



ANNUAL REPORT 2005-06

**THE ARVIND MILLS LIMITED**

## 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	
Mr. Sudhir Mehta	
Mr. Tarun Sheth	
Mr. V. K. Pandit	Nominated by IDBI
Mr. K. M. Jayarao	Nominated by ICICI Bank Ltd.
Mr. S. R. Rao	Nominated by Export-Import Bank of India

## Company Secretary

Mr. R.V. Bhimani

## Bankers

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

## Auditors

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

## Registrars and Transfer Agents

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

## Registered Office

Naroda Road,  
Ahmedabad-380 025.

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## 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. 18

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.

## Notice

NOTICE is hereby given that the Annual General Meeting of the members of the Company will be held on Saturday, the 30th September, 2006 at 11.00 a.m. at Thakorebhai Desai Hall, Near 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, 2006 and the Reports of the Directors and Auditors thereon.
2. To declare dividends.
3. To appoint a Director in place of Mr. Arvind N. Lalbhai who retires by rotation in terms of Article 129 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. Deepak M. Satwalekar who retires by rotation in terms of Article 129 of the Articles of Association of the Company, and being eligible, offers himself for reappointment.
5. To appoint auditors and to fix their remuneration.

### SPECIAL BUSINESS

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

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

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

“RESOLVED THAT in modification of the Ordinary Resolution passed by the members at their meeting held on 10th September, 1997 the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee which the Board may constitute for this purpose, be and is hereby authorised, in accordance with Section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, to borrow any sum or sums of money (including non fund based facilities) from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business) may, at any time, exceed upto a sum of Rs. 3,000 crores (Rupees three thousand corers) over and above the aggregate of the then paid up capital of the Company and its free reserves (that is to say reserves not set apart from any specific purpose) and that the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as may, in their absolute discretion, think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.”

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

“RESOLVED THAT in modification of the Ordinary Resolution passed by the members at their meeting held on 20th June, 1992 the consent of the Company be and is hereby granted in terms of Section 293(1) (a) and all other applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), to the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee which the Board may constitute for this purpose) to mortgage and / or charge, in addition to the mortgages / charges created / to be created by the company, in such form and manner and with such ranking and at such time and on such terms as the Board may determine, on all or any of the moveable and / or immovable properties of the Company, both present and future and / or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default, in favour of the Lender(s), Agent(s) and Trustee / Trustee(s), for securing the borrowings availed / to be availed by the Company by way of loan(s) (in foreign currency and / or rupee currency) and Securities (comprising fully/partly Convertible Debentures and / or Non Convertible Debentures with or without detachable or non detachable Warrants and / or secured premium notes and / or floating rates notes / bonds or other debit instruments), issued / to be issued by the Company, from time to time, subject to the limits approved under Section 293(1)(d) of the Companies Act, 1956, together with interest at the respective agreed rates, additional interest, compound interest in case of default, accumulated interest, liquidated damages, commitment charges, premia on prepayment, remuneration of the Agent(s) / Trustees, premium (if any) on redemption, all other costs, charges and expenses, including any increase as a result of devaluation / revaluation/ fluctuation in the rates of exchange and all other monies payable by the Company in terms of the Loan Agreement(s) / Heads of Agreement(s), Debenture Trust Deed(s) or any other document, entered into /to be entered into between the Company and the Lender(s) / Agent(s) and Trustee / Trustee(s), in respect of the said loans / borrowings / debentures and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or Committee thereof and the Lender(s) / Agent(s) and Trustee / Trustee(s).

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and / or its duly constituted Committee be and are hereby authorised to finalise, settle and execute such documents / deeds / writings / papers / agreements as may be required and do all

such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgages / charges as aforesaid.”

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

**Registered Office:**  
Naroda Road,  
Ahmedabad-380 025

By Order of the Board  
**ARVIND N. LALBHAI**  
CHAIRMAN

Date : 27th April, 2006.

**NOTES**

1. Proxies, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.
2. Pursuant to Section 205C of the Companies Act, 1956 all unclaimed dividends upto the financial year ended 31st March, 1998 have been transferred to the Investor Education and Protection Fund of the Central Government.
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 Monday, the 18th September, 2006 to Saturday, the 30th September, 2006 (both days inclusive).

5. The dividend on equity shares for the year ended on 31st March, 2006, if declared at this meeting, will be paid :
  - i) to those members, holding shares in physical form, whose name appear on the register of Members of the Company, at the close of business hours on Saturday, the 30th September, 2006, after giving effect to all valid transfers in physical form lodged with the Company on or before Saturday, the 16th September, 2006.
  - 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 Saturday, the 16th September, 2006.
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-380 025

By Order of the Board  
**ARVIND N. LALBHAI**  
CHAIRMAN

Date : 27th April, 2006

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956****Item No. 6**

The Board of Directors, at their meeting held on 27th October, 2005 appointed Mr. Tarun Sheth as an Additional Director of the Company. The said appointment was in pursuance of the provisions of Section 260 of the Companies Act, 1956 and accordingly the said Director holds office only upto the date of this Annual General Meeting. The Company has received a notice in writing alongwith the necessary amount as deposit from a member signifying his intention to propose his candidature for the office of the Director, in terms of Section 257 of the Companies Act, 1956.

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

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

**Item No. 7**

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company, cannot except with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up capital and its free reserves that is to say reserves not set apart for any specific purpose.

Keeping in view the Company's business requirements and its growth plans, it is considered desirable to increase the said borrowing limits.

The Board of Directors accordingly recommend the resolution set out at

Item No.7 of the accompanying Notice for the approval of the Members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

**Item No. 8**

The borrowings by a Company, in general, is required to be secured by mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and ranking as may be determined by the Board of Directors of the Company from time to time, in consultation with the lender(s).

The mortgage and / or charge on any of the movable and / or immovable properties and / or the whole or any part of the undertaking(s) of the Company, to secure borrowings of the Company, with a power to the charge holders to take over the management of the business and concern of the Company in certain events of default, may be regarded as disposal of the Company's undertaking(s) within the meaning of Section 293(1)(a) of the Companies Act, 1956. Hence, it is necessary for the Members to pass a resolution under the said Section.

The Board of Directors accordingly recommend the resolution set out at Item No.8 of the accompanying Notice for the approval of the Members.

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

**Registered Office:**  
Naroda Road,  
Ahmedabad-380 025

Date : 27th April, 2006

By Order of the Board

**ARVIND N. LALBHAI**  
CHAIRMAN

## 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, 2005 to 31st March, 2006.

### 1. FINANCIAL RESULTS

Highlights of Financial Results for the year are as under:

	Rs. in Crores	
	2005-2006	2004-2005
Turnover & Other Income	<b>1614.52</b>	1686.48
Profit before Depreciation, Interest & Taxation	<b>430.12</b>	396.28
Less : Interest and Finance costs	<b>138.64</b>	117.91
Gross Profit after Interest & Finance costs but before Depreciation & Taxation	<b>291.48</b>	278.37
Less : Depreciation	<b>155.10</b>	149.07
Net Profit before Taxation for the year	<b>136.38</b>	129.30
Less : Current Tax	<b>11.40</b>	1.95
Less : Deferred Tax	<b>8.27</b>	-
Less: Fringe Benefit Tax	<b>0.95</b>	-
Add: MAT Credit Entitlement	<b>11.40</b>	-
Net Profit for the year	<b>127.16</b>	127.35
Balance of Profit brought forward	<b>232.74</b>	127.77
Less : Transfer to Capital Redemption Reserve	<b>9.92</b>	3.48
Add : Transfer from Debenture Redemption Reserve	<b>1.00</b>	8.00
Balance available for appropriation	<b>350.98</b>	259.64
Your Directors appropriate the same as under :		
Preference Dividend paid	<b>3.80</b>	4.09
Tax on Interim Dividend	<b>0.53</b>	0.53
Proposed Dividend on Equity Shares	<b>20.94</b>	19.54
Tax on proposed Dividend	<b>2.94</b>	2.74
Additional Dividend on Equity Shares	<b>1.40</b>	-
Tax on Additional Dividend	<b>0.20</b>	-
Balance carried forward to next year	<b>321.17</b>	232.74
<b>Total</b>	<b>321.17</b>	232.74

### 2. OPERATIONS

Your directors are pleased to inform you that financial year 2005-06 has been a good year for the company. The company's performance was at par with the previous financial year and has achieved suitable results.

Sales and operating income was at Rs.1592 Crores as against Rs.1655 Crores in the previous financial year, a drop of 4%. This is mainly on back of volume pressure on denim and price pressure on both denim & shirting. Operating profit was Rs.408 Crores as against Rs.381 Crores in the previous financial year, a growth of 7%. The increase in earnings compared to the revenues is due to the lower Cotton and Energy costs during the current financial year. The key developments of the year are summarized below:

- The Jeans plant with an installed capacity of 4 Mn Jeans commenced its operations
- Volume & price pressure on Denim in the Domestic market
- A new Denim collection was launched which was aimed at the Super Premium brands of the USA, Europe, Japan & Korea. The response to this collection was good and it has opened new avenues for the Denim division.
- Cotton cost was less which benefited us throughout the year
- The company filed two patents during the year for improvement in spinning technology and processing of fibers other than cotton

The company has registered a profit after tax at Rs.127 Crores, which remains unchanged compared to the previous financial year.

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. 3.80 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 2005-06. Your Directors recommend that the interim dividend be fully adjusted as final dividend for the year ended on 31st March, 2006.

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

### 4. FINANCE

During the year, your company has prepaid Term Loans installments amounting to Rs.219 crores. The prepayment was made from the fresh borrowings of Rs. 50 crores at lower rate of interest and balance out of the internal accruals. This is over and above the scheduled repayment of Term Loan installments falling due during the current year. The Company has also made fresh borrowing of Rs. 190 Crs. for funding capital expenditure and other requirements. Long Term Debt including lease of the company stands reduced from Rs. 1098 crores as on 31st March 2005 to Rs. 1070 crores as on 31st March 2006.

### 5. SUBSIDIARIES

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

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

In view of 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

Ms. Rama Bijapurkar has resigned as Director of the Company with effect from 27th October, 2005. Mr. Sudhir Mehta has been appointed as Director to fill the casual vacancy caused by the resignation of Ms. Rama Bijapurkar on 27th October, 2005. Mr. Tarun Sheth has been appointed as Director of the Company on 27th October, 2005. The Board places on record its appreciation for the valuable services rendered by Ms. Rama Bijapurkar during her tenure as Director.

ICICI Bank Limited has nominated Mr. K.M.Jayarao as its Nominee Director on the Board of the Company in place of Mr. Balaji Swaminathan with effect from 3rd January, 2006. The Board places on record its appreciation for the valuable services rendered by Mr. Balaji Swaminathan during his tenure as Director.

Export-Import Bank of India has nominated Mr.S.R.Rao as its Nominee Director on the Board of the Company in place of Mr. S. Sridhar with effect from 19th April, 2006. The Board places on record its appreciation for the valuable services rendered by Mr. S. Sridhar during his tenure as Director.

At the ensuing Annual General Meeting, Mr. Arvind N. Lalbhai and Mr. Deepak M. Satwalekar 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, 2006 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, 2006 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.0.03 crores, the Company has repaid deposits of Rs. 0.005 crores during the year and the balance deposits of Rs.0.02 crores involving 23 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

Date : 27th April, 2006  
Place : Mumbai

**Arvind N. Lalbhai**  
Chairman

## Corporate Governance Report

### Company's Philosophy on Code of Governance

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

### Board of Directors

#### Composition of the Board

The Board has 10 Directors, comprising of 2 Executive Directors viz. 1 Managing Director and 1 Director and Chief Financial Officer and 8 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, 2006:

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	–
2	Mr. Sanjay S. Lalbhai	Executive -Managing Director -Promoter	3	–
3	Mr. Jayesh K. Shah	Executive Director and Chief Financial Officer	1	–
4	Mr. Jaithirth Rao	Non-executive, Independent	5	2 as a Member
5	Ms. Rama Bijapurkar*	Non-executive, Independent	–	–
6	Mr. Deepak Satwalekar	Non-executive, Independent	8	3 as a Chairman & 3 as a Member
7	Mr. V. K. Pandit	Non-executive, Independent - Nominee of IDBI	1	1 as a Member
8	Mr. Balaji Swaminathan**	Non-executive, - Nominee of ICICI Bank	–	–
9	Mr. Srinivasan Sridhar	Non-executive, Independent - Nominee of EXIM Bank	–	–
10	Mr. Sudhir Mehta***	Non-executive, Independent - Director	5	1 as a Chairman
11	Mr. Tarun Sheth+	Non-executive, Independent - Director	4	2 as a Chairman & 3 as a Member
12	Mr. K. M. Jayarao++	Non-executive - Nominee of ICICI Bank	4	4 as a Member

\* Ms. Rama Bijapurkar has resigned with effect from 27th October, 05

\*\* Mr. Balaji Swaminathan, a Nominee of ICICI Bank has ceased to be a director with effect from 3rd January, 06

\*\*\* Mr. Sudhir Mehta has been appointed as a Non-executive, Independent Director on 27th October, 05

+ Mr. Tarun Sheth has been appointed as a Non-executive, Independent Director on 27th October, 05

++ Mr. K. M. Jayarao has been appointed as a Nominee Director of ICICI Bank Ltd. on 3rd January, 06

### 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 27th April, 05, 30th July, 05, 27th October, 05, 27th January, 06 & 24th March, 06. 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	3	Yes
2	Mr. Sanjay S. Lalbhai	5	5	Yes
3	Mr. Jayesh K. Shah	5	5	Yes
4	Mr. Jaithirth Rao	5	3	No
5	Ms. Rama Bijapurkar*	2	2	No
6	Mr. Deepak M. Satwalekar	5	4	No
7	Mr. V.K. Pandit	5	3	No
8	Mr. Balaji Swaminathan**	3	3	Yes
9	Mr. Srinivasan Sridhar	5	3	No
10	Mr. Sudhir Mehta***	3	1	No
11	Mr. Tarun Sheth+	3	2	No
12	Mr. K. M. Jayarao++	2	NIL	No

\* Ms. Rama Bijapurkar has resigned with effect from 27th October, 05

\*\* Mr. Balaji Swaminathan, a Nominee of ICICI Bank, ceased to be a Director with effect from 3rd January, 06

\*\*\* Mr. Sudhir Mehta has been appointed as a Non-executive, Independent Director on 27th October, 05

+ Mr. Tarun Sheth has been appointed as a Non-executive, Independent Director on 27th October, 05

++ Mr. K. M. Jayarao has been appointed as a Nominee Director of ICICI Bank Ltd. with effect from 3rd January, 06

### 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, a Nominee Director retired as Chairman of the Committee on 3rd January 2006 and Mr.Srinivasan Sridhar, an Independent Director acts as Chairman of the Committee from 3rd January, 2006. 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 revised terms of reference of the Audit Committee are as under:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

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

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

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

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

**Meetings and Attendance**

During the year, 4 Audit Committee Meetings were held on 27th April, 05, 30th July, 05, 27th October, 05 and 27th January, 06.

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	3	3
2	Mr. Srinivasan Sridhar**	Member/Chairman	4	3
3.	Mr. Jaithirth Rao	Member	4	3
4	Mr. Tarun Sheth***	Member	1	1

\* Mr. Balaji Swaminathan, a Nominee of ICICI Bank, ceased to be a director with effect from 3rd January, 06

\*\* Mr. Srinivasan Sridhar has been appointed as a Chairman on 27th October, 05

\*\*\* Mr. Tarun Sheth has been appointed as a Non-executive, Independent Director with effect from 27th October, 05 and he has also been appointed as a Member of the Audit Committee.

## 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 twice 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, 2 meetings were held on 27th April, 05 and 30th July, 05.

The Attendance of Members at the meetings was as under:

Sr. No.	Name	Position	No of Meetings held during relevant period	No. of Meetings Attended
1	Mr. Deepak M. Satwalekar	Chairman	2	2
2	Ms. Rama Bijapurkar*	Member	2	2
3	Mr. Jaithirth Rao	Member	2	2
4	Mr. Tarun Sheth**	Member	NIL	NIL

\* Ms. Rama Bijapurkar has resigned on 27th October, 05

\*\* Mr. Tarun Sheth has been appointed as a Non-executive, Independent Director on 27th October 05 and he has also been appointed as a Member of Remuneration Committee.

### Remuneration of Directors

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

The terms of remuneration of the Managing Director were fixed by the Board of Directors and the same were approved by the Shareholders at the Annual General Meeting held on 29th September 2005 when he was appointed for a further period of five years beginning from 1st January, 2005. The Company 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 meeting held on 27th July, 2005 and Shareholders at the Annual General Meeting held on 29th September 2005, have approved remuneration payable to Mr. Jayesh K. Shah, Whole-time Director with designation as Director and Chief Financial Officer of the Company for a period of 3 years effective from 20th November 2005 up to 30th September, 2008. 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	1,20,000/-	Nil	1,20,000/-
2	Mr. Sanjay S. Lalbhai (MD)#	36,00,000/-	68,50,347/-	Nil	54,00,000/-	1,58,50,347/-
3	Mr. Jayesh K. Shah •	21,00,000/-	50,18,439/-	Nil	63,00,000/-	1,34,18,439/-
4	Mr. Jaithirth Rao	Nil	Nil	40,000/-	6,00,000/-	6,40,000/-
5	Ms. Rama Bijapurkar*	Nil	Nil	25,000/-	2,91,657/-	3,16,657/-
6	Mr. D. M. Satwalekar	Nil	Nil	30,000/-	5,00,000/-	5,30,000/-
7	Mr. V.K Pandit	Nil	Nil	15,000/-	Nil	15,000/-
8	Mr. Balaji Swaminathan**	Nil	Nil	30,000/-	Nil	30,000/-
9	Mr. S. Sridhar	Nil	Nil	30,000/-	Nil	30,000/-
10	Mr. Sudhir Mehta***	Nil	Nil	5,000/-	Nil	5,000/-
11	Mr. Tarun Sheth+	Nil	Nil	20,000/-	2,50,000/-	2,70,000/-
12	Mr. K. M. Jayarao + +	Nil	Nil	Nil	Nil	Nil

\* Ms. Rama Bijapurkar has resigned on 27th October, 05.

\*\* Mr. Balaji Swaminathan, a Nominee of ICICI Bank has ceased to be a director with effect from 3rd January, 06

\*\*\* Mr. Sudhir Mehta has been appointed as Non-executive, Independent Director with effect from 27th October, 05

+ Mr. Tarun Sheth has been appointed as Non-executive, Independent Director on 27th October, 05

++ Mr. K. M. Jayarao has been appointed as a Nominee Director of ICICI Bank Ltd. on 3rd January, 06

# 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 has resigned as a director on 27th October, 05. Mr. Tarun Sheth is appointed as a Chairman of the Committee on 27.10.2005.

#### Role

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

1. To specifically look into the redressal of Investors' Grievances pertaining to :
  - Transfer of shares and debentures
  - Dividends, interests and redemption proceeds of debentures
  - Dematerialisation of shares and debentures
  - Replacement of lost, stolen, mutilated share and debenture certificates
  - Non-receipt of rights, bonus, split share certificates
2. To look into other related issues towards strengthening investors' relations.
3. To consider and approve issuance of share/debenture certificates including duplicate share/debenture certificates.
4. To look into the reasons for any defaults in the payment to the depositors, debentureholders, 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 27th April, 05, 30th July, 05, 27th October, 05 and 27th January, 06.

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	Ms. Rama Bijapurkar*	Chairperson	3	1
2	Mr. Arvind N. Lalbhai	Member	4	3
3	Mr. Sanjay S. Lalbhai	Member	4	4
4.	Mr. Jayesh K. Shah	Member	4	4
5	Mr. Tarun Sheth**	Chairman	1	1

\* Ms. Rama Bijapurkar has resigned on 27th October, 05

\*\* Mr. Tarun Sheth is appointed as a Non-executive, Independent Director on 27th October 2005, Mr. Tarun Sheth is also appointed as a Chairman of the Committee on 27.10.2005

### 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.

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. Arvind N. Lalbhai	Chairman	19	18
2	Mr. Sanjay S. Lalbhai	Member	19	14
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 IV (G) of the Listing Agreement with respect to the Directors retiring by rotation and seeking reappointment / Directors sought to be appointed is as under:-

At the ensuing Annual General Meeting, Mr. Arvind N. Lalbhai and Mr. Deepak M. Satwalekar, Directors of the Company, retire by rotation and being eligible seek re-appointment.

On 27th October, 2005 Mr. Tarun Sheth was appointed as an Additional Director and Mr. Sudhir Mehta was appointed in the casual vacancy caused due to resignation of Ms. Rama Bijapurkar.

A brief profiles of the above Directors alongwith particulars of their directorship and committee memberships are as under :

#### Mr. Arvind N. Lalbhai

Mr. Arvind N. Lalbhai, 88 years, is a Science Graduate and has been associated with the Company for over 60 years and has been its Director since March 1974, and was Managing Director from 1975 to 2002. He is a former President of the Federation of Indian Chambers of Commerce and Industry.

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Birla VXL Limited ( Director )	-	-
2	Atul Limited ( Chairman )	-	-
3	J. K. Industries Limited ( Director )	-	-
4	Arvind Products Limited (Chairman & M. D.)	-	-
5	Lok Prakashan Limited	-	-
6	Arvind Spinning Limited Mauritius	-	-

#### Mr. Deepak M. Satwalekar

Mr. Deepak M. Satwalekar is a B. Tech. from The Indian Institute of Technology (IIT), Mumbai and has completed his post-graduate in Business Administration from The American University, Washington, DC. He was appointed Deputy Managing Director of HDFC in 1990 and became its Managing Director in 1993. He is presently the Managing Director and Chief Executive Officer of HDFC Standard Life Insurance Corporation Ltd. Mr. Deepak M. Satwalekar has been a Consultant to the World Bank, Asian Development Bank and other bilateral and multilateral agencies and has worked in several countries. He is a member of Governing Council of various management and educational institutions and government expert groups.

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	HDFC Standard Life Insurance Company Limited ( M. D. & CEO )	-	-
2	HDFC Limited ( Director )	Investors' Grievance Committee	Member
3	HDFC Investments Limited ( Director )	Audit Committee	Chairman
4	Infosys Technologies Limited ( Director )	Audit Committee Compensation Committee Nominations Committee	Chairman Member Member
5	HDFC Holdings Limited ( Director )	-	-
6	Asian Paints (India) Limited ( Director )	Remuneration Committee	Member
7	Nicholas Piramal India Limited ( Director )	-	-
8	The Arvind Mills Limited ( Director )	Compensation Committee	Member
9	Entertainment Network (India) Limited (Director )	Compensation Committee	Chairman

#### Mr. Sudhir Mehta

Mr. Sudhir Mehta is a graduate from Gujarat University. He was instrumental in the growth and progress of Torrent Pharmaceuticals Ltd., the Flagship Company of the group. He systematically expanded the power business of Torrent Group by acquiring significant stakes in Torrent Power AEC Limited and Torrent Power SEC Ltd. and implementing Gujarat Torrent Energy Corporation Limited, with a capacity of 655 MW and one amongst the few successful independent power projects in India. He has managed strategic alliance with leading International giants from U.K., Germany, France and USA.

He is an Executive Chairman of Torrent Pharmaceuticals Limited, Chairman of Torrent Power Generation Limited, Torrent Power SEC Limited, Torrent Private Limited, Torrent Power Limited and he holds Directorship in Torrent Power AEC Limited.

Names of companies other than Arvind Mills in which Mr.Sudhir Mehta 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	Torrent Pharmaceuticals Limited	—	—
2	Torrent Power General Limited	Audit Committee	Chairman
3	Torrent Power SEC Limited	—	—
4	Torrent Power AEC Limited	—	—
5	Torrent Private Limited	—	—
6	Torrent Power Limited	—	—

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

#### Mr. Tarun Sheth

Mr. Tarun Sheth has a Master Degree in Arts (Sociology) from M. S. University and ITP Harvard Business School, USA. He was the past President of Bombay Management Association and a Member of professional bodies like Indian Society for Applied Behavioural Science, Indian Society for Training and Development and Bombay Management Association. He is a Director on Board of various companies, Former Faculty Member of Motorola University - trained Motorola Managers in the US, Europe, Australia, China, Taiwan, Singapore and India.

Names of companies other than Arvind Mills in which Mr.Tarun Sheth 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	Bank of India	Management Committee of the Board of Directors Investors' Grievance Committee	Member Member
2	Hitachi Home & Life Solutions	Audit Committee Remuneration Committee	Member Chairman
3	Renfro India Limited	Remuneration Committee	Member
4	Kerala Ayurveda Pharma Limited	Audit Committee Remuneration Committee	Member Chairman

#### 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.

#### Code of Conduct for Directors and Senior Management Personnel

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

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

## Disclosures

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

Transactions with related parties are disclosed in detail in Note No.17 in "Notes forming part of the Accounts" annexed to the financial statements for the year. There were no related party transactions having potential conflict with the interest of the Company at large.

- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or other authority on any matter related to capitalmarkets, during last three years : Nil
- iii) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of Clause 49.

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

Company has not adopted the non-mandatory requirements.

## 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
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### 2. Details of Complaints / Queries received and redressed during 1st April, 2005 to 31st March, 2006:

Sr.No.	Particulars of Complaints / Query	Received	Redressed	Pending as on 31.3.2006
1	Non receipt of Share Certificates	22	22	Nil
2	Non receipt of Dividend /Interest Warrants	19	19	Nil
3	Confirmation of Demat Credit	—	—	—
4	Non receipt of Debentures Redemption payment	5	5	Nil
5	Non receipt of letter of offer, allotment advice, share certificates etc. for Rights Issue & others	—	—	—
6	Others - Complaints received from SEBI, Stock Exchanges, NSDL, ROC, Company Law Board etc.	37	37	Nil
	<b>Total</b>	<b>83</b>	<b>83</b>	<b>Nil</b>

### 3. Share Transfer Details for the period from 1st April, 2005 to 31st March, 2006:

Transactions	Physical	Demat	Total
Number of Transfers	3552	10829	14381
Average Number of Transfers Per Month	296	902	1198
Number of Shares Transferred	238831	14838515	15077346
Average Number of shares Transferred Per Month	19903	1236543	1256445
No. of Pending Share Transfers	Nil	Nil	Nil

### 4. Investors' Grievances:

The Registrars and Transfer Agents under the supervision of the Secretarial Department of the Company look after investors' grievances. Mr. 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
29th September, 2005	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad - 380 006
07th August, 2004	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad - 380 006
10th September, 2003	11.00 a.m	Thakorebhai Desai Hall, Nr. 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.

Details of Extra Ordinary General Meeting

During last 3 years one Extra Ordinary General Meeting held :

Date	Time	Venue
30th May, 2005	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad - 380 006

**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 English Daily - All India Editions and Financial Express Gujarati Edition and are also posted on the Company's web site at [www.arvindmills.com](http://www.arvindmills.com).
- 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.
- Presentations made to institutional investors/analysts are posted on the Company's web site at [www.arvindmills.com](http://www.arvindmills.com).

**7. Annual General Meeting :**

Date	30th September, 2006
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 2006
Second quarter results	By end of October 2006
Third quarter results	By end of January 2007
Fourth quarter results / Year end results	By end of April, 2007

**9. Book Closure:** Monday, the 18th September, 2006 to Saturday, the 30th September, 2006 (Both days inclusive)

**10. Dividend payment Date:** Thursday, 5th October, 2006

**11. Listing on Stock Exchanges :**

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

Sr.No	Name of the Stock Exchange	Address
1.	Ahmedabad Stock Exchange Limited (Regional Stock Exchange)	Kamdhenu Complex, Opp.Sahajanand College, Panjarapole, Ahmedabad-380 015
2.	Bombay Stock Exchange Limited Code: 500101	Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street Mumbai - 400 001
3.	The Calcutta Stock Exchange Association Ltd.	7, Lyons Range, Kolkata - 700 001
4.	National Stock Exchange of India Ltd. Code: ARVINDMILL	Exchange Plaza, 5th Floor, Plot No.C/1, G. Block, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051
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 2006-2007 to the above Stock Exchanges except The Calcutta Stock Exchange Association Ltd. where the de-listing application of equity shares is pending.

**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	Share price NSE		NSE (NIFTY)		Volumes
	High (Rs.)	Low (Rs.)	High	Low	No of shares	High (Rs.)	Low (Rs.)	High	Low	No. of shares
Apr-05	131.70	109.00	6649.42	6118.42	1,05,57,000	131.70	109.00	2084.90	1896.30	3,99,99,000
May-05	143.30	117.70	6772.74	6140.97	1,28,03,000	143.60	117.60	2209.35	1898.15	4,58,87,000
Jun-05	143.85	124.55	7228.21	6647.36	82,32,000	143.80	124.35	2226.15	2061.35	3,45,12,000
Jul-05	136.85	111.40	7708.59	7123.11	72,33,000	137.00	125.20	2332.55	2171.25	2,77,71,000
Aug-05	140.70	123.50	7921.39	7537.50	85,29,000	140.70	123.00	2426.65	2294.25	2,93,34,000
Sep-05	143.90	127.10	8722.17	7818.90	1,23,45,000	143.80	127.00	2633.90	2382.90	3,87,24,000
Oct-05	141.00	99.90	8821.84	7656.15	1,09,29,000	140.95	99.75	2669.20	2307.45	3,18,13,000
Nov-05	117.50	103.00	9033.99	7891.23	87,54,000	119.80	102.65	2727.05	2366.80	2,80,47,000
Dec-05	113.65	92.25	9442.98	8769.56	1,09,00,000	114.00	92.10	2857.00	2641.95	3,49,41,000
Jan-06	101.45	89.60	9945.19	9158.44	1,01,62,000	101.45	89.60	3005.10	2783.85	2,65,75,000
Feb-06	106.20	89.50	10422.65	9713.51	1,04,25,000	106.60	88.00	3090.30	2928.10	3,30,78,000
Mar-06	103.40	89.10	11356.95	10344.26	1,08,44,000	103.40	89.10	3433.85	3064.00	2,60,39,000

**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 2006 :

Sr. No.	Category	No. of shares held	Percentage of Shareholding
	<b>Holding of Promoter Group ('Group' as per MRTP Act, 1969)</b>		
1	<i>Individuals:</i>		
	Mr. Arvind N. Lalbhai	69281	0.03
	Mr. Sanjay S. Lalbhai	152	0.00
	Mr. Samveg A. Lalbhai	103295	0.05
	Mr. Shrenik K. Lalbhai	13082	0.01
	Relatives of above Individuals*	110550	0.05
2	<i>Major Bodies Corporate and Trusts:</i>		
	Aura Securities Private Limited	51015374	24.37
	AML Employees Welfare Trust	10027624	4.79
	Agrimore Limited	0	0
	Amazon Investments Limited	1830358	0.87
	Acropolis Investments Limited	382264	0.18
	Altair Investments Limited	42406	0.02
	Aeon Investments Limited	1126200	0.54
	Anshuman Holdings Private Limited	400000	0.19
	Anubhav Investments Limited	303000	0.14
	Avishkar Finance and Trade Limited	230516	0.11
	Atul Limited	3878315	1.85
	Anukul Investments Limited	173608	0.08
	Ameer Trading Corporation Limited	0	0
	Jeet Holdings Private Limited	134082	0.07
	Adore Investments Limited	130995	0.06
	Amardeep Holdings Private Limited	94250	0.05
	Ajax Investments Limited	38333	0.02
	Anagram Securities Limited	300000	0.14
	Anagram Stockbroking Limited	125000	0.06
	Enagram Online Limited	0	0
	Sanjay Family Trust	0	0
	AML Management Employees Welfare Trust	0	0
	<b>Total Promoter Group holding</b>	<b>70528685</b>	<b>33.68</b>
	<b>Non Promoter holding</b>		
3	Mutual Funds and UTI	14282859	6.82
4	Banks, Financial Institutions, Insurance Companies	18332941	8.76
5	Foreign Institutional Investors, NRIs/OCBs.F.B.	54338944	25.95
6	GDR	1150042	0.55
7	Private Corporate Bodies	10653187	5.09
8	Indian Public	40091783	19.15
	<b>Total Non-Promoter holding</b>	<b>138849756</b>	<b>66.32</b>
	<b>GRAND TOTAL</b>	<b>209378441</b>	<b>100%</b>

\* The names of 'Relatives of above Individuals' are as per disclosures made as on 31st March, 2006 under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

**16. Distribution of shareholding as on 31st March 2006 :**

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	49105	4024348	108437	15976434	157542	92.34	20000782	9.55
501 to 1000	598	418498	7070	5642493	7668	4.49	6060951	2.89
1001 to 2000	186	253086	2776	4167977	2962	1.74	4421063	2.11
2001 to 3000	40	99837	896	2270467	936	0.55	2370304	1.13
3001 to 4000	24	84328	357	1286442	381	0.22	1370770	0.65
4001 to 5000	13	58673	296	1383567	309	0.18	1442240	0.69
5001 to 10000	7	44127	349	2576592	356	0.21	2620719	1.25
Above 10001	10	840754	445	170250858	455	0.27	171091612	81.71
<b>Total</b>	<b>49983</b>	<b>5823611</b>	<b>120626</b>	<b>203554830</b>	<b>170609</b>	<b>100.00</b>	<b>209378441</b>	<b>100.00</b>

**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, 2006, 18,87,29,469 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 2006, 11,50,042 GDRs (previous year 13,16,292) 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
- Khatrej, 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 remained unclaimed for a period of 7 years has been 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
31.03.1999*	Not Applicable	Not Applicable
31.03.2000*	Not Applicable	Not Applicable
30.09.2001*	Not Applicable	Not Applicable

\* The Company did not declare any dividend on equity shares in respect of financial years-ended 31.03.1999 to 30.09.2001.

**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 Agents of the Company:

<p>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</p>	<p>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</p>
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The above Report has been placed before the Board at its meeting held on 27th April, 2006 and the same was approved.

for and on behalf of the Board

Place : Mumbai  
 Date : 27th April, 2006

**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 2006, 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, 2006 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, 2006

**N. D. Anklesaria**  
 Partner

## CEO / CFO CERTIFICATION

The Board of Directors  
The Arvind Mills Limited  
Ahmedabad.

**Re : Financial Statements for the year 2005-06 – Certification by CEO and CFO**

We, Sanjay S. Lalbhai, Managing Director and Jayesh K. Shah, Director & Chief Financial Officer of The Arvind Mills Limited, on the basis of review of the financial statements and the cash flow statement for the financial year ending 31<sup>st</sup> March, 2006 and to the best of our knowledge and belief, hereby certify that :-

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended 31<sup>st</sup> March, 2006 which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that :-
  - (a) there have been no significant changes in internal control during this year;
  - (b) there have been no significant changes in accounting policies during this year;
  - (c) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

Place : Mumbai  
Date : April 27, 2006

**Sanjay S. Lalbhai**  
Managing Director

**Jayesh K. Shah**  
Director & CFO

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

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

I confirm that the Company has in respect of the Financial year ended March 31, 2006, received from the Members of the Board and Senior Management Personnel a declaration of compliance with the Code of Conduct as applicable to them.

Ahmedabad  
27th April, 2006

**Sanjay S. Lalbhai**  
Managing Director

## 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 which just went by was a challenging year for your company. The opportunities which were expected out of dismantling of quota regime have not yet been fully realized. The business environment has become challenging due to rapid expansion in denim fabric capacity in India and the nearby region.

The year 2005-06 was the first full year of operation in the quota free world. In the first half of the financial year the factors played out as we had anticipated. Our volumes were growing and realization was not under any pressure. In the second half the situation changed dramatically, first two of our key customers suffered significant reverses in the US market in the ‘Back to School’ season, which is the largest for denim sales. This led to a sudden sharp fall in the off take from customer who account for almost 20% of the denim turnover. This situation was further compounded when most of the new denim capacity in India becomes operational and squeezed the Indian market. All other product segment continues to perform as per expectations and plans.

The Indian market for organized retail is really looking up and the sector has got further boost with government allowing FDI in single brand retailing. With the advent of large format retail stores, avenues for growing mass brands are tremendous. With Arvind Brands being converted into a 100% owned subsidiary last year and the decision to merge it with the parent company The Arvind Mills Limited, the shareholders will be able to benefit from the booming Indian opportunity.

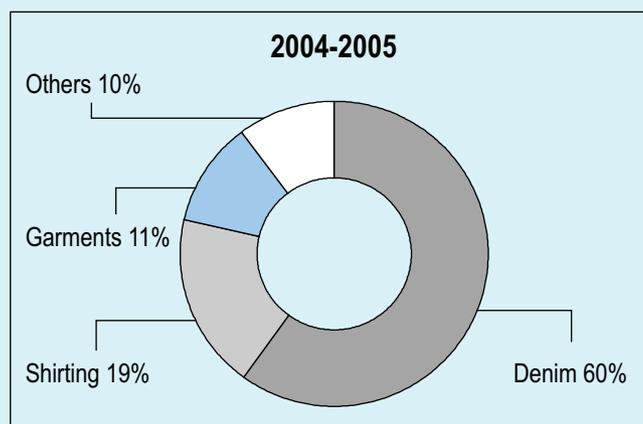
The company continues to maintain its relentless focus on the costs. Owing to lower cotton prices the company bought its entire year’s requirement in advance and the same is reflected in the margins. The company had shifted from expensive Naphtha to cost effective natural gas for its captive power plants and enjoyed substantial financial benefits in the first three quarters of the current financial year. Company’s gas suppliers are facing some amount of supply crunch and are supplying gas at 80% of the peak requirement, which is the minimum to be supplied under the contract. Hence for 20% of the requirement of the company is buying the expensive

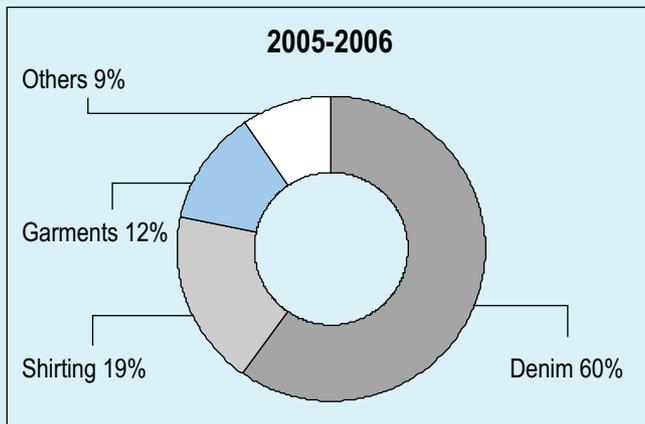
grid power. The company remains committed to optimize its cost and expenses on ongoing basis.

### FINANCIAL PERFORMANCE AND REVIEW

The analysis and comparison of the financials shall bring forth the positives in growth in denim volumes in the first half of the year and sudden drop in realizations in the second half of the year, a detailed analysis follows:

Particulars	Year 2004-05	Year 2005-06	Variance
<b>Sales &amp; Operating Income</b>	<b>1,655</b>	<b>1,592</b>	<b>-4%</b>
Raw Materials	620	505	-19%
Direct Materials	145	171	18%
Power, water, fuel	179	144	-20%
Salaries & wages	123	136	10%
Decrease / (Increase) in stock	-13	10	-177%
Other overheads	219	219	0%
<b>Total cost of sales</b>	<b>1,273</b>	<b>1,184</b>	<b>-7%</b>
<b>Operating Profit</b>	<b>382</b>	<b>408</b>	<b>7%</b>
Other Income	5	23	351%
Foreign Exchange (Gain)/Loss	-8	9	
Net Interest & Finance Cost	116	130	12%
<b>Cash Accrual</b>	<b>278</b>	<b>291</b>	<b>5%</b>
Depreciation	149	155	4%
<b>Profit before tax</b>	<b>129</b>	<b>136</b>	<b>5%</b>
Deferred tax	0	8	
Current Tax	11		
Minimum Alternative Tax(MAT)	2	-10	
<b>Profit after Tax</b>	<b>127</b>	<b>127</b>	<b>0%</b>

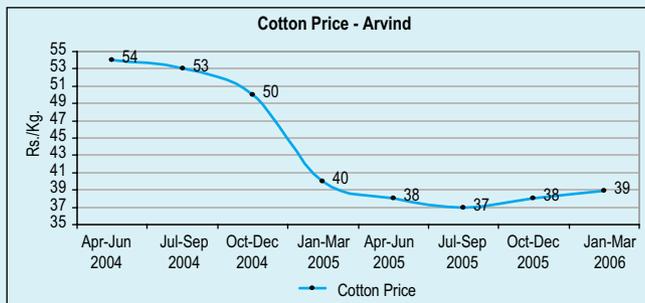




**Sales & Operating Income**

The Revenue numbers show a decline of 4% over the last year primarily due to lower volume of denim off take and significant drop in prices during second half of the current year. In spite of the decline in both volume and realization, the Denim constituted 60% of the total where as shirting and garments contributed 19% and 12% respectively. The shirting and knits business continue to be stable. With the 4 Million pieces jeans manufacturing capacity in Bangalore becoming operational share of garments in overall sales will go up in the coming year.

**Raw Materials**



The 19% drop in raw material cost as compared to last year was both on account of lower volume of denim as well an impact of low cost of cotton through the year.

**Direct Materials**

The direct materials at Rs. 171 Crores this year as compared to Rs. 145 Crores last year show an increase in use of dyes, chemicals and other stores items owing to significant raise in the prices of petroleum based dyes and chemicals. With the oil prices continuing to be high, the cost for the coming year is also expected to be at the same level.

**Power and Fuel**

The power and fuel cost is down by 20% to Rs. 144 Crores is on account of use of natural gas in place of expensive Naphtha. In absence of full supply of gas the power and fuel cost is likely to go up in the coming year.

**Salaries and wages**

With the jeans plant in Bangalore becoming operational the head count of the company has gone up. Further due to rapid expansion in the textile industry and resultant increase in wage and salary rates, the staff cost has gone up by 10%.

**Operating Margins (Profit)**

The operating margin expanded to 26% compared to previous year, this is in spite of drop in realizations. This was achieved primarily due to lower cost of cotton and substantially lower power and fuel cost. The operating profit went up by 7% to Rs.408 Crores.

**Net Interest and Finance cost**

The net interest and finance cost for the current financial year is Rs.130 Crores as against Rs.116 Crores during the previous financial year. The impact of a loss on account of translation of foreign currency loan was Rs.9 Crores as against gain of Rs.8 Crores in the previous financial year. 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. The company continues to borrow under the TUF for all its capital expenditures. Due to the liquidity position the interest rates on short term borrowings are going up.

**Cash Accrual**

The cash generated from operations this year is Rs. 291 Crores which is 5% higher than last year's Rs. 278 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. 155 Crores this year as compared to Rs. 149 Crores last year. The increase is due to capitalization of additional capacities for the denim and garments.

**Profit Before Tax (PBT)**

Current year PBT of Rs. 136 Crores is higher than last year figure of Rs. 129 Crores by 5%. The raise is aided by a one time gain on account of other income, which is up by 351% due to profit on sale of company property.

**Net Profit (PAT)**

The Profit after Tax at Rs. 127 Crores this year remains unchanged. The net margin has been maintained at around 8% as last year.

**Debt**

The incremental increase in the debt of the company was to the tune of Rs. 136 Crores as opposed to Rs. 317 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**

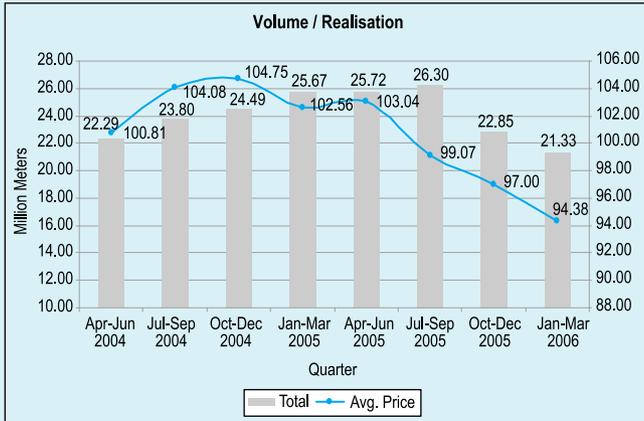
The inventories are at a higher level at the year-end due to lower off take and large stock of cotton. The year-end push has also increased the level of receivables and is expected to normalize going forward.

**OPERATIONS REVIEW AND PRODUCT PERFORMANCE**

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

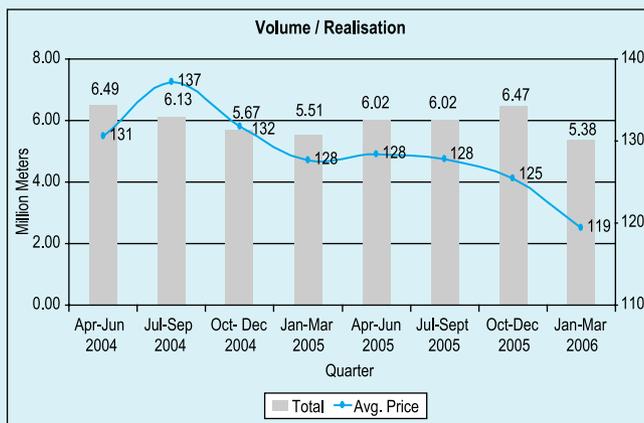
- Fabrics - Denim, Khakis, Shirting, Knits
- Garments - Shirts, Jeans, trousers and knitted garments

**Denim fabric**



The current financial year was characterized by a robust demand and realization in the first half of the year. The second half of the year was subdued in terms of volume but suffered substantial reverses in the realization. The over supply situation in the Indian market led to a sharp drop in realizations in the domestic market in the second half of the financial year. The company had beginning middle of last year embarked on a programme of offering premium denim to the high priced brands in US, Europe and Japan. The initiative has had few successes and now the company is moving towards creating a front end infrastructure in both Europe and US to provide further impetus to these initiatives. The volumes in the middle of the year suffered a setback due to lower off take by certain key US Brands; this was primarily due to inventory build up at their retail end. The volumes from these brands are returning to normal levels. While the demand had slowed down a bit the situation in the region got affected due to oversupply and the volumes in the commodities market are also under pressure.

**Shirting fabric**



Shirting volumes which had suffered in the second half of the previous financial year have returned to normal levels during current financial year. Further with more and more sales moving towards vertical route, the sales of fabric to outside party has come down. Our product offering has been accepted as mid to premium product and we have been able to initiate business at large scale with few of the super premium US brands during the year.

**Garments**

Shirts factory in Bangalore which suffered in the last two quarters of the previous financial year and the first half of the current financial year has stabilized. Currently the plant is running at optimum utilization at current product mix. The conversion charges earned by the division are one of the highest being paid in the country. A separate ancillary unit has been set up to serve the need of Indian brands, which are now outsourcing their requirement.

Knits garmenting volume for the current year grew by 11% and business has achieved stability in terms of quality and productivity. Improved internal efficiencies have also contributed in better margins in spite drop in overall price levels.

The newly commissioned Jeans plant is just into the operation for two months of current quarter and will contribute to both top line and the bottom line from the first quarter of next financial year. The plant has one of the best laundry in the country and has its unique selling proposition. The plant is currently in operation at full capacity on current productivity levels.

**OTHER INITIATIVES**

**Merger of Arvind Brands Limited**

The company proposes to demerge and transfer the Garments Business Division of its 100% subsidiary Arvind Brands Limited and amalgamate Arvind Fashions Limited (100% Subsidiary of Arvind Brands Limited) with itself, subject to legal and procedural approvals. The merger would be with effect from 1st April 2006. All the branded garment business except for Tommy Hilfiger would become divisions of The Arvind Mills Limited. The business will continue to be independently operated out of Bangalore.

Arvind Brands Limited (ABL) was established as wholly owned subsidiary of The Arvind Mills Limited (AML). ABL currently owns brands like Newport, Excalibur, Flying Machine and Ruf & Tuf. It is also a licensee for India through subsidiary Arvind Fashions Limited (AFL), of Arrow, Lee and Wrangler which it markets in India. The company also has a joint venture company called Arvind Murjani Brands Private Limited (AMBPL), through which it holds license for and sells Tommy Hilfiger brand apparel and accessories in India.

During the financial year 2003-2004, ABL had completed its debt restructuring exercise. ICICI Bank the prime lender had an option to convert a part of debt into equity and had exercised that option through ICICI Venture Fund (I Venture) and had acquired 53.4% of equity as part of settlement. Pursuant to this, ABL ceased to be a subsidiary of AML. AML had then retained the option of purchasing additional equity to raise its stake to 51% anytime during the period of eight years beginning 2003. Subsequently Arvind Mills exercised this option and bought out I Venture stake completely and Arvind Brands became a 100% subsidiary with effect from 24th May, 2005.

Arvind Brands Limited had a turnover of Rs.336 Crores and PBDIT of Rs. 14 Crores for the financial year as compared to turnover of Rs.278 Crores and PDBIT of Rs.5 Crores for the previous financial year.

### Outlook

The near term outlook for the company remains muted due to subdued denim volume and realization. The shirting business is also likely to witness some price pressure. The earnings are likely to be impacted by the lower than the required availability of Natural Gas for power generation from the contracted party. Whereas the revenue impetus would come from garment business and rapidly growing brands business.

In medium to long term companies dependency on the core fabric business will come down. The garments business is likely to be expanded by about 80-85% every year and the Brands business will grow at an average rate of 30-35%. At these rates the core fabric business will start driving less than 40% of total revenues and less than 50% of the total earnings in three to five years time.

### RISK MANAGEMENT

#### Forex Fluctuations

More than 50% of the revenue of the company is generated from export sales; hence the company has consistently been following the policy of hedging its revenues against foreign exchange fluctuation. Based on annual projections the company sells the net dollar (after providing for outflow) forward for the entire financial year. The process has been followed for the next financial year too, hence the earnings in dollar on revenue account are frozen at one rate. The company does not hedge the dollar position on long term debt. The gain or loss booked in the financial statements during the end of every financial quarter is primarily on account of outstanding long term debt of US \$ 90 million.

### 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 product is carried out to reduce cyclical nature and de commoditizes 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 focusing 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. 390 Crores in the current year as compared to Rs. 407 Crores in the last year. The company reported a lower net loss of Rs.7 Crores as compared to a net loss of Rs. 8 Crores during previous year.

## 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, 2006, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date both annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ("Order") issued by the Central Government of India in terms of sub - section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet , Profit & 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, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 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, 2006;
    - (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

Mumbai  
Date : April 27, 2006

**CA. 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) Some of the fixed assets were physically verified by the management during the year in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed 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 exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there were no contracts or arrangements that need to be entered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, requirement of clauses (v,a) and (v,b) of paragraph 4 of the order are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and rules framed thereunder. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.
- (viii) We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of these records with a view to determine whether they are accurate and complete.
- (ix) (a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it. Central Government has till date not prescribed the amount of cess payable under section 414A of the Companies Act, 1956.

- (b) There are no undisputed amounts outstanding as at March 31, 2006 for a period of more than six months from the date they became payable.
- (c) Following amounts have not been deposited as on March 31, 2006 on account of any dispute :

Particulars	Financial year to which the matter pertains	Forum where matter is pending	Rs. in crore
Sales Tax	1998-1999, 2002-2003, 2003-2004, 2004-2005	Reference with High Court	8.55
	2000-2001	Joint CST Appeal	0.33
Excise Duty	2000-2001 to 2005-2006	Appeal with CESTAT	8.44
	2004-2005, 2005-2006	Asstt./Deputy/ Joint Commissioner (Appeals)	0.17

- (x) The Company has neither any accumulated losses nor has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause (xiv) of paragraph 4 of the order are not applicable.
- (xv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial Institutions are not prejudicial to the interest of the Company.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans obtained during the year were, prima facie, applied by the Company for the purpose for which they were obtained, other than temporary deployment pending application.
- (xvii) According to the Cash Flow Statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short-term basis have not, prima facie, been used during the year for long-term investments.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any Secured Debentures during the year.
- (xx) We have verified the end use of money raised by GDR issue from the draft prospectus, the offer document and as disclosed in the notes to the financial statements.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

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

Mumbai  
Date : April 27, 2006

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

## Balance Sheet as at 31st March, 2006

(Rs. in crores)

	Schedule	As at 31.03.2006	As at 31.03.2005
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	265.48	261.40
Reserves and Surplus	2	1266.47	1019.75
		<u>1531.95</u>	<u>1281.15</u>
<b>Loan Funds</b>			
Secured Loans	3	1688.38	1491.39
Unsecured Loans	4	152.99	191.19
		<u>1841.37</u>	<u>1682.58</u>
<b>Deferred Tax Liability</b>		<b>12.82</b>	4.55
<b>TOTAL</b>		<b><u>3386.14</u></b>	<b><u>2968.28</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	2192.24	2110.33
Less: Depreciation		882.64	728.64
Net Block		<u>1309.60</u>	<u>1381.69</u>
Capital work in progress		79.59	103.07
		<u>1389.19</u>	<u>1484.76</u>
<b>Investments</b>	6	<b>348.10</b>	153.02
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	479.26	511.15
Sundry Debtors		368.28	319.11
Cash and Bank Balances		9.59	12.87
Other Current Assets		38.68	38.32
Loans and Advances		1041.44	720.18
		<u>1937.25</u>	<u>1601.63</u>
<b>Less: Current Liabilities and Provisions</b>	8		
Liabilities		243.31	238.76
Provisions		45.09	32.37
		<u>288.40</u>	<u>271.13</u>
Net Current Assets		<u>1648.85</u>	<u>1330.50</u>
<b>TOTAL</b>		<b><u>3386.14</u></b>	<b><u>2968.28</u></b>
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

**CA. N D ANKLESARIA**  
Partner

**R. V. BHIMANI**

Company Secretary

Mumbai, 27th April, 2006

Profit & Loss Account for the year ended on 31st March, 2006

		(Rs. in crores)	
	Schedule	2005-2006	2004-2005
<b>INCOME :</b>			
Sales and Operating Income	9	<b>1592.00</b>	1654.91
Other Income	10	<b>22.52</b>	4.99
		<b>1614.52</b>	1659.90
<b>EXPENSES :</b>			
Raw Materials Consumed		<b>500.25</b>	612.24
Purchase of Finished goods		<b>4.45</b>	7.63
Employees' Emoluments	11	<b>135.74</b>	123.09
Others	12	<b>534.14</b>	542.92
Interest & Finance Costs (Net)	13	<b>138.64</b>	108.41
Depreciation		<b>155.10</b>	149.07
(Increase) / Decrease in Stocks	14	<b>9.82</b>	(12.76)
		<b>1478.14</b>	1530.60
Profit before Tax for the year		<b>136.38</b>	129.30
Less : Current Tax		<b>11.40</b>	1.95
Less : Deferred Tax		<b>8.27</b>	0.00
Less : Fringe benefit Tax		<b>0.95</b>	0.00
Add : MAT credit Entitlement		<b>(11.40)</b>	0.00
Profit for the year		<b>127.16</b>	127.35
Balance as per last year's Balance Sheet		<b>232.74</b>	127.77
Interim Dividend on Preference Shares Paid		<b>(3.80)</b>	(4.09)
Tax on Interim Dividend		<b>(0.53)</b>	(0.53)
Proposed Dividend on Equity Shares		<b>(20.94)</b>	(19.54)
Tax on Proposed Dividend		<b>(2.94)</b>	(2.74)
Additional Dividend on Equity Shares		<b>(1.40)</b>	0.00
Tax on Additional Dividend		<b>(0.20)</b>	0.00
Transferred to Capital Redemption Reserve		<b>(9.92)</b>	(3.48)
Transferred from Debenture Redemption Reserve		<b>1.00</b>	8.00
		<b>321.17</b>	232.74
Balance carried to Balance Sheet		<b>321.17</b>	232.74
Earning Per Share (Note No.18)			
- Basic & Diluted		<b>5.98</b>	6.28
Notes Forming Part of Accounts	15		
As per our report attached	<b>ARVIND N. LALBHAI</b>		Chairman
For <b>SORAB S.ENGINEER &amp; CO.</b> Chartered Accountants	<b>SANJAY S. LALBHAI</b>		Managing Director
<b>CA. N D ANKLESARIA</b> Partner			
Mumbai, 27th April, 2006	<b>R. V. BHIMANI</b>		Company Secretary

## Cash Flow Statement for the year ended on 31st March, 2006

	2005-2006	(Rs.in Crores)	2004-2005
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before extraordinary items	136.38		129.30
Adjustments for:			
Depreciation	155.10	149.07	
Interest Income	(3.61)	(1.68)	
Interest & Lease Rent Expenses	120.21	103.22	
Exchange Rate Difference	8.10	9.58	
Fixed Assets Written Off	0.02	1.18	
Bad Debts / Advances Written Off	0.18	0.45	
Provision for Doubtful debts	0.00	0.53	
Sundry Debits / Credit written off (Net)	(1.33)	0.24	
Diminution in the Value of Investments (Net)	0.00	13.00	
Loss/(Profit) on Sale of Fixed Assets	(10.54)	0.38	275.97
<b>Operating Profit before Working Capital Changes</b>	<b>404.51</b>		<b>405.27</b>
Working Capital Changes:			
Changes in Inventories	31.89	(130.77)	
Changes in Trade Receivables	(49.35)	(84.69)	
Changes in Other Receivables	(158.06)	(295.83)	
Changes in Current Liabilities	5.07	71.23	
<b>Net Changes in Working Capital</b>	<b>(170.45)</b>		<b>(440.06)</b>
<b>Cash Generated From Operations</b>	<b>234.06</b>		<b>(34.79)</b>
Advance Tax Paid (TDS) (Net of Income Tax Refund)	(11.32)		(2.27)
Fringe Benefit Tax	(0.95)		0.00
<b>Net Cash from Operating Activities</b>	<b>221.79</b>		<b>(37.06)</b>
<b>B Cash Flow from Investing Activities</b>			
Purchase of Fixed Assets	(74.52)	(140.36)	
Sale of Fixed Assets	30.88	4.92	
Changes in Investments	(195.08)	(19.62)	
Changes in Loans & Advances	(110.62)	9.83	
Interest Income	3.60	1.71	
<b>Net Cash Flow from Investing Activities</b>	<b>(345.74)</b>		<b>(143.52)</b>
<b>C Cash Flow from Financing Activities</b>			
Unpaid Allotment Money Received	0.00	0.01	
Issue of Equity Share Capital	14.00	0.00	
Redemption of Preference Share Capital	(9.92)	(3.48)	
Share Premium Received	154.00	0.00	
Share Issue Expenses	(4.63)	0.00	
Unclaimed Dividend	(0.13)	(0.22)	
Interim Dividend on Preference Shares	(3.80)	(4.09)	
Tax on Interim Dividend	(0.53)	(0.53)	
Dividend on Equity Shares	(20.77)	0.00	
Tax on Equity Shares	(2.94)	0.00	
Changes in Borrowings	150.62	317.33	
Interest & Lease Rent Paid	(155.23)	(128.27)	
<b>Net Cash Flow from Financing Activities</b>	<b>120.67</b>		<b>180.75</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(3.28)</b>		<b>0.17</b>
Cash & Cash Equivalent at the beginning of the Period	12.87		12.70
<b>Cash and Cash Equivalent at the end of the Period</b>	<b>9.59</b>		<b>12.87</b>

Note : Figures in bracket represent outflow of cash.

As per our report attached

ARVIND N. LALBHAI

Chairman

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

SANJAY S. LALBHAI

Managing Director

**CA. N D ANKLESARIA**  
Partner

R. V. BHIMANI

Company Secretary

Mumbai, 27th April, 2006

## Schedules forming part of the Accounts

	(Rs. in crores)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE '1': SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
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>
<b>ISSUED &amp; SUBSCRIBED</b>		
<b>EQUITY SHARES</b>		
20,93,78,441 Equity Shares (Previous Year 19,53,78,441) of Rs.10/- each fully paid up. (1,40,00,000 underlying Equity Shares of Rs.10/- each issued towards Global Depository Receipts during the year) Less : Unpaid Allotment Money (l) By Others (Rs. 4,650/-) (Previous Year Rs.25,740/-)	209.38	195.38
	<u>209.38</u>	<u>195.38</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.)		
<b>PREFERENCE SHARES</b>		
66,00,000 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) (Note No. 5 for Terms of Redemption)	56.10	66.02
	<u>265.48</u>	<u>261.40</u>
<b>SCHEDULE '2' : RESERVES AND SURPLUS</b>		
<b>CAPITAL RESERVE</b>		
As per last Balance Sheet	3.17	0.33
Add : Addition During the Year	0.00	2.84
	<u>3.17</u>	<u>3.17</u>
<b>SHARE PREMIUM ACCOUNT</b>		
As per last Balance Sheet	779.36	779.36
Add : Share Premium Received	154.00	0.00
Less : Share Issue Expenses Adjusted	4.63	0.00
	<u>928.73</u>	<u>779.36</u>

	(Rs. in crores)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE '2' (contd...)</b>		
<b>DEBENTURE REDEMPTION RESERVE</b>		
As per last Balance Sheet	1.00	9.00
Less: Transferred to Profit & Loss Account	1.00	8.00
	<u>0.00</u>	<u>1.00</u>
<b>CAPITAL REDEMPTION RESERVE</b>		
As per last Balance Sheet	3.48	0.00
Add: Transferred from Profit & Loss Account	9.92	3.48
	<u>13.40</u>	<u>3.48</u>
<b>BALANCE IN PROFIT &amp; LOSS ACCOUNT</b>		
	321.17	232.74
	<u>1266.47</u>	<u>1019.75</u>
<b>SCHEDULE '3' : SECURED LOANS</b>		
(Note No: 6)		
<b>DEBENTURES</b>		
Add : Funded Interest	0.00	1.82
	1.17	1.17
	<u>1.17</u>	<u>2.99</u>
<b>FROM BANKS</b>		
Cash Credit and other facilities	608.94	564.58
	<u>608.94</u>	<u>564.58</u>
Term Loans	773.84	639.62
Add : Funded Interest	69.10	68.90
	<u>842.94</u>	<u>708.52</u>
<b>FROM FINANCIAL INSTITUTIONS AND OTHERS</b>		
Add : Funded Interest & Other Financial Facilities	222.84	202.81
	12.49	12.49
	<u>235.33</u>	<u>215.30</u>
	<u>1688.38</u>	<u>1491.39</u>
<b>SCHEDULE '4' : UNSECURED LOANS</b>		
<b>FROM BANKS</b>		
Term Loan	44.23	61.49
Other Facilities	100.28	119.97
Financial Institutions & Others	3.69	5.00
	<u>148.20</u>	<u>186.46</u>
Add : Funded Interest & Other Financial Facilities	4.79	4.73
(Out of above Rs. 104.81 crores (Previous Year Rs. 121.52 Crores) is payable within one Year)		
	<u>152.99</u>	<u>191.19</u>

## Schedules forming part of the Accounts

### SCHEDULE '5' : FIXED ASSETS

(Rs. In Crores)

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 31-03-2005	Addi- tions	Dedu- ctions	As on 31.03.2006	As on 31-3-2005	For the Year	Dedu- ctions	As on 31.03.2006	As on 31.03.2006	As on 31-3-2005
Goodwill	9.35	0.00	0.00	9.35	0.00	0.00	0.00	0.00	9.35	9.35
Freehold Land	273.72	0.08	15.03	258.77	0.00	0.00	0.00	0.00	258.77	273.72
Leasehold Land	138.48	0.00	0.00	138.48	0.00	0.00	0.00	0.00	138.48	138.48
Buildings	281.87	5.12	1.99	285.00	52.12	9.57	0.34	61.35	223.65	229.75
Machineries	1361.61	93.36	4.72	1450.25	660.67	143.72	2.24	802.15	648.10	700.94
Machinery given on Lease	8.11	0.00	0.00	8.11	4.19	0.84	0.00	5.03	3.08	3.92
Motor Vehicles	8.25	2.97	1.18	10.04	2.14	0.87	0.49	2.52	7.52	6.11
Office Machinery & Dead Stocks	28.94	4.08	0.78	32.24	9.52	2.34	0.27	11.59	20.65	19.42
<b>Total</b>	<b>2110.33</b>	<b>105.61</b>	<b>23.70</b>	<b>2192.24</b>	<b>728.64</b>	<b>157.34</b>	<b>3.34</b>	<b>882.64</b>	<b>1309.60</b>	<b>1381.69</b>
Previous Year	2035.21	85.75	10.63	2110.33	583.72	149.07	4.15	728.64		
Capital Work-in-Progress (Including Advance for Captial Expenditure)									79.59	103.07
<b>Total</b>									<b>1389.19</b>	<b>1484.76</b>

#### Notes :

- (a) Buildings includes Rs. 1.18 crore (Rs. 1.18 crore) in respect of ownership flats in Co-Operative housing Society and Rs. 2,500/- (Rs. 2,500/-) in respect of shares held in Co-Operative Housing Society.
- (b) Gross block includes Rs. 37.47 crore being the amount added on revaluation as at 1st April, 2000 and credited to revaluation reserve.
- (c) Out of current year depreciation, an amount of Rs. 2.24 crore has been capitalised during the year.

SCHEDULE '6' : INVESTMENTS (AT COST) **	(Rs. in crores)			(Rs. in crores)		
	No. of Shares/ Debentures/Units	As at 31.03.2006	As at 31.03.2005	No. of Shares/ Debentures/Units	As at 31.03.2006	As at 31.03.2005
<b>A TRADE INVESTMENTS</b>						
<b>(i) FULLY PAID EQUITY SHARES (QUOTED)</b>						
Atul Ltd (Shares of Rs. 10/- each)	1139420	4.63	4.63			
<b>(ii) FULLY PAID EQUITY SHARES (UNQUOTED)</b>						
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					
<b>(iii) INVESTMENT IN JOINT VENTURE FULLY PAID EQUITY SHARES (UNQUOTED)</b>						
Arya Omnitalk Wireless Solutions Ltd (Shares of Rs. 10/- each)	1000000	1.00	1.00			
<b>(iv) INVESTMENT IN SUBSIDIARY COMPANIES FULLY PAID EQUITY SHARES (UNQUOTED)</b>						
Asman Investments Ltd. *** (Shares of Rs. 10/- each)	80000	8.00	8.00			
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	28.32			
Arvind Spinning Limited (Shares without par value)	824099	5.39	5.39			
Arvind Brands Limited *** @ # (Shares of Rs. 10/- each) (41215074 Shares purchased during the year) (Of which 29700007 Shares Pledged with ICICI Bank Ltd. against Loan extended to the above Company)	72058831	293.41	98.33			
<b>FULLY PAID EQUITY SHARES (QUOTED)</b>						
Arvind Products Ltd (Shares of Rs. 10/- each)	2857142	7.14	7.14			
<b>FULLY PAID PREFERENCE SHARES (UNQUOTED)</b>						
Arvind Products Ltd 10% Cummulative Redemable Preference shares (Shares of Rs. 10/- each)	135000	0.14	0.14			
<b>Total</b>		<b>348.10</b>	<b>153.02</b>			
Aggregate value of quoted Investments						
At cost price		11.77	11.77			
* At market price		18.70	12.66			
Aggregate value of unquoted Investments						
At cost price		336.33	141.25			
* 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.						
@ 3,00,000 shares are in the process of transfer in the name of the Company.						
# Became Subsidiary during the year.						
<b>Investments Purchased and Sold During the Year</b>						
Prudential ICICI Liquid Plan Institutional Plus-Daily Dividend Option						8437750.496
Reliance Liquidity Fund-Daily Dividend Reinvestment Option						4998800.288
GFCD Grindlays Floating Rate ST Super Inst Plan C - Daily						10000000.000
Kotak Liquid (Institutional Premium)-Daily Dividend						4088942.681

Schedules forming part of the Accounts

	(Rs. in crores)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Stores and Spares	35.01	31.16
Fuel	1.58	5.37
<b>Stock in trade</b>		
Raw materials(Including Material in Transit Rs. 0.29 Crores) (Previous year Rs.0.41 Crores)	257.12	282.05
Finished Goods	71.19	103.54
Goods in Transit	0.35	0.00
Work-in-Progress	112.56	87.73
Waste	1.45	1.30
	<u>442.67</u>	<u>474.62</u>
	<u>479.26</u>	<u>511.15</u>
<b>Sundry Debtors (Unsecured)</b>		
Outstanding for a period exceeding six months		
Considered good	60.98	71.40
Considered doubtful	0.73	0.80
Less:Provision	0.73	0.80
	<u>0.00</u>	<u>0.00</u>
	60.98	71.40
Others(Considered good)	307.30	247.71
	<u>368.28</u>	<u>319.11</u>
<b>Cash &amp; Bank Balances</b>		
Cash on hand	0.38	0.73
Cheques on hand (Previous Year Rs.18,232/-)	0.01	
Funds in Transit	0.04	0.00
<b>Bank Balances</b>		
With Scheduled Banks		
In Current Accounts (including Rs. 0.17 crores in unpaid dividend accounts) (Previous Year Rs.0.13 Crores)	7.39	9.96
In Exchange Earners Foreign Currency A/c	0.44	1.15
In Cash Credit Account	0.33	0.95
In Saving Accounts(Rs. 38,507/-) (Previous year Rs.37,225/-)		
In Fixed Deposit Accounts (Rs. 0.07 Crores lodged with Court for ESI case(Previous year Rs. 0.06 Crores))	1.00	0.08
	<u>9.16</u>	<u>12.14</u>
	<u>9.59</u>	<u>12.87</u>
<b>Other Current Assets</b>		
Interest accrued (Previous Year Rs.3,699/-)	0.01	
Other receivables	38.67	38.32
	<u>38.68</u>	<u>38.32</u>

	(Rs. in crores)	
	As at 31.03.2006	As at 31.03.2005
<b>LOANS &amp; ADVANCES (Unsecured, considered good unless stated Otherwise)</b>		
<b>Loans &amp; Advances</b>		
Advances Receivable in Cash or kind or for the value to be received	726.63	538.72
Balances with Custom,Excise etc.	0.06	0.05
Mat Credit Entitlement Receivable	11.40	0.00
Other Loans	28.28	28.59
	<u>766.37</u>	<u>567.36</u>
Loans and Advances to Subsidiary Companies	259.94	149.01
Advance tax paid	15.13	3.81
	<u>1041.44</u>	<u>720.18</u>
	<u>1937.25</u>	<u>1601.63</u>

**SCHEDULE '8': CURRENT LIABILITIES & PROVISIONS**

<b>CURRENT LIABILITIES</b>		
Acceptances	0.74	8.63
Sundry Creditors		
- Due to SSI Units	3.33	3.33
- Others	167.52	160.52
Other Liabilities	67.97	62.89
Interest accrued but not due on loans	2.70	1.80
Investor Education and Protection Fund shall be credited by the following amount namely : @		
- Unpaid dividend	0.17	0.13
- Unpaid Matured Deposits	0.02	0.21
- Unpaid Matured Debentures	0.41	0.48
- Warrants issued but not encashed		
- Interest on Deposits	0.07	0.29
- Interest on Debentures	0.38	0.48
	<u>1.05</u>	<u>1.59</u>
	<u>243.31</u>	<u>238.76</u>
<b>Provisions</b>		
Proposed Dividend	20.94	19.54
Tax on Dividend	2.94	2.74
Pension	0.65	0.68
Gratuity	2.88	3.66
Leave Encashment	4.33	3.80
Taxation	13.35	1.95
	<u>45.09</u>	<u>32.37</u>
	<u>288.40</u>	<u>271.13</u>

@ No amount is due as on 31st March 2006 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)	
	2005-2006	2004-2005
<b>SCHEDULE '9': SALES AND OPERATING INCOME</b>		
Sales	<b>1619.70</b>	1693.13
Less : Excise Duty	<b>31.39</b>	38.84
	<b>1588.31</b>	1654.29
Processing Income (Income Tax deducted Rs. 0.11 crore) (Previous year Rs.25,069/-).	<b>3.69</b>	0.62
	<b>1592.00</b>	1654.91

### SCHEDULE '10': OTHER INCOME

Income from investments (Gross)		
From Trade Investments	<b>0.22</b>	0.00
From Other Investments	<b>0.02</b>	0.00
Other Income	<b>10.53</b>	5.30
Rent	<b>0.09</b>	0.10
(Income Tax deducted Rs. 0.02 Crores.) (Previous year Rs. 0.02 Crores)		
Excess/(Short) Provision No Longer required (Net)	<b>1.12</b>	(0.03)
Profit/(Loss) on sale of Fixed Assets (Net)	<b>10.54</b>	(0.38)
	<b>22.52</b>	4.99

### SCHEDULE '11': EMPLOYEES' EMOLUMENTS

Salaries,Wages,Bonus and Gratuity	<b>112.54</b>	101.83
Contribution to Provident Fund and Other Funds	<b>17.71</b>	15.53
Welfare expenses	<b>2.41</b>	3.18
	<b>132.66</b>	120.54
Directors' Remuneration	<b>1.75</b>	1.60
Directors' Commission (Note No. 2 )	<b>1.33</b>	0.95
	<b>3.08</b>	2.55
	<b>135.74</b>	123.09

### SCHEDULE '12': OTHERS

Power & Fuel	<b>143.57</b>	178.85
Stores consumed	<b>171.09</b>	145.44
Processing charges	<b>63.58</b>	62.63
Repairs		
Building repairs	<b>2.11</b>	1.46
Machinery repairs	<b>38.15</b>	38.17
Other repairs	<b>5.26</b>	5.12
	<b>45.52</b>	44.75

### SCHEDULE '12': OTHERS (Contd...)

	(Rs. in crores)	
	2005-2006	2004-2005
Printing,Stationery and Communication	<b>4.05</b>	4.53
Insurance premium	<b>7.37</b>	7.36
Rates & Taxes	<b>3.57</b>	3.35
Excise duty	<b>5.10</b>	(5.14)
Rent	<b>7.47</b>	4.36
Commission,Brokerage and Discount	<b>12.08</b>	11.37
Advertisement expenses	<b>2.38</b>	2.66
Freight,Insurance and Clearing Charges	<b>17.05</b>	18.81
Diminution in value of Investments(Net)	<b>0.00</b>	13.00
Provision for doubtful debt	<b>0.00</b>	0.53
Bad Debts Written Off	<b>0.18</b>	0.45
Fixed Assets Written off	<b>0.02</b>	1.18
Directors' Sitting Fees	<b>0.03</b>	0.03
Other expenses	<b>51.08</b>	48.76
	<b>534.14</b>	542.92

### SCHEDULE '13': INTEREST AND FINANCE COSTS (NET)

Interest		
On loans for a fixed period	<b>65.30</b>	57.40
Others	<b>27.19</b>	19.90
	<b>92.49</b>	77.30
Less : Interest Income		
Interest from others (Gross) (Income tax deducted Rs. 0.15 Crores.) (Previous year Rs. 0.07 Crores)	<b>3.61</b>	1.68
Net Interest Expenses	<b>88.88</b>	75.62
Other Finance Cost	<b>41.10</b>	40.38
Exchange Rate Loss / (Gain)	<b>8.66</b>	(7.59)
	<b>138.64</b>	108.41

### SCHEDULE '14': (INCREASE)/DECREASE IN STOCK

Finished goods,Work-in-progress and Waste		
Closing Stocks	<b>185.20</b>	192.57
Opening Stocks	<b>192.57</b>	179.81
Add : Transfer from CWIP on Commissining of Project	<b>2.45</b>	0.00
	<b>195.02</b>	179.81
(Increase)/Decrease in Stock	<b>9.82</b>	(12.76)

## Schedules forming part of the Accounts

### SCHEDULE 15 : NOTES FORMING PART OF ACCOUNTS:

#### 1: SIGNIFICANT ACCOUNTING POLICIES

##### (A) ACCOUNTING CONVENTION

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

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

##### (B) INFLATION

Assets and liabilities are recorded at historical cost to the company. These costs are not adjusted to reflect the changing value in the purchasing power of money.

##### (C) 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 in the year of exports.

##### (D) VALUATION OF INVENTORY

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

##### (E) FIXED ASSETS & DEPRECIATION

- E.1) The Fixed Assets of the company are revalued as on 1st April 2000. Consequently the block is stated at the revalued cost.
- E.2) Depreciation on Revalued Fixed Assets is calculated on the residual life of the assets or as per rates specified in the Schedule XIV to the Companies Act, 1956 whichever is higher.
- E.3) Additions to fixed assets after 1st April 2000 have been stated at cost net of modvat/cenvat.
- E.4) Directly identifiable preoperative expenses of new projects of capital nature under implementation are carried forward under capital work-in-progress, pending capitalisation.
- E.5) Depreciation on 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.

##### (F) 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.

##### (G) FOREIGN CURRENCY TRANSACTIONS

- G.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.
- G.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.
- G.3) Expenses of overseas offices are translated and accounted at the monthly average rate.
- G.4) The derivative instruments for hedging risk arising out of movement in the foreign currency vis-a-vis Indian rupees, interest rates and prices of Cotton are measured based on available market data with respect to spot price of underlying instrument, time duration of the derivative instrument, volatility, interest rates etc and accepted pricing methods / models.
- The company does not measure and recognise open/unsettled derivative instrument while preparing financial statements. The company recognizes the income or expenses arising out of derivative instrument on realization basis only on the maturity/settlement/ cancellation of the derivative contract.

##### (H) RETIREMENT BENEFITS

- H.1) 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.
- H.2) In respect of Provident Fund and the Superannuation Fund, the contribution is paid regularly to the trusts/Government and is charged to revenue.
- H.3) The liability for the Company's pension scheme and Leave Encashment is provided as per the actuarial valuations without funding.

##### (I) BORROWING COST

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

## Schedules forming part of the Accounts

### (J) LEASE RENTAL

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

### (K) 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.

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

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.

### (L) CONTINGENT LIABILITIES

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

### (M) CAPITAL ISSUE EXPENSES

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

## 2. MANAGERIAL REMUNERATION :

### A. DIRECTORS' REMUNERATION

Rs. in crore

Particulars	2005-06	2004-05
Managing/Whole-time Directors		
(i) Salaries	0.57	0.53
(ii) Contribution to :		
Provident Fund	0.07	0.06
Superannuation Fund	0.09	0.08
Provision for Gratuity	0.06	0.05
(iii) Perquisites	0.94	0.86
(iv) Medical Expenses	0.02	0.02
(v) Commission	1.17	0.79
<b>Total</b>	<b>2.92</b>	<b>2.39</b>
(vi) Estimated monetary value of perquisites on account of equipments	0.01	0.01
<b>Total</b>	<b>2.93</b>	<b>2.40</b>
(i) Commission to Non Whole-time Directors	0.16	0.16
<b>TOTAL</b>	<b>3.09</b>	<b>2.56</b>

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

(Rs. In crores)

Particulars	2005-06
Profit before Taxes as per Profit & Loss Account	136.38
Add : Managerial Remuneration	3.08
Directors' Sitting Fees	0.03
	139.49
Less: Surplus on disposal of fixed assets per section 349	13.10
<b>Net Profit</b>	<b>126.39</b>

### Commission to

- Managing Director at 1% maximum Rs. 1.26 crores, restricted upto Rs.0.54 crores.
  - Whole Time Director at 0.5% maximum Rs.0.63 crores, restricted upto Rs.0.63 crores.
  - Non Whole Time Directors at 1% maximum Rs.1.26 crores, restricted upto Rs.0.16 crores.
- ### 3. CONTINGENT LIABILITIES
- Bills discounted Rs. 73.25 crore (Rs. 79.58 crore).
  - Claims against the Company not acknowledged as Debt Rs.14.78 crore ( Rs.13.07 crore).
  - Guarantees given by the Banks on behalf of the Company Rs.22.63 crore (Rs.20.33 crore).
  - Guarantees given by the Company on behalf of the subsidiary companies Rs.48.00 crore (Rs. NIL).
  - Excise demands and Sales Tax demands in dispute Rs.8.80 crore (Rs. 8.16 crore) and Rs.14.00 crore (Rs. 0.91 crore) respectively.
  - Dividend on Redeemable Cumulative Non Convertible Preference Shares Rs. 0.74 crore (Rs. 0.74 crore).
  - Liability for Recompense Payment Rs. 57.94 crore (Rs. 50.27 crore). The payment and the rate at which Recompense Payment is payable is contingent on the repayment of the Total Outstanding to the Restructured Lenders in terms of the Scheme of Restructuring approved by the High Court of Gujarat.
- The estimated amount of contracts remaining to be executed on capital account and not provided for Rs.5.13 crore (Rs.38.49 crore).

### 5. Preference Shares:

- (A) Preference Shares issued in accordance with the Restructuring Scheme of the Company :

Class of Preference Shares (redeemable cumulative non-convertible)	Redemption period	Quarterly Instalments (% of Principal)
66,00,000 - 6%	30.06.2004 to 31.03.2005	5%
Preference shares of Rs.100/- each.	30.06.2005 to 31.03.2006	10%
	30.06.2006 to 31.03.2007	15%
(Previous year	30.06.2007 to 31.03.2008	20%
69,50,000 - 6%	30.06.2008 to 31.03.2009	20%
Preference shares of Rs.100/- each)	30.06.2009 to 31.03.2010	30%

Notes :

- 10% of Principal amount was redeemed and paid during the year.
- 3,50,000 Preference shares were redeemed fully during the year.

## Schedules forming part of the Accounts

### 6. SECURED LOANS

#### (A) DEBENTURES

A.1) The break up of the Debentures and relevant details thereof are as under :

(Rs. in crore)

Ser- No. of Debentures ies	Rate of Interest	Total amount of Issue	Balance as on 31.3.2006	Balance as on 31.3.2005
<b>I Secured Optionally Partly Convertible Debentures</b>				
Nil Secured Redeemable Non-Convertible Debentures of Rs.400/- each part-B (Previous year 385 NCD) (Redeemed during the year)	13%	6.96	0.00	(Rs. 25665/-)
<b>II Secured Redeemable Non-Convertible Debentures</b>				
IIB Nil Non-Convertible Debentures of Rs.1,00,000/- each (Previous year 200 NCD) (Redeemed during the year)	12.50%	2.00	0.00	0.52
IIC Nil Non-Convertible Debentures Of Rs.1,00,000/- each (Previous year 500 NCD) (Redeemed during the year)	11.70%	5.00	0.00	1.30
Funded Interest (Payable on 31st March, 2010)			1.17	1.17
<b>Total</b>			<b>1.17</b>	<b>2.99</b>

#### A.2) SECURITY :

##### Funded Interest

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

#### (B) LOANS FROM BANKS, FINANCIAL INSTITUTIONS AND OTHERS

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

##### Out of Term Loans of Rs.842.94 Crore

A. Loans amounting to Rs.624.09 Crore are secured by first charge on all the Immovable Properties, Movable Properties, Intangible Properties and General Assets of the Company presently relating to the Textile Plants and all Immovable Properties, Movable Properties, Intangible Properties and General Assets acquired by the Company at any time after execution of and during the continuance of the Indenture of Mortgage and are also secured by second charge on all the Company's Current Assets both present and future relating to the Textile Plants.

B. Loan of Rs.100.00 Crore are secured by exclusive charge on the Fixed Assets and Brands of Arvind Brands Limited. (A Subsidiary of the Company)

C. Loan of Rs.40.00 Crore are secured by Freehold Non-Agriculture Land situated at Khatraj, Plant and Machineries of Garments division at Bangalore and Current Assets of the Company.

D. Loans of Rs.0.70 Crore are secured by hypothecation of related vehicles.

E. Facilities of Rs.78.15 Crore are secured by a first mortgage and charge on all the movable properties acquired by the company from Anagram Finance Ltd. The said facilities are also secured by first pari passu pledge by Asman Investments Ltd. (A Subsidiary of the Company) of 35% shareholding in Arvind Products Ltd. and by a first pari passu pledge of 0.22% shareholding in AML by its promoters.

##### Cash Credit and other facilities of Rs. 608.94 Crore

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 over 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.235.33 Crore.

A. Loans amounting to Rs.188.88 Crore are secured by first charge on all the Immovable Properties, Movable Properties, Intangible Properties and General Assets of the Company presently relating to the Textile Plants and all Immovable Properties, Movable Properties, Intangible Properties and General Assets acquired by the Company at any time after execution of and during the continuance of the Indenture of Mortgage and are also secured by second charge on all the Company's Current Assets both present and future relating to the Textile Plants.

B. Facilities of Rs.1.84 Crore are secured by a first mortgage and charge on all the movable properties acquired by the company from Anagram Finance Ltd. The said facilities are also secured by first pari passu pledge by Asman Investments Ltd. (A Subsidiary of the Company) of 35% shareholding in Arvind Products Ltd. and by a first pari passu pledge of 0.22% shareholding in AML by its promoters.

C. Loan of Rs.44.61 Crore are secured by a mortgage of some of the immovable properties of the Company. The said loan is also secured by first pari passu pledge by immovable property of LRFPL at Delhi, and by way of pledge of 60 lacs equity shares of AML held by AML Employees Welfare Trust.

#### (C) SECURITY:

"Textile Plants" means all immovable properties, and all moveable properties of the Company, including moveable machinery, machinery spares, tools and accessories, but excluding

## Schedules forming part of the Accounts

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
- Other Liabilities include Rs.0.41 crore (Rs. 4.39 crore) on account of book overdraft.
  - During the year, the Company has capitalised the borrowing cost of Rs.5.37 crore.
  - There is an unrealised gain of Rs.1.14 crore (Rs. 3.97 crore ) 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.
  - Category-wise Quantitative data about derivative instruments that are outstanding as at 31st March,2006.

	Currency	In Mn	Avg. Ex. Rate	Rs. In Crs.
Forward Sales	USD	66.00	45.1452	297.96
	USD	8.71	44.8869	39.10
<b>Total - USD</b>		<b>74.71</b>	<b>45.1150</b>	<b>337.06</b>
Forward Purchase	EUR	1.20	54.4110	6.53
	EUR	1.20	54.4110	6.53
<b>Total - EUR</b>		<b>1.20</b>	<b>54.4110</b>	<b>6.53</b>
Options Deals	USD	8.00	45.2809	36.22
	USD	8.00	45.2809	36.22
<b>Total</b>		<b>8.00</b>	<b>45.2809</b>	<b>36.22</b>
<b>Options Deals</b>	<b>USD</b>	<b>18.00</b>	<b>44.9611</b>	<b>80.93</b>

The company has borrowed long term as well as short term Loans in Foreign currency but as the company is net foreign currency surplus company, there is no unhedged exposure in foreign currency.

- Current Assets includes Rs.290.23 crore (Rs.176.09 crore) due from subsidiary companies. Current Liabilities includes Rs.74.60 crore (Rs.50.16 crore) due to subsidiary companies.
- Disclosures in respect of Joint Venture
  - List of Joint Venture

Sr. No	Name of Joint Venture	Description of Interest (Description of job)	Proportion of ownership interest	Country of	
				Incor-poration	Resi-dence
1	Arya Omnitalk Wireless Solutions Limited	Jointly Controlled Entity	50%	India	India

- 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 2006		For the year	
1	Arya Omnitalk Wireless Solutions Limited	5.74 (4.30)	4.56 (3.21)	7.31 (3.86)	6.98 (3.74)

Company's share in :

(a) Contingent Liability in respect of guarantee given by Bank Rs. 0.04 crore (0.01 crore)

(b) Capital commitments Rs.0.01 crore (0.01 crore).

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

- (A) Future rental obligations in respect of Plant & Machinery taken on lease (Net of Prepayments) are Rs. 52.16 crore. (Rs. 219.65 crore). Lease rentals payable within one year Rs. 4.69 crore. (Rs.38.48 crore).
- (B) Factory Building is taken on lease period of 20 years with the no option of renewal, no sub lease of the building and having an escalation clause for increase in lease rental by 15% after every 3 years.

The particulars of these leases are as follows:

(Rs. In crores)

### 2005-06

#### Future Minimum lease payments

Obligation on non-cancellable operating leases :	38.19
Not later than one year	1.29
Later than one year and not later than Five years	7.54
Later than five years	29.36
Lease Payment recognised in Profit & Loss Account	0.31

- (C) 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)

	2005-06	2004-05
<b>Future Minimum lease payments</b>		
<b>Obligation on non-cancellable operating leases :</b>	<b>37.93</b>	6.24
Not later than one year	<b>5.23</b>	2.20
Later than one year and not later than Five years	<b>32.70</b>	4.04
Later than five years	<b>Nil</b>	Nil
Lease Payment recognised in Profit & Loss Account	<b>4.11</b>	1.43

## Schedules forming part of the Accounts

(D) 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)

	2005-06	2004-05
<b>Future Minimum lease payments under non-cancellable operating lease</b>	<b>0.35</b>	0.44
Not later than one year	<b>0.09</b>	0.09
Later than one year and not later than Five years	<b>0.26</b>	0.35
Later than five years	<b>Nil</b>	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,2006 are as under:

Arvind Rub Web Controls Ltd., B.Trikamlal & Co., Climax Marketing Pvt.Ltd., Chamunda Fabrication, Chihpco Bonding System (India) Pvt.Ltd., G.K.Industries, Geekay Corporation, Gemini Polyplast Industries, Gujarat Rubber Industries, Sun Industries, Vaishali Corporation, Jupiter Engineering Works, Dhal Enterprise & Engineers Pvt. Ltd., Khodiar Vijay Industries, Fairtech Engineering Company, Kevin Technology Pvt. Ltd., Selectronics (Gujarat) Pvt. Ltd., Snow White Hitech Launderette, Pascal Hydrolics, Resil Chemicals Pvt. Ltd., Premier Synthetics Ltd., Screentech, Refoil Earth Pvt. Ltd., Stickwell Print Pvt. Ltd., Ambition, Mangal Murti Knit Fab Pvt. Ltd, Agarwal Precision Components Pvt. Ltd, Southern Cooling Towers Pvt. Ltd, Samarth Air Tech (P) Ltd, Zytex Corporation, Starflex Sealing India Pvt. Ltd, Aksharchem (India) Ltd, Shri Mahavir Engineering Works, Viva Clothing Pvt. Ltd, Solid Wheels Industries, Global Airtech Systems, Karunesh Industries, Tube Weld (India) Ltd, Cam Mfg. Co, Meghmani Dyes & Intermediates Ltd, Ravika Creations Pvt.Ltd, Filter Concept Inc, Anjali Engineering Corporation, Screen Art, Mangal Textile Mills (I) Pvt.Ltd, Multizip Pvt.Ltd, Navdeep Health & Beauty Care, Akash Apparels, Geeyes Clothing Pvt.Ltd, Mass Marketing Corporation, Shubham Packaging Industries, Yamuna Machine Works Pvt.Ltd. SKP Transformers, Rachana Fabrics Pvt.Ltd, Gurukrupa Textiles, Active Engineers, Almac, Shabhu Textile Mills Pvt.Ltd, IMI Norgren Herion Pvt.Ltd, Associated Chemicals, Badruddin Alibhai Contractor, Janshakti Industries, Vishwakala Printers, JS Apparels, Harshid Industries, Induro, Yenkey Instruments & Controls Pvt.Ltd, Sri Venkateshwara Garments, Darshan Inc, Divinitee Genesis Apparels Pvt.Ltd, S K Associates, Yogeeram Clothing Co, Shree Sai International, URL Software Pvt.Ltd.

### 15. AUDITORS' REMUNERATION :

(Rs. In crore)

	2005-2006	2004-2005
<b>Statutory Auditors</b>		
- As Auditors	<b>0.32</b>	0.32
- In Other Capacity		
Tax Audit Matters	<b>0.08</b>	0.06
Taxation Matters	<b>0.05</b>	0.05
Company Law Matters	<b>0.07</b>	0.08
Other Services including Certification Work	<b>0.16</b>	0.11
- Out of Pocket Expenses	<b>0.02</b>	0.02
<b>Cost Auditor</b>		
- Cost Audit Fees	<b>0.01</b>	0.01

### 16. SEGMENT REPORTING :

#### Segment Information

Information about Business Segments (information provided in respect of revenue items for the year ended 31.03.2006 and in respect of assets/liabilities as at 31.03.06).

#### Primary Segment (Business Segment)

(Rs. In crores)

2005-06	Textiles	Others	Unallocable	Total
<b>Revenue</b>				
External sales	<b>1578.38</b>	<b>9.93</b>	<b>0.00</b>	<b>1588.31</b>
Add : Inter Segment Sales	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>
<b>Total Sales</b>	<b>1578.38</b>	<b>9.94</b>	<b>0.00</b>	<b>1588.32</b>
Less : Inter Segment Revenue	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>
<b>Total Sales</b>	<b>1578.38</b>	<b>9.93</b>	<b>0.00</b>	<b>1588.31</b>
<b>Results</b>				
Segment Results before Interest & Finance Cost	<b>272.65</b>	<b>(2.25)</b>	<b>4.62</b>	<b>275.02</b>
Interest & Finance Cost				<b>138.64</b>
Profit from Ordinary Activities				<b>136.38</b>
Extra ordinary Items				<b>0.00</b>
Net Profit				<b>136.38</b>
<b>Other Information</b>				
Segment Assets	<b>2802.22</b>	<b>16.25</b>	<b>856.07</b>	<b>3674.54</b>
Segment Liabilities	<b>250.26</b>	<b>3.80</b>	<b>23.28</b>	<b>277.34</b>
Segment Depreciation	<b>146.90</b>	<b>1.68</b>	<b>6.52</b>	<b>155.10</b>
Capital Expenditure	<b>99.11</b>	<b>0.06</b>	<b>6.44</b>	<b>105.61</b>
Non cash expenses other than Depreciation	<b>0.18</b>	<b>0.02</b>	<b>0.01</b>	<b>0.21</b>

#### Primary Segment (Business Segment)

(Rs. In crores)

2004-05	Textiles	Others	Unallocable	Total
<b>Revenue</b>				
External sales	1644.49	9.80	0.00	1654.29
Add : Inter Segment Sales	0.00	0.06	0.00	0.06
<b>Total Sales</b>	1644.49	9.86	0.00	1654.35
Less : Inter Segment Revenue	0.00	0.06	0.00	0.06
<b>Total Sales</b>	1644.49	9.80	0.00	1654.29
<b>Results</b>				
Segment Results before Interest & Finance Cost	264.94	(1.78)	(25.45)	237.71
Interest & Finance Cost				108.41
Profit from Ordinary Activities				129.30
Extra ordinary Items				0.00
Net Profit				129.30
<b>Other Information</b>				
Segment Assets	2676.56	19.15	543.70	3239.41
Segment Liabilities	220.20	5.10	50.38	275.68
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

## Schedules forming part of the Accounts

### Secondary Segment (Geographical by customers)

	(Rs. In Crores)	
	2005-2006	2004-2005
Segment revenue		
In India	778.64	762.22
Outside India	809.67	892.07
	<b>1588.31</b>	1654.29

#### 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 :

- List of Related Parties & Relationship :

#### A. Subsidiary Companies

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

\* Became Subsidiaries during the year.

#### 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
- Arvind Murjani Brands Private 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	
	05-06	04-05	05-06	04-05	05-06	04-05
<b>Purchases</b>						
<b>Purchases</b>						
Goods and Materials	43.48	71.92			0.00	0.12
Fixed Assets	0.43	1.25				
<b>Sales</b>						
Goods and Materials	89.20	173.69				
Fixed Assets	4.20	1.62				
<b>Expenses</b>						
Receiving of Services	48.45	44.11			3.04	5.42
Remuneration & Other Services			2.92	2.39		
Agent Commission	0.39	1.64				
Others	1.36	0.56				
<b>Income</b>						
Rendering of Services	33.85	26.93			1.08	1.53
<b>Finance</b>						
Lease Rent Income	0.10	1.32				
Loan Given/ (Repaid) (Net)	110.97	(10.81)				
Lease Rent Expenses	0.67	0.70				
<b>Guarantees &amp; Collaterals</b>	48.00	0.00				
<b>Investments</b>	195.09	3.29			0.00	0.98
<b>Business Purchase</b>						
Consideration	0.00	62.12				
<b>Outstanding :</b>						
Receivable in respect of Current Assets	290.23	176.09			3.48	2.19
Receivable in respect of loans	259.94	134.46				
Payable in respect of Current Liabilities	74.60	50.16				

Name of Subsidiary	Loans & Advances in the nature of Loans	
	Closing Balance	Maximum Outstanding
Arvind Overseas (Mauritius) Ltd.	10.83	10.88
Arvind Products Ltd.	85.02	85.89
Asman Investments Ltd.	123.35	123.71
Arvind Worldwide (M) Inc.	6.69	6.69
Arvind Brands Limited	115.83	115.83
Arvind Fashions Limited	7.03	7.33
Arvind Spinning Limited	1.32	1.54
<b>TOTAL</b>	<b>350.07</b>	<b>351.87</b>

#### 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.

## Schedules forming part of the Accounts

### 18. Earning Per Share (EPS) :

	2005-06	2004-05
Profit available to Equity shareholders	Rs. In Crore <b>122.83</b>	122.73
Weighted average no. of Equity Shares for Basic EPS	Nos. <b>205323646</b>	195378441
Nominal value of Equity Shares	Rs. <b>10</b>	10
Basic Earning per Equity Shares	Rs. <b>5.98</b>	6.28
Diluted Earning per Equity Shares	Rs. <b>5.98</b>	6.28

(Rs. Crores)

	2005-06	2004-05
(A) Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share		
Profit for the year	<b>127.16</b>	127.35
Less: Dividend on redeemable cumulative non Convertible Preference Shares	<b>3.80</b>	4.09
Less : Tax on Preference Dividend	<b>0.53</b>	0.53
Profit due to Equity Shareholder	<b>122.83</b>	122.73

	2005-06	2004-05
(B) Weighted average number of Equity Shares for	<b>205323646</b>	195378441

### 19. Deferred Tax

In accordance with mandatory Accounting Standard - 22 issued by ICAI on "Accounting for Taxes on Income", the company is accounting for deferred tax.

Break up of deferred tax liability as on 31st March,

Description	2006
(A) <b>Deferred Tax Liability</b>	
Depreciation	137.39
Others	23.95
<b>Total (A)</b>	<b>161.34</b>
(B) <b>Deferred Tax Assets</b>	
Item covered under Sec. 43 B	30.72
Unabsorbed Depreciation and Business Losses	82.45
Other Provisions	35.35
<b>Total (B)</b>	<b>148.52</b>
Net (Assets) / Liability	12.82

### 20. Breakup of sales (Net of Excise) :

Class of Goods	Unit of Quantity	2005-06		2004-05	
		Quantity In crore	Amount In crore	Quantity In crore	Amount In crore
<b>A) Textile :</b>					
Cloth	Meters	<b>12.05</b>	<b>1252.07</b>	12.01	1313.87
Grey	Meters	<b>0.07</b>	<b>4.29</b>	0.02	1.25
Grey	Kgs	<b>0.01</b>	<b>0.57</b>	(17751)	0.34
Knit Fabric	Kgs	<b>0.13</b>	<b>32.98</b>	0.13	31.17
Yarn	Kgs	<b>0.38</b>	<b>42.79</b>	0.41	49.91
Others		-	-	-	-
			<b>1332.70</b>		1396.54
<b>B) Electronics :</b>					
EPABX / RAX	Lines	<b>0.01</b>	<b>4.26</b>	0.01	4.06
Trunk Radio	Nos.	<b>(4)</b>	<b>(29697)</b>	(348)	0.73
Delta	Lines	<b>(9524)</b>	<b>1.82</b>	(7204)	1.13
FCBC/PBT-Others			<b>3.83</b>		3.83
			<b>9.91</b>		9.75
<b>C) Garments :</b>					
Garments	Nos.	<b>0.64</b>	<b>180.50</b>	0.61	183.93
<b>D) Utility</b>					
Utility			<b>24.79</b>		24.81
<b>E) I T Services</b>					
I T Services			<b>0.02</b>		0.05
<b>F) Misc Sales</b>					
Misc Sales			<b>40.39</b>		39.21
<b>Total Sales</b>			<b>1588.31</b>		1654.29

### 21 Break up of Raw Materials Consumed :

Item	Unit of Quantity	2005-06		2004-05	
		Quantity In crore	Amount In crore	Quantity In crore	Amount In crore
Cotton	Kgs	<b>7.60</b>	<b>312.80</b>	7.58	393.69
Yarn/Fibre	Kgs	<b>1.06</b>	<b>156.08</b>	1.05	181.92
Grey Cloth	Meters	<b>0.10</b>	<b>10.64</b>	0.15	14.09
Others			<b>20.73</b>		22.54
			<b>500.25</b>		612.24

### 22 Breakup of Purchases of Finished Goods :

Item	Unit of Quantity	2005-06		2004-05	
		Quantity In crore	Amount In crore	Quantity In crore	Amount In crore
<b>Textiles :</b>					
Cloth	Meters	<b>0.05</b>	<b>3.36</b>	(46061)	0.40
			<b>3.36</b>		0.40
<b>Electronics :</b>					
Delta	Lines	<b>(9500)</b>	<b>0.94</b>	(6880)	0.57
Trunk Radio	Nos.	<b>(4)</b>	<b>(22899)</b>	(348)	0.58
FCBC/PBT-Others			<b>0.00</b>		0.42
			<b>0.94</b>		1.57
<b>Garments :</b>					
Garments	Nos.	<b>(6158)</b>	<b>0.15</b>	0.02	5.66
<b>Total</b>			<b>4.45</b>		7.63

## Schedules forming part of the Accounts

### 23 Breakup of Finished Goods Stock :

Item	Unit of Quantity	2005-06		2004-05	
		Quantity In crore	Amount Rs. In crore	Quantity In crore	Amount Rs. In crore
<b>Opening Stocks :</b>					
<b>Textiles</b>					
Cloth	Metres	0.95	91.35	1.03	97.09
Knits Fabric	Kgs	0.01	2.32	0.01	2.82
Yarn	Kgs	0.05	4.49	0.03	4.84
			<b>98.16</b>		<b>104.75</b>
<b>Electronics :</b>					
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
			<b>0.50</b>		<b>0.68</b>
<b>Garments:</b>					
Garments	Nos.	0.03	4.88	0.03	4.07
			<b>103.54</b>		<b>109.50</b>
Transfer From CWIP on Commissioning of Project					
<b>Garments</b>					
Garments	Nos.	(22944)	0.65		0.00
<b>Total</b>			<b>104.19</b>		<b>109.50</b>

### 24 Breakup of Finished Goods Stock :

Item	Unit of Quantity	2005-06		2004-05	
		Quantity In crore	Amount Rs. In crore	Quantity In crore	Amount Rs. In crore
<b>Closing Stocks :</b>					
<b>Textiles:</b>					
Cloth	Metres	0.54	56.18	0.95	91.35
Knit Fabrics	Kgs	0.02	5.28	0.01	2.32
Yarn	Kgs	0.04	3.82	0.05	4.49
			<b>65.28</b>		<b>98.16</b>
<b>Electronics :</b>					
FCBC/PBT	Nos.	(149)	0.01	(635)	0.22
EPABX/ RAX	Lines	(273)	0.01	(2833)	0.13
Delta	Lines	(612)	0.06	(636)	0.08
Others			0.01		0.07
			<b>0.09</b>		<b>0.50</b>
<b>Garments :</b>					
Garments	Nos.	0.02	5.82	0.03	4.88
<b>Total</b>			<b>71.19</b>		<b>103.54</b>

### 25 Actual Production

Class of Goods	Unit of Quantity In crore	2005-06 Quantity In crore	2004-05 Quantity In crore
Cloth *	Metres	11.59	11.93
Cloth **	Kgs	0.14	0.13
Yarn ***	Kgs	0.34	0.34
EPABX	Lines	0.01	0.01
Garments ****	Nos.	0.63	0.58
Yarn @	Kgs	0.02	0.09
Grey @	Meters	0.07	0.02
Grey @	Kgs	0.01	(17751)

\* Net of internal consumption of 0.48 crore (0.34 crore) metres

\*\* Net of internal consumption of 0.12 crore (0.06 crore) kgs

\*\*\* Net of internal consumption of 1.67 crore (1.06 crore) of kgs.

\*\*\*\*Converted on job work basis by outsiders and Net of internal consumption of (944) Nos

@ 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.

### 26 Licensed capacity & installed capacity

(As per management certificate)

Particulars	Licensed Capacity		Installed Capacity	
	2005-06	2004-05	2005-06	2004-05
Spindles	222068	222608	106776	107040
Rotors	2784	2784	7824	7824
Stitching Machines	-	-	574	485
Knitting Machines	-	-	105	63
Looms	3878	3878	1042	987
EPABX/RAX System Lines	NA	NA	200000	200000
Garments (Pcs.)	3000000	5000000	1920000	2000000

**27 C.I.F value of Imports**

(Rs. In crore)

	2005-06	2004-05
Capital Goods	40.51	72.78
Dyes & Chemicals, Stores and Spares Parts	57.26	48.95
Raw Materials	59.43	81.45

**28 Expenditure in Foreign Currency**

(Rs in crore)

	2005-06	2004-05
(a) Interest	35.13	12.97
(b) Commission	5.28	6.59
(c) Professional Consultation Fees	4.08	2.79
(d) Other Matters	15.35	9.59
<b>Total</b>	59.84	31.94

**29 Consumption of Imported Raw Materials and Spares**

(Rs. In crore)

	2005-06		2004-05	
	Raw materials	Spares	Raw materials	Spares
Imported	50.95	12.32	73.17	13.19
	10.19%	32.30%	11.95%	34.56%
Indigenous	449.30	25.83	539.07	24.98
	89.81%	67.70%	88.05%	65.44%
<b>Total</b>	500.25	38.15	612.24	38.17
	100%	100%	100%	100%

**30 Remittances in foreign Currency on account of dividends**

(Rs. In crore)

	2005-06	2004-05
(a) Year to which the dividend relates	2004-05	2003-04
(b) Number of non- resident shareholders to whom remittances were made	11	Nil
(c) Numbers of shares on which remittances were made	2854	Nil
(d) Amounts remitted	(2854)	Nil

(Rs. In Crore)

	2005-06	2004-05
31 Earning in foreign exchange (Export of goods on FOB basis)	727.43	773.46

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

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

Signatures to Schedules 1 to 15

As per our report attached

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

**CA. N D ANKLESARIA**  
Partner

Mumbai, 27th April, 2006

**ARVIND N. LALBHAI**

Chairman

**SANJAY S. LALBHAI**

Managing Director

**R. V. BHIMANI**

Company Secretary

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

## Balance Sheet Abstract and Company's General Business Profile

<b>1 Registration Details :</b>	
Registration No. ....	93
State Code .....	04
Balance Sheet Date .....	31st March, 2006
<b>2 Capital Raised During the period :</b>	<b>(Rs. in crores)</b>
Public Issue .....	-
Right Issue .....	-
Bonus Issue .....	-
GDR Issue .....	14.00
Warrants and Debenture Converted to Equity .....	-
Warrants .....	-
Private Placement .....	-
Preference Share Capital .....	-
<b>3 Position of Mobilisation and Deployment of Funds :</b>	<b>(Rs. in crores)</b>
Total Liabilities .....	3386.14
Total Assets .....	3386.14
<b>Sources of Funds :</b>	
Paid up Capital	
- Equity .....	209.38
- Preference .....	56.10
Reserves & Surplus .....	1266.47
Secured Loans .....	1688.38
Unsecured Loans .....	152.99
Deferred Tax Liability .....	12.82
<b>Application of Funds :</b>	
Net Fixed Assets .....	1389.19
Investments .....	348.10
Net Current Assets .....	1648.85
<b>4 Performance of Company :</b>	<b>(Rs. in crores)</b>
Turnover .....	1588.31
Total Expenditure .....	1478.14
Profit before tax .....	136.38
Profit after tax .....	127.16
Earning per Share - Basic (Rs.) .....	5.98
Earning per Share -Diluted (Rs.) .....	5.98
Dividend Rate .....	10%
<b>5 Generic Names of Principal Products, Services of the Company :</b>	
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, 2006

## Consolidated Auditors' Report

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

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) and Joint Ventures ("Arvind Group") as at 31st March 2006, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year then ended.

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain Subsidiaries and one Joint Venture Entity whose financial statements reflect total Assets of Rs. 530.42 Crores as at 31st March 2006 (before giving effect to the consolidation adjustments) and total Revenue of Rs. 304.51 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 whose financial statements reflect total Assets of Rs. 5.74 Crores as at 31st March 2006 and total Revenue of Rs. 7.31 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' and Accounting Standard (AS) 27, 'Financial Reporting of Interests in Joint Ventures', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Arvind Group included in the consolidated financial statements.

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

- (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Arvind Group as at 31st March, 2006
- (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of the Arvind Group for the year then ended and
- (c) the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Arvind Group for the year then ended.

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

Mumbai  
27th April, 2006

**CA. N D Anklesaria**  
Partner

## Consolidated Balance Sheet as at 31st March, 2006

(Rs. in crores)

	Schedule	As at 31.03.2006	As at 31.03.2005
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	265.48	261.40
Reserves and Surplus	2	1253.79	953.90
		<b>1519.27</b>	1215.30
<b>Minority Interest ( Note No 6 'e' )</b>		<b>73.90</b>	77.31
<b>Loan Funds</b>			
Secured Loans	3	2009.86	1697.67
Unsecured Loans	4	163.73	199.63
		<b>2173.59</b>	1897.30
Deferred Tax Liabilities (Net) ( Note No 18 )		24.90	16.61
<b>Total</b>		<b>3791.66</b>	3206.52
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	3319.42	2602.35
Less: Depreciation		1082.90	845.94
Net Block		2236.52	1756.41
Capital work in progress		87.22	112.44
		<b>2323.74</b>	1868.85
<b>Investments</b>	6	<b>39.66</b>	138.13
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	704.31	605.99
Sundry Debtors		167.25	201.98
Cash and Bank Balances		24.03	20.46
Other Current Assets		59.37	45.71
Loans and Advances		760.36	576.12
		<b>1715.32</b>	1450.26
Less: Current Liabilities and Provisions	8		
Liabilities		237.75	216.68
Provisions		49.31	34.04
		<b>287.06</b>	250.72
<b>Net Current Assets</b>		<b>1428.26</b>	1199.54
<b>Total</b>		<b>3791.66</b>	3206.52
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

**CA. N D ANKLESARIA**  
 Partner

**R. V. BHIMANI**

Company Secretary

Mumbai, April 27, 2006

Consolidated Profit & Loss Account for the year ended on 31st March 2006

	Schedule	2005-06	(Rs. in crores) 2004-05
<b>INCOME :</b>			
Sales and Operating Income	9	2130.39	1936.87
Other Income	10	33.15	6.88
		<b>2163.54</b>	<b>1943.75</b>
<b>EXPENSES :</b>			
Raw Materials Consumed		667.19	733.73
Purchase of Finished goods		67.85	23.99
Employees' Emoluments	11	200.45	156.97
Others	12	751.00	616.74
Interest & Finance Costs (Net)	13	171.77	134.91
Depreciation		200.13	181.49
(Increase)/Decrease in Stocks	14	12.12	(16.35)
		<b>2070.51</b>	<b>1831.48</b>
Profit before Taxes for the year		93.03	112.27
Less : Current Tax		11.56	2.05
Less : Deferred Tax		8.31	(0.05)
Less : Fringe Benefit Tax		2.15	0.00
Add : MAT Credit Entitlement		(11.40)	0.00
Profit after Tax		82.41	110.27
Less : Short Provision of Income Tax of earlier years		0.00	0.02
Less : Prior Period Adjustments		0.00	0.03
		<b>82.41</b>	<b>110.22</b>
Less : Share of Minority Interest (Loss)		(3.41)	(7.16)
		<b>85.82</b>	<b>117.38</b>
Balance as per last year's Balance Sheet		138.63	1.90
Add : Adjustment on account of Consolidation		97.75	41.70
Net Balance		<b>236.38</b>	<b>43.60</b>
Goodwill Written Off		(4.66)	0.00
Interim Dividend on Preference Shares Paid		(3.80)	(4.09)
Tax on Interim Dividend		(0.53)	(0.53)
Proposed Dividend on Equity Shares		(20.94)	(19.54)
Tax on Proposed Dividend		(2.94)	(2.74)
Additional Dividend on Equity Shares		(1.40)	0.00
Tax on Additional Dividend		(0.20)	0.00
Transferred from Investment Allowance (Utilised) Reserve		0.00	0.03
Transferred to Capital redemption Reserve		(9.92)	(3.48)
Transferred from Debenture Redemption Reserve		1.00	8.00
		<b>278.81</b>	<b>138.63</b>
Balance carried to Balance Sheet		<b>278.81</b>	<b>138.63</b>
		<b>278.81</b>	<b>138.63</b>
Earning Per Share ( Note No 17 )			
- Basic & Diluted ( Rs.)		3.57	5.35
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

**CA. N D ANKLESARIA**  
Partner

Mumbai, April 27, 2006

**R. V. BHIMANI**

Company Secretary

## Consolidated Cash Flow Statement for the year ended on 31st March, 2006

	2005-2006	(Rs.in Crores)	2004-2005
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Profit before extraordinary items	93.03		112.27
Adjustments for:			
Depreciation	200.13	181.49	
Interest Income	(4.32)	(2.72)	
Interest & Lease Rent Expenses	167.10	144.47	
Prior Period Expenses/Provision no longer required	(1.15)	(0.03)	
Exchange Rate Difference on Loans	8.14	1.91	
Bad Debts / Advances Written Off	0.52	0.45	
Sundry Debit/(Credit) Written Off	(5.57)	0.24	
Fixed Assets Written Off	0.02	1.19	
Provision for Doubtful debts	3.84	0.53	
Exclusion / Disposal of Subsidiaries	0.00	4.46	
Capital Reverse on Consolidation	(0.04)	(4.05)	
Foreign Currency Translation Reserve	(0.54)	0.16	
Diminution in Value of Investments	0.00	21.01	
(Profit) / Loss on Sale of Fixed Assets	(10.23)	2.30	
<b>Operating Profit before Working Capital Changes</b>	<b>450.93</b>		<b>463.68</b>
Working Capital Changes:			
Changes in Inventories	(5.81)	(128.10)	
Changes in Trade and Other Receivables	(150.83)	(331.96)	
Changes in Current Liabilities	(165.67)	63.07	
<b>Net Changes in Working Capital</b>	<b>(322.31)</b>		<b>(396.99)</b>
<b>Cash Generated From Operations</b>	<b>128.62</b>		<b>66.69</b>
Advance Tax Paid (TDS) (Net of Income Tax Refund)	(11.63)		(1.26)
Fringe Benefit Tax Paid	(2.12)		0.00
<b>Net Cash from Operating Activities</b>	<b>114.87</b>		<b>65.43</b>
<b>B Cash Flow from Investing Activities</b>			
Purchase of Fixed Assets	(110.91)	(161.69)	
Sale of Fixed Assets	33.75	11.82	
Changes in Investments	(124.06)	(7.22)	
Interest Income	4.30	2.73	
<b>Net Cash Flow from Investing Activities</b>	<b>(196.92)</b>		<b>(154.36)</b>
<b>C Cash Flow from Financing Activities</b>			
Unpaid Allotment Money Received	0.00	0.01	
Issue of Equity Shares Capital	14.00	0.00	
Redemption of Preference Share Capital	(9.92)	(3.48)	
Share Premium Received	154.00	0.00	
Share Issue Expenses	(4.63)	0.00	
Unclaimed Dividend	(0.19)	(0.27)	
Interim Dividend on Preference Shares	(3.80)	(4.09)	
Tax on Interim Dividend	(0.53)	(0.53)	
Dividend on Equity Shares	(20.77)	0.00	
Tax on Equity Dividend	(2.94)	0.00	
Change in Borrowings	156.26	269.30	
Interest & Lease Rent Paid	(205.08)	(169.01)	
<b>Net Cash Flow from Financing Activities</b>	<b>76.40</b>		<b>91.93</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>(5.65)</b>		<b>3.00</b>
Cash & Cash Equivalent at the beginning of the Period	20.46		17.49
Adjustment due to Inclusion / (Exclusion) of Subsidiaries	9.19		(0.03)
	<b>29.65</b>		<b>17.46</b>
<b>Cash and Cash Equivalent at the end of the Period</b>	<b>24.00</b>		<b>20.46</b>

Note : (1) Cash and Cash Equivalent excludes deposits with maturity period exceeding three months amounting to Rs. 0.03 Crores.

As per our report attached

**ARVIND N. LALBHAI**

Chairman

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

**SANJAY S. LALBHAI**

Managing Director

**CA. N D ANKLESARIA**  
Partner

**R. V. BHIMANI**

Company Secretary

Mumbai, April 27, 2006

## Schedules forming part of the Consolidated Accounts

	(Rs. in crores)		(Rs. in crores)	
	As at 31.03.2006	As at 31.03.2005	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE '1': SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
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		
	<b>320.00</b>	<b>320.00</b>		
<b>ISSUED &amp; SUBSCRIBED</b>				
<b>EQUITY SHARES</b>				
20,93,78,441 Equity Shares (Previous Year 19,53,78,441) of Rs.10/- each fully paid up. (1,40,00,000 underlying Equity Shares of Rs.10/- each issued towards Global Depository Receipts during the year )	209.38	195.38		
Less : Unpaid Allotment Money (l) By Others (Rs. 4,650/-) (Previous Year Rs.25,740/-)				
	<b>209.38</b>	<b>195.38</b>		
<b>PREFERENCE SHARES</b>				
66,00,000 , 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)	56.10	66.02		
	<b>265.48</b>	<b>261.40</b>		
<b>SCHEDULE '2' : RESERVES AND SURPLUS</b>				
<b>CAPITAL RESERVE</b>				
As per last Balance Sheet	4.61	1.77		
Add : Addition during the year	0.00	2.84		
	<b>4.61</b>	<b>4.61</b>		
<b>CAPITAL RESERVE ON CONSOLIDATION</b>				
As per Last Balance Sheet	26.66	30.71		
Less : Adjustment on account of exclusion of subsidiaries	0.00	4.05		
Less : Adjustment on account of consolidation	0.04	0.00		
	<b>26.62</b>	<b>26.66</b>		
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>				
As per Last Balance Sheet	0.16	0.00		
Add/(Less) : Adjustment on account of consolidation	(0.54)	0.16		
	<b>(0.38)</b>	<b>0.16</b>		
<b>CAPITAL REDEMPTION RESERVE</b>				
As per Last Balance Sheet	3.48	0.00		
Add : Transferred from Profit & Loss Account	9.92	3.48		
	<b>13.40</b>	<b>3.48</b>		
<b>SCHEDULE '2' : RESERVES AND SURPLUS (Contd..)</b>				
<b>SHARE PREMIUM ACCOUNT</b>				
As per last Balance Sheet	779.36	779.36		
Add : Received during the year	154.00	0.00		
Less : Share Issue Expenses Adjusted	4.63	0.00		
	<b>928.73</b>	<b>779.36</b>		
<b>DEBENTURE REDEMPTION RESERVE</b>				
As per last Balance Sheet	1.00	9.00		
Add : Adjusted on account of consolidation	2.00	0.00		
Less: Transferred to Profit Loss Account	1.00	8.00		
	<b>2.00</b>	<b>1.00</b>		
<b>INVESTMENT ALLOWANCE RESERVE</b>				
As per last Balance Sheet	0.00	0.03		
Less : Transferred to Profit & Loss Account	0.00	0.03		
	<b>0.00</b>	<b>0.00</b>		
<b>BALANCE IN PROFIT AND LOSS ACCOUNT</b>				
	<b>278.81</b>	<b>138.63</b>		
	<b>1253.79</b>	<b>953.90</b>		
<b>SCHEDULE '3' : SECURED LOANS</b>				
<b>DEBENTURES</b>				
As per last Balance Sheet	6.00	1.82		
Add : Funded Interest	1.17	1.17		
	<b>7.17</b>	<b>2.99</b>		
<b>FROM BANKS</b>				
<b>Cash Credit and other facilities</b>				
	<b>744.28</b>	<b>610.55</b>		
	<b>744.28</b>	<b>610.55</b>		
<b>Term Loans</b>				
As per last Balance Sheet	890.44	711.18		
Add : Funded Interest	69.10	68.90		
	<b>959.54</b>	<b>780.08</b>		
<b>FROM FINANCIAL INSTITUTIONS AND OTHERS</b>				
As per last Balance Sheet	286.38	291.56		
Add: Funded Interest & Other Financial Facilities	12.49	12.49		
	<b>298.87</b>	<b>304.05</b>		
	<b>2009.86</b>	<b>1697.67</b>		
<b>SCHEDULE '4' : UNSECURED LOANS</b>				
<b>FROM</b>				
<b>Banks</b>				
As per last Balance Sheet	148.53	189.90		
Financial Institutions & Others	10.41	5.00		
	<b>158.94</b>	<b>194.90</b>		
<b>Add : Funded Interest &amp; Other Financial Facilities</b>				
As per last Balance Sheet	4.79	4.73		
(Out of the above Rs 108.83 Crores (Previous year Rs.Rs 129.96 Crores) is payable within one year)				
	<b>163.73</b>	<b>199.63</b>		
	<b>163.73</b>	<b>199.63</b>		

## Schedules forming part of the Consolidated Accounts

### SCHEDULE '5' : FIXED ASSETS

(Rs. In Crores)

	GROSS BLOCK				DEPRECIATION					NETBLOCK		
	As on 31.03.2005	Adjust- ment	Addi- tions	Dedu- ctions	As on 31.3.2006	As on 31.3.2005	Adjust- ment	For the Year	Deduc- tions	As on 31.3.2006	As on 31.3.2006	As on 31.3.2005
<b>ASSETS</b>					<b>546.70</b>					<b>546.70</b>		48.70
Goodwill on Consolidation	48.70		498.00		<b>546.70</b>					<b>546.70</b>		48.70
<b>Owned Assets</b>												
Goodwill	9.35	11.65			<b>21.00</b>		4.66	2.33		<b>6.99</b>	<b>14.01</b>	9.35
Freehold Land	304.80	3.52	0.09	15.03	<b>293.38</b>					<b>293.38</b>	<b>304.80</b>	304.80
Leasehold Land	158.37	10.89	8.20	2.13	<b>175.33</b>		3.63	2.25		<b>5.88</b>	<b>169.45</b>	158.37
Buildings	355.38	13.25	6.49	1.99	<b>373.13</b>	60.36	3.47	12.30	0.34	<b>75.79</b>	<b>297.34</b>	295.02
Machineries	1685.86	20.43	113.13	5.46	<b>1813.96</b>	773.21	8.18	176.84	2.45	<b>955.78</b>	<b>858.18</b>	912.65
Motor Vehicles	8.62	1.44	3.84	1.42	<b>12.48</b>	2.23	0.48	1.05	0.61	<b>3.15</b>	<b>9.33</b>	6.39
Intangibles		22.45			<b>22.45</b>		8.87	2.47		<b>11.34</b>	<b>11.11</b>	
Office Machinery & Dead Stocks	31.27	18.98	11.99	1.25	<b>60.99</b>	10.14	9.04	5.13	0.34	<b>23.97</b>	<b>37.02</b>	21.13
<b>Total</b>	<b>2602.35</b>	<b>102.61</b>	<b>641.74</b>	<b>27.28</b>	<b>3319.42</b>	<b>845.94</b>	<b>38.33</b>	<b>202.37</b>	<b>3.74</b>	<b>1082.90</b>	<b>2236.52</b>	<b>1756.41</b>
Previous Year	2621.73	(98.17)	98.15	19.36	2602.35	706.02	(37.52)	181.49	4.05	845.94		
Capital Work-in-Progress including advance for capital expenditure											87.22	112.44
											<b>2323.74</b>	<b>1868.85</b>

- Notes :** (a) Freehold Land includes Rs. 1.15 crore relating to Land at Peenya, Bangalore which is pending registration in favour of the Company.  
 (b) Buildings includes Rs. 1.18 crore (Rs. 1.18 crore) in respect of ownership flats in Co-Operative housing Society and Rs. 2,500/- (Rs. 2,500/-) in respect of shares held in Co-Operative Housing Society.  
 (c) Gross block includes Rs. 37.47 crore being the amount added on revaluation by The Arvind Mills Limited as on 1st April, 2000.  
 (d) Gross block is reduced by Rs. 4.96 crore being the amount reduced on revaluation by Arvind Products Limited as on 1st October, 2001.  
 (e) Out of current year depreciation, an amount of Rs. 2.24 crore has been capitalised during the year.

(Rs. in crores)  
 As at  
**31.03.2006** As at  
 31.03.2005

(Rs. in crores)  
 As at  
**31.03.2006** As at  
 31.03.2005

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

<b>GOVERNMENT SECURITIES (UNQUOTED)</b>	<b>0.01</b>	0.00
<b>TRADE INVESTMENTS (QUOTED)</b>		
Fully Paid Equity Shares	<b>5.07</b>	5.05
<b>TRADE INVESTMENTS (UNQUOTED)</b>		
Fully Paid Equity Shares	<b>0.01</b>	98.34
<b>OTHER INVESTMENTS</b>		
Fully Paid Equity Shares ( Quoted )	<b>0.01</b>	0.01
Fully Paid Equity Shares ( Unquoted )	<b>0.50</b>	0.00
Fully Paid Preference Shares ( Unquoted )	<b>0.00</b>	1.00
Fully paid Debentures / Bond / Units ( Quoted )	<b>0.35</b>	0.00
Fully paid Debentures / Bond / Units ( Unquoted )	<b>0.00</b>	0.02
<b>INVESTMENTS IN SUBSIDIARY COMPANIES (Refer Note No.3)</b>		
Fully Paid Equity Shares ( Unquoted )	<b>33.71</b>	33.71
	<b>39.66</b>	138.13

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

Investments Purchased and Sold During the Year	No. of Units
Prudential ICICI Liquid Plan Institutional Plus-Daily Dividend Option	8437750.496
Reliance Liquidity Fund-Daily Dividend Reinvestment Option	4998800.288
GFGD Grindlays Floating Rate ST Super Inst Plan C - Daily	10000000.000
Kotak Liquid (Institutional Premium)-Daily Dividend	4088942.681

### SCHEDULE '7' : CURRENT ASSETS, LOANS AND ADVANCES

<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Stores and Spares	<b>47.41</b>	42.23
Fuel	<b>1.86</b>	5.77
<b>Stock in trade</b>		
Raw materials	<b>322.46</b>	313.35
Finished Goods	<b>182.82</b>	128.38
Goods in Transit	<b>0.35</b>	0.00
Work-in-Progress	<b>147.33</b>	114.52
Waste	<b>2.08</b>	1.74
	<b>655.04</b>	557.99
	<b>704.31</b>	605.99
<b>Sundry Debtors (Unsecured)</b>		
Outstanding for a period exceeding six months		
Considered good	<b>19.39</b>	87.23
Considered doubtful	<b>7.27</b>	1.37
Less:Provision	<b>7.27</b>	1.37
	<b>0.00</b>	0.00
	<b>19.39</b>	87.23
Others(Considered good)	<b>147.86</b>	114.75
	<b>167.25</b>	201.98

## Schedules forming part of the Consolidated Accounts

	(Rs. in crores)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE '7' : (Contd...)</b>		
<b>Cash &amp; Bank Balances</b>		
Cash on hand <b>0.60</b>	0.90	
Cheques on hand (Previous Year Rs. 18,232/-)	<b>0.01</b>	
Funds in Transit	<b>2.49</b>	0.00
<b>Bank Balances</b>		
<b>With Scheduled Banks in India</b>		
In Current Accounts ( including Rs. 0.17 crore in unpaid dividend accounts ) (Previous Year Rs. 0.19 Crore)	<b>14.62</b>	13.66
In Exchange Earners Foreign Currency A/c	<b>0.44</b>	1.15
In Cash Credit Account	<b>0.33</b>	0.95
In Savings Account (Rs. 38,507/-) (Previous Year Rs. 37,225/-)		
In Fixed Deposit Accounts (Rs. 0.07 Crore lodged with Court for ESI case, Rs. 1.25 crores pledged with bank (Previous Year Rs. 0.06 Crore and Rs 1.27 Crore respectively)	<b>3.43</b>	1.53
<b>With Banks outside India</b> (In books of foreign subsidiaries )	<b>2.11</b>	2.27
	<b>20.93</b>	19.56
	<b>24.03</b>	20.46
<b>Other Current Assets</b>		
Interest accrued	<b>0.11</b>	0.08
Other receivables	<b>59.26</b>	45.63
	<b>59.37</b>	45.71
<b>LOANS &amp; ADVANCES (Unsecured, considered good unless stated Otherwise)</b>		
<b>Loans &amp; Advances</b>		
Advances Receivable in Cash or kind	<b>690.57</b>	513.19
MAT Credit Entitlement Receivable	<b>11.40</b>	0.00
Other Loans	<b>31.21</b>	47.54
	<b>733.18</b>	560.73
Considered Doubtful	<b>1.28</b>	0.00
Less : Provision	<b>1.28</b>	0.00
	<b>0.00</b>	0.00
Loans and advances to Subsidiary Companies	<b>10.84</b>	10.88
Advance Tax paid	<b>16.34</b>	4.51
	<b>760.36</b>	576.12
	<b>1715.32</b>	1450.26

	(Rs. in crores)	
	As at 31.03.2006	As at 31.03.2005
<b>SCHEDULE '8': CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Current Liabilities</b>		
Acceptances	<b>4.74</b>	8.66
Sundry Creditors		
-Due to SSI Units	<b>7.04</b>	3.90
-Others	<b>143.38</b>	161.67
Other Liabilities	<b>77.82</b>	38.49
Interest accrued but not due on loans	<b>3.72</b>	2.31
Investor Education & Protection Fund shall be credited by the following amounts namely : @		
- Unpaid Dividend	<b>0.17</b>	0.19
- Unpaid Matured Deposits	<b>0.02</b>	0.21
- Unpaid Matured Debentures	<b>0.41</b>	0.48
- Interest on Deposits	<b>0.07</b>	0.29
- Interest on Debentures	<b>0.38</b>	0.48
	<b>1.05</b>	1.65
	<b>237.75</b>	216.68
<b>Provisions</b>		
Proposed Dividend	<b>20.94</b>	19.54
Tax on Dividend	<b>2.94</b>	2.74
Pension	<b>0.65</b>	0.68
Taxation	<b>15.11</b>	3.60
Gratuity	<b>3.19</b>	3.69
Leave Encashment	<b>6.19</b>	3.79
Others	<b>0.29</b>	0.00
	<b>49.31</b>	34.04
	<b>287.06</b>	250.72
@ No amount is due as on 31st March, 2006 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)	
	2005-2006	2004-2005
<b>SCHEDULE '9': SALES AND OPERATING INCOME</b>		
Sales	<b>2155.75</b>	1983.54
Less : Excise Duty	<b>33.90</b>	49.71
	<b>2121.85</b>	1933.83
Processing Income (Income Tax deducted Rs. 0.17 Crore Previous Year Rs. 0.07 Crore)	<b>0.44</b>	0.98
Other operating Income	<b>8.10</b>	2.06
	<b>2130.39</b>	1936.87

## Schedules forming part of the Consolidated Accounts

	(Rs. in crores)	
	2005-2006	2004-2005
<b>SCHEDULE '10': OTHER INCOME</b>		
Income from investments		
From Trade Investments	0.24	0.00
From Other Investments	0.02	0.23
Other Income 20.52	8.88	
Rent 0.90	0.10	
(Income Tax deducted Rs. 0.13 Crore Previous Year Rs. 0.02 Crore)		
Profit on Sale of Investments	0.09	0.00
Profit/(Loss) on Sale of Fixed Assets	10.23	(2.30)
Excess/(Short) Provision No Longer required (Net)	1.15	(0.03)
	<b>33.15</b>	6.88

<b>SCHEDULE '11': EMPLOYEES' EMOLUMENTS</b>		
Salaries,Wages,Bonus and Gratuity	169.84	131.44
Contribution to Provident Fund and Other Funds	23.86	19.42
Welfare expenses	3.67	3.56
	<b>197.37</b>	154.42
Directors' Remuneration	1.75	1.60
Directors' Commission	1.33	0.95
	<b>3.08</b>	2.55
	<b>200.45</b>	156.97

<b>SCHEDULE '12': OTHERS</b>		
Power & Fuel 180.75	215.55	
Stores consumed	217.42	177.80
Processing charges	56.22	30.02
Repairs		
Building repairs	3.40	2.03
Machinery repairs	47.89	46.04
Other repairs	7.81	5.60
	<b>59.10</b>	53.67
Printing,Stationery and Communication	8.80	5.74
Insurance premium	9.36	8.70
Rates & Taxes	9.93	4.18
Excise duty	4.95	(5.90)
Rent 20.86	5.21	
Commission,Brokerage and Discount	34.26	15.89
Advertisement expenses	35.53	3.01
Freight,Insurance and Clearing Charges	27.78	21.74
Provision for doubtful debt/Advances/Contingencies	3.84	0.53
Bad Debts/Advances Written Off	0.52	0.45
Fixed Assets Written Off	0.02	1.19
Diminution in Value of Investments	0.00	21.01
Directors fees 0.06	0.06	
Other expenses	81.60	57.89
	<b>751.00</b>	616.74

	(Rs. in crores)	
	2005-2006	2004-2005
<b>SCHEDULE '13': INTEREST AND FINANCE COSTS (NET)</b>		
Interest		
On loans for a fixed period	87.15	76.50
Others	36.39	23.80
	<b>123.54</b>	100.30
Less : Interest Income		
Interest from others	4.32	2.72
(Income Tax deducted Rs. 0.18 Crore Previous Year Rs. 0.10 Crore)		
Net Interest Expenses	119.22	97.58
Other Finance Cost	43.56	44.17
Exchange Rate Difference	8.99	(6.84)
	<b>171.77</b>	134.91

<b>SCHEDULE '14': (INCREASE)/DECREASE IN STOCK</b>		
Finished goods,Work-in-progress and Waste		
Closing Stocks	332.23	244.64
Opening Stocks	244.64	233.13
Add/(Less) Adjustment on account of consolidation	97.26	(4.84)
	<b>341.90</b>	228.29
Add : Adjustment on account of Capitalisation of Projects	2.45	0.00
	<b>344.35</b>	228.29
(Increase)/Decrease in Stock	<b>12.12</b>	(16.35)

### 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.

##### 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

## Schedules forming part of the Consolidated Accounts

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 2006
1	Asman Investments Limited	India	100%
2	Arvind Products Limited	India	53.66%
3	Arvind Brands Limited	India	100%
4	Arvind Fashions Limited	India	100%
5	Arvind Worldwide Inc	USA	100%
6	Arvind Worldwide (M) Inc	Mauritius	100%

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

Sr. No.	Name of subsidiary	Country of incorporation	Proportion of ownership as on 31st March 2006
1	Lifestyle Fabrics Limited	India	71.80%
2	Arvind Overseas (Mauritius) Limited	Mauritius	100%
3	Arvind Spinning Limited	Mauritius	100%

Note :

- 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.
- Arvind Overseas (Mauritius) Limited and Arvind Spinning Limited have closed their business and disposed off entire undertaking, and ceased to operate as going-on concern basis.

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 Joint Venture	Country of incorporation	Proportion of ownership as on 31st March 2006
1	Arya Omnitalk Wireless Solutions Limited.	India	50%
2	Arvind Murjani Brands Private 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 and Intangibles 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 except in case of Arvind Brands Limited and Arvind Fashions Limited for the following which are based on management's estimate of useful life of the assets concerned:

	Rate of depreciation
Furniture and Fixtures (at employees' residence)	18%

- (C.5) Depreciation for certain assets in the books of Arvind Brands Limited and Arvind Fashions Limited has been provided as follows :
- Fixtures at showrooms other than own are depreciated over the period of 3 years.
  - Used assets purchased are depreciated over the period of 8 years.
  - Technical Know-how is amortised over the period of trademark license agreement of Branded Products.
  - Leasehold Improvements are amortised over the period of lease.
  - Brands are amortised over the period of 10 years.
  - Goodwill is amortised over the period of 5 years.

## Schedules forming part of the Consolidated Accounts

### (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.

### (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

(G.1) 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/LIC on due date.

(G.2) In respect of Provident Fund and the Superannuation Fund, the contribution is paid regularly to the trusts/government and is charged to revenue.

(G.3) The liability for the Company's pension scheme and Leave Encashment is provided as per the actuarial valuation without funding.

### (H) BORROWING COST

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

### (I) LEASE RENTAL

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

(I.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.

### (J) 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 / s 115JB, if any, in respect of taxable income for the year.

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

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.

### (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) 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.

### (M) 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

- Bills discounted Rs. 73.25 Crore (Previous Year Rs. 79.58 Crore).
  - Guarantees given by the Banks on behalf of the Company Rs. 22.68 Crore (Previous Year Rs.20.35 Crore).
  - Income Tax demands, Excise demands, Custom Duty demands and Sales Tax demands Rs. Rs.0.61 Crore (Previous year Rs Nil), Rs.33.52 Crore (Previous Year Rs. 32.84 Crore), Rs.0.69 Crore (Previous Year Rs. Nil) and Rs.16.54 Crore (Previous Year Rs. 0.91 Crore) respectively.
  - Other demands in dispute Rs. 16.91 Crore (Previous Year Rs. 15.23 Crore).
  - Dividend on redeemable cumulative non convertible preference shares Rs.47.24 Crore (Previous Year Rs. 40.04 Crore). Out of this, Rs. 46.50 Crore (Previous Year Rs. 39.30 Crore) are payable to Minority Shareholders of the Company .
  - Liability for Recompense Payment Rs. 57.94 crores (Rs. 50.27 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. 11.76 Crore (Previous Year Rs.40.73 Crore).
  - Other Liabilities include Rs. 0.41 Crore (Previous Year Rs.4.39 Crore) on account of book overdraft.
  - During the year, the Company has capitalised the borrowing cost of Rs.5.37 Crore.
  - There is an unrealised gain of Rs. 1.14 Crore (Previous Year Rs.3.97 Crore) 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.
  - Derivative Instruments :

Category-wise Quantitative data about derivative instruments that are outstanding as at 31st March,2006.

	Currency	In Mn	Avg. Ex. Rate	Rs. In Crs.
<b>Forward Sales</b>	USD	66.00	45.1452	297.96
	USD	8.71	44.8869	39.10
	USD	0.45	44.42	1.98
	<b>Total - USD</b>	<b>75.16</b>	<b>45.1091</b>	<b>339.04</b>
	EUR	1.20	54.4110	6.53
<b>Forward Purchase</b>	EUR	0.06	53.91	0.30
	<b>Total - EUR</b>	<b>1.26</b>	<b>54.2063</b>	<b>6.83</b>
	USD	8.00	45.2809	36.22
<b>FCNRB Loan</b>	USD	0.04	44.42	0.15
	<b>Total</b>	<b>8.04</b>	<b>45.2363</b>	<b>36.37</b>
<b>Options Deals</b>	USD	1.29	Sell	5.94
	<b>USD</b>	<b>18.00</b>	<b>44.9611</b>	<b>80.93</b>

## Schedules forming part of the Consolidated Accounts

The company has borrowed long term as well as short term Loans in Foreign currency but as the company is net foreign currency surplus company, there is no unhedged exposure in foreign currency.

12. Current Assets includes Rs.1.32 Crore (Previous Year Rs.Nil) due from subsidiary companies. Current Liabilities includes Rs.11.82 Crore (Previous Year Rs.12.06 Crore) due to subsidiary companies.
13. (A) Future rental obligations in respect of Plant & Machinery taken on lease (Net of Prepayments) is Rs. 52.16 Crore (Previous Year Rs. 219.96 Crore). Lease rentals payable within one year Rs.4.69 Crore (Previous Year Rs. 38.48 Crore).
- (B) Factory Building, Office Premises, Plant and Machineries, Show Rooms and other facilities are taken on lease for the period of 3 months to 20 years without the option of renewal except in case of Factory Building, no sub lease and having an escalation clause for increase in lease rental by 15% after every 3 years in case of the building.

The particulars of these leases are as follows :

(Rs. In crore)

	2005-06	2004-05
<b>Future Minimum lease payments</b>		
<b>Obligation on non-cancellable operating leases:</b>	<b>84.56</b>	3.86
Not later than one year	<b>10.28</b>	1.52
Later than one year and not later than Five years	<b>43.46</b>	2.34
Later than five years	<b>29.36</b>	Nil
Lease Payment recognised in Profit & Loss Account	<b>12.77</b>	7.31

### 14. Auditors' Remuneration :

Rs. In crore

	2005-06	2004-05
<b>Statutory Auditors</b>		
As Auditors	<b>0.74</b>	0.43
In other capacities	<b>0.46</b>	0.46
Travelling and Out of Pocket Expenses	<b>0.03</b>	0.02
Cost Auditor		
Cost Audit Fees	<b>0.02</b>	0.02

### 15. Segment Reporting :

#### Segment Information

Information about Business Segments (information provided in respect of revenue items for the year ended 31.03.2006 and in respect of assets/liabilities as at 31.03.06).

#### Primary Segment (Business Segment)

(Rs. In crores)

2005-06	Textiles	Others	Unallocable	Total
<b>Revenue</b>				
External sales	2108.99	12.86	0.00	2121.85
Add : Inter Segment Sales	0.00	0.01	0.00	0.01
<b>Total Sales</b>	<b>2108.99</b>	<b>12.87</b>	<b>0.00</b>	<b>2121.86</b>
Less : Inter Segment Revenue	0.00	0.01	0.00	0.01
<b>Total Sales</b>	<b>2108.99</b>	<b>12.86</b>	<b>0.00</b>	<b>2121.85</b>
<b>Results</b>				
Segment Results before				
Interest & Finance Cost	262.12	(1.94)	4.62	264.80
Interest (Net)				171.77
Profit from Ordinary Activities				93.03
Extra ordinary Items				0.00
Net Profit				93.03

#### Other Information

Segment Assets	3200.66	21.99	856.07	4078.72
Segment Liabilities	280.32	8.36	23.28	311.96
Segment Depreciation	191.85	1.76	6.52	200.13
Capital Expenditure	136.97	0.33	6.44	143.74
Non cash expenses other than Depreciation	0.19	0.02	0.01	0.22

#### Primary Segment (Business Segment)

(Rs. In crores)

2004-05	Textiles	Others	Unallocable	Total
<b>Revenue</b>				
External sales	1920.27	13.56	0.00	1933.83
Add : Inter Segment Sales		0.06		0.06
<b>Total Sales</b>	<b>1920.27</b>	<b>13.62</b>	<b>0.00</b>	<b>1933.89</b>
Less : Inter Segment Revenue		0.06		0.06
<b>Total Sales</b>	<b>1920.27</b>	<b>13.56</b>	<b>0.00</b>	<b>1933.83</b>
<b>Results</b>				
Segment Results before				
Interest & Finance Cost	270.96	1.67	(25.45)	247.18
Interest (Net)				134.91
Profit from Ordinary Activities				112.27
Extra ordinary Items				0.00
Net Profit				112.27
<b>Other Information</b>				
Segment Assets	2905.06	22.37	529.81	3457.24
Segment Liabilities	196.69	8.36	62.44	267.49
Segment Depreciation	173.34	1.76	6.39	181.49
Capital Expenditure	88.28	0.33	6.60	95.21
Non cash expenses other than Depreciation	2.54	0.00	13.17	15.71

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.

### 16. 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

##### 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 2005-06	Referred in 2004-05	Referred in 1(B) above 2005-06	Referred in 2004-05
<b>Purchases</b>				
Goods and Materials			0.00	1.66
Fixed Assets			0.00	0.46
<b>Sales</b>				
Goods and Materials			0.00	6.33
Fixed Assets			0.00	0.20
<b>Expenses</b>				
Remuneration & Other Services	2.92	2.39		
<b>Finance</b>				
Loan Given/(Repaid) (Net)			(0.04)	0.00
<b>Business Purchase</b>				
Consideration			0.00	62.12
<b>Outstanding</b>				
Receivable in respect of Current Assets			1.32	0.00
Receivable in respect of Loans			10.84	10.88
Payable in respect of Current Liabilities			11.82	12.06

Name of Subsidiary	Loans & Advances in the nature of Loans	
	Closing Balance	Maximum Outstanding
Arvind Overseas (Mauritius) Limited	10.84	10.88
Arvind Spinning Limited	1.32	1.54
<b>TOTAL</b>	<b>12.16</b>	<b>12.42</b>

**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.

**17. Earning Per Share (EPS) :**

Rs. In Crores

		2005-06	2004-05
Profit available to Equity shareholders	Rs. In Crores	73.28	104.62
Weighted average no. of Equity Shares for Basic EPS	Nos.	205323646	195378441
Nominal value of Equity Shares	Rs.	10	10
Basic Earning per Equity Shares	Rs.	3.57	5.35
Diluted Earning per Equity Shares	Rs.	3.57	5.35

	2005-06	2004-05
(A) Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share		
Profit for the year	85.82	117.38
Less: Dividend on redeemable cumulative non Convertible Preference Shares	11.00	11.29
Less : Tax on Pref. Dividend	1.54	1.47
Profit due to Equity Shareholder	73.28	104.62

	No. of Shares	
	2005-06	2004-05
Weighted average number of Equity Shares for	205323646	195378441
Add : Dilutive potential equity shares	0	0
Weighted average number of Equity Shares for Dilutive EPS	205323646	195378441

**18. Deferred Tax**

In accordance with mandatory Accounting Standard - 22 issued by ICAI on "Accounting for Taxes on Income", the company is accounting for deferred tax. Break up of deferred tax liability as on 31st March,

Description	Rs. In Crore
(A) Deferred Tax Liability	2006
Depreciation	191.42
Others	27.91
Total (A)	219.33
(B) Deferred Tax Assets	
Item covered under Sec. 43 B	54.38
Unabsorbed Depreciation and Business Losses	82.45
Other Provisions	57.60
Total (B)	194.43
Net (Assets) / Liability	24.90

In compliance with the provisions of Accounting standard and based on General Prudence, the Company has not recognised the deferred tax assets amounting to Rs. 1.71 crore on account of accumulated business loss and unabsorbed depreciation.

**19. 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.
- During the year, Arvind Brands Limited and Arvind Fashions Limited became subsidiaries of the Company and included for the purpose of Consolidation. Hence previous year's figures are not strictly comparable with those of the current 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 2006

**ARVIND N. LALBHAI**

Chairman

**SANJAY S. LALBHAI**

Managing Director

**R. V. BHIMANI**

Company Secretary

## Financial Statements – year ended March 31, 2006

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, 2006, the contents of which are listed below:

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

This report was approved by the Board of Directors on 19th June, 2006.

**ARVIN N. LALBHAI**  
Director

**SANJAY S. LALBHAI**  
Director

## Secretary's Certificate – March 31, 2006

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.**  
Pre Ah Man Nong Too Yan  
Secretary

Date: 19th June, 2006

## Report of the Auditors to the Members

We have audited the financial statements of **The Arvind Overseas (Mauritius) Limited** set out on pages 56 to 65 which have been prepared on a break up basis and on the accounting policies set out on pages 59 to 60.

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.

### OPINION

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

In our opinion:

- a) proper accounting records have been kept by the company as far as it appears from our examination of those records,
- b) the financial statements give a true and fair view of the state of affairs of the company as at March 31, 2006 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.

**BDO DE CHAZAL DU MEE**  
Chartered Accountants

Port Louis  
Mauritius  
Date: 19th June, 2006

Per Likune Lan Fookim F.C.C.A.

## Balance Sheet – March 31, 2006

	Notes	2006		2005	
		Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs**
<b>ASSETS</b>					
<b>Current assets</b>					
Property, plant and equipment	5	15,500,000	224.75	48,417,279	731.10
Leasehold land payments	6	2,000,000	29.00	6,453,866	97.45
Trade and other receivables	7	34,980,855	507.22	98,246,813	1,483.53
Cash and cash equivalents		1,797,369	26.06	3,750,535	56.63
<b>Total assets</b>		<b>54,278,224</b>	<b>787.03</b>	<b>156,868,493</b>	<b>2,368.71</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and deficit</b>					
Share capital	8	238,517,100	3,458.50	238,517,100	3,601.61
Revenue deficit		(184,238,876)	(2,671.47)	(145,234,969)	(2,193.05)
		<b>54,278,224</b>	<b>787.03</b>	<b>93,282,131</b>	<b>1,408.56</b>
<b>Current liabilities</b>					
Borrowings	9	-	-	63,586,362	960.15
<b>Total equity and liabilities</b>		<b>54,278,224</b>	<b>787.03</b>	<b>156,868,493</b>	<b>2,368.71</b>

These financial statements have been approved for issue by the Board of Directors on: 19Jun, 2006

**ARVIN N.LALBHAI**  
Director

**SANJAY S.LALBHAI**  
Director

The notes on pages 59 to 65 form an integral part of these financial statements.  
Auditors' report on page 55.

\* The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

\*\* 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 ARVIND OVERSEAS (MAURITIUS) LIMITED

Income Statements – year ended 31st March 2006

	Notes	2006		2005	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
Sales	2(f)	-	-	161,205,681	2,434.21
Cost of sales		-	-	(176,159,589)	(2,660.01)
Gross loss		-	-	(14,953,908)	(225.80)
Other income		<b>228,572</b>	<b>3.31</b>	31,403,236	474.19
Selling and Marketing expenses		-	-	(3,214,586)	(48.54)
Administrative expenses		<b>(3,726,494)</b>	<b>(54.03)</b>	(14,402,828)	(217.48)
Other expenses		<b>(6,401,794)</b>	<b>(92.82)</b>	(7,875,562)	(118.92)
Operating loss		<b>(9,899,716)</b>	<b>(143.54)</b>	(9,043,648)	(136.56)
Net finance income/(costs)	10	<b>1,865,160</b>	<b>27.04</b>	(12,023,813)	(181.56)
Loss before exceptional items		<b>(8,034,556)</b>	<b>(116.50)</b>	(21,067,461)	(318.12)
Exceptional items	11	<b>(30,969,351)</b>	<b>(449.06)</b>	85,675,238	1,293.70
(Loss)/profit for the year	12	<b>(39,003,907)</b>	<b>(565.56)</b>	64,607,777	975.58

The notes on pages 59 to 65 form an integral part of these financial statements.

Auditors' report on page 55.

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

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

## Statement of Changes in Equity – year ended March 31, 2006

	Share Capital		Revenue Deficit		Total	
	Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs*
Balance at April 1, 2005	238,517,100	3458.50	(145,234,969)	(2105.91)	93,282,131	1,352.59
Loss for the year	-	-	(39,003,907)	(565.56)	(39,003,907)	(565.56)
Balance at March 31, 2006	238,517,100	3,458.50	(184,238,876)	(2,671.47)	54,278,224	787.03
Balance at April 1, 2004	238,517,100	3601.61	(209,842,746)	(3168.63)	28,674,354	432.98
Profit for the year	-	-	<b>64,607,777</b>	<b>975.58</b>	<b>64,607,777</b>	<b>975.58</b>
<b>Balance at March 31, 2005</b>	<b>238,517,100</b>	<b>3,601.61</b>	<b>(145,234,969)</b>	<b>(2,193.05)</b>	<b>93,282,131</b>	<b>1,408.56</b>

Auditors' report on page 55.

## Cash Flow Statement – year ended March 31, 2006

	Notes	2006		2005	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
<b>Cash flows from operating activities</b>					
Cash absorbed in operations	13(a)	<b>(1,953,166)</b>	<b>(28.32)</b>	(20,996,866)	(317.05)
Interest paid		-	-	(4,231,309)	(63.89)
Net cash used in operating activities		<b>(1,953,166)</b>	<b>(28.32)</b>	(25,228,175)	(380.94)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		-	-	(1,545,332)	(23.33)
Disposal of intangible assets		-	-	898,187	13.56
Proceeds from sale of property, plant and equipment		-	-	138,599,839	2,092.86
Net cash from investing activities		-	-	137,952,694	2,083.09
<b>Cash flows from financing activities</b>					
Proceed from other loan		-	-	1,864,898	28.15
Finance lease repayments		-	-	(369,135)	(5.57)
Repayment of bank loans		-	-	(40,296,000)	(608.47)
Repayment of other loans		-	-	(19,004,845)	(286.97)
Net cash used in financing activities		-	-	(57,805,082)	(872.87)
(Decrease)/increase in cash and cash equivalents		<b>(1,953,166)</b>	<b>(28.32)</b>	54,919,437	829.28
<b>Movement in cash and cash equivalents:</b>					
At April 1,		<b>3,750,535</b>	<b>54.38</b>	(51,168,902)	(772.65)
(Decrease)/increase		<b>(1,953,166)</b>	<b>(28.32)</b>	54,919,437	829.28
At March 31,	13(b)	<b>1,797,369</b>	<b>26.06</b>	3,750,535	56.63

The notes on pages 59 to 65 form an integral part of these financial statements.  
Auditors' report on page 55.

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

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

## Notes to the Financial Statements – year ended March 31, 2006

### 1. COMPANY PROFILE

The Arvind Overseas (Mauritius) Limited is a private company incorporated and domiciled in Mauritius. The address of its registered office is 10, Frere Felix de Valois Street, Port Louis, Mauritius and the place of business is at La Tour Koenig, Pointe aux Sables. Its immediate and ultimate holding company is The Arvind Mills Ltd, incorporated in India. The company ceased business in August 2004. These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of preparation

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

#### (b) Property, plant and equipment

All property, plant and equipment are stated at their net realisable value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

Depreciation for the year has been calculated on the straight-line method to write off the cost assets to their residual values over their estimated useful lives as follows:

Buildings	5%
Plant and machinery	5%
Motor vehicles	20%
Electrical equipment	10 - 20%
Furniture, fixtures and fittings	10 - 20%
Other items	10%

At year end, the assets have been reviewed for impairment and the impairment loss recognised.

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 disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement.

#### (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. Leasehold land payments have been stated at their net realisable value.

At year end, the assets have been reviewed for impairment and the impairment loss recognised.

#### (d) Financial instruments

##### (i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade

receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the income statement.

##### (ii) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after balance sheet date.

##### (e) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

##### (f) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax, rebates and discounts.

Sales of goods are recognised when goods are delivered and title has passed. Sales of services are recognised in the accounting year in which the services are rendered (by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of total services to be provided).

##### (g) Foreign currencies

###### (i) Functional and presentation currency

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

###### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

## Notes to the Financial Statements – year ended March 31, 2006

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

### (h) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

### 3. FINANCIAL RISK FACTORS

The company's activities expose it to credit risk and currency risk.

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

#### (a) 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.

#### (b) Currency risk analysis

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

	2006 Assets		2006 Liabilities	
	Mau. Rs.	Rs.in lacs*	Rs.	Rs.in lacs*
<b>Denominated in foreign currencies</b>				
Bank balances - USD	1,653,912	23.98	-	-
Receivable from holding company -USD	23,017,446	333.75	-	-
Receivable from fellow subsidiary company - USD	8,960,400	129.93	-	-
	<b>33,631,758</b>	<b>487.66</b>	-	-

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The mark down of assets to their net realisable values if lower than cost is based on the directors' estimates using the best information available.

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

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

# Notes to the Financial Statements – year ended March 31, 2006

## 5. PROPERTY, PLANT AND EQUIPMENT

		Improvement to leasehold Land	Building on Leasehold Land	Electrical Equipment	Furniture Fixtures & Fittings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
<b>(a) COST</b>						
<b>At April 1, 2005 and</b>						
<b>March 31, 2006</b>	<b>In Mauritian Rupees</b>	2,320,845	85,697,489	12,849,531	11,184,166	112,052,031
	<b>Rs. In lacs*</b>	33.65	1,242.62	186.32	162.17	1,624.76
<b>DEPRECIATION</b>						
<b>At April 1, 2005</b>	<b>In Mauritian Rupees</b>	1,050,981	44,019,269	11,496,237	7,068,265	63,634,752
	<b>Rs. In lacs*</b>	15.24	638.28	166.70	102.49	922.71
<b>Charge for the year</b>	<b>In Mauritian Rupees</b>	116,042	4,284,874	404,665	946,210	5,751,791
	<b>Rs. In lacs*</b>	1.68	62.13	5.87	13.72	83.40
<b>Impairment losses</b>	<b>In Mauritian Rupees</b>	1,153,822	23,393,346	648,629	1,969,691	27,165,488
	<b>Rs. In lacs*</b>	16.73	339.20	9.41	28.56	393.90
<b>At March 31, 2006</b>	<b>In Mauritian Rupees</b>	2,320,845	71,697,489	12,549,531	9,984,166	96,552,031
	<b>Rs. In lacs*</b>	33.65	1,039.61	181.98	144.77	1,400.01
<b>NET BOOK VALUE</b>						
<b>At March 31, 2006</b>	<b>In Mauritian Rupees</b>	-	14,000,000	300,000	1,200,000	15,500,000
	<b>Rs. In lacs*</b>	(0.00)	203.01	4.34	17.40	224.75

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

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

# Notes to the Financial Statements – year ended March 31, 2006



## 5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

		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.
<b>(b) COST</b>										
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)
<b>At March 31, 2005</b>	<b>In Mauritian Rupees</b>	<b>2,320,845</b>	<b>85,697,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,849,531</b>	<b>11,184,166</b>	<b>-</b>	<b>112,052,031</b>
	<b>Rs.In Lacs**</b>	<b>35.04</b>	<b>1,294.03</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194.03</b>	<b>168.88</b>	<b>-</b>	<b>1,691.99</b>
<b>DEPRECIATION</b>										
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)
<b>At March 31, 2005</b>	<b>In Mauritian Rupees</b>	<b>1,050,981</b>	<b>44,019,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,496,237</b>	<b>7,068,265</b>	<b>-</b>	<b>63,634,752</b>
	<b>Rs.In Lacs**</b>	<b>15.87</b>	<b>664.69</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>173.59</b>	<b>106.73</b>	<b>-</b>	<b>960.88</b>
<b>NET BOOK VALUE</b>										
<b>At March 31, 2005</b>	<b>In Mauritian Rupees</b>	<b>1,269,864</b>	<b>41,678,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,353,294</b>	<b>4,115,901</b>	<b>-</b>	<b>48,417,279</b>
	<b>Rs.In Lacs**</b>	<b>19.17</b>	<b>629.34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.43</b>	<b>62.15</b>	<b>-</b>	<b>731.10</b>

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

\*\* 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 ARVIND OVERSEAS (MAURITIUS) LIMITED

Notes to the Financial Statements – year ended March 31, 2006

	2006		2005	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
<b>6. LEASEHOLD LAND PAYMENTS</b>				
<b>(a) COST</b>				
At April 1, 2005 and March 31, 2006	<u>13,000,000</u>	<u>188.50</u>		
<b>AMORTISATION</b>				
At April 1, 2005	<u>6,546,134</u>	<u>94.92</u>		
Amortisation	<u>650,003</u>	<u>9.42</u>		
Impairment losses	<u>3,803,863</u>	<u>55.16</u>		
At March 31, 2006	<u>11,000,000</u>	<u>159.50</u>		
<b>NET BOOK VALUES</b>				
At March 31, 2006	<u>2,000,000</u>	<u>29.00</u>		
<b>(b) COST</b>				
At April 1, 2004 and March 31, 2005	<u>13,000,000</u>	<u>196.30</u>		
<b>AMORTISATION</b>				
At April 1, 2004	<u>5,896,131</u>	<u>89.03</u>		
Amortisation	<u>650,003</u>	<u>9.82</u>		
At March 31, 2005	<u>6,546,134</u>	<u>98.85</u>		
<b>NET BOOK VALUES</b>				
At March 31, 2005	<u>6,453,866</u>	<u>97.45</u>		
<b>7. TRADE AND OTHER RECEIVABLES</b>				
Amount receivables from related parties (note 15)	<u>34,795,815</u>	<u>504.54</u>	98,061,785	1,480.73
Other receivables and prepayments	<u>185,040</u>	<u>2.68</u>	185,028	2.79
	<u>34,980,855</u>	<u>507.22</u>	<u>98,246,813</u>	<u>1,483.52</u>
<b>8. SHARE CAPITAL</b>				
<b>AUTHORISED</b>				
2,500,000 ordinary shares of Rs. 100 each	<u>250,000,000</u>	<u>3,625.00</u>	<u>250,000,000</u>	<u>3,775.00</u>
<b>ISSUED AND FULLY PAID</b>				
2,385,171 ordinary shares of Rs. 100 each	<u>238,517,100</u>	<u>3,458.50</u>	<u>238,517,100</u>	<u>3,601.61</u>
<b>9. BORROWINGS</b>				
<b>Current</b>				
Loan from holding company	<u>-</u>	<u>-</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, 2006 (1 Mau Rs. = 1.45)

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

## Notes to the Financial Statements – year ended March 31, 2006

	2006		2005	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
<b>10. NET FINANCE INCOME/(COSTS)</b>				
Net foreign exchange transaction gains/(losses)	1,865,160	27.04	(7,792,504)	117.67
<b>Interest expense</b>				
Bank overdraft	-	-	1,862,163	28.12
Bank loans repayable by instalment	-	-	954,456	14.41
Import loan	-	-	220,444	3.33
Export bills discounted	-	-	1,102,557	16.65
Finance leases	-	-	91,689	1.38
	-	-	4,231,309	63.89
Net finance income/(costs)	<u>1,865,160</u>	<u>27.04</u>	<u>(12,023,813)</u>	<u>181.56</u>
<b>11. EXCEPTIONAL ITEMS</b>				
Surplus on assets and take over by holding company	-	-	118,729,118	1,792.81
Cessation of business including severance allowance to employees	-	-	(33,053,880)	(499.11)
Impairment losses :				
- property, plant and equipment	(27,165,488)	(393.90)	-	-
- leasehold land payments	(3,803,863)	(55.16)	-	-
	<u>(30,969,351)</u>	<u>(449.06)</u>	<u>85,675,238</u>	<u>1,293.70</u>
<b>12. (LOSS)/PROFIT FOR THE YEAR</b>				
The (loss)/profit for the year is arrived at after:				
Charging				
Depreciation - owned assets	5,751,791	83.40	12,856,534	194.13
- leased assets	-	-	55,792	0.84
Amortisation of leasehold land payments	650,003	9.43	650,003	9.82
Impairment losses on property, plant and equipment	27,165,488	393.90	-	-
Impairment losses on leasehold land payments	3,803,863	55.16	-	-
Staff costs (see note (a) below)	-	-	18,427,170	278.25
Cost of inventory recognised as expense	-	-	125,702,559	1898.11
(a) Analysis of staff costs				
Wages and salaries	-	-	17,886,048	270.08
Social security costs	-	-	541,122	8.17
	-	-	18,427,170	278.25

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

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

Notes to the Financial Statements – year ended March 31, 2006

	2006		2005	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
<b>13. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>(a) Cash absorbed in operations</b>				
(Loss)/profit for the year	(39,003,907)	(565.56)	64,607,777	975.58
Adjustments for:				
Depreciation of property, plant and equipment	5,751,791	83.40	12,912,326	194.98
Amortisation of leasehold land payment	650,003	9.43	650,003	9.82
Impairment losses on property, plant and equipment	27,165,488	393.90	-	-
Impairment losses on leasehold land payments	3,803,863	55.16	-	-
Unrealised (gains)/losses on exchange	(1,865,160)	(27.03)	3,963,864	59.85
Interest expense	-	-	4,231,309	63.89
	(3,497,922)	(50.70)	86,365,279	1,304.12
Changes in working capital:				
- inventories	-	-	66,605,039	1,005.74
- trade and other receivables	1,544,756	22.40	(41,555,557)	(627.49)
- trade and other payables	-	-	(132,411,627)	(1,999.42)
Cash absorbed in operations	(1,953,166)	(28.30)	(20,996,866)	(317.05)
<b>(b) Cash and cash equivalents</b>				
Cash and bank balances	1,797,369	26.06	3,750,535	56.63

**14. DEFERRED TAXATION**

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of related tax benefit is probable. The company has tax losses of Mau.Rs.384,253,230 Rs. In Lacs 5,571.67\* (2005: Mau Rs.380,808,835 Rs.in Lacs 5,750.27\*\*) to carry forward against future taxable income, which have not been recognised in these financial statements due to cessation of business.

**15. RELATED PARTY TRANSACTIONS**

	Purchase of goods or services		Sale of goods or services		Amount owed by related parties		Loan capital	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
<b>2006</b>								
Holding company	-	-	-	-	9,917,111	143.80	-	-
Fellow subsidiaries	-	-	-	-	24,878,704	360.74	-	-
	-	-	-	-	34,795,815	504.54	-	-
	Mau Rs.	Rs. In Lacs**	Mau Rs.	Rs. In Lacs**	Mau Rs.	Rs. In Lacs**	Mau Rs.	Rs. In Lacs**
<b>2005</b>								
Holding company	-	-	307,296,000	4,640.17	-	-	63,586,362	960.15
Fellow subsidiaries	52,626,904	794.67	-	-	98,061,785	1,480.73	-	-
	52,626,904	794.67	307,296,000	4,640.17	98,061,785	1,480.73	63,586,362	960.15

\* The rupee equivalent of Mauritian Rs.has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

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

## Financial Statements – year ended March 31, 2006

Dear Shareholder

### ARVIND SPINNING LIMITED

The Board of Directors is pleased to present the financial statements of Arvind Spinning Ltd for the year ended March 31, 2006, the contents of which are listed below : All shareholders agree that the Annual Report need not comply with Section 218 of the Companies Act 2001.

This report was approved by the Board of Directors on 19th June,2006.

**ARVIN N. LALBHAI**  
Director

**SANJAY S.LALBHAI**  
Director

## Secretary's Certificate – March 31, 2006

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 Ah Man Wong Too Yan  
Secretary

Date:19 Jun,2006

## Report of the Auditors to the Members

We have audited the financial statements of **Arvind Spinning Ltd** set out on pages 67 to 74 which have been prepared on a break up basis and on 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.

### OPINION

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

In our opinion:

- a) proper accounting records have been kept by the company as far as it appears from our examination of those records,
- b) the financial statements give a true and fair view of the state of affairs of the company as at March 31, 2006 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.

**BDO DE CHAZAL DU MEE**  
Chartered Accountants

Port Louis,  
Mauritius.  
Date:19 Jun,2006

Per Li Kune Lan Pookim F.C.C.A.

Balance Sheet **March 31, 2006**

	Notes	2006		2005	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
<b>ASSETS</b>					
<b>Current assets</b>					
Property, plant and equipment	4	12,500,000	181.25	36,647,241	553.37
Receivable from holding company		-	-	82,143,480	1240.37
Cash and cash equivalents		-	-	22,276	0.34
<b>Total assets</b>		<b>12,500,000</b>	<b>181.25</b>	<b>118,812,997</b>	<b>1794.08</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and deficit</b>					
Share capital	5	82,409,966	1,194.94	82,409,966	1244.39
Revenue deficit		(85,842,083)	(1,244.71)	(61,658,754)	(931.05)
		<b>(3,432,117)</b>	<b>(49.77)</b>	<b>20,751,212</b>	<b>313.34</b>
<b>Current liabilities</b>					
Payable to fellow subsidiary company		15,918,305	230.82	98,061,785	1480.74
Bank overdraft - unsecured		13,812	0.20	-	-
		<b>15,932,117</b>	<b>231.02</b>	<b>98,061,785</b>	<b>1480.74</b>
<b>Total equity and liabilities</b>		<b>12,500,000</b>	<b>181.25</b>	<b>118,812,997</b>	<b>1,794.08</b>

These financial statements have been approved for issue by the Board of Directors on: 19th Jun,2006

**ARVIND N.LALBHAI**  
Director

**SANJAY S.LALBHAI**  
Director

The notes on pages 70 to 74 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, 2006 (1 Mau Rs. = 1.45)

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

## Income Statement year ended 31st March 2006

	Notes	2006		2005	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
Sales	2(e)	-	-	52,626,904	794.67
Cost of sales		-	-	(70,611,868)	(1,066.24)
Gross loss		-	-	(17,984,964)	(271.57)
Other income		-	-	7,384,787	111.51
Selling and marketing expenses		-	-	(95,176)	(1.44)
Administrative expenses		<b>(2,518,103)</b>	<b>(36.51)</b>	(1,614,084)	(24.37)
Operating loss		<b>(2,518,103)</b>	<b>(36.51)</b>	(12,309,437)	(185.87)
Finance costs	6	-	-	(10,545,839)	(159.24)
Loss before exceptional items		<b>(2,518,103)</b>	<b>(36.51)</b>	(22,855,276)	(345.11)
Exceptional items	7	<b>(21,665,226)</b>	<b>(314.15)</b>	(25,625,828)	(386.95)
Loss for the year	8	<b>(24,183,329)</b>	<b>(350.66)</b>	(48,481,104)	(732.06)

The notes on pages 70 to 74 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, 2006 (1 Mau Rs. = 1.45)

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

## Statement of Changes in Equity – year ended March 31, 2006

	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, 2005	82,409,966	1,194.94	-	-	(61,658,754)	(894.05)	20,751,212	300.89
Loss for the year	-	-	-	-	(24,183,329)	(350.66)	(24,183,329)	(350.66)
<b>Balance at March 31, 2006</b>	<b>82,409,966</b>	<b>1,194.94</b>	<b>-</b>	<b>-</b>	<b>(85,842,083)</b>	<b>(1,244.71)</b>	<b>(3,432,117)</b>	<b>(49.77)</b>
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	-	0.00	(61,658,754)	(931.04)	20,751,212	313.35

Auditors' report on page 66.

## Cash Flow Statement – year ended March 31, 2006

	Notes	2006		2005	
		Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
<b>Cash flows from operating activities</b>					
Cash absorbed in operations	9(a)	<b>(36,088)</b>	<b>(0.52)</b>	(14,207,780)	(214.54)
Interest paid		-	-	(2,543,349)	(38.40)
Net cash used in operating activities		<b>(36,088)</b>	<b>(0.52)</b>	(16,751,129)	(252.94)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		-	-	(2,482,543)	(37.49)
Disposal of property, plant and equipment		-	-	104,160,461	1,572.82
Net cash from investing activities		-	-	101,677,918	1,535.33
<b>Cash flows from financing activities</b>					
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)
Net cash used in financing activities		-	-	(77,696,068)	(1,173.21)
Net (decrease)/increase in cash and cash equivalents		<b>(36,088)</b>	<b>(0.52)</b>	7,230,721	109.18
<b>Movement in cash and cash equivalents</b>					
At April 1,		<b>22,276</b>	<b>0.32</b>	(7,208,445)	(108.85)
(Decrease)/increase		<b>(36,088)</b>	<b>(0.52)</b>	7,230,721	109.18
At March 31,	9(b)	<b>(13,812)</b>	<b>(0.20)</b>	22,276	0.34

The notes on pages 70 to 74 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, 2006 (1 Mau Rs. = 1.45)

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

# Notes to the Financial Statements – year ended March 31, 2006

## 1. COMPANY PROFILE

Arvind Spinning Ltd is a private company incorporated and domiciled in Mauritius. Its main activity is the manufacture of ring and open end spun cotton yarn. The address of its registered office is at 10 Frere Felix 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.

These financial statements will be submitted for consideration and approval at the forthcoming Annual Meeting of Shareholders of the company.

## 2. ACCOUNTING POLICIES

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

### (a) Basis of preparation

The financial statements of Arvind Spinning Ltd have been prepared under the break up basis.

All assets have been stated at the lower of cost and net realisable value. All long term assets have been reclassified as current.

### (b) Property, plant and equipment

All property, plant and equipment are stated at their net realisable value. Depreciation for the year has been 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%

At year end, the assets have been reviewed for impairment and the impairment loss recognised.

#### Land is not depreciated

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 disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement.

### (c) Foreign currencies

#### (i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency").

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end

exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

### (d) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction effects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

### (e) Revenue recognition

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

### (f) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The mark down of assets to their net realisable values if lower than cost is based on the directors' estimates using the best information available.

## Notes to the Financial Statements – year ended March 31, 2006

## 4. PROPERTY, PLANT AND EQUIPMENT

		Building on Leasehold Land	Furniture Fixtures & Fittings	Total			
		Rs.	Rs.	Rs.			
<b>(a) COST</b>							
At April 1, 2005 and March 31, 2006	In Mauritius Rupees	31,107,492	9,266,404	40,373,896			
	Rs. In Lacs *	451.06	134.37	585.43			
<b>DEPRECIATION</b>							
At April 1, 2005	In Mauritius Rupees	2,385,504	1,341,151	3,726,655			
	Rs. In Lacs *	34.59	19.45	54.04			
Charge for the year	In Mauritius Rupees	1,555,375	926,640	2,482,015			
	Rs. In Lacs *	22.55	13.44	35.99			
Impairment losses	In Mauritius Rupees	15,166,613	6,498,613	21,665,226			
	Rs. In Lacs *	219.92	94.23	314.15			
<b>At March 31, 2006</b>	<b>In Mauritius Rupees</b>	<b>19,107,492</b>	<b>8,766,404</b>	<b>27,873,896</b>			
	<b>Rs. In Lacs *</b>	<b>277.06</b>	<b>127.12</b>	<b>404.18</b>			
<b>NET BOOK VALUE</b>							
<b>At March 31, 2006</b>	<b>In Mauritius Rupees</b>	<b>12,000,000</b>	<b>500,000</b>	<b>12,500,000</b>			
	<b>Rs. In Lacs *</b>	<b>174.00</b>	<b>7.25</b>	<b>181.25</b>			
<b>(b) COST</b>							
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)	(1,637.32)
<b>At March 31, 2005</b>	<b>In Mauritian Rupees</b>	<b>31,107,492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,266,404</b>	<b>40,373,896</b>
	<b>Rs. In lacs**</b>	<b>469.72</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139.92</b>	<b>609.65</b>
<b>DEPRECIATION</b>							
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 adjustment	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)	(83.54)
<b>At March 31, 2005</b>	<b>In Mauritian Rupees</b>	<b>2,385,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,341,151</b>	<b>3,726,655</b>
	<b>Rs. In lacs</b>	<b>36.02</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.25</b>	<b>56.27</b>
<b>NET BOOK VALUE</b>							
<b>At March 31, 2005</b>		<b>28,721,988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,925,253</b>	<b>36,647,241</b>
		<b>433.70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119.67</b>	<b>553.37</b>

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

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

## Notes to the Financial Statements – year ended March 31, 2006

	2006		2005	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
<b>5. SHARE CAPITAL</b>				
STATED CAPITAL				
Ordinary shares				
At April 1,	82,409,966	1,194.94	35,631,140	538.03
Issue during the year	-	-	46,778,826	706.36
At March 31,	<u>82,409,966</u>	<u>1,194.94</u>	<u>82,409,966</u>	<u>1,244.39</u>
<b>6. FINANCE COSTS</b>				
Net foreign exchange transaction losses	-	-	(8,002,490)	(120.84)
<b>Interest expenses</b>				
Bank overdraft	-	-	(290,340)	4.38
Import loans	-	-	(573,746)	8.66
Bank loans	-	-	(1,608,979)	24.30
Finance leases	-	-	(70,284)	1.06
	-	-	(2,543,349)	<b>38.40</b>
	-	-	(10,545,839)	<b>(159.24)</b>
<b>7. EXCEPTIONAL ITEMS</b>				
Loss on take over of assets and liabilities by holding company	-	-	25,625,828	386.95
Impairment losses on property, plant and equipment	21,665,226	314.15		
	<u>21,665,226</u>	<u>314.15</u>	<u>25,625,828</u>	<u>386.95</u>
<b>8. LOSS FOR THE YEAR</b>				
The loss for the year is arrived at after charging:				
Depreciation on property, plant and equipment				
- Owned assets	2,482,015	35.99	4,850,136	73.24
- Leased assets	-	-	113,881	1.72
Staff costs (see note (a) below)	-	-	7,039,400	106.29
Cost of inventory recognised as expense	-	-	51,685,879	780.46
Impairment losses on property, plant and equipment	21,665,226	314.15	-	-
(a) Analysis of staff costs				
Wages and salaries	-	-	7,036,654	106.25
Social security costs	-	-	2,746	0.04
	-	-	7,039,400	106.29

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

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

## Notes to the Financial Statements – year ended March 31, 2006

	2006		2005	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs**
<b>9. NOTES TO THE CASH FLOW STATEMENT</b>				
(a) Cash absorbed in operations				
Loss for the year	(24,183,329)	(350.66)	(48,481,104)	(732.06)
Adjustments for:				
Depreciation	2,482,015	35.99	4,964,016	74.96
Impairment losses in property, plant and equipment	21,665,226	314.15	-	-
Unrealised losses on exchange	-	-	1,515,250	22.88
Interest expense	-	-	2,543,349	38.40
	<u>(36,088)</u>	<u>(0.52)</u>	<u>(39,458,489)</u>	<u>(595.82)</u>
Changes in working capital:				
- inventories	-	-	19,066,867	287.91
- trade and other receivables	82,143,480	1,191.08	(54,820,059)	(827.78)
- trade and other payables	(82,143,480)	(1,191.08)	61,003,901	921.16
Cash absorbed in operations	<u>(36,088)</u>	<u>(0.52)</u>	<u>(14,207,780)</u>	<u>(214.53)</u>
(b) Cash and cash equivalents				
Cash in hand and at bank	-	-	22,276	0.34
Bank overdraft	(13,812)	(0.20)	-	-
	<u>(13,812)</u>	<u>(0.20)</u>	<u>22,276</u>	<u>0.34</u>

**10. 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	510,023	12.73
Deferred tax assets	(510,023)	(12.73)	(510,023)	(12.73)
	<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.58,311,541 Rs.in lacs\* 845.52 (2005 :mau. Rs.58,311,541 rs.in lacs\*\* 880.50 ) 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 income statement are attributable to the following items.

	At April 01, 2005		Charged to income statement		At March 31, 2006	
	Mau. Rs.	Rs.In Lacs**	Mau. Rs.	Rs.In Lacs*	Mau. Rs.	Rs.In Lacs*
<b>Deferred income tax liability</b>						
Accelerated tax depreciation	510,023	12.73	-	-	510,023	12.73
<b>Deferred income tax asset</b>						
Tax losses	(510,023)	(12.73)	-	-	(510,023)	(12.73)
<b>Net deferred income tax liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs. = 1.45)

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

## Notes to the Financial Statements – year ended March 31, 2006

### 11. RELATED PARTY TRANSACTIONS

	Purchase of goods or services		Sales of goods or services		Amount owed by related parties		Amount owed to related parties	
	Mau. Rs.	Rs.In Lacs*	Mau. Rs.	Rs.In Lacs*	Mau. Rs.	Rs.In Lacs*	Mau. Rs.	Rs.In Lacs*
<b>2006</b>								
Holding company	-	-	-	-	-	-	-	-
Fellow subsidiary company	-	-	-	-	-	-	15,918,305	230.82
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Purchase of goods or services		Sales of goods or services		Amount owed by related parties		Amount owed to related parties	
	Mau. Rs.	Rs.In Lacs*	Mau. Rs.	Rs.In Lacs*	Mau. Rs.	Rs.In Lacs*	Mau. Rs.	Rs.In Lacs*
<b>2005</b>								
Holding company	41,931,860	633.17	76,896,000	1,161.13	82,143,480	1,240.37	-	-
Fellow subsidiary company	-	-	52,626,904	526.27	-	-	98,061,785	1,480.73
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

\* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

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

## Directors' Report

To,  
**The Members,  
Lifestyle Fabrics Limited**

Your Directors present their Twelfth Annual Report along with the audited Financial Statements for the year ended on 31st March, 2006.

### 1. FINANCIAL RESULTS

	Rs. in lacs	
	2005-2006	2004-2005
Sales & Other Income	Nil	Nil
Profit/(Loss) before Depreciation, Interest, amortised expenses and taxation	(1.12)	(1.47)
Less: Net Interest	Nil	Nil
Gross Profit / (Loss) after Interest but before Depreciation and Taxation	(1.12)	(1.47)
Less: Depreciation and amortised expenses	Nil	Nil
Profit/(Loss) before tax	(1.12)	(1.47)
Less : Short provision for Income Tax of earlier years	(0.02)	Nil
Net Profit/(Loss) for the year	(1.14)	(1.47)
Less : Prior period expenses	(0.05)	Nil
Total loss for the year	(1.19)	(1.47)

### 2. 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 in the best interest of the members, including its merger.

### 3. DIVIDEND

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

### 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. Jayesh K. Shah and Mr. I. S. Shah, 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, 2006 and loss of the Company for the year.

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

### 7. REPORT ON CORPORATE GOVERNANCE

A separate report on Corporate Governance forms 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 & Co., 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. ACKNOWLEDGEMENT

Your Directors record their appreciation of support and co-operation extended by all shareholders, bankers of the Company and government authorities.

For and on behalf of the Board  
**For Lifestyle Fabrics Limited**

**Bhupendra M. Shah**  
Director

**Jayesh K. Shah**  
Director

Place : Ahmedabad  
Date : 25th April, 2006

## Auditors' Report

### TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of LIFESTYLE FABRICS LIMITED, as at 31st March, 2006, 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 taken an interest free unsecured loan from the holding company amounting to Rs.15,000/-.
- c) The terms and conditions of such interest free loan are not prima facie prejudicial to the interest of the Company.
- d) According to the information and explanation given to us, the principal amount of such interest free loan is repayable on demand.
- 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 carry out 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, Employees' 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 Funds, 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) On the basis of the information and explanation given to us, and on an overall examination of the Balance Sheet of the Company, in our opinion, no funds raised on short term basis have been used for long-term investments.
- 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;

## LIFESTYLE FABRICS LIMITED

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, 2006 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 principals generally accepted in India;
  - a) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2006;
  - 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 AND CO.**  
Chartered Accountants

**N. Kashinath**  
Partner  
Membership No.36490

Ahmedabad,  
Date: 25th April, 2006

## Balance Sheet as at 31st March, 2006

	Schedule	Rupees	As at 31.03.2006 Rupees	Rupees	As at 31.03.2005 Rupees
<b>SOURCES OF FUNDS :</b>					
<b>Shareholders' Funds</b>					
Share Capital	1	55,000,000		55,000,000	
Reserves & Surplus	2	9,831,129		9,831,129	
			<b>64,831,129</b>		64,831,129
<b>Loan Funds</b>					
Unsecured Loan	3		15,000		-
<b>TOTAL</b>			<b>64,846,129</b>		64,831,129
<b>APPLICATION OF FUNDS :</b>					
Current Assets, Loans and Advances					
a) Cash and Bank Balances	4	14,653		76,315	
b) Loans and Advances	5	-		34,715	
			<b>14,653</b>	111,030	
Less : Current liabilities and provisions:					
Sundry Creditors (Other than SSI)		18,163		10,765	
Net Current Assets			<b>(3,510)</b>		100,265
Balance in Profit and Loss Account			<b>64,849,639</b>		64,730,864
<b>TOTAL</b>			<b>64,846,129</b>		64,831,129
Notes to Accounts	7				

Schedules 1 to 5 and 7 referred to above form an integral part of the Balance Sheet.  
This is the Balance Sheet referred to in our Report of even date.

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

**N Kashinath**  
Partner

Ahmedabad,  
25th April, 2006

For and on behalf of the Board

**JAYESH K. SHAH**

Director

**BHUPENDRA M. SHAH**

Director

Ahmedabad,  
25th April, 2006

## Profit & Loss Account for the year ended on 31st March, 2006

	Schedule	Year ended 31.03.2006 Rupees	Year ended 31.03.2005 Rupees
<b>INCOME</b>		—	—
<b>TOTAL</b>		—	—
<b>EXPENDITURE</b>			
Administration and Other Expenses	6	111,934	146,728
<b>TOTAL</b>		111,934	146,728
Loss for the year		(111,934)	(146,728)
Prior Period Expenses		(4,866)	-
		(116,800)	(146,728)
Short Provision of Income Tax of earlier years		(1,975)	-
		(118,775)	(146,728)
Balance brought forward		(64,730,864)	(64,584,136)
Balance carried to Balance Sheet		(64,849,639)	(64,730,864)
Basic & Diluted Earning per Share		(0.02)	(0.03)
Notes Forming Part of Accounts	7		

Schedules 6 and 7 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.

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

**N Kashinath**  
Partner

Ahmedabad,  
25th April, 2006

For and on behalf of the Board

**JAYESH K. SHAH**

Director

**BHUPENDRA M. SHAH**

Director

Ahmedabad,  
25th April, 2006

## Cash Flow Statement for the year ended on 31st March, 2006

	Rupees	2005-2006 Rupees	Rupees	2004-2005 Rupees
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>				
NET OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		<b>(116,800)</b>		(146,728)
ADJUSTMENTS FOR :				
Trade & Other Receivables	-		2,500	
Trade payables	<b>7,398</b>		(5,035)	
		<b>7,398</b>		(2,535)
Cash Generated from Operations		<b>(109,402)</b>		(149,263)
Direct taxes paid (Net of Refund)		<b>32,740</b>		-
Net Cash from Operating Activities		<b>(76,662)</b>		(149,263)
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>				
		-		-
		<b>(76,662)</b>		(149,263)
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>				
Unsecured loan from the Holding Company		<b>15,000</b>		-
NET CASH FROM FINANCING ACTIVITIES		<b>15,000</b>		-
NET DECREASE IN CASH & CASH EQUIVALENTS		<b>(61,662)</b>		(149,263)
CASH & CASH EQUIVALENTS :				
Opening Balance at Beginning of the year		<b>76,315</b>		225,578
Closing Balance at the End of the year		<b>14,653</b>		76,315
NET DECREASE IN CASH & CASH EQUIVALENTS		<b>(61,662)</b>		(149,263)

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

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

**N Kashinath**  
Partner

Ahmedabad,  
25th April, 2006

For and on behalf of the Board

**JAYESH K. SHAH**

Director

**BHUPENDRA M. SHAH**

Director

Ahmedabad,  
25th April, 2006

## Schedules forming part of the Accounts

	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees	2005-06 Rupees	2004-05 Rupees
<b>SCHEDULE '1': SHARE CAPITAL</b>				
<b>Authorised :</b>				
70,00,000 Equity Shares of Rs.10/- each	<b>70,000,000</b>	70,000,000		
<b>Issued, Subscribed and Paid-up :</b>				
55,00,000 Equity Shares of Rs.10/- each Fully paid up (Of the above 39,49,093 shares are held by the holding Company, Asman Investments Limited, a subsidiary of The Arvind Mills Limited.	<b>55,000,000</b>	55,000,000		
<b>SCHEDULE '2': RESERVES &amp; SURPLUS</b>				
<b>Capital Reserve:</b>	<b>9,831,129</b>	9,831,129		
<b>Total</b>	<b>9,831,129</b>	9,831,129		
<b>SCHEDULE '3': UNSECURED LOAN</b>				
From the Holding Company	<b>15,000</b>	-		
<b>Total</b>	<b>15,000</b>	-		
<b>SCHEDULE '4': CASH &amp; BANK BALANCES</b>				
Balance with a Scheduled Bank				
In Current account	<b>14,653</b>	76,315		
<b>Total</b>	<b>14,653</b>	76,315		
<b>SCHEDULE '5' : LOANS AND ADVANCES</b> (Unsecured, considered good)				
Income-Tax deducted at source			-	34,715
<b>Total</b>			-	34,715
<b>SCHEDULE '6' : ADMINISTRATION &amp; GENERAL EXPENSES</b>				
Printing and Stationery			<b>39,145</b>	42,143
Postage and Telephone			<b>18,206</b>	17,365
Membership & Subscription			<b>36,143</b>	36,450
Legal and Professional Expenses			<b>4,250</b>	19,712
Auditors' Remuneration				
Audit Fees			<b>10,102</b>	5,510
Income Tax matters			<b>2,806</b>	2,500
Other services			-	2,755
			<b>12,908</b>	10,765
Filing Fees			<b>1,000</b>	1,000
Sales Tax			-	16,520
Profession Tax			-	2,500
Bank Charges			<b>282</b>	205
Miscellaneous Expenses			-	68
<b>Total</b>			<b>111,934</b>	146,728

## Schedules forming part of the Accounts

### SCHEDULE '7' : NOTES FORMING PART OF ACCOUNTS

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### METHOD OF ACCOUNTING

The Accounts have been prepared on the accrual basis of accounting, under the historical cost convention and in accordance with the Companies Act, 1956 and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

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 in respect thereof.
4. Prior Period Expenses represents Provident Fund dues of earlier years.
5. 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.
6. Related Party Transactions

Name of the Related Party	Relationship	Description	For the year 2005-2006	As at 31st March, 2006 (Payable)
Asman Investments Limited A subsidiary of Arvind Mills Ltd	Holding Company	Unsecured Loan taken	Rs.15,000/- (Previous year Rs. Nil)	Rs.15,000/- (Previous year Rs. Nil)

#### 7. Earning Per Share (EPS)

	2005-06	2004-05
Loss for the year Rs.	<b>(1,18,775)</b>	(1,46,728)
Number of Equity Shares (Rs. 10/- each)	<b>55,00,000</b>	55,00,000
Basic & Diluted Earning per Share	<b>Rs. (0.02)</b>	Rs. (0.03)

8. 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, 2006.
9. Information as required by para 3, 4C and 4D of Part-II of Schedule-VI to the Companies Act, 1956 have not been furnished, as they are either nil or not applicable.
10. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

## Balance Sheet Abstract and Company's General Business Profile

<b>1. Registration Details :</b>	
Registration No. ....	75340
State Code .....	11
Balance Sheet Date .....	31/03/2006
<b>2. Capital raised during the year : (Amount in Thousands)</b>	
Public Issue .....	–
Rights Issue .....	–
Bonus Issue .....	–
Private Placement .....	–
<b>3. Position of mobilisation and deployment of funds : (Amount in Thousands)</b>	
Total Liabilities .....	64,846
Total Assets .....	64,846
Sources of Funds :	
Paid up Capital .....	55,000
Reserves & Surplus .....	9,831
Secured Loans .....	–
Unsecured Loans .....	15
Application of Funds :	
Net Fixed Assets .....	–
Investments .....	–
Net Current Assets .....	(3)
Miscellaneous Expenditure .....	–
Accumulated Losses .....	64,849
<b>4. Performance of Company : (Amount in Thousands)</b>	
Turnover .....	–
Total Expenditure .....	117
Loss before Tax .....	(117)
Loss after tax .....	(119)
Earnings per Share (Rs) .....	(0.02)
Dividend .....	Nil
<b>5. Generic Names of principal products, services of the Company:</b>	
Item Code Nos. ....	Not Applicable
Product Description .....	–

Signatures to schedules 1 to 7, 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

Ahmedabad,  
Date : 25th April, 2006

For and on behalf of the Board

**JAYESH K. SHAH**

Director

**BHUPENDRA M.SHAH**

Director

Ahmedabad,  
Date : 25th April, 2006

**NOTE UNDER SUB-SECTION (1) OF SECTION 212**

The Department of Company Affairs has, for the financial year 2005-06, exempted the Company from the applicability of the provisions of sub-section(1) of Section 212 of the Companies Act, 1956, relating to the statements to be attached in respect of the subsidiary companies, with the financial statements of the Company. As required by the above approval letter, the information in aggregate for each of the subsidiary Companies is furnished as under :

Shareholders interested in obtaining the statements of Company's interest in the subsidiaries or stand-alone financial statements of the subsidiaries may obtain it by writing it to the Company.

**INFORMATION AS REQUIRED BY LETTER DATED 10TH MARCH, 2006  
BY DEPARTMENT OF COMPANY AFFAIRS GRANTING APPROVAL U/S 212 (8) OF THE COMPANIES ACT, 1956**

Rs. In Crores

Sr. No.	Name of Subsidiary	Capital	Reserves	Total Assets	Total Liabilities	Details of Investment	Turnover	Profit/(Loss) before Taxation	Provision for Taxation	Profit/(Loss) after Taxation	Proposed Dividend
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Arvind Products Limited	141.10	(50.96)	495.39	405.25	*	389.89	(7.22)	0.12	(7.34)	Nil
2	Asman Investments Limited	0.08	8.45	134.27	125.74	**	4.18	0.53	0.05	0.48	Nil
3	Arvind Worldwide Inc.	2.19	(1.65)	1.85	1.31	***	0.76	0.35	0.06	0.29	Nil
4	Arvind Worldwide (M) Inc.	23.87	(23.30)	7.42	6.85	***	1.71	0.04	-	0.04	Nil
5	Arvind Brands Limited	72.06	(101.18)	298.64	327.76	****	190.28	(2.92)	0.71	(3.63)	Nil
6	Arvind Fashions Limited	8.00	(19.84)	99.16	111.00	***	131.44	(8.16)	0.29	(8.45)	Nil

Rs. in Crore

* Fully paid Equity Shares(Quoted)	0.36
Fully paid Preference Shares(Unquoted)	1.00
	<b>1.36</b>

\*\* Not applicable being Investment Subsidiary.

\*\*\* These Companies have no Investments.

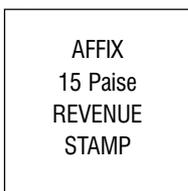
**FORM OF PROXY**  
**THE ARVIND MILLS LIMITED**

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 30th September, 2006 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006

Signature \_\_\_\_\_



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 30th September, 2006 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.

Lalbai 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 Kuberalal 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 30.09.2007

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 30.09.2007

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 30.09.2007

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 30.09.2007

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 30.09.2007

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 30.09.2007

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

Bill No.

Date



## 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.**

130 West 42nd Street  
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](mailto:raju@arvindusa.com)

### **Arvind Denim Lab**

584, Broadway New York,  
New York 10012

### **Bangladesh**

5, Mohakhali Commercial Area  
Dhaka 1212, Bangladesh  
Tel.: +8802 28827122/9881794  
Fax : +8802 9883400

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