is being aggressively followed by the marketing teams.

With all this action across the globe, the Indian economy also appears to be on a roll. The burgeoning middle class, the increase in average spending, the existing mall mania, the well informed Indian customer - all this is a pointer towards the impending action in the retail sector. Assume a logical fall out of this increased spending on apparel as has been in the past, and the Company is all geared to cater to this windfall opportunity giving enough weight to the domestic sector both in fabrics as well as made ups.

Acquisition of Remaining Equity in Arvind Brands Limited

Arvind Brands Limited (ABL) was set up as a wholly owned subsidiary of Arvind Mills Limited (AML). Over the period, as part of the debt restructuring exercise a part of the debt from ICICI got swapped with the controlling stake of ABL, consequent to which the Company ceased to be a wholly



THE ARVIND MILLS LIMITED

owned subsidiary of AML. As discussed earlier, looking at the potential in the domestic sector in retailing and the apparel boom, it seems strategic at this point to take full control of ABL and effect a streamlining of the entire operations from fibre to fashion. It shall give a tremendous boost to Company's vertical integration program and shall provide a platform to reduce the administrative hassles as well as the time to market apart from making the environment more conducive for improving efficiencies all through the value chain. Hence, your Company is going ahead with the said acquisition, which should be completed by the end of first quarter of the succeeding year.

Growth Strategy

The Company is back on the track of growth and expansion. The focus is on optimizing the product mix for all the divisions, emphasizing on the high value added products. The entry into niche markets and niche product categories is being sought. The relationships with the existing customers is being strengthened to have a long term bonding and be a preferred supplier to most of them for their regular as well as niche offerings. Specific initiatives have been taken to tap some of the big names in the fashion industry in the European and US markets. These breakthroughs shall help the company to move upwards in the value chain and also shall insulate against cyclical movements.

The Company through its various ongoing and new initiatives shall target to improve the top-line and establish itself as a significant player in new geographies including the domestic sector.

The outsourcing strategy is already being implemented with more than 180 looms being run on job work and through soon to come up Textile Park at Santej for more than 132 high-speed looms. Weaving as an activity has been identified to be outsourced and spinning shall be focussed in house.

Cost containment

Through the continuous efforts on innovations in processes and value engineering the Company hopes to keep the costs of the raw material under control. Other ways are also being explored to cover against the price fluctuations as part of backward integration projects including having tie-ups with the farmers. Gas also has been able to save on the power cost and in house systems and processes are being monitored to optimally use these resources in order to bring down the cost.

RISK MANAGEMENT

Forex Fluctuations

The on going volatility in the foreign currency has kept the Company on a look out for any possible opportunity to hedge itself and insure against

these fluctuations. The treasury team has the mandate to try and minimize the forex risk through a continuous vigil taking the adequate covers. The Company has also tried to compensate the impact of movement in dollars by maintaining a balance between the foreign denominated assets and liabilities.

The internal accruals shall be optimally used to retire the high cost and long term debt. The funding of new projects and expansions shall also be funded through these internal accruals.

Product Concentration

The Company is already in the process of reducing too much dependence on Denim going forward. Shirting, Knits and Khakis are being given the adequate push to increase their contribution towards the product mix. On top of it, a continuous differentiation in product mix with a focus on high value added a product is carried out to reduce cyclical nature and de-commoditise the denim. The focus on high value added garment packages should also reduce the burden on denim going forward.

Internal Controls and Industrial Relations

The Company has been updating the internal controls and today has well-defined business processes to ensure the efficiency and effectiveness of the efforts that go in managing various assets and interests of the Company. Use of ERP, proper budgetary controls and a continuous monitoring ensures the optimization of resources.

The Company during the year had ensured cordial industrial relations across all divisions. Human Resource Department has been focussing on the retention and hiring of the right talent, with the expectation of lot of action round the corner for the textile industry.

Subsidiaries

Arvind Products Limited (53.66%)

Arvind Products Limited is engaged in manufacturing and marketing of voiles fabrics, gabardine (khakis). It also makes yarns mainly for the consumption of Arvind Mills Limited.

The Company has reported a turnover of Rs 406.73 crores in the current year as compared to Rs 351.67 crores in the last year.

Others

Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited based at Mauritius have wound up their operations, subsequent to the decision to move the plant to India.

Asman Investments Limited and Lifestyle Fabrics do not have any significant operating business.

Auditors' Report to the Members of the Arvind Mills Limited

1. We have audited the attached Balance Sheet of THE ARVIND MILLS LIMITED, as at March 31, 2005 and also the Profit and Loss Account and Cash Flow Statement 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, 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 & 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, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 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, 2005;
 - (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

Place: Mumbai
Date: April 27, 2005

N. D. ANKLESARIA
Partner
Membership No. 10250

Annexure to the Auditors' Report

Re: 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 fixed assets.
- (b) All the major assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets have been disposed off 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 discrepancy 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 is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases 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 control system.
- (v) According to the information and explanations given to us, no contracts or arrangements referred to in section 301 of the Act have been entered during the year. 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 the rules framed thereunder. No order has been passed by 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.

(b) Following amount have not been deposited on account of dispute:

Department	Rs. In Crore	Forum where dispute is pending
Sales Tax	0.90	Reference with High Court
Excise Duty	3.15	Appeal with CEGAT
	5.01	Commissioner of Central Excise

- (x) The Company has neither 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) 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) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks/financial institutions. Therefore, the provisions of clause (xv) of paragraph 4 of the order are not applicable.
- (xvi) In our opinion, the term loans obtained during the year have been applied for the purpose for which they were taken.
- (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 not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.
- (xix) According to the information and explanations given to us, the Company had not issued any Secured Debentures during the year.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) 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

Place: Mumbai
Date: April 27, 2005

N. D. ANKLESARIA
Partner
Membership No. 10250

Balance Sheet as at 31st March, 2005

(Rs. in crores)			
	Schedule	As at 31.03.2005	As at 31.03.2004
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	261.40	264.87
Reserves and Surplus	2	1019.75	916.46
		<u>1281.15</u>	<u>1181.33</u>
Loan Funds			
Secured Loans	3	1491.23	1107.33
Unsecured Loans	4	191.19	248.07
		<u>1682.42</u>	<u>1355.40</u>
Deferred Tax Liability (Note No. 20)		4.55	4.55
TOTAL		<u>2968.12</u>	<u>2541.28</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	2110.33	2035.21
Less: Depreciation		728.64	583.72
Net Block		<u>1381.69</u>	<u>1451.49</u>
Capital work in progress		103.07	45.62
		<u>1484.76</u>	<u>1497.11</u>
Investments	6	153.02	146.40
Current Assets, Loans & Advances			
Inventories	7	511.15	380.38
Sundry Debtors		319.11	235.40
Cash and Bank Balances		12.87	12.70
Other Current Assets		38.32	10.16
Loans and Advances		720.18	435.40
		<u>1601.63</u>	<u>1074.04</u>
Less: Current Liabilities and Provisions	8		
Liabilities		238.92	168.94
Provisions		32.37	7.33
		<u>271.29</u>	<u>176.27</u>
Net Current Assets		1330.34	897.77
TOTAL		<u>2968.12</u>	<u>2541.28</u>
Notes Forming Part of Accounts	15		

As per our report attached

ARVIND N. LALBHAI

Chairman

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

SANJAY S. LALBHAI

Managing Director

N D ANKLESARIA
Partner

Mumbai, 27th April, 2005

R. V. BHIMANI

Company Secretary

THE ARVIND MILLS LIMITED

Profit & Loss Account for the year ended on 31st March, 2005

		(Rs. in crores)	
	Schedule	2004-2005	2003-2004
INCOME :			
Sales and Operating Income	9	1678.86	1435.28
Other Income	10	7.62	12.59
		<u>1686.48</u>	<u>1447.87</u>
EXPENSES :			
Raw Materials Consumed		612.24	513.36
Purchase of Finished Goods		7.63	10.10
Employees' Emoluments	11	123.09	110.50
Others	12	560.00	478.79
Interest & Finance Costs (Net)	13	117.91	113.29
Depreciation		149.07	150.31
(Increase) in Stocks	14	(12.76)	(29.78)
		<u>1557.18</u>	<u>1346.57</u>
Profit before Tax for the year		129.30	101.30
Less : Current Tax		1.95	0.00
Less : Deferred Tax		0.00	4.55
Profit for the year		<u>127.35</u>	96.75
Balance as per last year's Balance Sheet		127.77	21.43
Interim Dividend on Preference Shares Paid		(4.09)	(8.34)
Tax on Interim Dividend		(0.53)	(1.07)
Proposed Dividend on Equity Shares		(19.54)	0.00
Tax on Dividend		(2.74)	0.00
Transferred to Capital Redemption Reserve		(3.48)	0.00
Transferred from Debenture Redemption Reserve		8.00	19.00
		<u>232.74</u>	<u>127.77</u>
Balance carried to Balance Sheet		<u>232.74</u>	<u>127.77</u>
Earning Per Share (Note No:19)			
- Basic & Diluted		6.28	4.84
Notes Forming Part of Accounts	15		

As per our report attached

ARVIND N. LALBHAI

Chairman

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

SANJAY S. LALBHAI

Managing Director

N D ANKLESARIA
Partner

Mumbai, 27th April, 2005

R. V. BHIMANI

Company Secretary

Cash Flow Statement for the year ended on 31st March, 2005

	(Rs.in Crores)	
	2004-2005	2003-2004
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before extraordinary items	129.30	101.30
Adjustments for:		
Depreciation	149.07	150.31
Interest Income	(1.68)	(2.58)
Interest & Lease Rent Expenses	103.22	114.16
Exchange Rate Difference	9.58	(33.57)
Fixed Assets Written Off	1.18	0.00
Bad Debts / Advances Written Off	0.45	0.00
Provision for Doubtful debts	0.53	0.17
Sundry Debits / Credit written off (Net)	0.24	(0.79)
Diminution in the Value of Investments (Net)	13.00	0.00
Loss on Sale of Fixed Assets	0.38	2.17
Operating Profit before Working Capital Changes	405.27	331.17
Working Capital Changes:		
Changes in Inventories	(130.77)	3.00
Changes in Trade Receivables	(84.69)	(1.21)
Changes in Other Receivables	(295.83)	(140.52)
Changes in Current Liabilities	71.23	(54.75)
Net Changes in Working Capital	(440.06)	(193.48)
Cash Generated From Operations	(34.79)	137.69
Advance Tax Paid (TDS) (Net of Income Tax Refund)	(2.27)	(0.03)
Net Cash from Operating Activities	(37.06)	137.66
B Cash Flow from Investing Activities		
Purchase of Fixed Assets	(140.36)	(51.66)
Sale of Fixed Assets	4.92	10.17
Changes in Investments	(19.62)	(13.95)
Changes in Loans & Advances	9.83	(5.74)
Interest Income	1.71	2.61
Net Cash Flow from Investing Activities	(143.52)	(58.57)
C Cash Flow from Financing Activities		
Unpaid Allotment Money Received	0.01	16.81
Redemption of Preference Share Capital	(3.48)	0.00
Share Premium Received	0.00	9.60
Unclaimed Dividend	(0.22)	(0.32)
Interim Dividend on Preference Shares	(4.09)	(8.34)
Tax on Interim Dividend	(0.53)	(1.07)
Changes in Borrowings	317.33	48.58
Interest & Lease Rent Paid	(128.27)	(143.98)
Net Cash Flow from Financing Activities	180.75	(78.72)
Net Increase/(Decrease) in Cash & Cash Equivalents	0.17	0.37
Cash & Cash Equivalent at the beginning of the Period	12.70	12.33
Cash and Cash Equivalent at the end of the Period	12.87	12.70

As per our report attached

ARVIND N. LALBHAI

Chairman

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

SANJAY S. LALBHAI

Managing Director

N D ANKLESARIA
Partner

Mumbai, 27th April, 2005

R. V. BHIMANI

Company Secretary

Schedules forming part of the Accounts

	(Rs. in crores)		(Rs. in crores)	
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2005	As at 31.03.2004
SCHEDULE '1': SHARE CAPITAL				
AUTHORISED				
23,00,00,000 Equity Shares (Previous Year 23,00,00,000) of Rs.10/-each	230.00	230.00		
90,00,000 Preference Shares (Previous Year 90,00,000) of Rs.100/- each	90.00	90.00		
	<u>320.00</u>	<u>320.00</u>		
ISSUED & SUBSCRIBED				
EQUITY SHARES	195.38	195.38		
19,53,78,441 Equity Shares (Previous Year 19,53,78,441) of Rs.10/- each fully paid up.				
Less : Unpaid Allotment Money				
(i) By Others (Rs. 25,740/-)		0.01		
		0.01		
	<u>195.38</u>	<u>195.37</u>		
(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.)				
PREFERENCE SHARES				
69,50,000 6% Redeemable Cumulative Non Convertible Preference Shares of Rs. 100/- each	66.02	69.50		
(Previous year 69,50,000 Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- each)				
(Note No. 5 for terms of Redemption)				
	<u>261.40</u>	<u>264.87</u>		
SCHEDULE '2' : RESERVES AND SURPLUS				
CAPITAL RESERVE				
As per last Balance Sheet	0.33	0.33		
Add : Addition During the Year (Refer Note No. 8)	2.84	0.00		
	<u>3.17</u>	<u>0.33</u>		
SHARE PREMIUM ACCOUNT				
As per last Balance Sheet	779.36	769.76		
Add : Share Premium Received	0.00	9.60		
	<u>779.36</u>	<u>779.36</u>		
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	9.00	28.00		
Less: Transferred to Profit and Loss Account	8.00	19.00		
	<u>1.00</u>	<u>9.00</u>		
SCHEDULE '2' (contd...)				
CAPITAL REDEMPTION RESERVE				
As per last Balance Sheet	0.00	0.00		
Add: Transferred from Profit and Loss Account	3.48	0.00		
	<u>3.48</u>	<u>0.00</u>		
BALANCE IN PROFIT & LOSS ACCOUNT	232.74	127.77		
	<u>1019.75</u>	<u>916.46</u>		
SCHEDULE '3' : SECURED LOANS				
(Note No: 6)				
DEBENTURES	1.82	33.39		
Add : Funded Interest	1.17	1.17		
Add : Interest accrued and due (Previous Year Rs.44,000/-)	—	—		
	<u>2.99</u>	<u>34.56</u>		
FROM BANKS				
Cash Credit and other facilities	564.58	331.81		
	<u>564.58</u>	<u>331.81</u>		
Term Loans	623.88	441.58		
Add : Funded Interest	53.62	60.80		
	<u>677.50</u>	<u>502.38</u>		
FROM FINANCIAL INSTITUTIONS AND OTHERS	218.39	210.81		
Add : Funded Interest & Other Financial Facilities	27.77	27.77		
	<u>246.16</u>	<u>238.58</u>		
	<u>1491.23</u>	<u>1107.33</u>		
SCHEDULE '4' : UNSECURED LOANS				
COMMERCIAL PAPER	—	20.00		
(Maximum Balance Outstanding at any time during the year Rs. 20.00 Crore (Previous Year Rs. 20.00 Crores))				
	<u>—</u>	<u>20.00</u>		
LOANS FROM				
Banks	181.46	191.22		
Financial Institutions & Others	5.00	30.90		
	<u>186.46</u>	<u>222.12</u>		
Add : Funded Interest & Other Financial Facilities	4.73	5.95		
(Out of Above Rs. 121.52 crores (Previous Year Rs. 126.32 Crores) is payable within one Year)				
	<u>191.19</u>	<u>248.07</u>		

Schedules forming part of the Accounts
SCHEDULE '5' : FIXED ASSETS

(Rs. In Crores)

ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 31.03.2004	Addi- tions	Dedu- ctions	As on 31.03.2005	As on 31.03.2004	For the Year	Dedu- ctions	As on 31.03.2005	As on 31.03.2005	As on 31.03.2004
		@								
Goodwill	—	9.35	—	9.35	—	—	—	0.00	9.35	—
Freehold Land	273.44	0.31	0.03	273.72	—	—	—	0.00	273.72	273.44
Leasehold Land	138.48	0.00	0.00	138.48	—	—	—	0.00	138.48	138.48
Buildings	282.01	3.33	3.47	281.87	42.46	9.93	0.27	52.12	229.75	239.55
Machineries	1298.28	68.86	5.53	1361.61	528.35	135.55	3.23	660.67	700.94	769.93
Machinery given on lease	8.11	—	—	8.11	3.35	0.84	—	4.19	3.92	4.76
Motor Vehicles	7.24	2.10	1.09	8.25	1.89	0.71	0.46	2.14	6.11	5.35
Office Machinery & Dead Stocks	27.65	1.80	0.51	28.94	7.67	2.04	0.19	9.52	19.42	19.98
Total	2035.21	85.75	10.63	2110.33	583.72	149.07	4.15	728.64	1381.69	1451.49
Previous Year	2000.64	52.11	17.54	2035.21	438.61	150.31	5.20	583.72		
Capital Work-in-Progress (Including Advances for Capital Expenditure)									103.07	45.62
									1484.76	1497.11

Notes :

- a) Freehold land includes Rs. 13.90 Crores (Rs. 13.90 Crores) being the revalued amount of plot of land owned by a society wherein Company has right to its membership.
 b) Buildings includes Rs. 1.18 Crores (Rs. 1.26 Crores) in respect of ownership flats in Co-Operative Housing Society and Rs. 2500/- (Rs. 2500/-) in respect of shares held in Co-operative Housing Society (Rs. 2500/-) in respect of Shares held in Co-Operative Housing Society.
 c) Gross Block includes Rs. 37.47 Crore being the amount added on revaluation as at 1st April, 2000 and credited to Revaluation Reserve.
 d) @ Refer Note No. 8

	(Rs. in crores)			(Rs. in crores)		
	No. of Shares/ Debentures/Units	As at 31.03.2005	As at 31.03.2004	No. of Shares/ Debentures/Units	As at 31.03.2005	As at 31.03.2004
SCHEDULE '6' : INVESTMENTS (AT COST) **						
A TRADE INVESTMENTS						
(i) FULLY PAID EQUITY SHARES (QUOTED)						
Atul Ltd. (Shares of Rs. 10/- each) (Shares purchased during the year)	1139420	4.63	0.00			
(ii) FULLY PAID EQUITY SHARES (UNQUOTED)						
Ahmedabad Cotton Merchants' Co-operative Shops and Warehouses Society Ltd. (Shares of Rs. 10/- each) (Rs.2500/-) (Previous Year Rs.2500/-)	10					
Gujarat Cloth Dealers Co-operative Shops and Warehouses Society Ltd. (Shares of Rs. 10/- each) (Rs.1000/-) (Previous Year Rs.1000/-)	10					
Syntel Telecom Ltd. (Shares of Rs. 10/- each) (Rs.20/-) (Previous year Rs.20/-)	2					
Arvind Brands Limited ***@ (Shares of Rs. 10/- each) (1143750 Shares purchased during the year) (Of which 29700007 Shares Pledged with ICICI Bank Ltd. against Loan extended to the above Company)	30843757	98.33	87.03			
(iii) INVESTMENT IN JOINT VENTURE FULLY PAID EQUITY SHARES (UNQUOTED)						
Arya Omnitalk Wireless Solutions Ltd (Shares of Rs. 10/- each) (975000 Shares allotted during the year)	1000000	1.00	0.03			
(iv) OTHER INVESTMENTS FULLY PAID UNITS (QUOTED)						
* UTI MIP-1999 (572634 units redeemed during the year)		0.00	0.57			
(v) INVESTMENT IN SUBSIDIARY COMPANIES FULLY PAID EQUITY SHARES (UNQUOTED)						
Asman Investments Ltd. ***@@ (Shares of Rs. 10/- each) (40000 bonus shares received during the year)	80000	8.00	0.00			
Arvind Worldwide (M) Inc., Mauritius *** (Shares of US\$ 100 each)	54840	0.00	0.00			
Arvind Worldwide Inc., Delaware *** (Shares without par value)	500	0.07	0.07			
Arvind Overseas (M) Ltd., Mauritius @@@ (Shares of Mau Rs.100/- each)	2385171	28.32	41.82			
Arvind Spinning Limited @@@ (Shares without par value) (467788 shares allotted during the year)	824099	5.39	6.02			
FULLY PAID EQUITY SHARES (QUOTED)						
Arvind Products Ltd (Shares of Rs. 10/- each) (1261233 shares purchased during the year)	2857142	7.14	3.99			
FULLY PAID PREFERENCE SHARES (UNQUOTED)						
Arvind Products Ltd 10% Cumulative Redeemable Preference shares (Shares purchased during the year)	135000	0.14	0.00			
(vi) SHARE ALLOTMENT MONEY		0.00	6.87			
Total		153.02	146.40			
Aggregate value of quoted Investments						
At cost price		11.77	4.56			
* At market price		12.66	1.95			
Aggregate value of unquoted Investments						
At cost price		141.25	141.84			
* Listed but not quoted and cost price is taken as market value.						
** Investments are held as long term investments 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.						
@ 300000 Shares purchased during the year are in the process of transfer in the name of the Company.						
@@ Refer Note 9 (a)						
@@@ Refer Note 9 (b)						

Schedules forming part of the Accounts

	(Rs. in crores)		(Rs. in crores)	
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2005	As at 31.03.2004
SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES				
CURRENT ASSETS				
Inventories				
Stores and Spares	31.16	24.84		
Fuel	5.37	6.81		
Stock in trade				
Raw materials(Including Material in Transit Rs.0.41 Crores) (Previous year Rs.0.59 Crores)	282.05	167.97		
Finished Goods	103.54	109.50		
Goods in Transit	0.00	0.95		
Work-in-Progress	87.73	69.01		
Waste	1.30	1.30		
	<u>474.62</u>	<u>348.73</u>		
	511.15	380.38		
Sundry Debtors (Unsecured)				
Outstanding for a period exceeding six months				
Considered good	71.40	64.04		
Considered doubtful	0.80	0.56		
Less:Provision	0.80	0.56		
	<u>0.00</u>	<u>0.00</u>		
	71.40	64.04		
Others(Considered good)	247.71	171.36		
	<u>319.11</u>	<u>235.40</u>		
Cash & Bank Balances				
Cash on hand	0.73	0.42		
Cheques on hand (Rs. 18,232/-)		0.00		
Funds in Transit	0.00	0.90		
Bank Balances				
With Scheduled Banks				
In Current Accounts (including Rs.0.13 crores in unpaid dividend accounts) (Previous Year Rs.0.35 Crores)	9.96	10.40		
In Exchange Earners Foreign Currency A/c	1.15	0.36		
In Cash Credit Account	0.95	0.54		
In Saving Accounts(Rs. 37,225/-) (Previous year Rs.35,952/-)				
In Fixed Deposit Accounts (Rs. 0.06 Crores lodged with Court for ESI case (Previous year Rs. 0.06 Crores))	0.08	0.08		
	<u>12.14</u>	<u>11.38</u>		
	<u>12.87</u>	<u>12.70</u>		
Other Current Assets				
Interest accrued (Rs. 3,699/-)				0.03
Other receivables	38.32	10.13		
	<u>38.32</u>	<u>10.16</u>		
LOANS & ADVANCES (Unsecured, considered good unless stated Otherwise)				
Loans & Advances				
Advances Receivable in Cash or kind or for the value to be received	538.77	246.43		
Other Loans	43.14	42.19		
	<u>581.91</u>	<u>288.62</u>		
Loans and Advances to Subsidiary Companies	134.46	145.24		
Advance tax paid	3.81	1.54		
	<u>720.18</u>	<u>435.40</u>		
	<u>1601.63</u>	<u>1074.04</u>		
SCHEDULE '8' : CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
Acceptances	8.63	4.98		
Sundry Creditors				
- Due to SSI Units	3.33	1.39		
- Others	160.68	107.91		
Other Liabilities	62.89	51.13		
Interest accrued but not due on loans	1.80	1.32		
Investor Education and Protection Fund shall be credited by the following amount namely : @				
- Unpaid dividend	0.13	0.35		
- Unpaid Matured Deposits	0.21	0.21		
- Unpaid Matured Debentures	0.48	0.59		
- Warrants issued but not encashed				
- Interest on Deposits	0.29	0.29		
- Interest on Debentures	0.48	0.77		
	<u>1.59</u>	<u>2.21</u>		
	<u>238.92</u>	<u>168.94</u>		
Provisions				
Proposed Dividend	19.54	0.00		
Tax on Dividend	2.74	0.00		
Pension	0.68	0.71		
Gratuity	3.66	3.57		
Leave Encashment	3.80	3.05		
Taxation	1.95	0.00		
	<u>32.37</u>	<u>7.33</u>		
	<u>271.29</u>	<u>176.27</u>		

@ No amount is due as on 31st March 2005 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)		(Rs. in crores)	
	2004-2005	2003-2004	2004-2005	2003-2004
SCHEDULE '9': SALES AND OPERATING INCOME				
Sales	1701.81	1471.42		
Less : Excise Duty	38.84	63.55		
	1662.97	1407.87		
Processing Income	0.62	3.03		
(Income Tax deducted(Rs.25,069/-), Previous year Rs. 0.04 crores)				
Gain on Exchange Rate Difference	15.27	24.38		
	1678.86	1435.28		
SCHEDULE '10': OTHER INCOME				
Income from investments (Gross)				
From Other Investments	0.00	0.08		
Other Income	7.55	9.88		
Rent	0.10	0.11		
(Income Tax deducted Rs. 0.02 Crores. Previous year Rs. 0.02 Crores)				
Profit/(Loss) on sale of investments (Previous year Rs.2544/-)	0.00			
Excess Provision No Longer required (Net)	(0.03)	2.52		
	7.62	12.59		
SCHEDULE '11': EMPLOYEES' EMOLUMENTS				
Salaries, Wages, Bonus and Gratuity	101.83	90.19		
Contribution to Provident Fund and Other Funds	15.53	15.14		
Welfare expenses	3.18	2.48		
	120.54	107.81		
Directors' Remuneration	1.60	1.62		
Directors' Commission	0.95	1.07		
(Note No:2)	2.55	2.69		
	123.09	110.50		
SCHEDULE '12': OTHERS				
Power & Fuel	178.85	157.53		
Stores consumed	145.44	117.84		
Processing charges	62.63	53.60		
Repairs				
Building repairs	1.46	0.90		
Machinery repairs	38.17	34.23		
Other repairs	5.12	4.76		
	44.75	39.89		
SCHEDULE '12': OTHERS (Contd...)				
Printing, Stationery and Communication	4.53	4.28		
Insurance premium	7.36	6.56		
Rates & Taxes	3.35	2.68		
Excise duty	(5.14)	3.64		
Rent	4.36	3.33		
Commission, Brokerage and Discount	11.37	15.94		
Advertisement expenses	2.66	4.12		
Freight, Insurance and Clearing Charges	35.39	21.78		
Diminution in value of Investments (Net) (Refer Note No. 9)	13.00	0.00		
Provision for doubtful debt	0.53	0.17		
Bad Debts Written Off (Previous year Rs.13,895/-)	0.45			
Fixed Assets Written off	1.18	0.00		
Loss on sale of fixed assets (Net)	0.38	2.17		
Directors' Sitting Fees	0.03	0.04		
Other expenses	48.88	45.22		
	560.00	478.79		
SCHEDULE '13': INTEREST AND FINANCE COSTS (NET)				
Interest				
On loans for a fixed period	57.40	67.52		
Others	19.90	18.71		
	77.30	86.23		
Less : Interest Income				
Interest from others (Gross) (Income tax deducted Rs. 0.07 Crores. Previous year Rs. 0.01 Crores)	1.68	2.50		
Net Interest Expenses	75.62	83.73		
Other Finance Cost	40.38	50.63		
Exchange Rate Difference on Loans	1.91	(21.07)		
	117.91	113.29		
SCHEDULE '14': (INCREASE) IN STOCK				
Finished goods, Work-in-progress and Waste				
Closing Stocks	192.57	179.81		
Opening Stocks	179.81	150.03		
(Increase) in Stock	(12.76)	(29.78)		

Schedules forming part of the Accounts

SCHEDULE 15 : NOTES FORMING PART OF ACCOUNTS:

1 SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention and accounting principles generally accepted in India.

(A) SALES AND OPERATING INCOME

Sales and operating income includes sale of products, by-products and waste, income from services and foreign exchange differences. Export sales have been accounted on shipment basis. Export incentives have been accounted for on accrual basis.

(B) VALUATION OF INVENTORY

B.1) The stock of Work-in-progress and finished goods of the Yarn and Fabric business has been valued at the lower of cost and net realisable value. The cost has been measured on the standard cost basis 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) The Fixed Assets of the Company are revalued as on 1st April 2000. Consequently the block is stated at the revalued cost.

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 after 1st April, 2000 have been stated at cost net of modvat/cenvat.

C.4) Depreciation on additions to Fixed Assets after 1st April, 2000 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.

(D) INVESTMENTS

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

(E) FOREIGN CURRENCY TRANSACTIONS

E.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.

E.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.

E.3) The premium / discount on booking of forward contracts and exchange difference arising on settlement / cancellation has been amortised over the life of contract and has been recognised in the Profit and Loss Account.

E.4) Expenses of overseas offices are translated and accounted at the monthly average rate.

(F) RETIREMENT BENEFITS

The accrued liability for gratuity payable to employees has been provided on the basis of actuarial valuation and the contribution is being paid to a Trust created for the purpose on due date. In respect of Provident Fund and the Superannuation Fund, the contribution is paid regularly to the trusts/Government and is charged to revenue. The liability for the Company's pension scheme and Leave Encashment is provided as per the actuarial valuations without funding.

(G) LEASE RENTAL

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

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

(H) TAXES ON INCOME

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.

Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year that originate 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.

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.

(I) CONTINGENT LIABILITIES

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

(J) 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

Schedules forming part of the Accounts
2. MANAGERIAL REMUNERATION :
A. DIRECTORS' REMUNERATION

(Rs. in crores)

Particulars	2004-05	2003-04
Managing/Whole-time Directors		
(i) Salaries	0.53	0.53
(ii) Contribution to :		
Provident Fund	0.06	0.06
Superannuation Fund	0.08	0.08
Provision for Gratuity	0.05	0.06
(iii) Perquisites	0.86	0.86
(iv) Medical Expenses	0.02	0.03
(v) Commission		
(*Including Rs.0.18 crores for 2002-03)	0.79	*0.97
Total	2.39	2.59
(vi) Estimated monetary value of perquisites on account of equipments	0.01	0.01
Total	2.40	2.60
(i) Commission to Non Whole-time Directors	0.16	0.10
TOTAL	2.56	2.70

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

(Rs. in crores)

Particulars	2004-05
Profit before Taxes as per Profit & Loss Account	129.30
Add : Managerial Remuneration	2.56
Directors' Sitting Fees	0.03
Loss on Sale of Fixed Assets(Net)	0.38
	132.27
Less: Surplus on disposal of fixed assets Per section 349	0.22
Net Profit	132.05

Commission to

(Rs. in crores)

(a) Managing Director at 1% maximum restricted upto	1.32	0.54
(b) Whole Time Director at 0.5% maximum restricted upto	0.66	0.25
(c) Non Whole Time Directors at 1% maximum restricted upto	1.32	0.16

3. CONTINGENT LIABILITIES

- Bills discounted Rs.79.58 crores (Rs. 97.71 crores).
- Guarantees given by the Banks on behalf of the Company Rs. 20.33 crores (Rs.5.65 crores).
- Guarantees given by the Company on behalf of the subsidiary companies Rs. NIL (Rs.0.70 crores).
- Wealth tax demands, Excise demands and Sales Tax demands in dispute Rs. NIL (Rs.0.28 crores), Rs. 8.16 crore (Rs. 0.49 crores) and Rs. 0.91 crores (Rs. 1.45 crores) respectively.
- Dividend on Redeemable Cumulative Non Convertible Preference Shares Rs. 0.74 crores (Rs. 0.74 crores).

- Liability for Recompense Payment Rs. 50.27 crores (Rs. 40.93 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.

- The estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 38.49 crores (Rs.6.46 crores).

5. 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)
69,50,000 –	30.06.2004 to 31.03.2005	5%
6% Preference shares (69,50,000	30.06.2005 to 31.03.2006	10%
Preference shares)	30.06.2006 to 31.03.2007	15%
	30.06.2007 to 31.03.2008	20%
	30.06.2008 to 31.03.2009	20%
	30.06.2009 to 31.03.2010	30%

5% 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 Crores)

Ser- No. of Debentures	Rate of interest	Total amount of issue	Balance as on 31.3.2005	Balance as on 31.3.2004
J Secured Partly Convertible Debentures				
Non Convertible part				
of Rs.11/- Each.	12.50%	26.18	0.00	0.17
I Secured Optionally Partly Convertible Debentures				
385 Secured Redeemable Non-Convertible Debentures of Rs.400/- each Part – B				
	13%	6.96(Rs.25,665)		0.01
II Secured Redeemable Non-Convertible Debentures				
IIA NIL Non-Convertible Debentures of Rs.1,00,000/- each (Previous year 2817 NCD)				
	4%	28.17	0.00	28.17
IIB 200 Non-Convertible Debentures of Rs.1,00,000/- each (Previous year 200 NCD)				
	Please see note	2.00	0.52	1.44
IIC 500 Non-Convertible Debentures of Rs.1,00,000/- each (Previous year 500 NCD)				
	11.70%	5.00	1.30	3.60
Funded Interest			1.17	1.17
Total			2.99	34.56

Schedules forming part of the Accounts

Note : Rate of Interest on Series IIB 200 Non-Convertible Debentures of Rs. 1,00,000/- each is as under :

Financial year ending March 31	2005	2006	2007
%	12.5%	12.5%	14.5%
Financial year ending March 31	2008	2009	2010
%	14.5%	16.5%	16.5%

The terms of redemption/conversion are as under :

Series J

The final instalment of Rs. 11/- each amounting to Rs. 0.17 crore payable to the Non Retail Debentures restructured in accordance with the Restructuring Scheme of the Company was repaid during the year.

Series I

Part -B Non Convertible Debentures of Rs.400/- each (NCD) are redeemable at par in 6 equal quarterly instalments starting from 25.3.2004 i.e. expiry of 21 months from the date of allotment.

Out of which 1,73,512 NCD were redeemed fully and for 385 NCD, 2nd, 3rd, 4th and 5th instalments were paid during the year.

Series IIA

2817 NCD were redeemed fully on due date, i.e. 31.03.2005.

Series IIB

This series is redeemable in accordance with the following schedule :

Financial year ending March 31	2005	2006	2007	2008	2009	2010
% of Principle (Qtrly. Instalment)	5%	10%	15%	20%	20%	30%

5% of principle amount was redeemed and paid during the year and Rs.1.38 crore (previous year Rs.0.56 crore) was prepaid upto 31st March, 2005.

Series IIC

This series is redeemable in accordance with the following schedule :

Financial year ending March 31	2005	2006	2007	2008	2009	2010
% of Principle (Qtrly. Instalment)	5%	10%	15%	20%	20%	30%

5% of principle amount was redeemed and paid during the year and Rs.3.45 crore (previous year Rs.1.40 crore) was prepaid upto 31st March, 2005.

Funded Interest of Rs. 1.17 crore is payable on 31st March, 2010.

SECURITY :

Part - B Non Convertible Debentures

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.

Series IIA, IIB and IIC

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.

Note :

"Textile Plants" means all immovable properties, and all moveable properties of the Company, including moveable 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:

- Naroda Road, District Ahmedabad
- Village Santej at Taluka Kalol, District Mehsana
- Village Khatrej at Taluka Kalol, District Mehsana
- Asoka Spintex Division at Naroda Road, District Ahmedabad
- Asoka Cotsyn Division at Khokhara Memdabad, District Ahmedabad

LOAN FROM BANKS, FINANCIAL INSTITUTIONS AND OTHERS :

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

Out of Term Loans of Rs. 677.50 crores

- Loans amounting to Rs. 599.35 crores 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.
- Facilities of Rs. 78.15 crores 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 0.23% shareholding in AML by its promoters.

Cash Credit and other facilities of Rs. 564.58 crores

Cash Credit and other working Capital facilities 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 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.

FROM FINANCIAL INSTITUTIONS AND OTHERS :

Out of Loans of Rs. 246.16 crores.

- Loans amounting to Rs. 200.34 crores 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

Schedules forming part of the Accounts

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 Crores 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 0.23% shareholding in AML by its promoters.
- C. Loan of Rs. 43.98 crores is secured by a mortgage of some of the immovable properties of the Company. The said loan is also secured by first immovable property of LRFPL at Delhi, and by way of pledge of 60 lacs equity shares of AML held by AML Employees Welfare Trust.

"Textile Plants" means all immovable properties, and all moveable properties of the Company, including moveable 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:

- Naroda Road, District Ahmedabad
- Village Santej at Taluka Kalol, District Mehsana
- Village Khatrej at Taluka Kalol, District Mehsana
- Asoka Spintex Division at Naroda Road, District Ahmedabad.
- Asoka Cotsyn Division at Khokhara Memdabad, District Ahmedabad.

7. Other Liabilities include Rs.4.39 crore (Rs. 0.10 crore) on account of book overdraft.

8. Purchase of Business:

During the year, effective from 31st August 2004, the Company has purchased entire business on a going on concern basis including current assets and current liabilities but excluding immovable properties of its wholly owned subsidiary companies at Mauritius namely Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited for the consideration of USD 10.67 million amounting to Rs. 49.69 Crores and USD 2.67 million amounting to Rs.12.43 Crores respectively. The difference in consideration payable to Arvind Overseas (Mauritius) Limited in excess of net assets value amounting to Rs. 9.35 Crores has been shown as Goodwill to be amortised in future. The difference in consideration payable to Arvind Spinning Limited being lower compared to net assets value amounting to Rs. 2.84 Crores has been credited to Capital Reserve.

9. Long-term investments:

In compliance with the accounting policy on valuation of long term investments:

- The Company has reversed an amount of Rs. 8.00 Crores as on 31st March 2005 out of the amount written off in past on account of decline in the value of its investments in its wholly owned subsidiary, Asman Investments Limited as the subsidiary company has positive net worth of Rs.8.05 Crores at the year end.
- An amount of Rs.21 Crores has been written off to the Profit and Loss Account on account of permanent decline in the value of its investments in two of its overseas subsidiary companies namely Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited

after considering the net worth of each company and the realizable value of its remaining assets.

10. There is an unrealised gain of Rs. 3.97 Crore (Rs. NIL) on account of exchange differences arising on forward exchange contracts to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction, which is to be recognised in the accounts of subsequent years.

11. Current Assets include Rs.176.09 crore (Rs. 148.54 crore) due from subsidiary companies. Current Liabilities includes Rs.50.16 crore (Rs. 27.71 crore) due to subsidiary companies.

12. 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 Incorporation	
				India	Residence
1	Arya Omnitalk Wireless Solutions Limited	Jointly Controlled Entity	50%	India	India

(b) Financial interest in Jointly Controlled Entity *

(Rs. In crores)

Sr. No.	Name of Joint Venture	Company's share of			
		Assets	Liabilities	Income	Expenses
		As at 31st March 2005		For the year	
1	Arya Omnitalk Wireless Solutions Limited	4.22	3.15	3.76	3.65

Company's share in :

- Contingent Liability in respect of guarantee given by Bank Rs.0.01 crore

- Capital commitments Rs.0.01 crore.

* Per unaudited figures as advised by Arya Omnitalk Wireless Solutions Limited.

13. (A) Future rental obligations in respect of Plant & Machinery taken on lease (Net of Prepayments) are Rs. 219.65 crore. (Rs.428.11 crore). Lease rentals payable within one year Rs. 38.48 crore. (Rs.33.26 crore).

- (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 crores)

	2004-05	2003-04
Future Minimum lease payments Obligation on non-cancellable operating leases :		
Not later than one year	6.24	3.13
Later than one year and not later than Five years	2.20	0.73
Later than five years	4.04	2.40
Lease Payment recognised in Profit & Loss Account	Nil	Nil
	1.43	0.53

Schedules forming part of the Accounts

(C) Plant and Machineries are given on operating lease for a period of 60 months with the option of renewal.

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

	2004-05	2003-04
Future Minimum lease payments under non-cancellable operating lease	0.44	1.25
Not later than one year	0.09	1.25
Later than one year and not later than Five years	0.35	Nil
Later than five years	Nil	Nil

14. Small Scale undertakings have been identified by the Company on the basis of information provided to it by its suppliers. The names of such undertakings to whom amount is outstanding for more than 30 days as at 31st March, 2005 are as under:

Atul Enterprises, B. Trikamlal & Co., Bhagat Engineering Works, Bhavik Industries, Climax Marketing Pvt. Ltd., Chamunda Fabrication, Chipco Bonding Systems (I) P Ltd., Geekay Corporation, Gemini Poly Plast Industries, Gita Industries, Gujarat Rubber Industries, Hydroflex Hose Industries, Shree Laxmi Engineering & Moulding, Moksha Thermoplastics Pvt. Ltd., Nirmal Tubes & Containers Pvt. Ltd., R-Text Enterprise, Sun Industries, Technocraft Industries, United Textile Engg. Co., Vaishali Corporation, Fourwent Engineering Company, Super Engineering Co., Khodiyar Vijay Industries, Fairtech Engineering Company, Kevin Technologies Pvt. Ltd., Karam Synthetics Pvt. Ltd., Pascal Hydraulics, Resil Chemicals Pvt. Ltd., Premier Synthetics Ltd., Refoil Earth Pvt. Ltd., Ambition, Mangal Murti Knit Fab Pvt. Ltd., Accessories Shop, Samarth Air Tech (P) Ltd., Anj Enterprises, Zytex Corporation, Aksharchem (India) Ltd., Viva Clothing Pvt. Ltd., Solid Wheels Industries, Global Airtech Systems, Karunesh Industries, Pioneer Apparels Pvt. Ltd., Megha Motors Company, Cam Manufacturing Co., Anu Poly Industries, Pooja Paper Crafts, Ravika Creations Pvt. Ltd., Filter Concept Inc., Brady & Moris Engineering Co. Ltd., Nandini Steel, Himanshu Engineers, AVS Corporation, Multizip Pvt. Ltd., Akash Apparels, Advance Ventilation Pvt. Ltd., Geeyes Clothing Pvt. Ltd., Alcan Manufacturing Company, S.K.P. Transformers, Reliable Electricals, Precise Engineers.

15. An amount of Rs. 7.67 crores (Previous Year Rs. (36.39) crores) on account of Foreign Currency Transactions has been debited/(credited) to Profit and Loss Account in respective heads as per Accounting Standard 11 (Revised 2003) on "Accounting for the effect of changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India.

16. Auditors' Remuneration : (Rs. in crores)

	2004-2005	2003-2004
Statutory Auditors		
- As Auditors	0.32	0.24
- In Other Capacity		
Tax Audit Matters	0.06	0.06
Taxation Matters	0.05	0.04
Company Law Matters	0.08	0.08
Other Services including Certification Work	0.11	0.18
- Out of Pocket Expenses	0.02	0.02
Cost Auditor		
- Cost Audit Fees	0.01	0.01

17. Segment Reporting :

Segment Information

Information about Business Segments (information provided in respect of revenue items for the year ended 31.03.2005 and in respect of assets/liabilities as at 31.03.05).

Primary Segment (Business Segment)

	(Rs. in crores)			
2004-05	Textiles	Others	Unallocable	Total
Revenue				
External sales	1653.17	9.80	0.00	1662.97
Add : Inter Segment Sales	-	0.06	-	0.06
Total Sales	1653.17	9.86	0.00	1663.03
Less : Inter Segment Revenue	-	0.06	-	0.06
Total Sales	1653.17	9.80	0.00	1662.97
Results				
Segment Results before Interest & Finance Cost	298.30	(1.78)	(49.31)	247.21
Interest & Finance Cost				117.91
Profit from Ordinary Activities				129.30
Extra ordinary Items				0.00
Net Profit				129.30
Other Information				
Segment Assets	2676.56	19.15	543.70	3239.41
Segment Liabilities	220.36	5.10	50.38	275.84
Segment Depreciation	140.89	1.79	6.39	149.07
Capital Expenditure	79.06	0.09	6.60	85.75
Non cash expenses other than Depreciation	2.54	0.00	13.17	15.71

Primary Segment (Business Segment)

	(Rs. in crores)			
2003-04	Textiles	Others	Unallocable	Total
Revenue				
External sales	1396.02	11.85	0.00	1407.87
Add : Inter Segment Sales		0.04		0.04
Total Sales	1396.02	11.89	0.00	1407.91
Less : Inter Segment Revenue		0.04		0.04
Total Sales	1396.02	11.85	0.00	1407.87
Results				
Segment Results before Interest & Finance Cost	256.21	(0.95)	(40.67)	214.59
Interest & Finance Cost				113.29
Profit from Ordinary Activities				101.30
Extra ordinary Items				0.00
Net Profit				101.30
Other Information				
Segment Assets	2142.18	24.86	550.51	2717.55
Segment Liabilities	155.01	4.73	21.08	180.82
Segment Depreciation	142.18	1.75	6.38	150.31
Capital Expenditure	47.67	0.37	4.07	52.11
Non cash expenses other than Depreciation	1.32	0.18	1.42	2.92

Secondary Segment (Geographical by customers)

	(Rs. in crores)	
	2004-2005	2003-2004
Segment revenue		
In India	859.86	772.20
Outside India	803.11	635.67
	1662.97	1407.87

Schedules forming part of the Accounts

Notes:

- 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.
- Types of Products and Services in each business segment :
Textiles : Yarn, Fabric and Garments
Others : EPABX and RAX Systems, I.T. Services
- Intersegment Revenues are recognised at sales price.

18. 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 :

1) List of Related Parties & Relationship :

A. Subsidiary Companies

- Asman Investments Limited
- Arvind Products Limited
- Arvind Worldwide Inc., USA
- Arvind Worldwide (M) Inc., Mauritius
- Arvind Overseas (M) Limited, Mauritius
- Arvind Spinning Limited
- Lifestyle Fabrics Limited

B. Key Management Personnel

- Shri Sanjay S. Lalbhai, Managing Director
- Shri Jayesh K.Shah, Director & Chief Financial Officer

C. Joint Venture

- Arya Omnitalk Wireless Solutions Limited

Note

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

Related Party Transactions :

Nature of Transactions	(Rs. In crores)				
	Referred in 1(A) above	Referred in 1(B) above	Referred in 1(C) above	04-05	03-04
Purchases					
Goods and Materials	71.92	92.97			0.12
Fixed Assets	1.25	1.25			
Sales					
Goods and Materials	173.69	196.34			1.53
Fixed Assets	1.62	11.15			
Expenses					
Receiving of Services	44.11	47.74			
Remuneration & Other Services			2.39	2.59	
Agent Commission	1.64	6.39			
Others	0.56	1.34			5.42
Income					
Rendering of Services	26.93	20.10			
Finance					
Lease Rent Income	1.32	1.73			
Loan Given/(Repaid) (Net)	(10.81)	6.38			
Lease Rent Expenses	0.70	0.41			

Nature of Transactions	(Rs. In crores)				
	Referred in 1(A) above	Referred in 1(B) above	Referred in 1(C) above	04-05	03-04
Gurantees & Collaterals	0.00	0.70			
Investments	3.29	14.52			0.98
Loans/Bad Debts Written Off	0.00	(1.05)			
Business Purchase Consideration	62.12	0.00			
Outstanding :					
Receivable in respect of					
Current Assets	176.09	148.54			2.19
Receivable in respect of loans	134.46	145.24			
Payable in respect of					
Current Liabilities	50.16	27.71			

Name of Subsidiary	Loans & Advances in the nature of Loans	
	Closing Balance	Maximum Outstanding
Arvind Overseas (Mauritius) Ltd.	10.88	15.64
Arvind Products Ltd.	42.84	43.38
Asman Investments Ltd.	123.64	134.46
Arvind Worldwide (M) Inc.	0.00	(Rs.17404)
TOTAL	177.36	193.48

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.

19. Earning Per Share (EPS) :

	2004-05	2003-04
Profit/(Loss) available to Equity shareholders	Rs. In Crores 122.73	92.05
Weighted average no. of Equity Shares for Basic EPS	Nos. 195378441	190366667
Nominal value of Equity Shares	Rs. 10	10
Basic Earning per Equity Shares	Rs. 6.28	4.84
Diluted Earning per Equity Shares	Rs. 6.28	4.84

	(Rs. In Crores)	
	2004-05	2003-04
(A) Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share		
Profit for the year	127.35	96.75
Less: Dividend on redeemable cumulative non Convertible Preference Shares	4.09	4.17
Less : Tax on Pref.Dividend	0.53	0.53
Profit due to Equity Shareholder	122.73	92.05

	No. of Shares	
	2004-05	2003-04
(B) Weighted average number of Equity Shares for Basic EPS	195378441	190366667

Schedules forming part of the Accounts

20. Deferred Tax

In terms of the provisions of the Accounting Standard No. 22 "Accounting for tax on income" issued by Institute of Chartered Accountants of India, there is a net deferred tax assets amounting to Rs. 0.24 crore 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 assets while preparing the accounts of current year.

21. Breakup of sales (Net of Excise) :

Class of Goods	Unit of Quantity	2004-05		2003-04	
		Quantity In crore	Amount (Rs) In crore	Quantity In crore	Amount (Rs) In crore
A) Textile :					
Cloth	Metres	12.01	1322.55	10.55	1133.59
Grey	Meters	0.02	1.25	0.28	19.30
Grey	Kgs	(17751)	0.34	0.01	1.41
Grey	Pcs	-	-	(4474)	(23182)
Knit Fabric	Kgs	0.13	31.17	0.12	16.72
Yarn	Kgs	0.41	49.91	0.73	75.49
Others					
			1405.22		1246.51
B) Electronics :					
EPABX / RAX	Lines	0.01	4.06	0.01	0.91
Trunk Radio	Nos.	(348)	0.73	(3363)	4.47
Delta	Lines	(7204)	1.13	(5384)	0.34
FCBC / PBT					
- Others			3.83		6.03
			9.75		11.75
C) Garments :					
Garments	Nos.	0.61	183.93	0.38	96.01
D) Utility					
Utility			24.81		18.05
E) I T Services					
I T Services			0.05		0.10
F) Misc Sales					
			39.21		35.45
Total Sales			1662.97		1407.87

22 Break up of Raw Materials Consumed :

Item	Unit of Quantity	2004-05		2003-04	
		Quantity In crore	Amount Rs. In crore	Quantity In crore	Amount Rs. In crore
Cotton	Kgs	7.58	393.69	6.55	347.95
Yarn/Fibre	Kgs	1.05	181.92	0.79	130.03
Grey Cloth	Metres	0.15	14.09	0.35	30.64
Others			22.54		4.74
			612.24		513.36

23 Breakup of Purchases of Finished Goods :

Item	Unit of Quantity	2004-05		2003-04	
		Quantity In crore	Amount Rs. In crore	Quantity In crore	Amount Rs. In crore
Textiles :					
Cloth	Metres	(46061)	0.40	0.04	4.41
			0.40		4.41
Electronics :					
Delta	Lines	(6880)	0.57	(5872)	0.40
Trunk Radio	Nos.	(348)	0.58	(680)	1.12
FCBC / PBT					
- Others			0.42		0.37
			1.57		1.89
Garments :					
Garments	Nos.	0.02	5.66	0.02	3.80
Total			7.63		10.10

24 Breakup of Finished Goods Stock :

Item	Unit of Quantity	2004-05		2003-04	
		Quantity In crore	Amount Rs. In crore	Quantity In crore	Amount Rs. In crore
Opening Stocks :					
Textiles					
Cloth	Metres	1.03	97.09	0.94	76.58
Knits Fabric	Kgs	0.01	2.82	0.01	2.05
Yarn	Kgs	0.03	4.84	0.03	3.33
			104.75		81.96
Electronics :					
FCBC/PBT	Nos.	(635)	0.22	(635)	0.24
EPABX/RAX	Lines	(1974)	0.10	(1340)	0.10
Delta	Lines	(960)	0.11	(472)	0.04
Trunk Radio	Nos.	-	0.00	(2683)	1.93
Others			0.25		0.03
			0.68		2.34
Garments:					
Garments	Nos.	0.03	4.07	0.02	2.56
Total			109.50		86.86

25 Breakup of Finished Goods Stock :

Item	Unit of Quantity	2004-05		2003-04	
		Quantity In crore	Amount Rs. In crore	Quantity In crore	Amount Rs. In crore
Closing Stocks :					
Textiles:					
Cloth	Metres	0.95	91.35	1.03	97.09
Knit Fabrics	Kgs	0.01	2.32	0.01	2.82
Yarn	Kgs	0.05	4.49	0.03	4.84
			98.16		104.75

Schedules forming part of the Accounts

Item	Unit of Quantity	2004-05		2003-04	
		Quantity In crore	Amount Rs. In crore	Quantity In crore	Amount Rs. In crore
Electronics :					
FCBC/PBT	Nos.	(635)	0.22	(635)	0.22
EPABX/ RAX	Lines	(2833)	0.13	(1974)	0.10
Delta	Lines	(636)	0.08	(960)	0.11
Others			0.07		0.25
			0.50		0.68
Garments :					
Garments	Nos.	0.03	4.88	0.03	4.07
Total			103.54		109.50

26 Actual Production

Class of Goods	Unit of Quantity	2004-05		2003-04	
		Quantity In crore	Quantity In crore	Quantity In crore	Quantity In crore
Cloth *	Metres	11.93	10.59		
Cloth **	Kgs	0.13	0.12		
Yarn ***	Kgs	0.34	0.39		
EPABX	Lines	0.01	0.01		
Garments ****	Nos.	0.58	0.37		
Yarn @	Kgs	0.09	0.35		
Grey @	Meters	0.02	0.28		
Grey @	Kgs	(17751)	0.01		
Grey @	Pcs.	-	(4474)		

* Net of internal consumption of 0.34 crores (0.22 crores) metres

** Net of internal consumption of 0.06 crores (0.06 crores) kgs

*** Net of internal consumption of 1.06 crores (0.62 crores) of kgs.

**** Converted on job work basis by outsiders.

@ Semi Processed Goods meant for Sale.

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

27 Licensed capacity & installed capacity

(As per management certificate)

Particulars	Licensed Capacity		Installed Capacity	
	2004-05	2003-04	2004-05	2003-04
Spindles	222608	222608	107040	95344
Rotors	2784	2784	7824	7560
Stitching Machines	-	-	485	341
Knitting Machines	-	-	63	62
Looms	3878	3878	987	1118
EPABX/RAX System Lines	NA	NA	200000	200000
Garments (Pcs.)	5000000	5000000	2000000	1000000

Signatures to Schedules 1 to 15

As per our report attached

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

N D ANKLESARIA
Partner

Mumbai, 27th April, 2005

28 C.I.F value of Imports

(Rs. In crore)

	2004-05	2003-04
Capital Goods	72.78	29.78
Dyes & Chemicals, Stores and Spares Parts	48.95	34.69
Raw Materials	81.45	87.49

29 Expenditure in Foreign Currency

(Rs. In crore)

	2004-05	2003-04
(a) Interest	12.97	6.06
(b) Commission	6.59	12.31
(c) Professional Consultation Fees	2.79	2.51
(d) Other Matters	9.59	5.79
Total	31.94	26.67

30 Consumption of Imported Raw Materials and Spares

(Rs. In crore)

	2004-05		2003-04	
	Raw materials	Spares	Raw materials	Spares
Imported	73.17	13.19	88.82	13.37
	11.95%	34.56%	17.30%	39.06%
Indigenous	539.07	24.98	424.54	20.86
	88.05%	65.44%	82.70%	60.94%
Total	612.24	38.17	513.36	34.23
	100%	100%	100%	100%

31 Remittances in foreign Currency on account of dividends

	2004-05	2003-04
(a) Year to which the dividend relates	2003-04	2002-03
(b) Number of non- resident shareholders to whom remittances were made	Nil	Nil
(c) Numbers of shares on which remittances were made	Nil	Nil
(d) Amounts remitted	Nil	Nil

(Rs. In crore)

	2004-05	2003-04
32 Earning in foreign exchange (Export of goods on FOB basis)	773.46	545.88

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

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

ARVIND N. LALBHAI

Chairman

SANJAY S. LALBHAI

Managing Director

R. V. BHIMANI

Company Secretary

THE ARVIND MILLS LIMITED

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.	93
State Code	04
Balance Sheet Date	31st March, 2005
2 Capital Raised During the period :	(Rs. in crores)
Public Issue	-
Right Issue	-
Bonus Issue	-
Warrants and Debenture Converted to Equity	-
Warrants	-
Private Placement	-
Preference Share Capital	-
3 Position of Mobilisation and Deployment of Funds :	(Rs. in crores)
Total Liabilities	2968.12
Total Assets	2968.12
Sources of Funds :	
Paid up Capital	
- Equity	195.38
- Preference	66.02
Reserves & Surplus	1019.75
Secured Loans	1491.23
Unsecured Loans	191.19
Deferred Tax Liability	4.55
Application of Funds :	
Net Fixed Assets	1484.76
Investments	153.02
Net Current Assets	1330.34
4 Performance of Company :	(Rs. in crores)
Turnover	1686.48
Total Expenditure	1557.18
Profit before tax	129.30
Profit after tax	127.35
Earning per Share - Basic (Rs.)	6.28
Earning per Share -Diluted (Rs.)	6.28
Dividend Rate	10%
5 Generic Names of Principal Products, Services of the Company :	
Item Code (ITC Code)	520942.00
Product Description	Denim
Item Code (ITC Code)	520832.00
Product Description	Dyed Poplin/Shirting
Item Code (ITC Code)	520524.00
Product Description	Cotton Yarn

ARVIND N. LALBHAI

Chairman

SANJAY S. LALBHAI

Managing Director

R. V. BHIMANI

Company Secretary

Mumbai, 27th April, 2005

Consolidated Auditors' Report

TO THE BOARD OF DIRECTORS OF THE ARVIND MILLS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ARVIND MILLS LIMITED AND ITS SUBSIDIARIES.

We have examined the attached Consolidated Balance Sheet of The Arvind Mills Limited and its subsidiaries (excluding 3 subsidiaries for the reasons stated in Note No. 3 of Schedule 15) as at 31st March 2005, 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 Arvind Mills' 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 certain subsidiaries whose financial statements reflect total Assets of Rs. 147.24 Crores as at 31st March 2005 (before giving effect to the consolidation adjustments) and total Revenue of Rs. 91.42 Crores 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 statement of one Joint Venture entity as referred in Note No.4 of Schedule 15 whose financial statements reflect

total Assets of Rs.4.22 Crores as at 31st March 2005 and total Revenue of Rs. 3.76 Crores 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, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of The Arvind Mills Limited and its subsidiaries 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 Mills Limited and its subsidiaries, 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 Mills Limited and its subsidiaries as at 31st March, 2005
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of The Arvind Mills Limited and its subsidiaries 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 Mills Limited and its subsidiaries for the year then ended.

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

Place: Mumbai
Date: April 27, 2005

N. D. ANKLESARIA
Partner

THE ARVIND MILLS LIMITED

Consolidated Balance Sheet as at 31st March, 2005

		(Rs. in crores)	
	Schedule	As at 31.03.2005	As at 31.03.2004
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	261.40	264.87
Reserves and Surplus	2	972.12	840.99
		<u>1233.52</u>	<u>1105.86</u>
Minority Interest (Note No 6 - "e")		59.09	66.47
Loan Funds			
Secured Loans	3	1697.51	1383.18
Unsecured Loans	4	199.63	276.24
		<u>1897.14</u>	<u>1659.42</u>
Deferred Tax Liabilities (Net) (Note No 19)		16.61	16.65
Total		<u><u>3206.36</u></u>	<u><u>2848.40</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	2602.35	2621.73
Less: Depreciation		845.94	706.02
Net Block		<u>1756.41</u>	<u>1915.71</u>
Capital work in progress		112.44	46.06
		<u>1868.85</u>	<u>1961.77</u>
Investments	6	138.13	97.20
Current Assets, Loans & Advances			
Inventories	7	605.99	492.19
Sundry Debtors		201.98	166.48
Cash and Bank Balances		20.46	17.49
Other Current Assets		45.71	12.77
Loans and Advances		576.12	274.48
		<u>1450.26</u>	<u>963.41</u>
Less: Current Liabilities and Provisions	8		
Liabilities		216.84	164.59
Provisions		34.04	9.39
		<u>250.88</u>	<u>173.98</u>
Net Current Assets		<u>1199.38</u>	<u>789.43</u>
Total		<u><u>3206.36</u></u>	<u><u>2848.40</u></u>
Notes Forming Part of Accounts	15		

As per our report attached

ARVIND N. LALBHAI

Chairman

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

SANJAY S. LALBHAI

Managing Director

N D ANKLESARIA
Partner

Mumbai, 27th April, 2005

R. V. BHIMANI

Company Secretary

Consolidated Profit & Loss Account for the year ended on 31st March 2005

	Schedule	(Rs. in crores)	
		2004-2005	2003-2004
INCOME :			
Sales and Operating Income	9	1960.81	1570.96
Other Income	10	11.44	8.78
		1972.25	1579.74
EXPENSES :			
Raw Materials Consumed		733.73	435.76
Purchase of Finished goods		23.99	75.05
Employees' Emoluments	11	156.97	144.11
Others	12	636.49	539.75
Interest & Finance Costs (Net)	13	143.66	141.68
Depreciation		181.49	186.12
(Increase) in Stocks	14	(16.35)	(34.59)
		1859.98	1487.88
Profit before Taxes for the year		112.27	91.86
Provision for Taxes - Current Tax		2.05	0.30
- Deferred Tax		(0.05)	4.55
Profit after Tax		110.27	87.01
Less : Short Provision of Income Tax of earlier years		0.02	0.00
Less : Prior Period Adjustments		0.03	0.00
		110.22	87.01
Less : Share of Minority Interest (Loss)		(7.16)	(4.20)
		117.38	91.21
Balance as per last year's Balance Sheet		20.12	(332.49)
Add : Adjustment on account of Consolidation		41.70	251.81
Net Balance		61.82	(80.68)
Interim Dividend on Preference Shares Paid		(4.09)	(8.34)
Tax on Interim Dividend		(0.53)	(1.07)
Proposed Dividend on Equity Shares		(19.54)	0.00
Tax on Dividend		(2.74)	0.00
Transferred from Investment Allowance (Utilised) Reserve		0.03	0.00
Transferred to Capital redemption Reserve		(3.48)	0.00
Transferred from Debenture Redemption Reserve		8.00	19.00
		156.85	20.12
Balance carried to Balance Sheet		156.85	20.12
Earning Per Share (Note No 18)			
- Basic & Diluted (Rs.)		5.35	4.19
Notes Forming Part of Accounts	15		

As per our report attached

ARVIND N. LALBHAI

Chairman

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

SANJAY S. LALBHAI

Managing Director

N D ANKLESARIA
 Partner

Mumbai, 27th April, 2005

R. V. BHIMANI

Company Secretary

THE ARVIND MILLS LIMITED

Consolidated Cash Flow Statement for the year ended on 31st March, 2005

	(Rs.in Crores)		
	2004-2005		2003-2004
A CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before extraordinary items	112.27		91.86
Adjustments for:			
Depreciation	181.49	186.12	
Interest Income	(2.72)	(2.93)	
Interest & Lease Rent Expenses	144.47	166.32	
Prior Period Expenses	(0.03)	0.00	
Exchange Rate Difference on Loans	1.91	(21.71)	
Bad Debts / Advances Written Off	0.45	2.13	
Sundry Debit Written Off	0.24	0.57	
Fixed Assets Written Off	1.19	0.50	
Provision for Doubtful debts	0.53	0.17	
Exclusion / Disposal of Subsidiaries	4.46	(0.63)	
Capital Reserve on Consolidation	(4.05)	(62.09)	
Foreign Currency Translation Reserve	0.16	0.00	
Diminution in Value of Investments	21.01	0.26	
Loss on Sale of Fixed Assets	2.30	2.36	
Operating Profit before Working Capital Changes	463.68		362.93
Working Capital Changes:			
Changes in Inventories	(128.10)	(20.53)	
Changes in Trade Receivables	(33.60)	(60.50)	
Changes in Other Receivables	(297.39)	(96.48)	
Changes in Current Liabilities	63.07	35.01	
Net Changes in Working Capital	(396.02)		(142.50)
Cash Generated From Operations	67.66		220.43
Advance Tax Paid (TDS) (Net of Income Tax Refund)	(1.26)		0.32
Net Cash from Operating Activities	66.40		220.75
B Cash Flow from Investing Activities			
Purchase of Fixed Assets	(161.69)	(96.83)	
Sale of Fixed Assets	11.82	3.51	
Changes in Investments	(7.22)	(3.41)	
Changes in Loans & Advances	(0.97)	(3.70)	
Interest Income	2.73	2.95	
Net Cash Flow from Investing Activities	(155.33)		(97.48)
C Cash Flow from Financing Activities			
Unpaid Allotment Money Received	0.01	16.81	
Redemption of Preference Share Capital	(3.48)	0.00	
Share Premium Received	0.00	9.60	
Unclaimed Dividend	(0.27)	(0.35)	
Interim Dividend on Preference Shares	(4.09)	(8.34)	
Tax on Interim Dividend	(0.53)	(1.07)	
Change in Borrowings	269.30	49.55	
Interest & Lease Rent Paid	(169.01)	(195.57)	
Net Cash Flow from Financing Activities	91.93		(129.37)
Net Increase/(Decrease) in Cash & Cash Equivalents	3.00		(6.10)
Cash & Cash Equivalent at the beginning of the Period	17.49		28.41
Less : Adjustment due to Exclusion / Disposal of Subsidiaries	0.03		4.82
Cash and Cash Equivalent at the end of the Period	20.46		17.49

As per our report attached

ARVIND N. LALBHAI

Chairman

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

SANJAY S. LALBHAI

Managing Director

N D ANKLESARIA
Partner

Mumbai, 27th April, 2005

R. V. BHIMANI

Company Secretary

Schedules forming part of the Consolidated Accounts

	(Rs. in crores)		(Rs. in crores)	
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2005	As at 31.03.2004
SCHEDULE '1': SHARE CAPITAL				
AUTHORISED				
23,00,00,000 Equity Shares (Previous Year 23,00,00,000) of Rs. 10/- each	230.00	230.00		
90,00,000 Preference Shares (Previous Year 90,00,000) of Rs.100/- each	90.00	90.00		
	<u>320.00</u>	<u>320.00</u>		
ISSUED & SUBSCRIBED				
EQUITY SHARES				
19,53,78,441 Equity Shares (Previous Year 19,53,78,441) of Rs.10/- each fully paid up.	195.38	195.38		
Less : Unpaid Allotment Money				
(i) By Others (Rs. 25,740/-)		0.01		
		<u>0.01</u>		
	<u>195.38</u>	<u>195.37</u>		
PREFERENCE SHARES				
69,50,000 , 6% Redeemable Cumulative Non-convertible Preference Shares of Rs.100/-each (Previous Year 69,50,000 Redeemable Cumulative Non-Convertible Preference Shares of Rs.100/-each)	66.02	69.50		
	<u>261.40</u>	<u>264.87</u>		
SCHEDULE '2' : RESERVES AND SURPLUS				
CAPITAL RESERVE				
As per last Balance Sheet	1.77	1.77		
Add : Addition during the year (Refer Note No. 9)	2.84	0.00		
	<u>4.61</u>	<u>1.77</u>		
CAPITAL RESERVE ON CONSOLIDATION				
As per Last Balance Sheet	30.71	92.80		
Less : Adjustment on account of exclusion of subsidiaries	4.05	62.09		
	<u>26.66</u>	<u>30.71</u>		
FOREIGN CURRENCY TRANSLATION RESERVE				
Created on account of exchange rate difference	0.16	0.00		
CAPITAL REDEMPTION RESERVE				
Transferred from Profit & Loss Account	3.48	0.00		
SHARE PREMIUM ACCOUNT				
As per last Balance Sheet	779.36	769.76		
Add : Received during the year	0.00	9.60		
	<u>779.36</u>	<u>779.36</u>		
DEBENTURE REDEMPTION RESERVE				
As per last Balance Sheet	9.00	30.00		
Less : Adjusted on account of consolidation	0.00	2.00		
Less: Transferred to Profit Loss Account	8.00	19.00		
	<u>1.00</u>	<u>9.00</u>		
SCHEDULE '2' : RESERVES AND SURPLUS (Contd..)				
INVESTMENT ALLOWANCE RESERVE				
As per last Balance Sheet	0.03	0.03		
Less : Transferred to Profit & Loss Account	0.03	0.00		
	<u>0.00</u>	<u>0.03</u>		
BALANCE IN PROFIT AND LOSS ACCOUNT				
	<u>156.85</u>	<u>20.12</u>		
	<u>972.12</u>	<u>840.99</u>		
SCHEDULE '3' : SECURED LOANS				
DEBENTURES				
Add : Funded Interest	1.82	33.39		
Add : Interest accrued and due (Previous Year 44,000/-)	1.17	1.17		
	<u>0.00</u>	<u>0.00</u>		
	<u>2.99</u>	<u>34.56</u>		
FROM BANKS				
Cash Credit and other facilities	594.81	387.06		
Add : Interest accrued and due	0.00	0.04		
	<u>594.81</u>	<u>387.10</u>		
Term Loans				
Add : Funded Interest	726.76	579.01		
Add : Interest accrued and due	53.62	60.80		
	<u>0.00</u>	<u>0.00</u>		
	<u>780.38</u>	<u>639.81</u>		
FROM FINANCIAL INSTITUTIONS AND OTHERS				
Add : Funded Interest & Other Financial Facilities	291.56	293.94		
	<u>27.77</u>	<u>27.77</u>		
	<u>319.33</u>	<u>321.71</u>		
	<u>1697.51</u>	<u>1383.18</u>		
SCHEDULE '4' : UNSECURED LOANS				
COMMERCIAL PAPER				
(Maximum Balance Outstanding at any time during the year Rs. 20.00 Crore (Previous year Rs. 20.00 Crore))	0.00	20.00		
	<u>0.00</u>	<u>20.00</u>		
Loans from				
Banks	189.90	200.53		
Financial Institutions & Others	5.00	48.17		
	<u>194.90</u>	<u>248.70</u>		
Add : Funded Interest & Other Financial Facilities	4.73	5.95		
Add : Interest accrued and due (Out of the above Rs 129.96 Crores (Previous year Rs.135.63 Crores) is payable within one year)	0.00	1.59		
	<u>199.63</u>	<u>256.24</u>		
	<u>199.63</u>	<u>276.24</u>		

Schedules forming part of the Consolidated Accounts

SCHEDULE '5' : FIXED ASSETS

(Rs. In Crores)

ASSETS	GROSSBLOCK				DEPRECIATION				NETBLOCK			
	As on 31.03.2004	Adjust- ment	Addi- tions	Dedu- ctions	As on 31.3.2005	As on 31.3.2004	Adjust- ment	For the Year	Dedu- ctions	As on 31.3.2005	As on 31.3.2005	As on 31.3.2004
Goodwill on Consolidation	48.52	2.76	2.94		48.70					48.70		48.52
Owned Assets												
Goodwill @			9.35		9.35					9.35		
Freehold Land	313.30		0.31	8.81	304.80					304.80		313.30
Leasehold Land	160.84	2.47			158.37	1.11	1.11			158.37		159.73
Buildings	371.62	16.91	4.53	3.86	355.38	53.55	5.16	12.28	0.31	60.36	295.02	318.07
Machineries	1685.37	71.77	76.84	4.58	1685.86	638.75	28.99	166.26	2.81	773.21	912.65	1046.62
Motor Vehicles	8.68	1.07	2.21	1.20	8.62	2.44	0.48	0.75	0.48	2.23	6.39	6.24
Office Machinery & Dead Stocks	33.40	3.19	1.97	0.91	31.27	10.17	1.78	2.20	0.45	10.14	21.13	23.23
Total	2621.73	98.17	98.15	19.36	2602.35	706.02	37.52	181.49	4.05	845.94	1756.41	1915.71
Previous Year	2720.60	191.40	101.31	8.78	2621.73	539.79	17.48	186.12	2.41	706.02		
Capital Work-in-Progress including advance for capital expenditure											112.44	46.06
											1868.85	1961.77

- Notes :** a) Freehold land includes Rs. 13.90 Crores (Rs. 13.90 Crores) being the revalued amount of plot of land owned by a society wherein Company has right to its membership.
b) Buildings includes Rs. 1.18 crores (Rs. 1.26 Crores) 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.
c) Gross Block is reduced by Rs. 4.96 crores being the amount reduced on revaluation by Arvind Products Limited as at 01/10/2001.
d) Gross Block includes Rs. 37.47 crores being the amount added on revaluation by Arvind Mills Limited as at 01/04/2000.
e) @ Refer Note No. 9

(Rs. in crores)

As at
31.03.2005

As at
31.03.2004

(Rs. in crores)

As at
31.03.2005

As at
31.03.2004

SCHEDULE '6' : INVESTMENTS (AT COST) **

TRADE INVESTMENTS (QUOTED)

Fully Paid Equity Shares **5.05** 4.57

TRADE INVESTMENTS (UNQUOTED)

Fully Paid Equity Shares **98.34** 87.95

OTHER INVESTMENTS

Fully Paid Equity Shares (Quoted) **0.01** 0.02

Fully Paid Equity Shares (Unquoted) **0.00** 0.02

Fully Paid Preference Shares (Unquoted) **1.00** 1.00

Fully Paid Debentures / Bond / Units (Quoted) **0.00** 3.61

Fully Paid Debentures / Bond / Units (Unquoted) **0.02** 0.03

INVESTMENTS IN SUBSIDIARY COMPANIES

(Refer Note No.3 & 10)

Fully Paid Equity Shares (Unquoted) **33.71** 0.00

138.13 97.20

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

SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES

CURRENT ASSETS

Inventories

Stores and Spares **42.23** 37.65

Fuel **5.77** 7.10

Stock in trade

Raw materials **313.35** 213.36

Finished Goods **128.38** 137.53

Goods in Transit **0.00** 0.95

Work-in-Progress **114.52** 93.30

Waste **1.74** 2.30

557.99 447.44

605.99 492.19

Sundry Debtors (Unsecured)

Outstanding for a period exceeding six months

Considered good **87.23** 79.18

Considered doubtful **1.37** 1.03

Less:Provision **1.37** 1.03

0.00 0.00

Schedules forming part of the Consolidated Accounts

	(Rs. in crores)		(Rs. in crores)	
	As at 31.03.2005	As at 31.03.2004	As at 31.03.2005	As at 31.03.2004
SCHEDULE '7' : (Contd...)				
Others(Considered good)	87.23	79.18		
	114.75	87.30		
	201.98	166.48		
Cash & Bank Balances				
Cash on hand	0.90	0.55		
Cheques on hand (Rs. 18,232/-)		0.05		
Funds in Transit	0.00	0.90		
Bank Balances				
With Scheduled Banks in India				
In Current Accounts (including Rs. 0.19 crore in unpaid dividend accounts) (Previous Year Rs. 0.46 Crore)	13.66	13.04		
In Exchange Earners Foreign Currency A/c	1.15	0.36		
In Cash Credit Account	0.95	0.54		
In Savings Account (Rs. 37,225/-) (Previous Year Rs. 35,952/-)				
In Fixed Deposit Accounts (Rs.0.06 Crore lodged with Court for ESI case, Rs 1.27 crores pledged with bank (Previous Year Rs. 0.06 Crore and Rs 0.13 Crore respectively)	1.53	0.64		
With Banks outside India (In books of foreign subsidiaries)	2.27	1.41		
	19.56	15.99		
	20.46	17.49		
Other Current Assets				
Interest accrued	0.08	0.09		
Other receivables	45.63	12.68		
	45.71	12.77		
LOANS & ADVANCES (Unsecured, considered good unless stated Otherwise)				
Loans & Advances				
Advances Receivable in Cash or kind	513.19	224.31		
Other Loans	47.54	46.57		
	560.73	270.88		
Loans and advances to Subsidiary Companies	10.88	0.00		
Advance Tax paid	4.51	3.60		
	576.12	274.48		
	1450.26	963.41		
SCHEDULE '8': CURRENT LIABILITIES & PROVISIONS				
Current Liabilities				
Acceptances	8.66	12.14		
Sundry Creditors				
- Due to SSI Units	3.90	1.70		
- Others	161.83	129.55		
Other Liabilities	38.49	16.98		
Interest accrued but not due on loans	2.31	1.49		
Investor Education & Protection Fund shall be credited by the following amounts namely : @				
- Unpaid Dividend	0.19	0.46		
- Unpaid Matured Deposits	0.21	0.62		
- Unpaid Matured Debentures	0.48	0.59		
- Interest on Deposits	0.29	0.29		
- Interest on Debentures	0.48	0.77		
	1.65	2.73		
	216.84	164.59		
Provisions				
Proposed Dividend	19.54	0.00		
Tax on Dividend	2.74	0.00		
Pension	0.68	0.71		
Taxation	3.60	1.88		
Gratuity	3.69	3.69		
Leave Encashment	3.79	3.06		
Others	0.00	0.05		
	34.04	9.39		
	250.88	173.98		
@ No amount is due as on 31st March, 2005 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)	
			2004-2005	2003-2004
SCHEDULE '9': SALES AND OPERATING INCOME				
Sales	1992.21	1625.84		
Less : Excise Duty	49.71	88.76		
	1942.50	1537.08		
Processing Income (Income Tax deducted Rs.0.07 Crore Previous Year Rs. 0.08 Crore)	0.98	5.13		
Other operating Income	2.06	4.37		
Gain/(Loss) on Exchange Rate Difference	15.27	24.38		
	1960.81	1570.96		

Schedules forming part of the Consolidated Accounts

	(Rs. in crores)		(Rs. in crores)	
	2004-2005	2003-2004	2004-2005	2003-2004
SCHEDULE '10': OTHER INCOME				
Income from investments				
From Other Investments	0.23	0.38		
Other Income	11.14	3.90		
Rent	0.10	0.11		
(Income Tax deducted Rs. 0.02 Crore Previous Year Rs. 0.02 Crore)				
Excess Provision No Longer required (Net)	(0.03)	4.39		
	<u>11.44</u>	<u>8.78</u>		
SCHEDULE '11': EMPLOYEES' EMOLUMENTS				
Salaries, Wages, Bonus and Gratuity	131.44	119.98		
Contribution to Provident Fund and Other Funds	19.42	18.35		
Welfare expenses	3.56	3.09		
	<u>154.42</u>	<u>141.42</u>		
Directors' Remuneration	1.60	1.62		
Directors' Commission	0.95	1.07		
	<u>2.55</u>	<u>2.69</u>		
	<u>156.97</u>	<u>144.11</u>		
SCHEDULE '12': OTHERS				
Power & Fuel	215.55	195.67		
Stores consumed	177.80	147.76		
Processing charges	30.02	17.62		
Repairs				
Building repairs	2.03	1.45		
Machinery repairs	46.04	44.60		
Other repairs	5.60	5.27		
	<u>53.67</u>	<u>51.32</u>		
Printing, Stationery and Communication	5.74	5.68		
Insurance premium	8.70	8.14		
Rates & Taxes	4.18	3.47		
Excise duty	(5.90)	4.22		
Rent	5.21	4.61		
Commission, Brokerage and Discount	15.89	14.62		
Advertisement expenses	3.01	4.75		
Freight, Insurance and Clearing Charges	38.32	23.55		
Provision for doubtful debt/ Advances/Contingencies	0.53	0.17		
Bad Debts/Advances Written Off	0.45	2.13		
Fixed Assets Written Off	1.19	0.50		
Exchange Rate Difference - Others	0.87	(0.60)		
Loss on sale of fixed assets (Net)	2.30	2.36		
Diminution in Value of Investments	21.01	0.26		
Directors fees	0.06	0.06		
Other expenses	57.89	53.46		
	<u>636.49</u>	<u>539.75</u>		
SCHEDULE '13': INTEREST AND FINANCE COSTS (NET)				
Interest				
On loans for a fixed period	76.50	91.93		
Others	23.80	22.73		
	<u>100.30</u>	<u>114.66</u>		
Less : Interest Income				
Interest from others	2.72	2.93		
(Income Tax deducted Rs.0.10 Crore Previous Year Rs. 0.02 Crore)				
Net Interest Expenses	97.58	111.73		
Other Finance Cost	44.17	51.66		
Exchange Rate Difference on Loans	1.91	(21.71)		
	<u>143.66</u>	<u>141.68</u>		
SCHEDULE '14': (INCREASE) IN STOCK				
Finished goods, Work-in-progress and Waste				
Closing Stocks	244.64	233.13		
Opening Stocks	233.13	256.78		
Less : Adjustment on account of consolidation	4.84	60.45		
	<u>228.29</u>	<u>196.33</u>		
Add : Adjustment on account of Capitalisation of Projects	0.00	2.21		
	<u>228.29</u>	<u>198.54</u>		
(Increase) in Stock	<u>(16.35)</u>	<u>(34.59)</u>		
SCHEDULE '15' : NOTES FORMING PART OF CONSOLIDATED ACCOUNTS:				
1. BASIS OF CONSOLIDATION				
Basis				
(i) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements and relevant clarifications issued by the Institute of Chartered Accountants of India (ICAI). 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.				

Schedules forming part of the Consolidated Accounts

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 off 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 has been included in segment to which they 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 2005
1	Asman Investments Limited	India	100%
2	Arvind Products Limited	India	53.66%
3	Arvind Worldwide Inc	USA	100%
4	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 2005
1	Lifestyle Fabrics Ltd.	India	71.80%
2	Arvind Overseas (Mauritius) Ltd.	Mauritius	100%
3	Arvind Spinning Ltd.	Mauritius	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. During the year, Company has purchased entire business of Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited. Both the subsidiary companies have closed their business and disposed off entire undertaking, and ceased to operate as going-on concern basis.

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 entity has been included in the Consolidated Financial Statements :

Sr. No.	Name of subsidiary	Country of incorporation	Proportion of ownership as on 31st March 2005
1	Arya Omnitalk Wireless Solutions Limited.	India	50%

5. SIGNIFICANT ACCOUNTING POLICIES

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention 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) SALES AND OPERATING INCOME

Sales and operating income includes sale of products, by-products and waste, income from services and foreign exchange differences. Export sales have been accounted on shipment basis. Export incentives have been accounted for on accrual basis.

(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) The Fixed Assets of the Company are stated at cost / revalued cost (if revalued).

(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 modvat/cenvat.

(C.4) Depreciation on Fixed Assets / additions 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.

(C.5) 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 asset over its useful life.

(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) REVENUE RECOGNITION

Dividend is accounted for as and when it is received.

Schedules forming part of the Consolidated Accounts

(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/discount on booking of forward contracts and exchange difference arising on settlement/cancellation has been amortised over the life of contract and has been recognised in the Profit and Loss Account.
- (F.3) Expenses of overseas offices are translated and accounted at the monthly average rate.

(G) RETIREMENT BENEFITS

The accrued liability for gratuity payable to employees has been provided on the basis of actuarial valuation and the contribution is being paid to a Trust created for the purpose on due date. In respect of Provident Fund and the Superannuation Fund, the contribution is paid regularly to the trusts/government and is charged to revenue. The liability for the Company's pension scheme and Leave Encashment is provided as per the actuarial valuation without funding.

(H) LEASE RENTAL

- (H.1) Lease rental payable on assets taken on lease have been treated as finance cost to be amortised over useful life of the assets.
- (H.2) Lease Rentals for assets taken on operating lease are recognised as an expense in Profit & Loss Account on a straight-line basis over the lease term.

(I) TAXES ON INCOME

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.

Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year that originate 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.

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.

(J) 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.

(K) CONTINGENT LIABILITIES

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

(L) 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.

6. CONTINGENT LIABILITIES

- (a) Bills discounted Rs.79.58 Crore (Previous Year Rs. 102.96 Crore).
- (b) Guarantees given by the Banks on behalf of the Company Rs.20.35 Crore (Previous Year Rs.6.67 Crore).
- (c) Wealth Tax demands, Excise demands and Sales Tax demands Rs. Nil (Previous year Rs 0.28 Crore), Rs.32.84 Crore (Previous Year Rs. 24.26 Crore) and Rs.0.91 Crore (Previous Year Rs. 1.45 Crore) respectively.
- (d) Other demands in dispute Rs. 1.33 Crore (Previous Year Rs. 1.43 Crore).
- (e) Dividend on redeemable cumulative non convertible preference shares Rs.40.04 Crore (Previous Year Rs. 32.84 Crore). Out of this, Rs. 39.30 Crore (Previous Year Rs. 32.10 Crore) are payable to Minority Shareholders of the Company.
- (f) Liability for Recompense Payment Rs. 50.27 crores (Rs. 40.93 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.
7. The estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 40.73 Crore (Previous Year Rs.7.12 Crore).
8. Other Liabilities include Rs. 4.39 Crore (Previous Year Rs.0.49Crore) on account of book overdraft.

9. Purchase of Business

During the year, effective from 31st August 2004, the Company has purchased entire business on a going on concern basis including current assets and current liabilities but excluding immovable properties of its wholly owned subsidiary companies at Mauritius namely Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited for the consideration of USD 10.67 million amounting to Rs. 49.69 Crores and USD 2.67 million amounting to Rs.12.43 Crores respectively. The difference in consideration payable to Arvind Overseas (Mauritius) Limited in excess of net assets value amounting to Rs. 9.35 Crores has been shown as Goodwill to be amortised in future. The difference in consideration payable to Arvind Spinning Limited being lower compared to net assets value amounting to Rs. 2.84 Crores has been credited to Capital Reserve.

10. Long-term Investments

In compliance with the accounting policy on valuation of long term investments an amount of Rs.21 Crores has been written off to the Profit and Loss Account on account of permanent decline in the value of its investments in two of its overseas subsidiary companies namely Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited after considering the net worth of each company and the realizable value of its remaining assets.

11. There is an unrealised gain of Rs. 3.97 Crore (Rs. NIL) on account of exchange differences arising on forward exchange contracts to hedge the foreign currency risk of a firm commitment or a highly probable forecast transaction, which is to be recognised in the accounts of subsequent years.
12. Current Liabilities includes Rs.12.06 crore (Rs. NIL) due to subsidiary companies.

Schedules forming part of the Consolidated Accounts

13. (A) Future rental obligations in respect of Plant & Machinery (Net of Prepayments) and Office Space taken on lease is Rs. 219.96 Crore (Previous Year Rs. 432.06 Crore). Lease rentals payable within one year Rs.38.48 Crore (Previous Year Rs. 36.86 Crore).

(B) Plant and Machines 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 crores)

	2004-05	2003-04
Future Minimum lease payments		
Obligation on non-cancellable operating leases :	3.86	0.56
Not later than one year	1.52	0.30
Later than one year and not later than Five years	2.34	0.26
Later than five years	Nil	Nil
Lease Payment recognised in Profit & Loss Account	7.31	0.30

14. An amount of Rs. 8.31 crores (Previous Year Rs. (32.84) crores) on account of Foreign Currency Transactions has been debited/(credited) to Profit and Loss Account in respective heads as per Accounting Standard 11 (Revised 2003) on "Accounting for the effect of changes in Foreign Exchange Rates" issued by the Institute of Chartered Accountants of India.

15. Auditors' Remuneration :

(Rs. in crores)

	2004-05	2003-04
Statutory Auditors		
As Auditors	0.43	0.40
In other capacities	0.46	0.41
Travelling and Out of Pocket Expenses	0.02	0.02
Cost Auditor		
Cost Audit Fees	0.02	0.02

16. Segment Reporting :
Segment Information

Information about Business Segments (information provided in respect of revenue items for the year ended 31.03.2005 and in respect of assets/liabilities as at 31.03.05).

Primary Segment (Business Segment) (Rs. in crores)

2004-05	Textiles	Others	Unallocable	Total
Revenue				
External sales	1928.94	13.56	0.00	1942.50
Add : Inter Segment Sales		0.06		0.06
Total Sales	1928.94	13.62		1942.56
Less : Inter Segment Revenue		0.06		0.06
Total Sales	1928.94	13.56		1942.50
Results				
Segment Results before Interest & Finance Cost	303.57	1.67	(49.31)	255.93
Interest (Net)				143.66
Profit from Ordinary Activities				0.00
Extra ordinary Items				112.27
Net Profit				
Other Information				
Segment Assets	2905.06	22.37	529.81	3457.24
Segment Liabilities	196.80	8.25	62.44	267.49
Segment Depreciation	173.26	1.84	6.39	181.49
Capital Expenditure	91.25	0.30	6.60	98.15
Non cash expenses other than Depreciation	2.54	0.00	13.17	15.71

Primary Segment (Business Segment)

(Rs. in crores)

2004-05	Textiles	Others	Unallocable	Total
Revenue				
External sales	1525.23	11.85	0.00	1537.08
Add : Inter Segment Sales		0.04		0.04
Total Sales	1525.23	11.89	0.00	1537.12
Less : Inter Segment Revenue		0.04		0.04
Total Sales	1525.23	11.85	0.00	1537.08
Results				
Segment Results before Interest & Finance Cost	275.16	(0.95)	(40.67)	233.54
Interest (Net)				141.68
Profit from Ordinary Activities				91.86
Extra ordinary Items				0.00
Net Profit				91.86
Other Information				
Segment Assets	2496.21	24.86	501.31	3022.38
Segment Liabilities	152.72	4.73	33.18	190.63
Segment Depreciation	177.99	1.75	6.38	186.12
Capital Expenditure	96.87	0.37	4.07	101.31
Non cash expenses other than Depreciation	4.13	0.18	1.42	5.73

Notes:

- 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.
- Types of Products and Services in each business segment :
Textiles : Yarn, Fabric and Garments
Others : EPABX and RAX Systems, I.T. Services
- Intersegment Revenues are recognised at sales price.

17. 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 :

1) List of Related Parties & Relationship :

A. Key Management Personnel

- Shri Sanjay S. Lalbhai, Managing Director
- Shri Jayesh K. Shah, Director & Chief Financial Officer
- Shri Arvind N. Lalbhai, Chairman & Managing Director
- Shri Anang A. Lalbhai, Managing Director

B. Subsidiary Companies

- Lifestyle Fabrics Limited *
- Arvind Overseas (Mauritius) Limited *
- Arvind Spinning Limited *

* Excluded for consolidation.

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

Schedules forming part of the Consolidated Accounts

2) Related Party Transactions :

(Rs. In Crore)

Nature of Transactions	Related Parties	
	Referred in 1(A) above	Referred in 1(B) above
	2004-05	2003-04
Purchases		
Goods and Materials		1.66
Fixed Assets		0.46
Sales		
Goods and Materials		6.33
Fixed Assets		0.20
Expenses		
Remuneration & Other Services	2.39	2.59
Business Purchase Consideration		62.12
Outstanding		
Receivable in respect of Loans		10.88
Payable in respect of Current Liabilities		12.06

Name of Subsidiary	Loans & Advances in the nature of Loans	
	Closing Balance	Maximum Outstanding
Arvind Overseas (Mauritius) Ltd.	10.88	15.64
TOTAL	10.88	15.64

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.

18. Earning Per Share (EPS) :

Rs. in Crores

	2004-05	2003-04
Profit/(Loss) available to Equity shareholders	Rs. In Crores 104.62	79.74
Weighted average no. of Equity Shares for Basic EPS	Nos. 195378441	190366667
Nominal value of Equity Shares	Rs. 10	10
Basic Earning per Equity Shares	Rs. 5.35	4.19
Diluted Earning per Equity Shares	Rs. 5.35	4.19

Rs. In Crores

	2004-05	2003-04
(A) Reconciliation of the profit/ (loss) for the year, used for calculating Earning per Share		
Profit for the year	117.38	91.21
Less: Dividend on redeemable cumulative non Convertible Preference Shares	11.29	10.17
Less : Tax on Pref. Dividend	1.47	1.30
Profit due to Equity Shareholder	104.62	79.74
(B) No. of Shares		
Weighted average number of Equity Shares for Basic EPS	195378441	190366667
Add : Dilutive potential equity shares	0	0
Weighted average number of Equity Shares for Dilutive EPS	195378441	190366667

19. Deferred Tax

In terms of the provisions of the Accounting Standard No. 22 "Accounting for tax on income" issued by Institute of Chartered Accountants of India, there is a net deferred tax assets amounting to Rs. 11.56 crores 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 assets while preparing the accounts of current year.

20. 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.

- Figures less than Rs. 50,000/- which are required to be shown separately, have been shown as actual in brackets.
- Previous year's figures are shown in brackets and are regrouped or recast wherever necessary.
- Previous year's figures are not strictly comparable with those of the current years which includes 3 subsidiaries which are excluded for the purpose of Consolidated Financial Statement during the year.

Signatures to Schedules 1 to 15

As per our report attached

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

N D ANKLESARIA
Partner

Mumbai, 27th April, 2005

ARVIND N. LALBHAI

Chairman

SANJAY S. LALBHAI

Managing Director

R. V. BHIMANI

Company Secretary

Financial Statements – year ended March 31, 2005

Dear Shareholder

THE ARVIND OVERSEAS (MAURITIUS) LIMITED

The Board of Directors is pleased to present the financial statements of The Arvind Overseas (Mauritius) Limited for the year ended March 31, 2005, the contents of which are listed below.

All shareholders agree that the Annual report need not comply with paragraphs (a) and (d) to (i) of Section 221 (1) of the Companies Act, 2001.

This report was approved by the Board of Directors on 13th May 2005.

ARVIND N.LALBHAI
Director

SANJAY S. LALBHAI
Director

Secretary's Certificate – March 31, 2005

I certify that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required under the Companies Act, 2001.

EXECUTIVE SERVICES LTD.
Per Christian Angseesing
Secretary

Date: 13th May, 2005

Report of the Auditors to the Members

We have audited the financial statements of **The Arvind Overseas (Mauritius) Limited** set out on pages 55 to 65 which have been prepared on the basis of the accounting policies set out on pages 58 and 59.

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act, 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. 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 work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and for ensuring that the financial statements comply with the Companies Act, 2001. 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 those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial

statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or any interests in, the Company other than in our capacity as auditors, tax and business advisers and other than dealings with the Company in the ordinary course of business.

GOING CONCERN - CESSATION OF BUSINESS

The financial statements have been prepared on a going concern basis, which is not appropriate given that the Company ceased business in August 2004. The financial statements which should have been prepared on a break up basis do not include any adjustments to bring all the Company's assets to their recoverable amount and to reclassify all long term assets as current.

QUALIFIED OPINION RESULTING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

We have obtained all such information and explanations which we considered necessary.

In our opinion:

- proper accounting records have been kept by the Company as far as it appears from our examination of those records
- except for any adjustments that might be necessary to present the financial statements on a break up basis, the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2005 and of its result and cash flows for the year then ended, comply with the Companies Act, 2001 and have been prepared in accordance with International Financial Reporting Standards.

Port Louis, Mauritius
13th May, 2005

BDO DE CHAZAL DU MEE
Chartered Accountants
Per Li Kune Lan Pookim F.C.C.A.

THE ARVIND OVERSEAS (MAURITIUS) LIMITED

Balance Sheet - March 31, 2005

	Notes	2005		2004	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
ASSETS					
Non-current assets					
Property, plant and equipment	4	48,417,279	731.10	198,384,112	3,313.02
Leasehold land payments	5	6,453,866	97.45	7,103,869	118.64
Intangible assets	6	-	-	898,187	15.00
		<u>54,871,145</u>	<u>828.55</u>	<u>206,386,168</u>	<u>3,446.66</u>
Current assets					
Inventories	7	-	-	66,605,039	1,112.31
Trade and other receivables	8	98,246,813	1,483.53	56,691,256	946.74
Cash and bank balances		3,750,535	56.63	100,885	1.68
		<u>101,997,348</u>	<u>1,540.16</u>	<u>123,397,180</u>	<u>2,060.73</u>
Total assets		<u>156,868,493</u>	<u>2,368.71</u>	<u>329,783,348</u>	<u>5,507.39</u>
EQUITY AND LIABILITIES					
Capital and deficit					
Share capital	9	238,517,100	3,601.61	238,517,100	3,983.24
Revenue deficit		(145,234,969)	(2,193.05)	(209,842,746)	(3,504.37)
Shareholders' interests		<u>93,282,131</u>	<u>1,408.56</u>	<u>28,674,354</u>	<u>478.87</u>
Non-current liability					
Borrowings	10	-	-	94,233,370	1,573.70
Current liabilities					
Trade and other payables	11	-	-	132,411,627	2,211.27
Borrowings	10	63,586,362	960.15	74,463,997	1,243.55
		<u>63,586,362</u>	<u>960.15</u>	<u>206,875,624</u>	<u>3,454.82</u>
Total equity and liabilities		<u>156,868,493</u>	<u>2,368.71</u>	<u>329,783,348</u>	<u>5,507.39</u>

These financial statements have been approved for issue by the Board of Directors on : 13th May, 2005

ARVIND N. LALBHAI
Director

SANJAY S. LALBHAI
Director

The notes on pages 58 to 65 form an integral part of these financial statements.
Auditors' report on page 54.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Profit & Loss Account - year ended 31st March 2005

	Notes	2005		2004	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
Sales	12	161,205,681	2,434.21	245,311,888	4,096.71
Cost of sales		(176,159,589)	(2,660.01)	(301,590,146)	(5,036.56)
Gross loss		(14,953,908)	(225.80)	(56,278,258)	(939.85)
Other operating income		31,403,236	474.19	50,813,364	848.58
Distribution costs		(3,214,586)	(48.54)	(5,305,179)	(88.60)
Administrative expenses		(14,402,828)	(217.48)	(25,750,930)	(430.04)
Other operating expenses		(7,875,562)	(118.92)	(6,202,705)	(103.59)
Operating loss	13	(9,043,648)	(136.56)	(42,723,708)	(713.49)
Finance costs	14	(12,023,813)	(181.56)	(7,471,612)	(124.78)
Loss before exceptional items		(21,067,461)	(318.12)	(50,195,320)	(838.26)
Exceptional items	15	85,675,238	1,293.70	(7,421,263)	(123.94)
Profit/(loss) for the year		64,607,777	975.58	(57,616,583)	(962.20)

The notes on pages 58 to 65 form an integral part of these financial statements.
Auditors' report on page 54.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

THE ARVIND OVERSEAS (MAURITIUS) LIMITED

Statement of Changes in Equity – year ended March 31, 2005

	Share Capital		Revenue Deficit		Total	
	Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs*
Balance at April 1, 2003	214,728,800	3,585.99	(152,226,163)	(2,542.18)	62,502,637	1,043.81
Issue of shares	23,788,300	397.26	-	-	23,788,300	397.26
Loss for the year	-	-	(57,616,583)	(962.20)	(57,616,583)	(962.20)
Balance at March 31, 2004	238,517,100	3,983.24	(209,842,746)	(3,504.37)	28,674,354	478.87
Balance at April 1, 2004	238,517,100	3,601.61	(209,842,746)	(3,168.63)	28,674,354	432.98
Profit for the year	-	-	64,607,777	975.58	64,607,777	975.58
Balance at March 31, 2005	238,517,100	3,601.61	(145,234,969)	(2,193.05)	93,282,131	1,408.56

Cash Flow Statement – year ended March 31, 2005

	Notes	2005		2004	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
Operating activities					
Cash absorbed in operations	16(a)	(20,996,866)	(317.05)	(6,543,427)	(109.28)
Interest received		-	-	9,934	0.17
Interest paid		(4,231,309)	(63.89)	(7,012,312)	(117.11)
Net cash used in operating activities		(25,228,175)	(380.94)	(13,545,805)	(226.20)
Investing activities					
Purchase of property, plant and equipment		(1,545,332)	(23.33)	(102,550,684)	(1,712.60)
Purchase of intangible assets		-	-	(1,067,877)	(17.83)
Disposal of intangible assets		898,187	13.56	-	-
Proceeds from sale of property, plant and equipment		138,599,839	2,092.86	510,500	8.53
Net cash from/(used in) investing activities		137,952,694	2,083.09	(103,108,061)	(1,721.90)
Financing activities					
Issue of share capital		-	-	23,788,300	397.26
Proceed from other loan		1,864,898	28.15	19,004,845	317.38
Loans received		-	-	72,300,500	1,207.42
Finance lease repayments		(369,135)	(5.57)	(54,949)	(0.92)
Repayment of bank loans		(40,296,000)	(608.47)	-	-
Repayment of other loans		(19,004,845)	(286.97)	-	-
Movements on payments on bills discounted		-	-	(23,298,920)	(389.09)
Net cash (used in)/from financing activities		(57,805,082)	(872.87)	91,739,776	1,532.05
Increase/(decrease) in cash and cash equivalents		54,919,437	829.28	(24,914,090)	(416.06)
Movement in cash and cash equivalents:					
At April 1		(51,168,902)	(772.65)	(26,254,812)	(438.46)
Increase/(decrease)		54,919,437	829.28	(24,914,090)	(416.06)
At March 31	16(c)	3,750,535	56.63	(51,168,902)	(854.51)

The notes on pages 58 to 65 form an integral part of these financial statements.
Auditors' report on page 54.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

1. COMPANY PROFILE

The Arvind Overseas (Mauritius) Limited is a limited liability Company incorporated and domiciled in Mauritius. Its main activity is the manufacture of denim fabrics and making of garments. It holds an Export Enterprise Certificate. Its registered address is at 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.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below :

(a) Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and under the historical cost convention.

(b) Property, plant and equipment

All property, plant and equipment are initially recorded at cost.

Depreciation is calculated on the straight line method to write off the cost of assets to their residual values over their estimated useful lives as follows:

Building on leasehold land	5%
Plant and machinery	5%
Motor vehicles	20%
Electrical equipment	10 - 20%
Furniture, fixtures and fittings	10 - 20%
Other items	10%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating loss.

(c) Leasehold land payments

Leasehold land payments represent advance payment of lease and are amortised over a period of 20 years, i.e. over the lease period.

(d) Intangible assets

Intangible assets which include computer software are initially recorded at cost and amortised using the straight-line method over a period of 5 years.

(e) Impairment

At each Balance Sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's selling price and value in use. For the purpose of assessing impairment,

assets are grouped at the lowest level for which there are separately identifiable cash flows.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expenses. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(g) Foreign currencies

Transactions in currencies other than Mauritian rupees are initially recorded at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the Balance Sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

(h) Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(i) Accounting for leases - where Company is the lessee

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the Profit and Loss Account over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

(j) Financial instruments

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company has become a party to the contractual provisions of the instrument.

The Company's accounting policies in respect of the main financial instruments are set out below.

(i) Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(ii) Trade payables

Trade payables are stated at their nominal value.

(iii) Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements – year ended March 31, 2005

(iv) Bank borrowings

Bank borrowings are recorded at the proceeds received, net of direct issue costs.

(k) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of value added taxes and discounts.

Other income is recognised as it accrues unless collectibility is in doubt.

(l) Provisions

Provisions are recognised when the Company has a present and constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

3. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks, including:

- Foreign exchange rate;
- Credit risk;
- Interest rate risk; and
- Liquidity risk.

A description of the significant risk factors is given below together with the risk management policies applicable.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US dollars.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of

allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

The Company has policies in place to ensure that sales are made to customers against available bills of exchange, thus reducing the credit risk exposure.

Interest rate risk

The Company's income and operating cash flows are exposed to interest rate risk as it sometimes borrows at variable rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company aims at maintaining flexibility in funding by keeping committed credit lines available.

Currency risk analysis

The financial instruments exposed to foreign currency changes have been summarised below :

	2005 Assets		2005 Liabilities	
	Mau Rs.	Rs.In Lacs*	Mau Rs.	Rs.In Lacs*
Denominated in foreign currencies				
Bank balances - USD	1,878,057	28.36	-	-
Payable to holding company -USD	-	-	63,586,362	960.15
	<u>1,878,057</u>	<u>28.36</u>	<u>63,586,362</u>	<u>960.15</u>

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

4. PROPERTY, PLANT AND EQUIPMENT

		Improvement to leasehold Land	Building on Leasehold Land	Plant & Machinery	Motor Owned	Vehicles Leased	Electrical Equipment	Furniture Fixtures & Fittings	Other Items	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST										
At April 1, 2004	In Mauritian Rupees	2,320,845	73,805,573	262,232,433	4,632,561	669,509	33,069,474	15,577,310	3,244,643	395,552,348
	Rs. In lacs*	35.04	1,114.46	3,959.71	69.95	10.11	499.35	235.22	48.99	5,972.84
Transfer	In Mauritian Rupees	-	10,361,877	-	-	-	(10,361,877)	-	-	-
	Rs. In lacs*	-	156.46	-	-	-	(156.46)	-	-	-
Additions	In Mauritian Rupees	-	1,530,039	-	-	-	-	15,293	-	1,545,332
	Rs. In lacs*	-	23.10	-	-	-	-	0.23	-	23.33
Disposals	In Mauritian Rupees	-	-	(262,232,433)	(4,632,561)	(669,509)	(9,858,066)	(4,408,437)	(3,244,643)	(285,045,649)
	Rs. In lacs*	-	-	(3,959.71)	(69.95)	(10.11)	(148.86)	(66.57)	(48.99)	(4,304.19)
At March 31, 2005	In Mauritian Rupees	2,320,845	85,697,489	-	-	-	12,849,531	11,184,166	-	112,052,031
	Rs. In lacs*	35.04	1,294.03	-	-	-	194.03	168.88	-	1,691.99
DEPRECIATION										
At April 1, 2004	In Mauritian Rupees	934,941	30,753,304	126,921,732	2,912,387	78,109	25,194,190	8,900,097	1,473,476	197,168,236
	Rs. In lacs*	14.12	464.37	1,916.52	43.98	1.18	380.43	134.39	22.25	2,977.24
Transfer	In Mauritian Rupees	-	8,981,091	-	-	-	(8,981,091)	-	-	-
	Rs. In lacs*	-	135.61	-	-	-	(135.61)	-	-	-
Charge for the year	In Mauritian Rupees	116,040	4,284,874	5,463,176	162,301	55,792	1,695,706	999,244	135,193	12,912,326
	Rs. In lacs*	1.75	64.70	82.49	2.45	0.84	25.61	15.09	2.04	194.98
Disposal adjustments	In Mauritian Rupees	-	-	(132,384,908)	(3,074,688)	(133,901)	(6,412,568)	(2,831,076)	(1,608,669)	(146,445,810)
	Rs. In lacs*	-	-	(1,999.01)	(46.43)	(2.02)	(96.83)	(42.75)	(24.29)	(2,211.33)
At March 31, 2005	In Mauritian Rupees	1,050,981	44,019,269	-	-	-	11,496,237	7,068,265	-	63,634,752
	Rs. In lacs*	15.87	664.69	-	-	-	173.59	106.73	-	960.88
NET BOOK VALUES										
At March 31, 2005	In Mauritian Rupees	1,269,864	41,678,220	-	-	-	1,353,294	4,115,901	-	48,417,279
	Rs. In lacs*	19.17	629.34	-	-	-	20.43	62.15	-	731.10
At March 31, 2004	In Mauritian Rupees	1,385,904	43,052,269	135,310,701	1,720,174	591,400	7,875,284	6,677,213	1,771,167	198,384,112
	Rs. In lacs**	23.14	718.97	2,259.69	28.73	9.88	131.52	111.51	29.58	3,313.02

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** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)



THE ARVIND OVERSEAS (MAURITIUS) LIMITED

Notes to the Financial Statements – year ended March 31, 2005

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
5. LEASEHOLD LAND PAYMENTS				
COST				
At April 1, 2004 and March 31, 2005	<u>13,000,000</u>	<u>196.30</u>		
AMORTISATION				
At April 1, 2004	5,896,131	89.03		
Amortisation	650,003	9.82		
At March 31, 2005	<u>6,546,134</u>	<u>98.85</u>		
NET BOOK VALUES				
At March 31, 2005	<u>6,453,866</u>	<u>97.45</u>		
At March 31, 2004	<u>7,103,869</u>	<u>118.64</u>		
6. INTANGIBLE ASSETS				
Computer Software				
COST				
At April 1, 2004	1,548,892	23.39		
Disposals	(1,548,892)	(23.39)		
At March 31, 2005	-	-		
AMORTISATION				
At April 1, 2004	650,705	9.83		
Disposal adjustments	(650,705)	(9.83)		
At March 31, 2005	-	-		
NET BOOK VALUES				
At March 31, 2005	-	-		
At March 31, 2004	<u>898,187</u>	<u>15.00</u>		
7. INVENTORIES				
Finished goods - Fabrics (at net realisable value)	-	-	19,234,274	321.21
- Garments (at net realisable value)	-	-	1,110,397	18.54
Raw materials (at cost)	-	-	15,400,247	257.18
Work in progress (at cost)	-	-	11,036,861	184.32
Raw materials in transit (at cost)	-	-	3,228,199	53.92
Spare parts and accessories (at cost)	-	-	16,595,061	277.14
	-	-	<u>66,605,039</u>	<u>1,112.31</u>
8. TRADE AND OTHER RECEIVABLES				
Bills receivable	-	-	41,587,734	694.52
Receivables from group companies:				
- Holding company	-	-	8,018,357	133.91
- Fellow subsidiary company	98,061,785	1,480.73	1,670,845	27.90
Other receivables and prepayments	185,028	2.79	5,414,320	90.42
	<u>98,246,813</u>	<u>1,483.53</u>	<u>56,691,256</u>	<u>946.74</u>

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Notes to the Financial Statements - year ended March 31, 2005

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
9. SHARE CAPITAL				
AUTHORISED				
2,500,000 ordinary shares of Rs. 100 each	<u>250,000,000</u>	<u>3,775.00</u>	<u>250,000,000</u>	<u>4,175.00</u>
ISSUED AND FULLY PAID				
Ordinary shares of Rs. 100 each				
At April 1	<u>238,517,100</u>	<u>3,601.61</u>	214,728,800	3,585.97
Issued during the year	-	-	23,788,300	397.26
At March 31	<u>238,517,100</u>	<u>3,601.61</u>	<u>238,517,100</u>	<u>3,983.24</u>
10. BORROWINGS				
Current				
Bank overdrafts	-	-	51,269,787	856.21
Other loans	-	-	19,004,845	317.38
Bank loans	-	-	4,029,600	67.29
Obligations under finance leases	-	-	159,765	2.67
Loan from holding company (see note (a) below)	<u>63,586,362</u>	<u>960.15</u>	-	-
	<u>63,586,362</u>	<u>960.15</u>	<u>74,463,997</u>	<u>1,243.55</u>
Non-current				
Loan from holding company	-	-	57,757,600	964.55
Bank loans (see note (b) below)	-	-	36,266,400	605.65
Obligations under finance leases (see note (c) below)	-	-	209,370	3.50
	-	-	<u>94,233,370</u>	<u>1,573.70</u>
Total borrowings	<u>63,586,362</u>	<u>960.15</u>	<u>168,697,367</u>	<u>2,817.25</u>
(a) Loan from holding company which is denominated in USD is interest free and is repayable within one year.				
(b) Bank loans can be analysed as follows:-				
After one year and before two years	-	-	8,059,200	134.59
After two years and before five years	-	-	24,177,600	403.77
After five years	-	-	4,029,600	67.29
	-	-	<u>36,266,400</u>	<u>605.65</u>
(e) Finance lease liabilities - minimum lease payment:				
Later than 1 year and not later than 2 years	-	-	129,836	2.17
Later than 2 years and not later than 5 years	-	-	155,804	2.60
	-	-	<u>285,640</u>	<u>4.77</u>
Future finance charges on finance leases	-	-	76,270	1.27
Present value of finance lease liabilities	-	-	<u>209,370</u>	<u>3.50</u>
The present value of finance lease liabilities may be analysed as follows:				
Later than 1 year and not later than 2 years	-	-	96,017	1.60
Later than 2 years and not later than 5 years	-	-	113,353	1.89
	-	-	<u>209,370</u>	<u>3.50</u>

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THE ARVIND OVERSEAS (MAURITIUS) LIMITED

Notes to the Financial Statements – year ended March 31, 2005

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
11. TRADE AND OTHER PAYABLES				
Trade creditors	-	-	37,660,988	628.94
Export bills discounted	-	-	31,435,246	524.97
Amounts due to group companies:				
– Payable to holding company	-	-	16,668,545	278.36
– Payable to fellow subsidiaries	-	-	27,645,384	461.68
Other payables and accruals	-	-	19,001,464	317.32
	<u>-</u>	<u>-</u>	<u>132,411,627</u>	<u>2,211.27</u>
12. TURNOVER				
Turnover is based on the invoiced value of all sales of goods, net of discounts, value added tax, allowances and returns.				
13. OPERATING LOSS				
The operating loss for the year is arrived at after: Crediting				
Profit on sale of property, plant and equipment	-	-	510,500	8.53
and charging				
Depreciation – owned assets	12,856,534	194.13	13,590,734	226.97
– leased assets	55,792	0.84	1,695,706	28.32
Amortisation of leasehold land payments	650,003	9.82	650,003	10.86
Staff costs (see note (a) below)	18,427,170	278.25	29,952,123	500.20
Cost of inventory recognised as expense	125,702,559	1,898.11	189,110,412	3,158.14
(a) Analysis of staff costs				
Wages and salaries	17,886,048	270.08	28,942,105	483.33
Social security costs	541,122	8.17	1,010,018	16.87
	<u>18,427,170</u>	<u>278.25</u>	<u>29,952,123</u>	<u>500.20</u>
	<u>2005</u>		<u>2004</u>	
The number of employees at the end of the year was:				
– Production	-	-	240	
– Administration	-	-	77	
	<u>-</u>	<u>-</u>	<u>317</u>	
	<u>2005</u>		<u>2004</u>	
14. FINANCE COSTS				
Interest income	-	-	(9,934)	(0.17)
Net foreign exchange transaction gains	7,792,504	117.67	469,234	7.84
Interest expense				
Bank overdraft	1,862,163	28.12	4,005,809	66.90
Bank loans repayable by instalment between one and five years	954,456	14.41	1,155,603	19.30
Import loan	220,444	3.33	97,956	1.64
Export bills discounted	1,102,557	16.65	1,727,713	28.85
Finance leases	91,689	1.38	25,231	0.42
	<u>4,231,309</u>	<u>63.89</u>	<u>7,012,312</u>	<u>117.11</u>
Net finance costs	<u>12,023,813</u>	<u>181.56</u>	<u>7,471,612</u>	<u>124.78</u>

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
15. EXCEPTIONAL ITEMS				
Surplus on assets and takeover by holding company	118,729,118	1,792.81	-	-
Cessation of business including severance allowance to employees	(33,053,880)	(499.11)	-	-
Bad debts written off	-	-	7,421,263	123.94
	<u>85,675,238</u>	<u>1,293.70</u>	<u>7,421,263</u>	<u>123.94</u>
16. NOTES TO THE CASH FLOW STATEMENT				
(a) Cash absorbed in operations				
Profit/(loss) for the year	64,607,777	975.58	(57,616,583)	(962.20)
Adjustments for:				
Depreciation of property, plant and equipment	12,912,326	194.98	13,590,734	226.97
Amortisation of intangible assets	-	-	223,952	3.74
Amortisation of leasehold land payment	650,003	9.82	650,003	10.86
Profit on sale of property, plant and equipment	-	-	(510,500)	(8.53)
Unrealised losses/(gains) on exchange	3,963,864	59.85	(6,216,900)	(103.82)
Interest income	-	-	(9,934)	(0.17)
Interest expense	4,231,309	63.89	7,012,312	117.11
	<u>86,365,279</u>	<u>1,304.12</u>	<u>(42,876,916)</u>	<u>(716.04)</u>
Changes in working capital:				
- inventories	66,605,039	1,005.74	19,086,484	318.74
- trade and other receivables	(41,555,557)	(627.49)	24,878,601	415.47
- trade and other payables	(132,411,627)	(1,999.42)	(7,631,596)	(127.45)
Cash absorbed in operations	<u>(20,996,866)</u>	<u>(317.05)</u>	<u>(6,543,427)</u>	<u>(109.28)</u>
(b) Non cash transactions				
Acquisition of motor vehicle using finance leases	-	-	424,084	7.08
(c) Cash and cash equivalents				
Cash and bank balances	3,750,535	56.63	100,885	1.68
Bank overdrafts	-	-	(51,269,787)	(856.21)
	<u>3,750,535</u>	<u>56.63</u>	<u>(51,168,902)</u>	<u>(854.52)</u>
17. DEFERRED TAXATION				
Deferred income tax assets and liabilities are offset when the income tax relates to the same entity and the same fiscal authority. The following amounts are shown in the Balance Sheet:-				
Deferred tax assets	-	-	16,746,584	279.67
Deferred tax liabilities	-	-	(16,746,584)	(279.67)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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.380,808,835, Rs. in Lacs* 5,750.27 (2004: Rs.418,509,255, Rs. in Lacs** 6,989.10) to carry forward against future taxable income, which have not been recognised in these financial statements due to cessation of business.

Deferred tax assets and liabilities, deferred tax charges in the Profit and Loss Account are attributable to the following items.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

THE ARVIND OVERSEAS (MAURITIUS) LIMITED

Notes to the Financial Statements – year ended March 31, 2005

	At April 01, 2004		(Charged)/Credited to Profit and Loss		At March 31, 2005	
	Mau Rs.	Rs. In Lacs**	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*
Deferred income tax liabilities						
Accelerated tax depreciation	16,746,584	279.67	(16,746,584)	(279.67)	-	-
Deferred income tax asset						
Tax losses	(16,746,584)	(279.67)	16,746,584	279.67	-	-
Net deferred income tax liabilities	-	-	-	-	-	-

18. FAIR VALUE

The carrying amounts of trade and other receivables, cash and bank balances and trade and other payables approximate their fair values. Financial assets and liabilities which are accounted for at historical cost are carried at values that may differ materially from their fair values.

19. COMMITMENTS

Capital commitments

Capital expenditure approved by the Board and contracted for at the Balance Sheet date but not recognised in the financial statements is as follows:

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
Property, plant and equipment	-	-	41,739,281	697.05

20. RELATED PARTY TRANSACTIONS

	2005				2004			
	Holding Company		Fellow Subsidiaries		Holding Company		Fellow Subsidiaries	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**	Mau Rs.	Rs. In Lacs**
Remuneration	-	-	-	-	-	-	-	-
Purchase of goods & services	-	-	52,626,904	794.67	-	-	35,405,591	591.27
Sale of goods & services	307,296,000	4,640.17	-	-	-	-	-	-
Loan Capital	63,586,362	960.15	-	-	57,757,600	964.55	-	-
Amount owed to related parties	-	-	-	-	26,199,851	437.54	27,645,684	461.68
Amount owed by related parties	-	-	98,061,785	1,480.73	8,018,357	133.91	1,670,845	27.90

Transactions with related parties are done at arm's length, on normal commercial terms and in the normal course of business.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Financial Statements - year ended March 31, 2005

Dear Shareholder

ARVIND SPINNING LIMITED

The Board of Directors is pleased to present the financial statements of Arvind Spinning Limited for the year ended March 31, 2005, the contents of which are listed below.

All shareholders agree that the Annual report need not comply with paragraphs (a) and (d) to (i) of Section 221 (1) of the Companies Act 2001.

This report was approved by the Board of Directors on 13th May 2005.

ARVIND N. LALBHAI
Director

JAYESH K. SHAH
Director

Secretary's Certificate - March 31, 2005

I certify that, to the best of my knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required under the Companies Act 2001.

EXECUTIVE SERVICES LTD.
Per Christian Angseesing
Secretary

Date: 13th May, 2005

Report of the Auditors to the Members

We have audited the financial statements of **Arvind Spinning Ltd.** set out on pages 67 to 75 which have been prepared on the basis of the accounting policies set out on page 70.

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act, 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. 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 work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and for ensuring that the financial statements comply with the Companies Act, 2001. 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 those financial statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Our audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial

statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or any interests in, the Company other than in our capacity as auditors, tax and business advisers and other than dealings with the Company in the ordinary course of business.

GOING CONCERN - CESSATION OF BUSINESS

The financial statements have been prepared on a going concern basis, which is not appropriate given that the Company ceased business in August 2004. The financial statements which should have been prepared on a break up basis do not include any adjustments to bring all the Company's assets to their recoverable amount and to reclassify all long term assets as current.

QUALIFIED OPINION RESULTING FROM DISAGREEMENT ABOUT ACCOUNTING TREATMENT

We have obtained all such information and explanations which we considered necessary.

In our opinion:

- proper accounting records have been kept by the Company as far as it appears from our examination of those records
- except for any adjustments that might be necessary to present the financial statements on a break up basis, the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2005 and of its result and cash flows for the year then ended, comply with the Companies Act, 2001 and have been prepared in accordance with International Financial Reporting Standards.

Port Louis, Mauritius
13th May, 2005

BDO DE CHAZAL DU MEE
Chartered Accountants
Per Li Kune Lan Pookim F.C.C.A.

Balance Sheet March 31, 2005

	Notes	2005		2004	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
ASSETS					
Non-current assets					
Property, plant and equipment	4	36,647,241	553.37	143,289,175	2,392.93
		36,647,241	553.37	143,289,175	2,392.93
Current assets					
Inventories	5	-	-	19,066,867	318.42
Trade and other receivables	6	82,143,480	1,240.37	29,168,670	487.12
Cash and bank balances		22,276	0.34	5,514	0.09
		82,165,756	1,240.71	48,241,051	805.63
Total assets		118,812,997	1,794.08	191,530,226	3,198.56
EQUITY AND LIABILITIES					
Capital and deficit					
Share capital	7	82,409,966	1,244.39	35,631,140	595.05
Application monies	8	-	-	47,108,825	786.72
Revenue deficit		(61,658,754)	(931.05)	(13,177,650)	(220.07)
Shareholders' interests		20,751,212	313.34	69,562,315	1,161.70
Non-current liability					
Borrowings	9	-	-	54,322,932	907.19
Current liabilities					
Trade and other payables	10	98,061,785	1,480.74	37,057,884	618.87
Borrowings	9	-	-	30,587,095	510.80
		98,061,785	1,480.74	67,644,979	1,129.67
Total equity and liabilities		118,812,997	1,794.08	191,530,226	3,198.56

These financial statements have been approved for issue by the Board of Directors on : 13th May, 2005

ARVIND N. LALBHAI
Director

JAYESH K. SHAH
Director

The notes on pages 70 to 75 form an integral part of these financial statements.
Auditors' report on page 66.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Profit & Loss Account year ended 31st March 2005

	Notes	2005		2004	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
Sales	11	52,626,904	794.67	44,690,956	746.34
Cost of sales		(70,611,868)	(1,066.24)	(65,597,649)	(1,095.48)
Gross loss		(17,984,964)	(271.57)	(20,906,693)	(349.14)
Other operating income		7,384,787	111.51	8,260,996	137.96
Distribution costs		(95,176)	(1.44)	(53,747)	(0.90)
Administrative expenses		(1,614,084)	(24.37)	(1,772,326)	(29.60)
Operating loss	12	(12,309,437)	(185.87)	(14,471,770)	(241.68)
Finance (costs)/income	13	(10,545,839)	(159.24)	2,012,493	33.61
Loss before exceptional items		(22,855,276)	(345.11)	(12,459,277)	(208.07)
Exceptional items	14	(25,625,828)	(386.95)	-	-
Profit/(loss) for the year		(48,481,104)	(732.06)	(12,459,277)	(208.07)

The notes on pages 70 to 75 form an integral part of these financial statements.
Auditors' report on page 66.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

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Statement of Changes in Equity – year ended March 31, 2005

	Share Capital		Application Monies		Revenue Deficit		Total	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*
Balance at April 1, 2003	35,631,140	595.05	-	-	(718,373)	(12.00)	34,912,767	583.05
Application Monies	-	-	47,108,825	786.72	-	-	47,108,825	786.72
Loss for the year	-	-	-	-	(12,459,277)	(208.07)	(12,459,277)	(208.07)
Balance at March 31, 2004	35,631,140	595.05	47,108,825	786.70	(13,177,650)	(220.07)	69,562,315	1,161.70
Balance at April 1, 2004	35,631,140	538.03	47,108,825	711.34	(13,177,650)	(198.98)	69,562,315	1,050.39
Issue of Shares	46,778,826	706.36	(46,778,826)	(706.36)	-	-	-	-
Difference in exchange	-	-	(329,999)	(4.98)	-	-	(329,999)	(4.98)
Loss for the year	-	-	-	-	(48,481,104)	(732.06)	(48,481,104)	(732.06)
Balance at March 31, 2005	82,409,966	1,244.39	-	-	(61,658,754)	(931.05)	20,751,212	313.34

Cash Flow Statement – year ended March 31, 2005

	Notes	2005		2004	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
Operating activities					
Cash absorbed in operations	15(a)	(14,207,780)	(214.54)	(23,309,002)	(389.26)
Interest paid		(2,543,349)	(38.40)	(2,411,935)	(40.28)
Net cash used in operating activities		(16,751,129)	(252.94)	(25,720,937)	(429.54)
Investing activities					
Purchase of property, plant and equipment		(2,482,543)	(37.49)	(138,881,475)	(2,319.32)
Disposal of property, plant and equipment		104,160,461	1,572.82	-	-
Net cash from/(used in) investing activities		101,677,918	1,535.34	(138,881,475)	(2,319.32)
Financing activities					
Deposit received on shares		-	-	47,108,825	786.72
Proceeds from import loans		-	-	17,321,768	289.27
Loans received		-	-	65,491,053	1,093.70
Repayment of bank loans		(59,071,322)	(891.98)	-	-
Repayment of other loans		(17,756,621)	(268.12)	-	-
Finance lease repayments		(868,125)	(13.11)	(108,355)	(1.81)
Net cash (used in)/from financing activities		(77,696,068)	(1,173.21)	129,813,291	2,167.88
Increase/(decrease) in cash and cash equivalents		7,230,721	109.18	(34,789,121)	(580.98)
Movement in cash and cash equivalents:					
At April 1		(7,208,445)	(108.85)	27,580,676	460.60
Increase/(decrease)		7,230,721	109.18	(34,789,121)	(580.98)
At March 31	15(c)	22,276	0.34	(7,208,445)	(120.38)

The notes on pages 70 to 75 form an integral part of these financial statements.

Auditors' report on page 66.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

1. COMPANY PROFILE

Arvind Spinning Ltd is a limited company incorporated and domiciled in Mauritius. Its main activity is the manufacture of ring and open end spun cotton yarn. Its registered address is at 10 Frère Félix de Valois Street, Port Louis, Mauritius and the place of business is at La Tour Koenig, Pointe aux Sables. Arvind Mills Ltd, incorporated in India is the immediate and ultimate holding company.

The Company ceased business in August 2004.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and under historical cost convention.

(b) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Depreciation is calculated on the straight line method to write off the cost of assets to their residual values over their estimated useful lives as follows:

Buildings on leasehold land	5%
Plant and machinery	5%
Motor vehicles	20%
Furniture, Fixtures and Fittings	10%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating loss.

(c) Impairment

At each Balance Sheet date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(d) Accounting for leases - where Company is the lessee

Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the Profit and Loss Account over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expenses. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(f) Foreign currencies

Transactions in currencies other than Mauritian rupees are initially recorded at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the Balance Sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

(g) Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(h) Borrowings cost

Borrowings costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowings costs are recognised in net profit or loss in the period in which they are incurred.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company has become a party to the contractual provisions of the instrument.

The Company's accounting policies in respect of the main financial instruments are set out below.

(i) Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(ii) Trade payables

Trade payables are stated at their nominal value.

(iii) Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

(iv) Bank borrowings

Bank borrowings are recorded at the proceeds received, net of direct issue costs.

(j) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance, or performance of services, net of value added taxes and discounts.

Interest income is recognised as it accrues unless collectibility is in doubt.

(k) Provisions

Provisions are recognised when the Company has a present and constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

3. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks, including:

- Foreign exchange risk;
- Credit risk;

Notes to the Financial Statements – year ended March 31, 2005

- Interest rate risk and
- Liquidity risk

A description of the significant risk factors is given below together with the risk management policies applicable.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from fluctuations in USD.

Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment.

Interest rate risk

The Company's income and operating cash flows are exposed to interest rate risk as it sometimes borrows at variable rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Company aims at maintaining flexibility in funding by keeping committed credit lines available.

Currency risk analysis

The financial instruments exposed to foreign currency changes have been summarised below :

	2005 Assets		2005 Liabilities	
	Mau Rs.	Rs.In Lacs*	Mau Rs.	Rs.In Lacs*
Denominated in foreign currencies				
Bank balances - USD	5,489	0.08	-	-
Payable to fellow subsidiary company -USD	-	-	98,061,785	1,480.73
Receivable from holding company - USD	82,143,480	1,240.37	-	-
	<u>82,148,969</u>	<u>1,240.45</u>	<u>98,061,785</u>	<u>1,480.73</u>

4. PROPERTY, PLANT AND EQUIPMENT

		Building on	Plant &	Motor Vehicles		Furniture	Total
		Leasehold Land	Machinery	Owned	Leased	Fixtures & Fittings	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST							
At April 1, 2004	In Mauritian Rupees	29,885,477	105,500,690	1,366,568	1,260,000	9,570,416	147,583,151
	Rs. In lacs*	451.27	1,593.06	20.64	19.03	144.51	2,228.51
Additions	In Mauritian Rupees	1,222,015	-	-	-	-	1,222,015
	Rs. In lacs*	18.45	-	-	-	-	18.45
Disposals	In Mauritian Rupees	-	(105,500,690)	(1,366,568)	(1,260,000)	(304,012)	(108,431,270)
	Rs. In lacs*	-	(1,593.06)	(20.64)	(19.03)	(4.59)	(1,637.31)
At March 31, 2005	In Mauritian Rupees	31,107,492	-	-	-	9,266,404	40,373,896
	Rs. In lacs*	469.72	-	-	-	139.92	609.65
DEPRECIATION							
At April 1, 2004	In Mauritian Rupees	830,129	2,664,678	159,433	146,999	492,737	4,293,976
	Rs. In lacs*	12.53	40.24	2.41	2.22	7.44	64.84
Charge for the year	In Mauritian Rupees	1,555,375	2,197,931	113,881	105,000	991,830	4,964,017
	Rs. In lacs*	23.49	33.19	1.72	1.59	14.98	74.96
Disposal adjustments	In Mauritian Rupees	-	(4,862,609)	(273,314)	(251,999)	(143,416)	(5,531,338)
	Rs. In lacs*	-	(73.43)	(4.13)	(3.81)	(2.17)	(83.52)
At March 31, 2005	In Mauritian Rupees	2,385,504	-	-	-	1,341,151	3,726,655
	Rs. In lacs*	36.02	-	-	-	20.25	56.27
NET BOOK VALUES							
At March 31, 2005	In Mauritian Rupees	28,721,988	-	-	-	7,925,253	36,647,241
	Rs. In lacs*	433.70	-	-	-	119.67	553.37
At March 31, 2004	In Mauritian Rupees	29,055,348	102,836,012	1,207,135	1,113,001	9,077,679	143,289,175
	Rs. In lacs**	485.22	1,717.36	20.16	18.59	151.60	2,392.93

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
5. INVENTORIES				
Raw materials (at cost)	-	-	12,225,688	204.17
Work in progress (at cost)	-	-	1,960,029	32.73
Raw materials in transit (at cost)	-	-	3,163,923	52.84
Spare parts and accessories (at cost)	-	-	1,717,227	28.68
	-	-	19,066,867	318.42
6. TRADE AND OTHER RECEIVABLES				
Receivables from group companies:				
– Holding company	82,143,480	1,240.37	44,520	0.74
– Fellow subsidiary company	-	-	27,645,384	461.68
Other receivables and prepayments	-	-	1,478,766	24.70
	82,143,480	1,240.37	29,168,670	487.12
7. SHARE CAPITAL				
STATED CAPITAL				
Ordinary shares				
At April 1,	35,631,140	538.03	35,631,140	595.05
Issued during the year	46,778,826	706.36	-	-
At March 31,	82,409,966	1,244.39	35,631,140	595.05
8. APPLICATION MONIES				
At April 1,	47,108,825	711.34	-	-
Cash received during the year	-	-	47,108,825	786.72
Issue of shares	(46,778,826)	(706.36)	-	-
Difference in exchange	(329,999)	(4.98)	-	-
At March 31,	-	-	47,108,825	786.72
9. BORROWINGS				
Current				
Bank overdrafts	-	-	7,213,959	120.47
Import loans	-	-	17,321,768	289.27
Bank loans	-	-	5,815,267	97.11
Finance lease	-	-	236,101	3.94
	-	-	30,587,095	510.80
Non-current				
Loan from holding company	-	-	434,853	7.26
Bank loans (see note (a) below)	-	-	53,256,055	889.38
finance lease (see note (b) below)	-	-	632,024	10.55
	-	-	54,322,932	907.19
Total borrowings	-	-	84,910,027	1,418.00

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
9. BORROWINGS (Contd...)				
(a) Bank loans can be analysed as follows:-				
After one year and before two years	-	-	11,834,590	197.64
After two years and before five years	-	-	35,504,170	592.92
After five years	-	-	5,917,295	98.82
	-	-	53,256,055	889.38
(b) Finance lease liabilities - minimum lease payment:				
Later than 1 year and not later than 2 years	-	-	317,274	5.30
Later than 2 years and not later than 5 years	-	-	423,032	7.06
	-	-	740,306	12.36
Future finance charges on finance leases	-	-	(108,282)	(1.81)
Present value of finance lease liabilities	-	-	848,588	14.17
The present value of finance lease liabilities may be analysed as follows:				
Later than 1 year and not later than 2 years	-	-	246,855	4.12
Later than 2 years and not later than 5 years	-	-	385,169	6.43
	-	-	632,024	10.55
10. TRADE AND OTHER PAYABLES				
Trade creditors	-	-	1,239,153	20.69
Bills payable	-	-	25,882,159	432.23
Amounts due to group companies:				
– Holding company	-	-	7,163,963	119.64
– Fellow subsidiary company	98,061,785	1,480.74	-	0.00
Other payables and accruals	-	-	2,772,609	46.30
	98,061,785	1,480.74	37,057,884	618.87
11. TURNOVER				
Turnover is based on the invoiced value of all sales of goods, net of discounts, value added tax, allowances and returns.				
12. OPERATING LOSS				
The operating loss for the year is arrived at after charging :				
Depreciation on property, plant & equipment				
– owned assets	4,850,136	73.24	4,134,543	69.05
– leased assets	113,881	1.72	159,433	2.66
Staff costs (see note (a) below)	7,039,400	106.29	6,888,717	115.04
Cost of inventory recognised as expense	51,685,879	780.46	34,255,274	572.06
(a) Analysis of staff costs				
Wages and salaries	7,036,654	106.25	6,887,083	115.01
Social security costs	2,746	0.04	1,634	0.03
	7,039,400	106.29	6,888,717	115.04

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

	2005		2004	
The number of employees at the end of the year was:				
– Production	-		109	
– Administration	-		8	
	-		117	
	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
13. FINANCE (COSTS)/INCOME				
Net foreign exchange transaction (losses)/gains	(8,002,490)	(120.84)	4,424,428	73.89
Interest expenses				
Bank overdraft	290,340	4.38	1,851,456	30.92
Import loans	573,746	8.66	139,293	2.33
Bank loans	1,608,979	24.30	1,504,576	25.13
Finance leases	70,284	1.06	52,280	0.87
	2,543,349	38.40	3,547,605	59.25
Less interest capitalised	-	-	(1,135,670)	(18.97)
	2,543,349	38.40	2,411,935	40.28
Net finance (costs)/income	(10,545,839)	(159.24)	2,012,493	33.61
14. EXCEPTIONAL ITEMS				
Loss on take over of assets and liabilities by holding company	25,625,828	386.95	-	-
15. NOTES TO THE CASH FLOW STATEMENT				
(a) Cash absorbed in operations				
Loss for the year	(48,481,104)	(732.06)	(12,459,277)	(208.07)
Adjustments for:				
Depreciation	4,964,016	74.96	4,293,976	71.71
Unrealised losses/(gains) on exchange	1,515,250	22.88	(5,984,878)	(99.95)
Interest expense	2,543,349	38.40	2,411,935	40.28
	(39,458,489)	(595.82)	(11,738,244)	(196.03)
Changes in working capital:				
– inventories	19,066,867	287.91	(19,066,867)	(318.42)
– trade and other receivables	(54,820,059)	(827.78)	(28,026,568)	(468.04)
– trade and other payables	61,003,901	921.16	35,522,677	593.23
Cash absorbed in operations	(14,207,780)	(214.54)	(23,309,002)	(389.26)
(b) Non cash transactions				
Acquisition of motor vehicle using finance leases	-	-	975,721	16.29
(c) Cash and cash equivalents				
Cash and bank balances	22,276	0.34	5,514	0.09
Bank overdrafts	-	-	(7,213,959)	(120.47)
	22,276	0.34	(7,208,445)	(120.38)

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

Notes to the Financial Statements – year ended March 31, 2005

	2005		2004	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*
16. DEFERRED TAXATION				
Deferred income tax assets and liabilities are offset when the income tax relates to the same entity and the same fiscal authority. The following amounts are shown in the balance sheet:-				
Deferred tax liabilities	510,023	12.73	3,144,447	52.51
Deferred tax assets	(510,023)	(12.73)	(3,144,447)	(52.51)
	-	-	-	-

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.54,911,390 Rs. in Lacs* 829.16 (2004: Rs.35,870,174, Rs. in Lacs** 599.03) to carry forward against future taxable income, which have not been recognised in these financial statements due to cessation of business.

Deferred tax assets and liabilities, deferred tax (charge)/credit in the profit and loss account are attributable to the following items.

	At April 01,2004		(Charged)/Credited to Profit and loss		At March 31,2005	
	Mau Rs.	Rs. In Lacs**	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*
Deferred income tax liabilities						
Accelerated tax depreciation	3,144,447	52.51	(2,634,424)	(39.78)	510,023	12.73
Deferred income tax asset						
Tax losses	(3,144,447)	(52.51)	2,634,424	39.78	(510,023)	(12.73)
Net deferred income tax liabilities	-	-	-	-	-	-

17. FAIR VALUE

The carrying amounts of trade and other receivables, cash and bank balances and trade and other payables approximate their fair values. Financial assets and liabilities which are accounted for at historical cost are carried at values that may differ materially from their fair values.

18. RELATED PARTY TRANSACTIONS

	2005				2004			
	Holding Company		Fellow Subsidiaries		Holding Company		Fellow Subsidiaries	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*
Purchase of goods & services	41,931,860	-	-	-	50,583,507	844.74	-	-
Sale of goods & services	76,896,000	1,161.13	52,626,904	-	-	-	35,405,591	591.27
Loans or guarantees	-	-	-	-	434,853	7.26	-	-
Amount owed to related parties	-	-	98,061,785	1,480.73	33,046,122	551.87	-	0.00
Amount owed by related parties	82,143,480	1,240.37	-	-	44,520	0.74	27,645,384	461.68

Transactions with related parties are done at arm's length, on normal commercial terms and in the normal course of business.

* The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2005 (1 Mau. Rs. = 1.51)

** The rupee equivalent of Mauritian Rs. has been given at the Inter-bank rate as on 31st March, 2004 (1 Mau. Rs. = 1.67)

To,
The Members,
LIFESTYLE FABRICS LIMITED

Your Directors present their Eleventh Annual Report along with the audited Financial Statements for the year ended 31st March, 2005.

1. FINANCIAL RESULTS:

	(Rs. in lacs)	
	2004-2005	2003-2004
Sales & Other Income	Nil	1.96
Profit / (Loss) before Depreciation, Interest, amortised expenses and taxation	(1.47)	(0.68)
Less : Net Interest	Nil	Nil
Gross Profit / (Loss) after Interest but before Depreciation & Taxation	(1.47)	(0.68)
Less : Depreciation and amortised expenses	Nil	Nil
Profit / (Loss) before Tax	(1.47)	(0.68)
Less : Provision for Taxation	Nil	Nil
Net Profit / (Loss) for the year	(1.47)	(0.68)
Add : Prior Period Income	Nil	Nil
Add : Loss on sale of fixed assets	Nil	Nil
Total loss for the year	(1.47)	(0.68)

2. DIVIDEND

In view of the loss for the year, your directors do not recommend any dividend for the year.

3. OPERATIONS

As reported earlier, the Company is not carrying any manufacturing operations since August, 2001 and the expenses incurred during the year were towards administration and general office purposes etc. As reported last year, your directors continue to look forward for various options including merger that would be in the best interest of the members.

4. SUBSIDIARY COMPANIES

The Company continued to be subsidiary of The Arvind Mills Limited by virtue of Clause (c) of Section 4 of the Companies Act, 1956.

5. DIRECTORS :

Mr. Vinod Modha and Mr. Kamal R. Sheth, Directors of the Company, retire by rotation as required under Section 256 of the Companies Act, 1956 but 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:

- In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
- 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, 2005 and of the loss of the Company for the period.

(iii) Proper and sufficient care had 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

(iv) 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 therein respect thereof.

7. REPORT ON CORPORATE GOVERNANCE

A separate report on Corporate Governance form 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 M.M. Nissim & Company, Chartered Accountants, Mumbai retire and offer themselves for re-appointment. It is proposed that they may 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 off Lease Hold 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. ACKNOWLEDGMENTS

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**

I. S. Shah
Director

Bhupendra M. Shah
Director

Place : Mumbai
Date : 25th April, 2005

Auditors' Report

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of LIFESTYLE FABRICS LIMITED, as at 31st March 2005, and also the Profit and Loss Account and the Cash Flow Statement 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.

We conducted our audit in accordance with generally accepted auditing standards 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.

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, we give below a statement on the matters specified in paragraphs 4 and 5 of the said order.

- i) In respect of Fixed Assets;
The Company has disposed off all its fixed assets during the previous year and in absence of any business activity during the year, the annexed Balance Sheet and Profit and Loss Account could not be termed as prepared on a going concern basis.
- ii) Clauses 4 (ii) (a) to (c) of the Order are not applicable, since the Company has not carried any inventories during the year.
- iii) a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4 (iii) (b) to (d) of the Order are not applicable.
b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4 (iii) (f) to (g) of the Order are not applicable.
- iv) In our opinion there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, and for the sale of goods. However there are no purchase of inventories & sale of goods during the year.
- v) a) There are no transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
b) There are no transactions of purchase and sale of goods, materials 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.
- vi) The Company has not accepted any deposits from public within the meaning of section 58 A and 58-AA of the Companies Act, 1956.
- vii) The Company has appointed a firm of Chartered Accountants to carryout internal audit. The scope and coverage of the internal audit is commensurate with the size and nature of its business.
- viii) We are informed that the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
- ix) a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other statutory dues with appropriate authorities, where applicable;
b) According to the records of the Company, there are no dues outstanding of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty, and Cess on account of any dispute.
- x) *The company has accumulated losses exceeding fifty per cent of its Net worth and has incurred cash losses in the current financial year and in the immediately preceding financial year.*

- xi) The Company does not have any borrowings from Banks / Financial Institutions or by way of debentures.
- xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The provisions of any special statute applicable to Chit Funs, Nidhi or Mutual Benefit Fund / Societies are not applicable to the Company.
- xiv) 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.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- xvi) The Company has not obtained any term loan during the year.
- xvii) The Company has neither borrowed any funds nor made any long term Investments during the year.
- xviii) The Company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by way of public issue during the year.
- xxi) On the basis of our examination 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.

Further to our comments referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
2. 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 these books;
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
5. On the basis of written representations received from the Directors as on 31st March 2005 and taken on record by the Board of Directors and on the basis of examination and records of the Company, we report and certify that none of the Directors is disqualified from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
6. In our opinion and to the best of our information and according to the explanations given to us, the said Accounts, read together with Note no. 3 regarding going concern basis, and other notes thereon, 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 principle generally accepted in India;
 - a) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2005;
 - b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **M.M. NISSIM & CO.**
Chartered Accountants

N. Kashinath
Partner

Mumbai,
Date: 25th April, 2005

Membership No.36490

Balance Sheet as at 31st March, 2005

	Schedule	Rupees	As at 31.03.2005 Rupees	Rupees	As at 31.03.2004 Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	5,50,00,000			5,50,00,000
Reserves and Surplus	2	98,31,129			98,31,129
			6,48,31,129		6,48,31,129
TOTAL			6,48,31,129		6,48,31,129
APPLICATION OF FUNDS					
Current Assets, Loans and Advances					
a) Cash and Bank Balances	3	76,315		2,25,578	
b) Loans and Advances	4	34,715		37,215	
		1,11,030		2,62,793	
Less : Current Liabilities and Provisions					
Sundry Creditors (Other than SSI)		10,765		15,800	
Net Current Assets			1,00,265		2,46,993
Miscellaneous Expenditure (to the extent not written off or adjusted)	5		—		—
Balance in Profit and Loss Account			6,47,30,864		6,45,84,136
TOTAL			6,48,31,129		6,48,31,129
Notes to Accounts	9				

Schedules 1 to 5 and 9 referred to above form an integral part of the Balance Sheet.
This is the Balance Sheet referred to in our Report of even date.

For **M/S. M. M. NISSIM & CO.**
Chartered Accountants

BHUPENDRA M. SHAH

Director

N Kashinath
Partner

I. S. SHAH

Director

Mumbai,
25th April, 2005

Mumbai,
25th April, 2005

LIFESTYLE FABRICS LIMITED

Profit & Loss Account for the year ended on 31st March, 2005

	Schedule	Year ended 31.03.2005 Rupees	Year ended 31.03.2004 Rupees
INCOME			
Sales and Other Income	6	–	1,96,441
TOTAL		–	1,96,441
EXPENDITURE			
Decrease in Stocks	7	–	57,280
Administration and Other Expenses	8	1,46,728	2,07,163
TOTAL		1,46,728	2,64,443
Loss for the year		(1,46,728)	(68,002)
Balance brought forward		(6,45,84,136)	(6,40,56,771)
Balance of Miscellaneous Expenditure as on 1st April 2003		–	(4,59,363)
		(6,45,84,136)	(6,45,16,134)
Balance carried to Balance Sheet		(6,47,30,864)	(6,45,84,136)
Basic & Diluted earning per Share		(0.03)	(0.01)
Notes Formatin Part of Accounts	9		

Schedules 6 to 9 referred to above form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our Report of even date.

For **M/S. M. M. NISSIM & CO.**
Chartered Accountants

BHUPENDRA M. SHAH

Director

N Kashinath
Partner

I. S. SHAH

Director

Mumbai,
25th April, 2005

Mumbai,
25th April, 2005

Cash Flow Statement for the year ended on 31st March, 2005

	2004-2005 Rupees	2003-2004 Rupees
A CASH FLOW FROM OPERATING ACTIVITIES		
NET LOSS AFTER TAX AND BEFORE WORKING CAPITAL CHANGES	(1,46,728)	(68,002)
ADJUSTMENTS FOR :		
Trade & Other Receivables	2,500	2,32,02,861
Inventories	-	57,280
Trade payables	(5,035)	(4,24,722)
	<u>(2,535)</u>	<u>2,28,35,419</u>
Cash Generated from Operations	<u>(1,49,263)</u>	<u>2,27,67,417</u>
(B) CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of Long Term Loan	-	(2,30,68,871)
NET CASH FROM FINANCING ACTIVITIES	-	(2,30,68,871)
NET DECREASE IN CASH & CASH EQUIVALENTS (A+B)	<u>(1,49,263)</u>	<u>(3,01,454)</u>
CASH & CASH EQUIVALENTS :		
Opening Balance at Beginning of the year	2,25,578	5,27,032
Closing Balance at the End of the year	<u>76,315</u>	<u>2,25,578</u>
NET DECREASE IN CASH & CASH EQUIVALENTS	<u><u>(1,49,263)</u></u>	<u><u>(3,01,454)</u></u>

This is the Cash Flow Statement referred to in our Report of even date

For **M/S. M. M. NISSIM & CO.**
Chartered Accountants

Bhupendra M. Shah

Director

N Kashinath
Partner

I. S. Shah

Director

Mumbai,
25th April, 2005

Mumbai,
25th April, 2005

Schedules forming part of the Accounts

	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees	2004-05 Rupees	2003-04 Rupees
SCHEDULE '1': SHARE CAPITAL				
Authorised				
70,00,000 Equity Shares of Rs. 10/-each	7,00,00,000	7,00,00,000		
Issued, Subscribed and Paid-up :				
55,00,000 Equity Shares of Rs. 10/- each Fully paid up (Of the above 39,49,100 shares are held by the holding Company, Asman Investment Limited, a subsidiary of Arvind Mills Limited)	5,50,00,000	5,50,00,000		
SCHEDULE '2': RESERVES & SURPLUS				
Capital Reserve				
Balance as per last accounts	98,31,129	2,03,00,000		
Less : Withdrawn during the year	-	1,04,68,871		
	98,31,129	98,31,129		
SCHEDULE '3': CASH & BANK BALANCES				
Balance with a Scheduled Bank In current account	76,315	2,25,578		
	76,315	2,25,578		
SCHEDULE '4': LOANS AND ADVANCES (Unsecured, considered goods)				
Advances recoverable in cash or in kind or for value to be received	-	2,500		
Income Tax deducted at source	34,715	34,715		
	34,715	37,215		
	34,715	37,215		
SCHEDULE '5' - MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)				
Preliminary and public issue expenses	-	4,59,363		
Less :Adjusted against debit Balance in Profit and Loss Account as on 1st April 2003.	-	4,59,363		
Total	-	-		
SCHEDULE 6 - SALES & OTHER INCOME				
Jacquard Woven Fabrics & Made-ups			-	65,070
Refund of Excise Duty			-	79,112
Miscellaneous Income			-	52,259
			-	1,31,371
Total			-	1,96,441
SCHEDULE 7 - DECREASE IN STOCKS				
Opening Stock of Finished Goods			-	57,280
Less: Closing Stock of Finished Goods			-	-
Total			-	57,280
SCHEDULE 8 - ADMINISTRATION & GENERAL EXPENSES				
Rent			-	4,500
Printing and Stationery	42,143			48,016
Postage and Telephone	17,365			54,766
Membership & Subscription	36,450			35,000
Legal and Professional Expenses	19,712			14,700
Security Expenses	-			19,933
Auditors' Remuneration				
Audit Fees	5,510			10,800
Income Tax matters	2,500			5,000
Other services	2,755			540
	10,765			16,340
Filing Fees	1,000			7,550
Sales Tax	16,520			-
Miscellaneous Expenses	2,773			6,358
Total	1,46,728			2,07,163

Schedules forming part of the Accounts

SCHEDULE '9' : NOTES FORMING PART OF ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) METHOD OF ACCOUNTING

The Company follows the accrual method of accounting and historical cost convention. The accounts are prepared in accordance with accounting principles generally accepted in India.

b) INCOME

Sales are net of returns, taxes, duties, transportation etc. Revenue is recognised at the point of despatch of materials to customers from factory.

2. There are no claims against the Company, which are not acknowledged as debts.

3. In view of the sale of all the fixed assets and in absence of any business activity, the accounts could not be termed as prepared on a going concern basis. However, the accounts have been prepared after providing for all potential losses and expenses and as such no further adjustments were required to be made there in respect thereof.

4. In terms of Accounting Standard (As-22) on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is net deferred tax assets for past year as well as for the current year due to unabsorbed depreciation and carry forward losses of past years. In compliance with the provision of Accounting Standard the Company has not recognised the said deferred tax assets while preparing the accounts of the year under audit.

5. Segment Reporting:

The Company's operations related only to manufacture/trade and sale of Jacquard Woven Fabrics/Made-ups and hence no separate information for segmentwise disclosure is required.

6. Earning Per Share (EPS)	2004-05	2003-04
Loss for the year Rs.	(1,46,728)	(68,002)
Number of Equity Shares (Rs. 10/- each)	55,00,000	55,00,000
Basic & Diluted Earning per Share	Rs. (0.03)	Rs. (0.01)

7. 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, 2005.

8. Information as required by paras 3, 4C and 4D of Part-II of Schedule-VI to the Companies Act, 1956.

a) CAPACITY AND PRODUCTION :

In view of the closure of the manufacturing operations of the Company during August 2001, the fixed assets of the Company have been sold and hence additional information pertaining to Licensed and Installed capacity are not applicable.

b) OPENING AND CLOSING STOCK OF FINISHED GOODS :

	Opening Stock		Closing Stock		Turnover	
	Qty. (mtrs.)	Rs.	Qty. (mtrs.)	Rs.	Qty. (mtrs.)	Rs.
Jacquard Woven						
1) Fabrics	Nil (1,624)	Nil (26,120)	Nil (Nil)	Nil (Nil)	Nil (1,624)	Nil (26,120)
2) Made-ups	Nil (1,558)	Nil (31,160)	Nil (Nil)	Nil (Nil)	Nil (1,558)	Nil (38,950)
Total	Nil (3,182)	Nil (57,280)	Nil (Nil)	Nil (Nil)	Nil (3,182)	Nil (65,070)

c) CIF value of imports	Rs. Nil (Rs. Nil)
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d) Earnings in Foreign currency	Rs. Nil (Rs. Nil)
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e) Expenditure in Foreign currency	Rs. Nil (Rs. Nil)
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9. Figures indicated in bracket are of previous year.

10. Figures of the previous year have been regrouped/reclassified wherever considered necessary.

11. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

LIFESTYLE FABRICS LIMITED

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.	75340
State Code	11
Balance Sheet Date	31/03/2005
2. Capital raised during the year : (Amount in Thousands)	
Public Issue	-
Rights Issue	-
Bonus Issue	-
Private Placement	-
3. Position of mobilisation and deployment of funds : (Amount in Thousands)	
Total Liabilities	64,831
Total Assets	64,831
Sources of Funds :	
Paid up Capital	55,000
Reserves & Surplus	9,831
Secured Loans	-
Unsecured Loans	-
Application of Funds :	
Net Fixed Assets	-
Investments	-
Net Current Assets	100
Miscellaneous Expenditure	-
Accumulated Losses	64,584
4. Performance of Company : (Amount in Thousands)	
Turnover	-
Total Expenditure	147
Loss before Tax	(147)
Loss after tax	(147)
Earnings per Share (Rs)	(0.03)
Dividend	Nil
5. Generic Names of principal products, services of the Company :	
Item Code Nos.	52.07, 54.06 & 55.14
Product Description	Jacquard Woven Fabrics

Signatures to schedules 1 to 9, which form an integral part of the Financial statements

As per our report attached
For **M/S. M. M. NISSIM & CO.**
Chartered Accountants

N Kashinath
Partner

Mumbai,
25th April, 2005

For and on behalf of the Board

BHUPENDRA M. SHAH

Director

I. S. SHAH

Director

Mumbai,
25th April, 2005

NOTE UNDER SUB-SECTION (1) OF SECTION 212

The Department of Company Affairs has, for the financial year 2004-05, 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 below:

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.

**INFORMATION AS REQUIRED BY LETTER DATED 11TH APRIL, 2005
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)	©	(d)	(e)	(f)	(g)	(h)	(l)	(j)		
1	Arvind Products Limited	141.09	(43.62)	513.13	415.66	*	406.74	(8.26)	-	(8.26)	Nil
2	Asman Investments Limited	0.08	7.98	134.14	126.08	**	4.49	0.02	-	0.02	Nil
3	Arvind Worldwide Inc.	2.19	(1.94)	1.06	0.81	***	0.17	(0.21)	(0.01)	(0.20)	Nil
4	Arvind Worldwide (M) Inc.	23.87	(23.43)	12.04	11.60	***	81.97	(0.09)	-	(0.09)	Nil

Rs.in Crore

* Fully paid Equity Shares(Quoted)	0.36
Fully paid Preference Shares(Unquoted)	1.00
	1.36

** Not applicable being Investment Subsidiary.

*** These Companies have no Investments.

FORM OF PROXY
THE ARVIND MILLS LIMITED
NARODA ROAD, AHMEDABAD-380 025

I/We _____ of
_____ in the District of _____ being
a member / members of the above named Company hereby appoint _____ of
_____ in the District of _____
or failing him _____ of _____
in the District of _____ or failing him _____
of _____ in the District of _____ as
my / our proxy to vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on 29th September, 2005 and at any
adjournment thereof.

Signed this _____ day of _____ 2005

Signature _____

AFFIX
15 Paise
REVENUE
STAMP

L.F.No. _____

* Depository : NSDL/CDSL _____

* DP ID _____

* Client ID _____

* For Shares held in Electronic Form

No. of Share(s) held _____

Notes :

- (1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself.
- (2) A proxy need not be a member.
- (3) The completed form should be deposited at the Registered Office of the Company, Naroda Road, Ahmedabad-380 025 not less than 48 hours before the time for holding the meeting.

THE ARVIND MILLS LIMITED

Regd. Office : Naroda Road, Ahmedabad-380 025

ATTENDANCE SLIP

I hereby record my presence at the Annual General Meeting held at Thakorebhai Desai Hall, Near Law Garden, Ellisbridge, Ahmedabad - 380 006 on
29th September, 2005 at 11.00 a.m.

1. L.F.NO. _____
2. * Depository : NSDL/CDSL _____
3. * DP ID _____
4. * CLIENT ID _____
* FOR SHARES HELD IN ELECTRONIC FORM
5. FULL NAME OF THE SHAREHOLDER : _____
(IN BLOCK LETTERS)
6. NO. OF EQUITY SHARES HELD: _____
7. SIGNATURE OF THE SHAREHOLDER
OR PROXY ATTENDING : _____

(PLEASE GIVE FULL NAME OF THE 1ST JOINTHOLDER)

MR./MRS./MISS _____

(TO BE USED ONLY WHEN FIRST NAMED SHAREHOLDER IS NOT ATTENDING)

NOTE : PLEASE FILL IN THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE HALL.

THE ARVIND MILLS LIMITED

Regd. Office: NARODA ROAD, AHMEDABAD - 380 025.

The holder of this coupon will be entitled to 15% discount on the price of cloth of **The Arvind Mills Ltd.** and **Arvind Products Ltd.** purchased at any Retail Shop in Ahmedabad and 12.5% discount at other Retail Shops mentioned below:

This facility is not available on purchases against Credit Cards.

Lalbhai Sales & Services
Pinnacle Bldg., Near Asoka Mill,
Naroda Road, Ahmedabad.

M/s. Rao Brothers
Mahavir Tower, Paldi,
Ahmedabad.

Amruta Emporium
Station Road, Maninagar Char
Rasta, Ahmedabad.

V & U
Sharad Shopping Centre
Ashram Road, Ahmedabad.

Nilkamal Retail Shop
12, Ajanta Commercial Centre,
Near Income Tax,
Ashram Road,
Ahmedabad.

Krishna
5-Suryoday Complex,
Swastik Char Rasta,
C. G. Road, Ahmedabad.

Krishna Krishna
11, 'Chandra Prabhu'
Sardar Patel Statue,
Stadium Road, Navrangpura,
Ahmedabad.

'Rangolee'
Narottam Complex,
Bhuyangdev Char Rasta,
Ahmedabad.

Ratnam
118, Silicon Valley,
Satellite Road, Ahmedabad.

Tilat
Opp. Oriental Building
Relief Road
Ahmedabad - 380 001.

Pritam
D-9, Super Market, Anand.
Doshi Shashikant Chhabildas
In the lane of Dave Medical,
Amreli

Bombay Textorium Pvt. Ltd.
Sardar Chowk, Bardoli.

'Utsav Plus'
1/2 Nagar Palika Shopping
Centre, Opp. Shalimar Theatre,
Bharuch.

Salot Chunilal Ratilal
Herish Road, Bhavnagar.

M/s. Doshi Cloth Stores
Maherali Chowk, Bhuj (Kutch).

Janta Cloth Centre
Bazar Street, Bilimora.

M/s. M. S. Synthetic
144/A, Jamnalal Bajaj Street,
Kolkata - 700 007.

M/s. Siddharth Textiles
15, Noormal-Lohia Lane,
Kolkata - 700 007.

M/s. S. N. & Co.
35, Armenian Street,
Kolkata - 700 001.

Nanak Saree Centre
Vaniawad, Chikhali.

Shah Kuberial Nathalal
Tower Bazar, Dabhol.

Royal Cloth Centre
Rohit Bhavan,
Kavi Khabardar Marg,
Daman.

M/s. Jograj & Co.
Kalptaru, 1688 Khol Galli,
Dhulia 424 001.

Pratik Cloth Stores
Near S. T. Stand, Idar.

Bhayani Brothers
Bedi Gate, Jamnagar.

Mukund
A-1, Super Market, Jamnagar.

Maruti
Near Praygra School,
Kalol (N.G.)

Roopkala Cloth Centre
Opp. Nilkanth Mahadev,
Kapadvanj.

Bansidhar
Station Road, Mehsana.

M/s. Gautamkumar & Co.
424, Kalbadevi Road,
Chhotalal Bhuvan,
Mumbai - 400 002.

M/s. Harikishandas Dhirajlal Batavia
Gundawadi, Main Road,
Rajkot.

Hemang Stores
Bazar, Rajula City.

Queen Emporium
Near Maskati Hospital,
Tower Road, Surat.

Bhagwandas & Co.
Kanpith, Lalgate, Surat.

Shah Chatrabhuj Nanchand
Jawahar Chowk, Surendranagar.

'Sajan'
Jawahar Road, Surendranagar.

Hirachand Kalidas
J. P. Marg, Una.

Patel Maganlal Motiram
Darjee Chaklo, Unjha.

J. F. Shah & Co.
Saraswati Hall, Dandia Bazar,
Vadodara.

Zabak Traders
Near Kala Mandlr Talkies,
Vadodara.

Abhishek
"Siddharth"
Alkapuri, Vadodara.

Abhinandan
Mahatma Gandhi Road,
Valsad.

Asgarali Emporium
Killapardi, Dist. Valsad.

Aavkar Cloth Stores
9, Municipal Commercial Centre,
Near Three Gate Tower,
Visnagar.

Yogi Selection
G-3, Akshar Complex,
Rajshree Cinema Road,
Sector No. 20,
Gandhinagar.

The Arvind Mills Ltd.

Fabric Coupon

A Rs. 500-00 Valid Upto 30.09.2006

Time : 11-00 A.M. to 6-00 P.M.

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon

B Rs. 500-00 Valid Upto 30.09.2006

Time : 11-00 A.M. to 6-00 P.M.

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon

C Rs. 250-00 Valid Upto 30.09.2006

Time : 11-00 A.M. to 6-00 P.M.

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon

D Rs. 250-00 Valid Upto 30.09.2006

Time : 11-00 A.M. to 6-00 P.M.

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon

E Rs. 250-00 Valid Upto 30.09.2006

Time : 11-00 A.M. to 6-00 P.M.

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon

F Rs. 250-00 Valid Upto 30.09.2006

Time : 11-00 A.M. to 6-00 P.M.

Bill No. Date

Directors

Mr. Arvind N. Lalbhai	Chairman
Mr. Sanjay S. Lalbhai	Managing Director
Mr. Jayesh K. Shah	Director & Chief Financial Officer
Mr. Jaithirth Rao	
Mr. Deepak M. Satwalekar	
Ms. Rama Bijapurkar	
Mr. V. K. Pandit	Nominated by IDBI
Mr. Balaji Swaminathan	Nominated by ICICI Bank Ltd.
Mr. S. Sridhar	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
Standard Chartered Bank
ICICI Bank Ltd.
Export-Import Bank of India
UTI Bank Ltd.

Auditors

Sorab S. Engineer & Co.
Chartered Accountants
381, Dr. D. Naorji 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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DEMATERIALISATION OF SHARES & PAYMENT OF DIVIDEND THROUGH ECS

Members are aware that shares of the Company are included in compulsory trading in dematerialised segment and hence any investor who wishes to buy or sell shares of the Company, is required to do so in electronic mode only.

In case, members have not yet dematerialised their shares, they are advised to contact a Depository Participant (DP) for dematerialising the shares held in the Company.

The Company has established connectivity with both the depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable the members to dematerialise holding in the Company, under ISIN No. INE034A01011.

For the information of members, some of the advantages of holding shares in dematerialised form are described below:

- 1) No Stamp duty is payable on dematerialisation and transfer of demat shares.
- 2) No loss in transit and consequently no postal expenses and cumbersome procedure for the issue of duplicate share certificate(s).
- 3) Eliminates chances of bad delivery due to forged signatures, signature variations, expiry of validity period of transfer deed etc.
- 4) Speedier debit/credit of shares purchased/sold in electronic form.
- 5) Eliminates litigation on account of fake certificates and disputes in respect of ownership of shares purchased.
- 6) Dematerialised shares can also be pledged for securing loan.
- 7) Holding of shares in odd lot and easy liquidity.

Procedure :

For dematerialising the shares held in physical form, members need to open an account with the Depository Participant (DP) and have to lodge their shares with the DP who will send these shares to the Company/Registrars for dematerialisation. The credit of demat shares shall be directly given in members' demat account opened with DP.

It is hoped that members will consider the advantages of holding shares in electronic mode and opt for dematerialisation of the shares soon.

For further information in this regard, please write to the Company or Registrars at the address mentioned on page no. _____.

Members may note that the requests for dematerialisation and rematerialisation of shares are to be made only to the DP with whom members have opened an account.

PAYMENT OF DIVIDEND THROUGH ECS

Members holding shares in physical form are advised to submit particulars of their bank account, viz. Name and address of the branch of the bank, 9 digit MICR code of the branch alongwith photocopy of a the blank cancelled cheque, type of account and account number to the share transfer agents of the Company.

Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.

INDIAN OFFICES

The Arvind Mills Ltd.

Naroda Road
Ahmedabad 380025
Gujarat, India
Tel.: 079 22203030
Fax: 079 22200267

The Arvind Mills Ltd.

Neptune House, 2nd Floor
295, S.V. Road, Opp. Bandra Talkies
Mumbai 400050
Tel.: 022-26513367-68-69
Fax: 022-26513472

The Arvind Mills Ltd.

Grace Mansion, 25 Infantry Road,
Bangalore 560001
Tel.: 080 2860345-564/2867697
Fax: 080 22860564

The Arvind Mills Ltd.

Near Khatraj Chokdi
P. O. Vadsar
Taluka : Kalol, Santej
Dist. Mehsana
Gujarat, India
Tel.: 02764 281100-1122
Fax: 02764 281050

The Arvind Mills Ltd.

8 Community Centre
Saket, New Delhi 110017
Telefax: 011 26529030/37/40/47

The Arvind Mills Ltd.

100 Park Street
Laxmi Villa, Ground Floor
Kolkata 700017
Telefax : 033 22871792

OVERSEAS OFFICES

USA

Arvind Worldwide Inc.

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Suit No. 603, 6th Floor
New York, NY 10036, USA
Tel.: +1 212 768 4815
Fax: +1 212 768 7378
e-mail id: raju@arvindusa.com

Arvind Worldwide (USA) Inc.

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