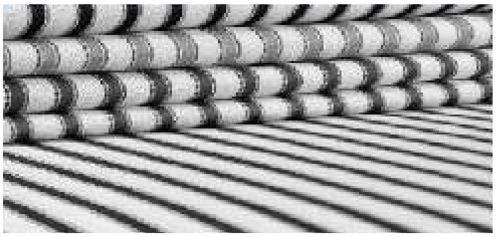
THE ARVIND MILLS LIMITED

ANNUAL REPORT
2006-2007
(Abridged)



Notice

NOTICE is hereby given that the Annual General Meeting of the members of the Company will be held on Saturday, the 29th September, 2007 at Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad - 380 006 at 10:00 a.m. 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, 2007 and the Reports of the Directors and Auditors thereon.
2. To declare dividends.
3. To appoint a Director in place of Mr. Sudhir Mehta 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. Tarun Sheth 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 subject to the consents, approvals and permissions (whether regulatory, contractual or otherwise) being obtained from appropriate authorities to the extent applicable or necessary, consent of the Company be and is hereby accorded pursuant to Section 293 (1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include a Committee thereof) to sell, transfer, lease or otherwise dispose of, as a going concern or otherwise the whole, substantially the whole or any part of the Company's undertaking engaged in the manufacture and marketing of EPABX with manufacturing facilities located at Mulsi, Pune, Maharashtra State together with their infrastructure and with such assets, liabilities, rights and obligations relating or attached thereto as the Board may decide, from such date(s) to such person(s) including a subsidiary, a separate holding company, special purpose or joint venture company or other corporate (in either case, incorporated or to be incorporated within or outside India), for such consideration (whether payable in cash or kind), and on such terms and conditions and in such manner as the Board deems fit and in the interest of the Company.

   RESOLVED FURTHER THAT the Board be and is hereby authorised to complete the sale/transfer/lease of the aforesaid undertaking with such modifications as may be required by any of the above mentioned authorities or which it may deem fit to be in the interest of the Company and to do all such acts, deeds, matters and things, including finalisation and execution of necessary agreements, deeds of assignment conveyance or other documents, as may be deemed necessary in the interest of the Company for giving effect to this resolution."

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

   "RESOLVED THAT in pursuance of Section 21 and other applicable provisions, if any, of the Companies Act, 1956 the name of the Company be changed from **The Arvind Mills Limited** to **Arvind Limited.**

   RESOLVED FURTHER THAT the name of The Arvind Mills Limited wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the name Arvind Limited.

   RESOLVED FURTHER THAT the Board of Directors and its Committee constituted for this purpose be and is hereby authorized to do all such acts, deeds and things as may be deemed expedient and necessary to give effect to this resolution."

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

   "RESOLVED THAT pursuant to Section 309 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and subject to all approvals, permissions and sanctions as may be necessary, approval of the Company be and is hereby accorded for the payment of commission to the Director(s) of the Company who is / are neither in the whole-time employment nor managing director(s), in accordance with and up to the limits laid down under the provisions of Section 309(4) of the Act, computed in the manner specified in the Act, and be paid to the Directors of the Company or some or any of them (other than the Managing Director, Wholetime Director(s) and Nominee Directors), for a period from 1st January, 2008 to 31st March, 2012 in such manner and up to such amount within the above limit as the Board and/or Committee of the Board may, from time to time, determine.

   RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board and / or Committee constituted by the Board be and are hereby authorised to take all actions and do all such 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 this regard."

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

   "RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting held on 29th September, 2005 in respect of reappointment of Mr. Sanjay S. Lalbhai as Managing Director and payment of remuneration to him pursuant to Sections 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in payment of commission payable to Mr. Sanjay S. Lalbhai, Managing Director with effect from 1st April, 2007 for the remainder of the tenure of his contract as set out in the explanatory statement annexed to the notice convening this meeting and also the draft Supplement Agreement submitted to this meeting, with absolute discretion to the Board of Directors (including a committee thereof) to alter and vary the terms and conditions in the said agreement as the Board or any Committee thereof may in its absolute discretion consider necessary, subject to the overall limit of remuneration prescribed under Sections 198, 309 and other applicable provisions of the Companies Act, 1956.

   RESOLVED FURTHER THAT the Draft Supplementary Agreement proposed to be entered into with Mr. Sanjay S. Lalbhai, as initialled by the Chairman for the purpose of identification, providing for revised terms of payment of commission as aforesaid, and submitted to this meeting be and is hereby specifically approved.

   RESOLVED FURTHER THAT the Board of Directors (including a committee thereof) be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution".

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

   "RESOLVED THAT in partial modification of the resolution passed at the Annual General Meeting held on 29th September, 2005 in respect of reappointment of Mr. Jayesh K. Shah, Director and Chief Financial Officer and payment of remuneration to him pursuant to Sections 198, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in payment of salary and commission payable to Mr. Jayesh K. Shah, Director and Chief Financial Officer with effect from 1st April, 2007 for the remainder of the tenure of his contract as set out in the explanatory statement annexed to the notice convening this meeting and also the draft Supplement Agreement submitted to this meeting, with absolute discretion to the Board of Directors (including a committee thereof) to alter and vary the terms and conditions in the said agreement as the Board or any Committee thereof may in its absolute discretion consider necessary, subject to the overall limit of remuneration prescribed under Sections 198, 309 and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER THAT the Draft Supplementary Agreement proposed to be entered into with Mr. Jayesh K. Shah as initialled by the Chairman for the purpose of identification, providing for revised terms of payment of salary and commission as aforesaid, and submitted to this meeting be and is hereby specifically approved.

RESOLVED FURTHER THAT the Board of Directors (including a committee thereof) be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution".

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

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

SANJAY S. LALBHAI
Managing Director

Date : 12th May, 2007

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 Thursday, the 20th September, 2007 to Saturday, the 29th September, 2007 (both days inclusive).
5. Documents referred to in the Explanatory Statement attached hereto are available for inspection by the shareholders at the Registered Office of the Company during business hours on any working day.
6. Members are requested to bring their copies of the Annual Report to the meeting. The Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the meeting.
7. Shareholders intending to require information about Accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.

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

SANJAY S. LALBHAI
Managing Director

Date : 12th May, 2007

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

Item No. 6

The Resolution at Item No. 6 relates to sell/ transfer/ otherwise dispose of the undertaking of the Company at Pune in the State of Maharashtra engaged in the business of manufacturing and marketing EPABX.

As the Company has decided to concentrate only on its core business activities, it has started exploring various options to hive-off the said undertaking. Hence the Board of Directors is proposed to be empowered to complete this process.

Under Section 293(1)(a) of the Companies Act, 1956, consent of the Shareholders is required for the above purpose. Accordingly, your consent is being sought to authorize the Board of Directors to sell, lease, transfer or otherwise dispose of as a going concern or otherwise the said undertaking of the Company to such person(s) including a subsidiary, a separate company, a special purpose or joint venture company or any other corporate (in either case, incorporated or to be incorporated within or outside India) for such consideration (whether payable in cash or kind) and on such terms and conditions and in such manner as the Board may deem necessary in the interest of the Company for giving effect to the resolution.

The Board recommends the resolution at Item No. 6 for your approval. The Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of the Shares held by them in the Company.

Item No. 7

The Company was incorporated in 1931 as "The Arvind Mills Limited" and over the past eight decades Arvind has truly emerged as one of the most dependable and trusted brand name in India.

Since the nature and identity of the business has been completely transformed in last 76 years, Arvind no more can be identified just as a mill, it has now more related businesses apart from only mills businesses but its name still reflects the words 'Mills' in its original name. The business of the Company has in recent times expanded into garment manufacturing, apparel retailing and few other associated areas. The existing growth rates in this business will result in the fabric or the so-called mill based business of the Company being relegated to one of the arms of overall business. Considering this reality the suffix "Mills" and the old world prefix of "The" to the name of the Company does not fully convey the essence of "Brand Arvind". The fact that name of the Company is the most important identity of the organization and reflects its personality it is proposed to drop the word "Mills" and "The" from the name of the Company and the new name proposed is "Arvind Limited", which retains the power of the name "Arvind" and not constrained by any other definitive word.

Under Section 21 of the Companies Act, 1956 Company can, by a Special Resolution and with approval of Central Government, change its name and hence the resolution is proposed for your approval.

The Board commends the resolution at Item No. 7 for approval of members. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 8

Currently, the Non-Executive Directors are paid commission not exceeding one per cent 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 in the aggregate in terms of the resolution passed by the Members at the Annual General Meeting held on 30th December, 2002. The said approval is valid for a period of five years from 1st January, 2003.

Section 309 of the Companies Act, 1956 permits the payment of remuneration to a Director who is neither a Wholetime Director, nor a Managing Director of a Company, by way of commission not exceeding 1% of the net profits of the Company, if the Company authorizes such payment by a Special Resolution at the General Meeting of the Company.

The non-executive directors are required to devote more time and attention to the Company, particularly in view of the more responsibility expected of them through Corporate Governance Policies. The Board, therefore, recognizes the need to suitably remunerate the director(s) of the Company who are neither in the whole-time employment nor managing director(s) with commission up to a ceiling of one per cent of the net profits, if any, of the Company, every year, computed in the manner specified in the Act, for a period from1st January, 2008 to 31st March, 2012. The Board and/or Committee of the Board may from time to time determine, every year the amount of commission within the limit of 1% of the net profit and the same be apportioned amongst the Non-Executive Directors (other than the Managing Director, Wholetime Director(s) and Nominee Directors) in such manner as the Board and/or Committee may deem fit for a period from1st January, 2008 to 31st March, 2012.

The payment of remuneration by way of commission to Non-Executive Directors will be in addition to the sitting fees of Rs.5000/- payable to them for attending each meeting of the Board/Committee.

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

All the non-executive directors of the Company, may be deemed to be concerned or interested in this resolution to the extent of commission that may be payable to them from time to time.

Item No. 9

The shareholders at the Annual General Meeting held on 29th September, 2005 had approved the reappointment of and remuneration payable to Mr. Sanjay S. Lalbhai as Managing Director of the Company for a further period of five years and authorized the Board of Directors to vary his remuneration so as not to exceed the limits specified in the Companies Act, 1956. An Agreement was accordingly executed with him.

The aforesaid Agreement provides payment of commission at the rate of 1% of net profits of the Company.

In order to give flexibility to the Board of Directors to decide upon the amount of commission to be paid to the Managing Director from time to time, within the overall ceilings prescribed under the Act, it is proposed to revise the terms of remuneration relating to commission of Mr. Sanjay S. Lalbhai with effect from 1st April, 2007. The Board of Directors at its meeting held on 12th May, 2007, has, pursuant to the recommendation of the Remuneration Committee, approved of the aforesaid proposal, subject to the approval of the members. The individual ceiling of one per cent commission based on net profit is, thus, proposed to be replaced. The revised term of payment of commission to Mr. Sanjay S. Lalbhai is as under :

Performance Linked Variable Pay / Special Allowance Role Award / Bonus / Commission etc :

“The Managing Director shall be entitled to Performance Linked Variable Pay/Special Allowance Role Award/Bonus/Commission on profits etc. or in any other form of Rs.150 lacs per annum or such other amount as the Remuneration Committee may determine subject to the overall limit of remuneration prescribed under Section 198 and 309 and other applicable provisions of the Companies Act 1956.”

A Supplementary Agreement for the same shall be executed with Mr. Sanjay S. Lalbhai, Managing Director after the shareholders’ approval. All other terms and conditions of the appointment and remuneration of Mr. Sanjay S. Lalbhai would remain unchanged.

The aforesaid revised payment of commission may amount to increase in the remuneration of the Managing Director requiring approval of the shareholders under Section 310 of the Companies Act, 1956. The Board of Directors therefore recommends passing of the resolution at Item No. 9. The copy of Original Agreement and Draft Supplementary Agreement as referred above are open for inspection by the members at the Registered Office of the Company during business hours on any working day, upto the date of the Annual General Meeting.

This explanatory statement read with the resolution in respect of the Draft Supplementary Agreement as referred above may be treated as an abstract in compliance with Section 302 of the Companies Act, 1956.

Except Mr. Sanjay S. Lalbhai, none of the other Directors of the Company is, in any way, concerned or interested in the said Resolution.

Item No. 10

The shareholders at the Annual General Meeting held on 29th September, 2005 had approved the reappointment of and remuneration payable to Mr. Jayesh K. Shah as Director and Chief Financial Officer of the Company for a period from 20th November, 2005 to 30th September, 2008 and authorized the Board of Directors to vary his remuneration so as not to exceed the limits specified in the Companies Act, 1956. An Agreement was accordingly executed with him.

The aforesaid Agreement provides payment of salary and commission as under :

Basic Salary : Rs. 1,39,970/-(Rupees One Lac Thirty Nine Thousand Nine Hundred Seventy) per month with such increases as may be decided by the Board of Directors (which includes any committee thereof) from time to time, but subject to maximum salary of Rs. 2,50,000/- (Rupees Two Lacs Fifty Thousand) per month.

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

In order to give flexibility to the Board of Directors to decide upon the amount of salary and commission to be paid to Mr. Jayesh K. Shah, Director and Chief Financial Officer of the Company from time to time, within the overall ceilings prescribed under the Act, it is proposed to revise the terms of remuneration relating to basic salary and commission of Mr. Jayesh K. Shah with effect from 1st April, 2007. The Board of Directors at its meeting held on 12th May, 2007, has, pursuant to the recommendation of the Remuneration Committee, approved of the aforesaid proposal, subject to the approval of the members. The individual ceiling of one per cent commission based on net profit is, thus, proposed to be replaced. The revised terms of payment of basic salary and commission to Mr. Jayesh K. Shah as Director and Chief Financial Officer are as under :

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

Performance Linked Variable Pay / Special Allowance Role Award / Bonus / Commission etc :

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

A Supplementary Agreement for the same shall be executed with Mr. Jayesh K. Shah, Director and Chief Financial Officer after the shareholders’ approval. All other terms and conditions of the appointment and remuneration of Mr. Jayesh K. Shah would remain unchanged.

The aforesaid revised payment of basic salary and commission may amount to increase in the remuneration of the Director and Chief Financial Officer requiring approval of the shareholders under Section 310 of the Companies Act, 1956. The Board of Directors therefore recommends passing of the resolution at Item No. 10.

The copy of Original Agreement and Draft Supplementary Agreement as referred above are open for inspection by the members at the Registered Office of the Company during business hours on any working day, upto the date of the Annual General Meeting.

This explanatory statement read with the resolution in respect of the Draft Supplementary Agreement as referred above may be treated as an abstract in compliance with Section 302 of the Companies Act, 1956.

Except Mr. Jayesh K. Shah none of the other Directors of the Company is, in any way, concerned or interested in the said Resolution.

Registered Office:
Naroda Road,
Ahmedabad-380 025

Date : 12th May, 2007

By Order of the Board

SANJAY S. LALBHAI
Managing Director

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, 2006 to 31st March, 2007:

1. FINANCIAL RESULTS

Highlights of Financial Results for the year are as under:

Rs. in Crores

	2006-2007	2005-2006
Turnover & Other Income	**1844.91**	1588.79
Profit before Depreciation, Interest & Taxation	**321.33**	426.91
Less : Interest and Finance costs	**150.26**	135.43
Gross Profit after Interest & Finance costs but before Depreciation & Taxation	**171.07**	291.48
Less : Depreciation	**143.36**	155.10
Net Profit before Taxation for the year	**27.71**	136.38
Add: Non Recurring /Extra-ordinary Items (Net)	**94.29**	0.00
Profit after Extra-ordinary Items	**122.00**	136.38
Less : Current Tax	**11.61**	11.40
Less : Deferred Tax	**0.00**	8.27
Less: Fringe Benefit Tax	**2.44**	0.95
Add: MAT Credit Entitlement	**11.61**	11.40
Net Profit for the year	**119.56**	127.16
Balance of Profit brought forward	**321.17**	232.74
Less : Transfer to Capital Redemption Reserve	**9.90**	9.92
Less: Transfer to Debenture Redemption Reserve	**2.25**	0.00
Add : Transfer from Debenture Redemption Reserve	**0.00**	1.00
Balance available for appropriation	**428.58**	350.98
Your Directors appropriate the same as under :		
Interim Dividend on Preference Shares	**3.14**	3.80
Tax on Interim Dividend	**0.44**	0.53
Proposed Dividend on Equity Shares	**0.00**	20.94
Tax on proposed Dividend	**0.00**	2.94
Additional Dividend on Equity Shares	**0.00**	1.40
Tax on Additional Dividend	**0.00**	0.20
Balance carried forward to next year	**425.00**	321.17
Total	**425.00**	321.17

2. OPERATIONS

Your directors are pleased to inform you that the company has been successfully able to steer through financial year 2006-07, which was a very challenging period. The company operated at lower utilization levels compared to previous financial year and the impact is visible in the operating profits of the company.

The operations of Arvind Brands Limited and its subsidiaries were merged with the Company with effect from 1st April, 2006 and hence the figures of current year are not strictly comparable with the previous financial year. Sales and operating income at Rs.1844.91 Crores were up by 16% compared to Rs.1588.69 Crores in the previous financial year, a growth of 16%. This was mainly due to addition of turnover of Arvind Brands. Operating profit of the company was Rs. 305.08 Crores compared to Rs.414.83 Crores in the previous financial year, a drop of 26%. This was mainly due to addition of Arvind Brands operations which have so far not been profitable as well as sharp drop in denim volume and realisations. There was one time extraordinary profit due to sale of business to VF Arvind Brands Private Limited amounting to Rs.100.12 Crores and a write-off of CENVAT balance amounting to Rs.5.83 Crores resulting in net profit of Rs.94.29 Crores. The Key developments of the year under review are summarized below:

- Merger of Arvind Brands Limited and its subsidiaries with the Company with effect from 1st April, 2006;
- Wholesale branded apparel business of erstwhile Arvind Fashions Limited has been sold to VF Arvind Brands Private Limited with effect from 31st August, 2006 for a total consideration of Rs.181.65 Crores, after making necessary provisions for claims and other contingent liabilities, the company made one time profit of Rs.100.12 Crores;
- With the denim manufacturing capacity in India going up by almost 100%, the prices and volumes in domestic market are under severe pressure;
- The cotton cost for the second consecutive year remained low and the company has also benefited from the low cost inventory it had accumulated.

The company has registered a Net Profit after Extra-ordinary Items of Rs.119.56 Crores compared to Rs.127.16 Crores in the previous financial year, a drop of 6%.

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. 3.14 crores on 66,00,000 6% Redeemable Cumulative Non-Convertible Preference Shares of Rs. 100/- each has been paid by the Company as interim dividend for the year 2006-07. Your Directors recommend that the interim dividend be fully adjusted as final dividend for the year ended on 31st March, 2007.

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

4. FINANCE

During the year, your Company has repaid the installments of Term Loans amounting to Rs. 142 crores falling due during the current year. The Company has also made fresh borrowings of Rs. 236 Crores for funding capital expenditure and other requirements. Long Term Debt including lease of the Company stands to Rs. 1269 crores as on 31st March 2007.

5. SUBSIDIARIES

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

Pursuant to Accounting Standard AS-21 issued by the Institute of

Chartered Accountants of India the Company has prepared Consolidated Financial Statements of the Company and its subsidiaries are included in the Annual Report.

In view of the closure of business and disposal of the business undertaking, the accounts of Arvind Overseas (Mauritius) Limited, Arvind Spinning Limited and Lifestyle Fabrics Limited, have not been prepared on the going on concern basis. Aakar Foundationwear Limited and Arvind Textile Mills Limited have not commenced their businesses. The accounts of Joint Venture Company VF Arvind Brands Private Limited have not been considered for consolidation as the same are under preparation being the first year of operation. Hence, the accounts of these subsidiary companies and VF Arvind Brands Private Limited 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

Mr. Jaithirth Rao has resigned from the Board of Directors of the Company with effect from 13th January, 2007. The Board places on record its appreciation for the valuable services rendered by Mr. Jaithirth Rao during his tenure as Director.

Mr. Deepak M. Satwalekar has resigned from the Board of Directors of the Company with effect from 1st May, 2007. The Board places on record its appreciation for the valuable services rendered by Mr. Deepak M. Satwalekar during his tenure as Director.

At the ensuing Annual General Meeting, Mr. Sudhir Mehta and Mr. Tarun Sheth, 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, 2007 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, 2007 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. 0.004 crores during the year and the balance deposits of Rs. 0.02 crores involving 19 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

SANJAY S. LALBHAI
Managing Director

Date : 12th May, 2007
Place : Ahmedabad

JAYESH K. SHAH
Director & Chief Financial Officer

Corporate Governance Report

Company's Philosophy on Code of Governance

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

Board of Directors

Composition of the Board

The Board has 8 Directors, comprising of 2 Executive Directors viz. 1 Managing Director and 1 Director and Chief Financial Officer and 6 Non-Executive Directors. The Non-Executive Directors include 4 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, 2007:

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

* Mr. Jaithirth Rao has resigned from the Board with effect from 13th January, 2007.

** Mr Srinivasan Sridhar, a Nominee of EXIM Bank has ceased to be a director with effect from 19th April, 2006.

+ Mr. S. R. Rao has been appointed as a Nominee Director of EXIM Bank on 19th April, 2006.

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

Board Agenda

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

- Annual Budgets and updates thereon.
- Capital expenditure proposals and review of their implementation.
- Quarterly, 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 8th April 2006, 27th April, 2006, 27th July, 2006, 31st October, 2006 & 25th January, 2007. 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	4	No
2	Mr. Sanjay S. Lalbhai	5	5	Yes
3	Mr. Jayesh K. Shah	5	5	Yes
4	Mr. Jaithirth Rao*	4	3	No
5	Mr. Deepak M. Satwalekar***	5	4	No
6	Mr. V. K. Pandit	5	4	No
7	Mr. Srinivasan Sridhar**	1	1	No
8	Mr. Sudhir Mehta	5	0	No
9	Mr. Tarun Sheth	5	4	Yes
10	Mr. K. M. Jayarao	5	2	No
11	Mr. S. R. Rao+	4	3	No

* Mr. Jaithirth Rao has resigned from the Board with effect from 13th January, 2007.

** Mr. Srinivasan Sridhar, a Nominee of EXIM Bank has ceased to be a director with effect from 19th April, 2006.

+ Mr. S. R. Rao has been appointed as a Nominee Director of EXIM Bank on 19th April, 2006.

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

Committees of the Board

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

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

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

1. Audit Committee

The Audit Committee of the Company comprises of 4 members, 3 of whom are Non-Executive Independent Directors. Mr. S. Sridhar, a Nominee Director retired as Chairman of the Committee on 19th April, 2006 and Mr. Tarun Sheth, an Independent Director acts as Chairman of the Committee from 24th April, 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 Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
   (b) Changes, if any, in accounting policies and practices and reasons for the same.
   (c) Major accounting entries involving estimates based on the exercise of judgment by management.
   (d) Significant adjustments made in the financial statements arising out of audit findings.
   (e) Compliance with listing and other legal requirements relating to financial statements.
   (f) Disclosure of any related party transactions.
   (g) Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

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

    Explanation (ii) : If the Company has set up an audit committee pursuant to provsision 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, 2006, 27th July, 2006, 31st October, 2006 and 25th January, 2007.

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. Srinivasan Sridhar*	Chairman	Nil	Nil
2	Mr. Jaithirth Rao**	Member	3	2
3.	Mr. Tarun Sheth***	Chairman /Member	4	2
4	Mr. V. K. Pandit ****	Member	1	1
5	Mr. K. M. Jayarao*****	Member	4	1
6	Mr. S. R. Rao******	Member	3	2

* Mr Srinivasan Sridhar, a Nominee of EXIM Bank has ceased to be a director with effect from 19th April, 06.

**Mr. Jaithirth Rao has resigned from the Board with effect from 13th January, 07.

***Mr. Tarun Sheth has been appointed as a Chairman of the Committee with effect from 24th April, 06.

**** Mr. V. K. Pandit has been appointed as a member of the Committee with effect from 13th January, 07.

***** Mr. K.M. Jayarao has been appointed as a member of the Committee with effect from 24th April, 06.

****** Mr. S. R. Rao has been appointed as a member of the Committee with effect from 21st July, 06.

2. Remuneration Committee

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

Role

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

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

Meetings and Attendance

During the year, 1 meeting was held on 27th April, 06.

The Attendance of Members at the meeting was as under:

Sr. No.	Name	Position	No. of Meetings held during relevant period	No. of Meetings Attended
1	Mr. Deepak M. Satwalekar***	Chairman	1	Nil
2	Mr. Jaithirth Rao*	Member	1	1
3	Mr. Tarun Sheth	Member	1	1
4	Mr. Sudhir Mehta**	Member	1	Nil

* Mr. Jaithirth Rao has resigned from the Board with effect from 13th January, 07.

** Mr. Sudhir Mehta has been appointed as a Member of the Committee with effect from 13th January, 07.

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

Remuneration of Directors

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

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

The 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. Company 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.

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

Sr. No.	Name of Director	Salary Rs.	Perquisites & Allowances Rs.	Sitting Fees Rs.	Commission/ Bonus Rs.	Total Rs.
1	Mr. Arvind N. Lalbhai (Chairman)	Nil	Nil	140000/-	Nil	140000/-
2	Mr. Sanjay S. Lalbhai (MD) ©	3600000/-	7661362/-	Nil	4600000/- ++	15861362/-
3	Mr. Jayesh K. Shah+	2100000/-	9162232/-	Nil	Nil	11262232/-
4	Mr. D. M. Satwalekar****	Nil	Nil	20000/-	500000/-	520000/-
5	Mr. Jaithirth Rao*	Nil	Nil	30000/-	471780/-	501780/-
6	Mr. V. K. Pandit	Nil	Nil	25000/-	Nil	25000/-
7	Mr. K. M. Jayarao	Nil	Nil	15000/-	Nil	15000/-
8	Mr. S. Sridhar**	Nil	Nil	5000/-	Nil	5000/-
9	Mr. S. R. Rao***	Nil	Nil	25000/-	Nil	25000/-
10	Mr. Sudhir Mehta	Nil	Nil	Nil	Nil	Nil
11	Mr. Tarun Sheth	Nil	Nil	55000/-	600000/-	655000/-

* Mr. Jaithirth Rao has resigned from the Board with effect from 13th January, 07.

**Mr. Srinivasan Sridhar, a Nominee of EXIM Bank has ceased to be a director with effect from 19th April, 06.

*** Mr. S. R. Rao has been appointed as a Nominee Director of EXIM Bank on 19th April, 06.

**** Mr. D. M. Satwalekar has resigned from the Board with effect from 1st May, 07.

© 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.

++For the year 2005-06.

3. Investors' Grievance Committee

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

Role

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

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

Meetings and Attendance

During the year, 4 Investors' Grievance Committee Meetings were held on 27th April, 06, 27th July, 06, 31st October, 06 & 25th January, 07

The Attendance of Members at meetings was as under:

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

4. Management Committee

The Management Committee consists of 3 Directors, 2 of whom are Executive Directors and 1 Non-Executive Director. The Management Committee is chaired by Mr. Arvind N. Lalbhai who is also the Non-Executive Chairman of the Board. The Management Committee met 23 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, 23 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	23	21
2	Mr. Sanjay S. Lalbhai	Member	23	18
3	Mr. Jayesh K. Shah	Member	23	23

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. Sudhir Mehta and Mr. Tarun Sheth, Directors of the Company, retire by rotation and being eligible seek re-appointment.

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

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, Torrent Power SEC Ltd. and Torrent Power Generation Limited now merged with Torrent Power Limited 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 Executive Chairman of Torrent Power Limited, Chairman of Torrent Pharmaceuticals Limited & Torrent Private Limited, and a Director of Torrent Power Transmission Private Limited.

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Torrent Power Limited	-	-
2	Torrent Pharmaceuticals Limited	Securities Transfer & Investor Grievance Committee	Chairman
3	Torrent Private Limited	-	-
4	Torrent Power Transmission Private Ltd.	-	-

Mr. Tarun Sheth

Mr. Tarun Sheth has a Master Degree in Arts (Sociology) from M. S. University and ITP Harvad Business School, USA. He is a Management Consultant. He was a 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 on the Board of various companies. He is a former Faculty Member of Motorola University and has trained Motorola Managers in the US, Europe, Australia, China, Taiwan, Singapore and India.

Sr. No.	Name of the Company	Name of the Committee	Committee Membership
1	Hitachi Home & Life Solutions Limited	Audit Committee Remuneration Committee	Member Chairman
2	Kerala Ayurvedic Pharmacy Limited	Audit Committee Remuneration Committee	Member Member
3	Renfro India Limited	-	-
4	Arvind Brands Limited	-	-

Prevention of Insider Trading

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

- **Arvind Code for Prevention of Insider Trading** – Under this code, obligations are cast upon Directors and Officers to preserve Price Sensitive Information, which is likely to have a bearing on share price of the Company. Procedures are prescribed to ensure that such information is not misused for any personal advantage. The Head (Legal & Secretarial) has been appointed as the Compliance Officer for monitoring implementation of the Code across the Company.
- **Arvind Code of Corporate Disclosures** – This code lays down principles and procedures with the objective of ensuring that the Price Sensitive Information related to the Company is handled in prescribed manner. Adequate disclosure of such information is sought to be made to the Public through Stock Exchanges, Press, Media and the Arvind website in a timely manner to enable the investors to take informed investment decisions with regard to the Company's Securities. The Director and Chief Financial Officer has been appointed as the Company's Public Spokesperson under this Code.
- **Code of Conduct for Directors and Senior Management Personnel**
  In terms of para No. I - D of Clause 49 of the Listing Agreement, the Board of Directors of the Company has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The said Code of Conduct has been posted on the website of the Company. The Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code. The Managing Director of the Company has given a declaration to the Company that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code.

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

Disclosures

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

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

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

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

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

Company has not adopted the non-mandatory requirements.

Shareholders' Information

1. Name and Designation of Compliance Officer:

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

2. Details of Complaints / Queries received and redressed during 1st April, 2006 to 31st March, 2007 :

Sr.No.	Particulars of Complaints / Query	Received	Redressed	Pending as on 31.3.2007
1	Non receipt of Share Certificates	43	43	Nil
2	Non receipt of Dividend /Interest Warrants	55	55	Nil
3	Confirmation of Demat Credit	-	-	-
4	Non receipt of Debentures Redemption payment	3	3	Nil
5	Non receipt of letter of offer, allotment advice, share certificates etc. for Rights Issue & others	N.A	N.A	N.A
6	Others – Complaints received from SEBI, Stock Exchanges, NSDL, ROC, Company Law Board etc.	9	9	Nil
	Total	**110**	**110**	**Nil**

3. Share Transfer Details for the period from 1st April, 2006 to 31st March, 2007:

Transactions	Physical	Demat	Total
Number of Transfers	1531	4527	6058
Average Number of Transfers Per Month	128	377	505
Number of Shares Transferred	131332	531999	663331
Average Number of shares Transferred Per Month	10944	44333	55277
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
30th September, 06	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad -06
29th September, 05	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad -06
07th August, 04	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad -06

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

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

Details of Extra ordinary General Meeting:

During last 3 years one Extra ordinary General Meeting held :

Date	Time	Venue
30th May, 2005	11.00 a.m	Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad –06

6. Means of communication

(i) Half-Yearly Report is not being sent to each household of shareholders as half yearly results are intimated to stock exchanges.

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

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

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

7. Annual General Meeting :

Date	29th September, 07
Time	10.00 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, 2007
Second quarter results	By end of October, 2007
Third quarter results	By end of January, 2008
Fourth quarter results / Year end results	Second Week of May, 2008

9. Book Closure: Thursday, the 20th September, 07 to Saturday, the 29th September, 07 (Both days inclusive)

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

11. Listing on Stock Exchanges :

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

Sr. No.	Name of the Stock Exchange	Address
1.	Ahmedabad Stock Exchange Ltd. (Regional Stock Exchange) Code.05090	Kamdhenu Complex, Opp.Sahajanand College, Panjarapole, Ahmedabad-380 015
2.	Bombay Stock Exchange Ltd. Code: 500101	Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400 001.
3.	The Calcutta Stock Exchange Association Ltd. Code : 011014	7, Lyons Range, Calcutta – 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 GDRs)	11, Avenue de la Porte-Neuve L-2227, Luxembourg

The Company has paid Annual Listing Fees for the year 2007-2008 to the above Stock Exchanges except The Calcutta Stock Exchange Association Ltd. where delisting 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 :

	Share price BSE		BSE Sensex		Volumes	Share price NSE		NSE (NIFTY)		Volumes
Month	**High (Rs.)**	**Low (Rs.)**	**High**	**Low**	**No. of shares**	**High (Rs.)**	**Low (Rs.)**	**High**	**Low**	**No. of shares**
Apr-06	113.75	86.90	12102.00	11008.43	13650099	113.80	82.70	3598.95	3290.35	37678896
May-06	102.50	59.00	12671.11	9826.91	9055012	102.50	56.00	3774.15	2896.40	27782720
Jun-06	76.00	51.50	10626.84	8799.01	8442261	75.90	51.05	3134.15	2595.65	24201392
Jul-06	67.30	53.30	10940.45	9875.35	8374056	67.20	52.85	3208.85	2878.25	23333460
Aug-06	65.00	54.10	11794.43	10645.99	6681212	65.00	54.20	3452.30	3113.60	18206528
Sep-06	73.50	61.50	12485.17	11444.18	10680478	72.15	60.95	3603.70	3328.45	27834736
Oct-06	72.80	61.10	13075.85	12178.83	7559544	72.70	60.85	3782.85	3508.65	21252924
Nov-06	62.50	48.60	13799.08	12937.30	16421295	62.80	48.80	3976.80	3737.00	40636168
Dec-06	56.95	47.00	14035.30	12801.65	7430000	56.90	45.60	4046.85	3657.65	23092372
Jan-07	62.95	51.05	14325.92	13303.22	13809282	63.25	51.05	4167.15	3833.60	30283170
Feb-07	62.75	47.55	14723.88	12800.91	14734260	62.70	46.10	4245.30	3674.85	36527368
Mar-07	51.90	42.50	13386.95	12316.10	6558718	51.90	42.60	3901.75	3554.50	19320264

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, 2007 :

Sr. No.	Category	No. of shares held	Percentage of Shareholding
	Holding of Promoter Group ('Group' as per MRTP Act, 1969)		
1	*Individuals:*		
	Mr. Arvind N. Lalbhai	73912	0.04
	Mr. Sanjay S. Lalbhai	152	0.00
	Mr. Samveg A. Lalbhai	103295	0.05
	Mr. Shrenik K. Lalbhai	8073	0.00
	Relatives of above Individuals*	90614	0.04
2	*Major Bodies Corporate and Trusts:*		
	Aura Securities Private Limited	51015274	24.37
	AML Employees Welfare Trust	10027624	4.79
	Agrimore Limited	636000	0.30
	Amazon Investments Limited	1830358	0.87
	Acropolis Investments Limited	325000	0.16
	Altair Investment Limited	52406	0.03
	Aeon Investment Limited	1126200	0.54
	Anshuman Holdings Private Limited	400000	0.19
	Anubhav Investments Limited	303000	0.14
	Avishkar Finance and Trade Limited	0	0.00
	Atul Limited	4127471	1.97
	Anukul Investment Limited	173608	0.08
	Ameer Trading Corporation Limited	0	0.00
	Jeet Holdings Private Limited	0	0.00
	Adore Investment Limited	130995	0.06
	Amardeep Holdings Private Limited	94250	0.05
	Ajax Investment Limited	38333	0.02
	Anagram Securities Limited	300000	0.14
	Anagram Stockbroking Limited	125000	0.06
	Enagram Online Limited	0	0.00
	Sanjay Family Trust	100	0.00
	AML Management Employees Welfare Trust	0	0.00
	Total Promoter Group holding	**70981665**	**33.90**
	Non Promoter holding		
3	Mutual Funds and UTI	9024720	4.31
4	Banks, Financial Institutions, Insurance Companies	21366001	10.21
5	Foreign Institutional Investors, NRIs/OCBs.F.B.	40695366	19.43
6	GDR	749692	0.36
7	Private Corporate Bodies	12555309	6.00
8	Indian Public	54004788	25.79
	Total Non-Promoter holding	**138395876**	**66.10**
	GRAND TOTAL	**209377541**	**100%**

* The names of 'Relatives of above Individuals' are as per disclosures made as on 31st March, 2007 under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

16. Distribution of shareholding as on 31st March, 2007:

	PHYSICAL MODE		ELECTRONIC MODE		TOTAL		TOTAL	
No. of shares	No. of holders	No. of shares	No. of holders	No. of Shares	No. of holders	%	No. of Shares	%
1 to 500	45238	3626811	133033	21053006	178271	90.29	24679817	11.79
501 to 1000	552	384135	10697	8585311	11249	5.70	8969446	4.28
1001 to 2000	167	227440	4302	6580042	4469	2.26	6807482	3.25
2001 to 3000	35	86137	1268	3240378	1303	0.66	3326515	1.59
3001 to 4000	23	81025	529	1911530	552	0.28	1992555	0.95
4001 to 5000	12	54073	492	2304284	504	0.26	2358357	1.13
5001 to 10000	8	51527	561	4140869	569	0.29	4192396	2.00
Above 10001	9	803894	521	156247079	530	0.27	157050973	75.01
Total	**46044**	**53150542**	**151403**	**204062499**	**197447**	**100**	**209377541**	**100**

17. Dematerialisation of shares and liquidity :

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

Shares of the Company are compulsorily to be delivered in the demat form on Stock Exchanges by all investors. As on 31st March, 2007, 20,40,62,499 shares representing 97.46 % of the issued capital have been dematerialised by investors and bulk of transfers take place in the demat form.

Demat ISIN Numbers:

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

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

As on 31st March, 2007 7,49,692 GDRs (previous year 11,50,042) are outstanding. Each GDR represents one underlying equity share.

19. Plant Locations :

- Naroda Road, Ahmedabad – 380 025, Gujarat (Two Units)
- Santej, Taluka Kalol, Dist. Mehsana – 382 721, Gujarat
- Khatrej, Taluka Kalol, Dist. Mehsana- 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) The Company did not declare any dividend on equity shares in respect of three financial years ended 31.03.2000 to 31.03.2002.

21. Nomination Facility

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

22. Address for correspondence :

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

The Arvind Mills Limited Secretarial Department Naroda Road Ahmedabad - 380 025. Phone Nos: 079-22203030 / 22200206 Fax No. : 079-22201608 e-mail : investor@arvind.com Website address: www.arvindmills.com	Pinnacle Shares Registry Pvt. Ltd. Registrars and Transfer Agent AAA Hospital Premises Naroda Road, Ahmedabad-380 025. Phone Nos. : 079-22200582 / 22200338 Fax No. : 079-22202963 e-mail : gautam.shah@psrpl.com

The above Report has been placed before the Board at its meeting held on 12th May, 2007 and the same was approved.

for and on behalf of the Board

SANJAY S. LALBHAI
Managing Director

Place : Ahmedabad
Date : 12th May, 2007

JAYESH K. SHAH
Director & Chief Financial Officer

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, 2007, 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 Registrar 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, 2007 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

N. D. Anklesaria
Partner

Ahmedabad
12th May, 2007

CEO / CFO CERTIFICATION

The Board of Directors
The Arvind Mills Limited
Ahmedabad.

Re : Financial Statements for the year 2006-07 - 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 31st March, 2007 and to the best of our knowledge and belief, hereby certify that :

1. These statements do not contain any materially untrue statements or omit any material fact or contains statements that might be misleading.
2. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
3. There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year ended 31st March, 2007 which are fraudulent, illegal or violative of the Company's Code of Conduct.
4. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.
5. We further certify that :
   (a) there have been no significant changes in internal control during this year.
   (b) There have been no significant changes in accounting policies during this year.
   (c) There have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having significant role in the Company's internal control systems.

Sanjay S. Lalbhai — Managing Director
Jayesh K. Shah — Director & CFO

Place : Ahmedabad
Date : May 12, 2007

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

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

I confirm that the Company has in respect of the Financial Year ended 31st March, 2007, 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
12th May, 2007

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 restrain should be applied in their use for any decision making or formation of an opinion.

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

OVERVIEW

2006-2007 has been a challenging year for your Company. It has made significant progress towards its stated goal of becoming a truly integrated organization that spans textile to retail. However, there have been temporary set backs caused by a slowdown in the denim products group.

Your Company has launched various initiatives and set in motion structural and organizational changes that will help it address immediate issues as well as speed it on its way to long-term goals. These cover product mix, customer structure, marketing and design infrastructure, brand positioning and production base.

OPERATING ENVIRONMENT

Your Company operates across multiple products and businesses in diverse markets and environments. These include the Indian retail market for its brands, the Indian intermediary market for fabrics and the global market for the fabrics and apparel business. While its performance in most of these markets is satisfactory, the Indian intermediary market for the denim products group is suffering from a supply glut.

Indian Intermediary Market

The estimated demand in the domestic market is growing at an impressive rate of over 25%[1]. However, supply far exceeds this demand, leading to tremendous pressure on prices and volume. The denim production capacity in India was approximately 230 million metres per annum at the end of 2005. This is estimated to have increased to about 550 million metres per annum by the end of 2006-2007[1]. This increase will initially focus on the domestic intermediary market before the necessary expertise is created to service the demanding export-oriented business.

The situation is compounded by the fact that the Bangladesh market, which has traditionally been a first choice for export, is also experiencing a supply boom. Denim production capacity in Bangladesh is projected to increase from around 40 million metres per annum at the end of 2005, to 160 million metres per annum by the end of 2007.

Your Company's shirting product group is also facing a challenge in the domestic intermediary market. Fabric retail is under tremendous pressure as markets rapidly shift towards ready-to-wear clothing. The proliferation of large-format retail stores is further contributing to the slowdown in demand for fabric.

Export Market

WTO estimates for 2004 put world exports of textile and clothing at ¤566 billion, more than 6% of total world exports. The clothing sector takes the lion's share with ¤322 billion .The export market for various product groups continues to be stable and offers opportunities for the business to grow. The import of cotton apparel into the US grew by an estimated 6% for the calendar year 2006. In the same period, the export of cotton apparel from India to the US grew by an estimated 14%, imports from China grew by 31% and imports from Mexico fell by 15% .[2]

The primary objective for Indian apparel manufacturers is to replace the space being vacated by Mexico, Honduras, Guatemala and other countries in South and Latin America. Further, in the total export basket of cotton apparels from Asean and Sub Saharan countries, the markets for Indian fabric have grown by an estimated 20%[2], demonstrating a positive and rapid shifting of sourcing base. The growth in apparel exports from the region will help strengthen the relationship that your Company enjoys with major American brands to create larger business volumes.

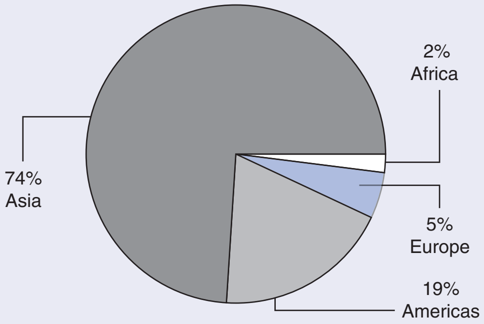
The total textile and apparel import into the European Union (EU) for 2006 has grown by an estimated 3% by value over 2005, while volume has dropped by an estimated 8%. This indicates an increase in prices. Imports from India during the same period grew by 15% in value terms and 9% in volume terms, indicating an improvement in price realization. Interestingly, the data indicates that imports from China in the same period grew by 11% in value terms and only 4% by volume.[3]

[2] Source: The office of Textiles and apparel, US department of commerce
[3] Source: European Trade Commission

For the time being, denim continues to be the mainstay of your Company, both in terms of revenue and earning. The international denim market is estimated to be about 6 billion square metres. While most of the production is based out of Asia, the main consuming markets are the Americas and the European Union. While capacity in Asia is rapidly increasing as stated earlier, manufacturing units in the EU and Americas are fast becoming unviable and closing down.

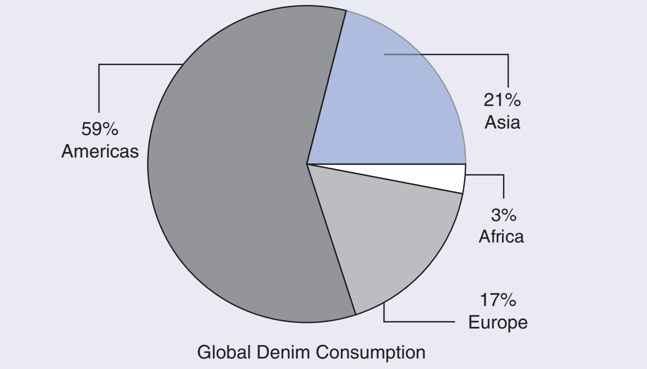
In the near future, the revenue and earnings composition of your Company is set to shift in favour of the retail and apparel businesses.

Business logic dictates that where apparel manufacturing is viable, the fabric business will follow. With the apparel manufacturing base decisively shifting to Asia, even remaining capacity in EU and America will turn unviable or remain with niche players operating in specific segments.



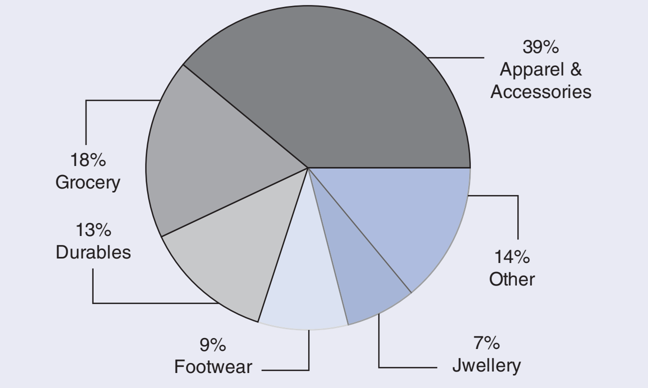
Global Denim Production

Source: ITMF



Global Denim Consumption

Source: ITMF



Indian Organized Retail Expenditure Pie

Indian Retail Market

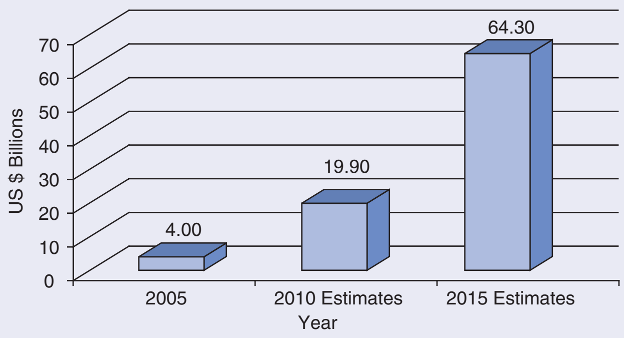
The Indian retail market is the most promising of all market spaces your Company operates in. It is present through the branded apparel business as well as through sale of fabric to apparel manufacturers. It also supplies, on a small scale, ready-to-wear garments for store labels to large format retail stores.

Recent research has decisively indicated tremendous growth in the organized retail sector in India. This sector is currently estimated at around Rs.16000 crores with an approximate growth rate of 30%. Organized retail, which is currently only about 3%-4% of the annual retail spend in India, is expected to rapidly gain share and grow to approximately 1 lakh crores by year 2010.[4]

The growth in organized retail in India is relevant to your Company in many ways. In the international market, 58% of the organized retail spend is on grocery and only 22% is on apparel. In India, however, apparel accounts for roughly 39%.[5] That would put the estimated market size of apparel sold through organized retail at Rs.39,000 crores in 2010. Even if your Company manages to capture only 5% of market share, this would translate into revenues of almost Rs.2000 crores, giving a CAGR of 60% for its branded apparel and retail business.

[4] Source: Images Retail
[5] Source: A.T. Kearney

Indian Organized Retail



Source : Morgan Stanley Research

RESULT REVIEW

Revenue of your Company, for the year ended 31st March, 2007, was Rs.1845 crores. This represents an increase of 16% over the revenue of Rs.1589 crores for the previous financial year.[6] The operating profit for the year ended 31st March, 2007 stood at Rs. 321 crores as against Rs.427 crores in the previous financial year, representing a drop of 25%. There is an extraordinary profit on account of sale of stake in VF Arvind Brands Private Limited and after providing for few non-recurring expenses the net amount is Rs. 94 crores. The profit after tax and extra ordinary items stood at Rs.120 crores compared to Rs.127 crores in the previous financial year, representing a drop of 6%.

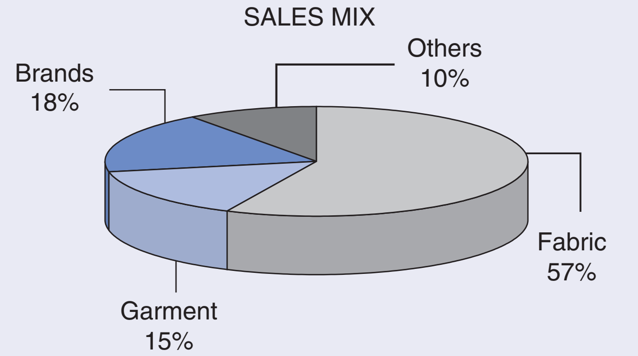
Sales & Operating Income

Business revenue from the textile and apparel business are lower compared to previous year primarily due to lower denim volumes and a sharp reduction in realization. Revenues from all other product groups have remained stable or moved upwards. Further, with the merger of the branded apparel business with your Company, sales to Arvind Brands are now treated as internal sales and knocked off.

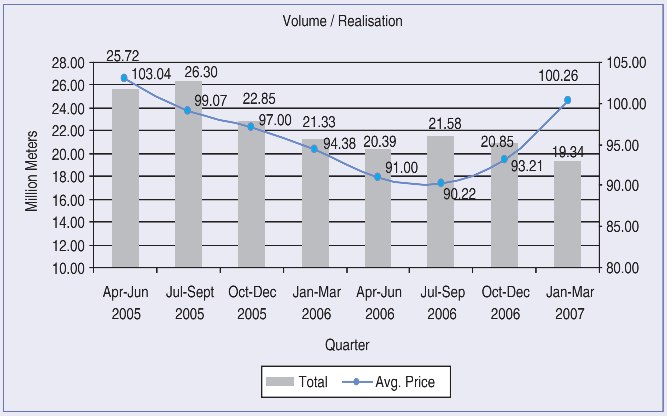
The revenue of Arvind Brands for the year ended 31st March, 2007 was at Rs.347 crores. The previous financial year figures include sales from VF licensed brands. If such sales were excluded from both the years, revenue growth would be 18%.

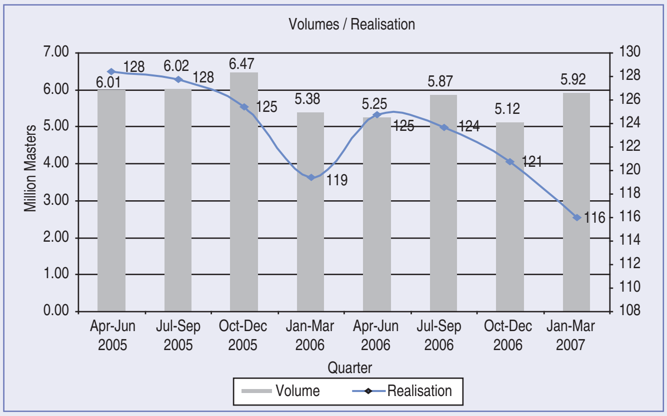
[6] The figures for the current financial year include revenue from the operations of Arvind Brands Limited, which has been merged with your Company with effect from 1st April, 2006. In that respect, the figures are not strictly comparable.

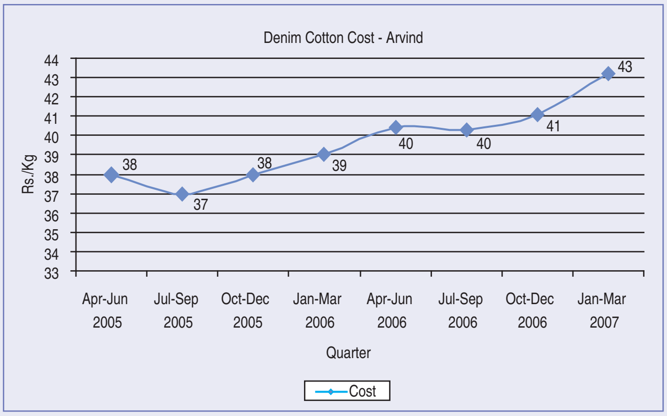
Even with the inclusion of figures from Arvind Brands, the broad composition of revenues shows that while fabric is the highest contributor, there is rapid growth in the branded business.



With the planned investment in the garment business, the composition is expected to substantially change in coming years. Your Company is focused on becoming an end to end solution provider and results of this strategy are visible. From a 100% denim company in the late 90s, it has evolved to a stage where currently, denim accounts for less than 50% of its business.







Raw Materials

The drop in raw material consumption is because of lower denim production and stable cotton prices. The prices for the cotton used in denim remained low for your Company, as it had bought cotton at bargain prices at the opening of the previous season. The cotton and yarn prices for other products were slightly higher as compared to the previous year. The overall consumption is higher because of inclusion of figures from Arvind Brands which has a substantially higher "Purchase of finished goods."

Direct Materials

The direct materials at Rs. 213 crores this year are lower as compared to Rs. 171 crores last year. This is because of the reduction in denim production but inclusion of Arvind Brands figures. The prices for petroleum based dyes and chemicals remained high because of high oil prices. Costs for the coming year are expected to stay at the same level.

Power and Fuel

The anticipated gas supply last year did not meet the full requirement of your Company. At present, it is getting only 70% of its requirement of natural gas. The current contract for supply of gas ends in November 2007. In the absence of alternatives, your Company may be forced to purchase power from energy utility companies at higher prices, while its power generation equipment remains unutilized.

Salaries and wages

The salaries and wages figure for the year is substantially higher by 51% because of the inclusion of figures from Arvind Brands. The expansion of the jeans plant has also resulted in an increase in overall head count. Rapid expansion in the textile industry has resulted in an overall increase in wage and salary rates, driving up staff cost by 10%. Your Company has initiated an organization-wide rationalization exercise with the help of leading consultants in the field. It is also holding talks with the workmen union for a reduction in workforce. These efforts are likely to yield results in the coming financial year.

Other Costs

The substantial rise in other costs is due to an increase in advertisement expenses, which is in turn, caused by including the figures of Arvind Brands. All other costs are comparable with figures from the previous financial year.

Operating Margins (Profit)

The operating margin for the year was 17%. The 45% drop from the previous year can be attributed to lower denim volumes and realization. Further, the garments and branded apparel business, which has started contributing significantly to the top line, delivers lower operating margins as compared to the traditional fabrics business.

Net Interest & Finance Cost

The net interest and finance cost for the current financial year is Rs.150 crores as against Rs.135 crores for the previous financial year. Conversion of foreign currency loans provided a profit of Rs.8 crores as against a loss of Rs.5 crores in the previous financial year. The interest for the current year is higher because of the inclusion of the figures of Arvind Brands, as well as a substantial increase in interest rates on short term borrowings in the second half of the year. Your Company continues to borrow under the TUF for all its capital expenditures. It is also undertaking mitigating measures like borrowing in foreign currency to offset the hike in the interest rates.

Since more than 50% of your Company's revenue is dollar denominated, it hedges its position in the foreign exchange market. Hence, for all decision making purposes, the dollar rate is frozen. The accounting standard requires restatement of all assets and liabilities at the exchange rate prevailing at the end of the quarter. Therefore, dollar denominated long term borrowing of about US$ 90 million, and some working capital borrowing against shipments made, is reinstated every quarter and all profit or loss booked in the financials is on account of these only.

Cash Accrual

The cash generated from operations this year is Rs. 171 crores, which is 41% lower than Rs. 291 crores last year. Your Company proposes to utilize these internal accruals for funding new projects and expansions as well as repayment of outstanding debt.

Depreciation

There has been no change in the method of depreciation for the year under consideration. The depreciation charged in the current financial year amounted to Rs. 144 crores this year, as compared to Rs. 155 crores last year. Your Company has undertaken an asset revaluation exercise in order to reflect the true value of the fixed assets in the book. The last asset revaluation exercise was conducted on 31st March, 2000. Your Company's assets have been revalued as on 01st October, 2006. The net asset block of your Company has increased by Rs.25 crores and has been transferred to the revaluation reserve.

Non-Recurring Items

Extraordinary Income from sale of Stake in VF Arvind Brands Private Limited

The existing business of the VF licensed brands in India, including intellectual assets and existing licenses from VF for Lee, Wrangler, Nautica, Jansport and Kipling brands, hitherto held by Arvind Fashions Limited were transferred to this new Company. VF Corporation has bought 60% equity of the new company. Arvind Mills sold the VF brands license for US$ 33 million. Accounting for the carrying cost of holding, past losses and other expenses, your Company has made a one time gain of Rs. 106.93 crores. This earning is reflected as non-recurring income in the financial statements.

The total profit from transfer of the business was Rs.144.79 crores. An adjustment of Rs.24.86 crores was made in the value of current assets of your Company. Rs.13 crores was written off for bad and doubtful advances.

Write off of CENVAT credit in books

A one time write off of the CENVAT credit lying in the books and past CENVAT availed on closing inventory as on 1st October amounting to Rs. 5.83 crores was undertaken when your Company opted for "Zero Excise Duty" regime.

Profit Before Tax (PBT)

The PBT of Rs. 27 crores is 80% lower than the previous year's figure of Rs. 136 crores. This is primarily due to the impact lower denim volumes and realizations.

Net Profit (PAT)

The Profit after Tax and extraordinary items at Rs. 120 crores for the current financial year is lower by 6 %age compared to Rs.127 crores in the previous financial year.

Debt

The debt of the company was Rs. 1934 crores as opposed to Rs. 1841 crores last year. This comprised additional loans taken during the year from banks and FIs, higher utilization of working capital credit facilities and inclusion of Arvind Brands' debt.

Working capital and liquidity

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

Business Review & Developments

Denim

For the time being, denim continues to be the mainstay of your Company. Your Company pioneered the denim market in India and has been the undisputed market leader for the last two decades. Even during a slowdown of demand between1997-2000, it continued to leverage opportunities in the domestic market. However, the current supply glut in the domestic denim domestic market has dragged down the entire company's financial performance. The situation is not expected to improve in the near term.

The stated strategy of your Company is to defocus from the domestic mass market and focus on mid and premium brands in the US and EU. After careful deliberation and consultation with key customers, it is reorganizing its marketing set up. A European product and marketing initiative, headed by a European CEO and marketing head, has been set up in Italy during the current financial year. The initial response to this new organization has been very encouraging. A design studio in SOHO, New York was also started in the previous financial year. The response to this too, has been very positive. Breakthroughs have been accomplished with customers who have never previously considered your Company for selection. Encouraged by the European experience, a new marketing organization for the US is also being created. A new CEO has been finalized for the US and he will take charge in the first quarter of 2007-08. An amount of Rs.4 crores has been debited on account of initial setup and management fee for the European operations.

The cotton cost for the first half of the next financial year will be low because of inventory purchased in the previous cotton season. The new cotton season is expected to open higher than the current inventory holding levels and margins could be impacted in the second half. There are no other supply side factors that are significantly impacting the margins.

The outlook on denim in the near term continues to be negative. Positive impact from the European team's efforts will be reflected only in the third quarter of 2007-2008. The new US team's efforts are only expected to fructify in the final quarter of 2007-2008.

Branded Apparel & Retail

The branded apparel business of your Company consists of:

- Its own brands of Excalibur, Flying Machine, Newport and Ruf & Tuf
- The substantially long period license brand of Arrow
- 50% interest in Arvind Murjani Brands Private Limited that holds the perpetual license for apparel and accessories of Tommy Hilfiger brand in India
- Megamart, once the channel for disposing of surplus, which has been successfully repositioned. Continued thrust towards selling private labels through this channel has resulted in the turnover reaching Rs.100 crores in the current financial year.

During the current year, the comparable revenues excluding figure of VF license brand has grown by 18% age. Your Company currently has 122 EBO's across various brands and is planning to take number to 193 in the financial year 2007-2008. The Megamart channel has currently 55 company owned and franchisee stores. This will be increased to 100 stores in the next two years.

Your Company's future strategy in the branded apparel business is to build a strong portfolio of brands, both owned & licensed. This will span multiple channels and price points, with each brand appropriating sharp and differentiated consumer propositions. 'Arrow' will be the lead brand in the Premium segment with the positioning of best-in class style for the premium consumer. Excalibur will address the young executives' need for dressing solutions. Flying Machine is being positioned on the platform of 'Youth Expression' with the vision to grow it into an iconic youth brand. Newport is clearly positioned as a 'campus wear' brand for college students seeking 'Affordable Fashion'. Brands in mass premium channels will be sold across exclusive outlets, department stores, cash and carry, multibrand and factory outlets. Ruff n Tuff will be the lead brand in the mass segment and will be largely merchandised through the emerging channel of Hypermarkets. Your Company's share in the mass segment will be further increased by offering private label solutions to Hypermarkets.

On the retail front, your Company wishes to focus primarily on branded apparel retail. The strategy is to reposition Megamart as a place to 'shop smart and feel smart'. It will offer not just big brands at discount, but even greater value through private brands that leverage Arvind's 'fabric to fashion' expertise. The Megamart consumer experience will be quite superior to other discount formats. As part of this strategy, there is an aggressive expansion plan to open large format Megamarts in the top 15 cities. These stores will be 50,000 sq ft + as compared to the current size of 5000 sq ft. Rapid expansion of current format Megamarts to Tier 2 and Tier 3 towns has been initiated from April, 2007.

Garment Operations

The garment business now contributes to 15% of the Company's turnover. The turnover has increased by 17% compared to the previous financial year's figure. The growth is on account of both, better productivity in shirt operations and the addition of jeans garment operations.

The current financial year saw significant strides being made in jeans manufacturing operations. The jeans plant capacity was doubled to 8 million pieces during the current financial year. The order book for jeans is full and the Company is exploring organic and inorganic avenues to expand the business.

The knits operation was stable during the year and has benefited from better fabric productivity. The year also saw initiation of dialogue with one of the largest sportswear brand in the world for a long term growth strategy. The Company hopes to do larger volumes of business with this customer in 2007-2008. If the relationship fructifies in the direction envisaged, the knits operations could witness substantial growth.

Shirt operations are operating at optimum capacity utilization and productivity has increased significantly. The Company is looking at methods to increase the capacity through third party tie ups or joint ventures.

Shirting

The shirting business continues to be stable. The business has suffered few temporary reverses due to the sluggish post-festival retail season. The Company is focused on offering only value added and mid premium products in the shirting sphere. It has made significant investments to move towards this goal. This includes a state-of-the art printing facility that will allow it to enter the women's top wear segment. The Company is also creating a dedicated ammonia finishing plant through third party investment. A first of its kind in India, this facility will allow significant upgradation of its product mix.

The outlook for shirting is stable. The Company is of the opinion that the current selling prices are sustainable and near term realizations are not likely to witness any significant downturn.

Telecom

The telecom division of your Company comprises of two operations a) manufacturing & marketing of EPABX machines under the brand SYNTEL b) providing Public Mobile Radio Trunking Services (PMRTS) in certain service areas under the brand OMNITALK. Arvind has license to operate PMRTS in 9 cities.

An agreement with Arya group which also has license for PMRTS in another 9 cities had created a 50:50 joint venture company Arya Omnitalk Wireless Solutions Private Limited, which manages the PMRTS business of both Arya group as well as Arvind's. Due to restrictions by DoT policy the license the licenses were held by the respective companies and not transferred. With the liberalized policy guidelines, it is possible to transfer the licenses. Hence your company is proposing to demerge the PMRTS assets into a 100% subsidiary and subsequently combine the license of both the group in one entity.

Exchange Rate

As is evident from the charts below, the Rupee has substantially appreciated against the dollar in the recent past, with annual impact being as high as 9.5%. Your Company is predominantly a "dollar revenue rupee cost" Company as most of its revenue is either in dollars or linked to dollars. Any erratic movement in the exchange rate is bound to have significant impact. Your Company is insulated to an extent, because of a cover for its revenue earnings. It has, to a large extent, taken forward cover for the financial year 2007-2008. However, this is at rates lower than the previous financial year and is therefore likely to impact revenue and earnings. The estimated impact on margins is expected to be around 2-3%.

SUBSIDIARIES

Arvind Products Limited

The Company returned its first full year of significant profitability. The performance of the Company improved primarily on back of significant turnaround in the Khakis business of the Company. The Company earned a net profit of Rs.7 crores in the current financial year compared to a loss of Rs. 7 crores in the previous year. The operating profit of the Company rose by 26% to Rs.61 crores compared to Rs. 48 crores in the previous financial year. The Company is expected to return similar performance in 2007-08.

OUTLOOK

The Company maintains a cautious outlook on its near term revenue and earnings. Its efforts are focused towards rapidly growing the downstream business of garment packages, branded apparel and retail. The impact of these efforts will be visible in the medium to long term. Substantial investments have been made in resources and people to create an effective front end for fabric operations as well as develop the ability to deliver differentiated products. These initiatives are likely to yield results in the second half of the financial year 2007-2008. The caution on outlook is also influenced by an expected cost push on account of cotton prices, energy cost and revenue impact on account of rupee appreciation.

Corporate Social Responsibility (CSR)

Arvind Mills' strategy and Programmes for its "Corporate Social Responsibility"

Mr. Sanjay Lalbhai, Arvind Mills' Managing Director has laid the foundation of the company's approach for its "Corporate Social Responsibility." The SHARDA Trust, and the Narottam Lalbhai Rural Development Fund (NLRDF) are the company's two arms for carrying out the Programmes for its "Corporate Social Responsibility." Therefore, to appreciate the Programmes of these two organisations, it is essential to grasp the foundation of these Programmes.

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

This view of 'CSR' is based on our conviction that corporations and society are interdependent. Though distinct, they are not mutually exclusive. They exist together and function together. Social issues affect corporations and the corporations' actions in turn affect the society. Obviously, no corporation can address all the societal issues. It has to make a choice about the societal issues it would address; still more important is the decision about the issues to be left for other organisations to resolve. How should a corporation make its choice? A good criterion for doing so is what Professor Michael Porter calls the 'shared value'. This suggests that a corporation should address only those societal issues that would create benefit for the society and the corporation both. Arvind Mill's CSR programmes have been informed by these considerations.

SHARDA Trust's Programmes
Established in 1995, the SHARDA Trust is Arvind Mills' arm for addressing major societal issues in urban India. In Arvind Mills' view, urban poverty is a major societal issue. The adverse effects of urban poverty on the urban citizens manifest themselves in many ways. Since its inception, the Trust has carried out many projects to help the urban poor. Providing the basic infrastructure in Sanjay Nagar, one of Ahmedabad's slum, was the first important project the Trust carried out. Its second major project comprised carrying out vocational training programmes for the youth and getting them employment, which had promising opportunities for growth. The third major activity the Trust has started is to help the poor in getting high quality secondary and tertiary health care.

Continuing on these lines, the SHARDA Trust carried out three major Programmes in 2006-07. "A Programme in Practical English and Computer Applications" was the Trust's first Programme. Its purpose was to upgrade the proficiency of the young persons living in the city's industrial areas in English and Computer applications and prepare them for well-paying careers in the city's BPO industry. The Trust designed its second programme to upgrade the educational level in Ahmedabad's municipal schools. Finally, the Trust's third Programme was to provide secondary and tertiary health care to the city's poor. Trust's first educational programme for skill upgrading in the financial year 2006-07.

Since the year 2005, the Indian economy has been growing at a rapid rate. But poor quality of education the graduates receive in Gujarat, and the difficulties of finding good English teachers, are the obstacles in meeting the needs of this buoyant job market. Sensing this, we offered the Programme "Practical English and Computer Applications" in the year 2006-07. The purpose is to upgrade the proficiency of the young persons living in the city's industrial areas in English and Computer applications. This was the seventh time when we offered this Programme.

In this Programme, seventy-seven persons registered, but only twenty-seven persons finished the Programme on 25 August 2006. Of these twenty-seven only twenty-one persons completed the Programme satisfactorily. As the programme is very demanding, the dropout rate is high. The average age of the group that continued with the programme was twenty four years. Also, the group that continued with the programme comprised 64% men and 36% women.

We found well-paying jobs, in the city's BPO firms and in a corporate hospital in the city, for twenty-two persons, who wanted us to find a job for them. We are planning to expand the capacity of our programme considering these constraints.

Trust's Programme for upgrading the education in the city's municipal schools.

In the year 2006-07 the Trust launched its first educational programme for upgrading the quality of education in Ahmedabad's municipal schools. About one hundred and sixty thousand children study in Ahmedabad's municipal schools. These comprise approximately 39% of all the students studying in the city's primary schools. Obviously, if many children from the city's primary schools get poor quality of education then the city's industry would find it extremely difficult to get the skilled workforce for its emerging "knowledge industries." This was the logic behind our decision to launch an educational programme to improve the quality of education in the city's municipal schools.

In the year 2006-07 we signed a Memorandum of Understanding (MOU) with the Ahmedabad Municipal Schools Board allowing us to set up educational centres in the municipal schools. The MOU also says that the SHARDA Trust would invest in the computers and projectors that the Trust would use in these centres; the Trust would use its own trainers for teaching in these centres; the Trust would invest in redesigning the interior décor of the class rooms for its educational centres.

In the year 2006-07 the Trust has set up one educational centre in the city's municipal school located in Shapur area of the city. This school is only for boys and almost all the students of this school come from a large slum called Shnakarbhuvan located near the school. The Trust has set up another centre in a "Heritage bungalow" owned by a Trust belonging to the Lalbhai family, and located near a few large chawls. Students from these chawls study in the city's municipal school and come to the educational centres to upgrade their education. This centre started functioning from November 2006.

In the municipal school the Trust has installed sixteen new computers and ten in the "Heritage bungalow" The Trust has also redesigned the interior décor of the educational centre to create an environment conducive for making learning "an enjoyable experience without making it frivolous."

In these centres we teach students studying in class V, VI, and VII, and teach them computer applications, English, and basic Mathematics. For, without understanding of these subjects, a child would be a misfit in the contemporary world. Our teaching approach is based on Gandhiji's advice: "We must teach for life, through life and throughout life." Our educational programmes start with a concrete problem that the students have familiarity with and through these problems we teach the students the logical foundation of a subject. Our experience has been very rewarding.

In the year 2006-07 the daily average attendance in the municipal school was one hundred and sixty. In the "Heritage Bungalow" seventy six students on average attended the classes during the year 2006-07. Therefore, in the year 2006-07 two hundred and thirty-two students attended our programme in the two centres.

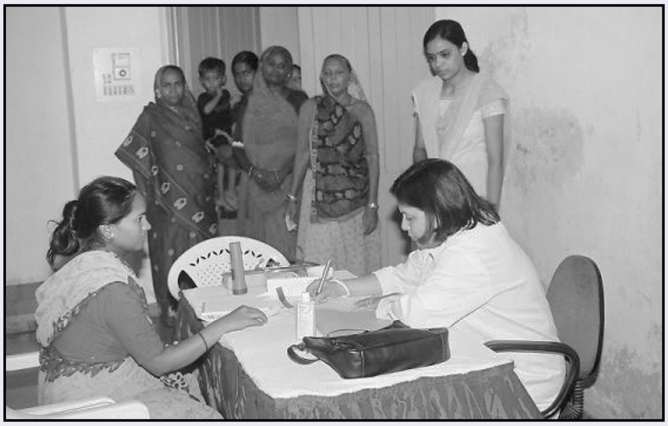
Our capital expenditure for setting up these two centres, in the year, was approximately, fifteen lakh rupees. The "direct recurring expenses" in these centres for the year 2006-07 was about rupees six lakhs. By all accounts, and we have inputs directly from the participants, our experience has been very rewarding.

Trust's Programme for helping the urban poor, get secondary and tertiary health care

In 1998, the Trust launched its Programme for helping the urban poor to get secondary and tertiary health care. (Health Care Programme) This Programme was born out of the Trust's observations that there are hardly any organizations that help the urban poor get secondary and tertiary health care. In 2006-07 the Trust expanded the Programme to conduct health camp in the city's Distressed Areas (slums and chawls) and help the persons with a potential health problem to get prompt treatment in a city's good hospital.

Our Health Care Programme had four components. The first component comprised sharing two-thirds of the cost of treatment with patients who had already gone to the city's hospitals for getting secondary and tertiary health care, with an upper limit of about seven thousand rupees. The Programme's second component consisted of conducting health camps in the city's distressed areas (slums and chawls), and identifying persons who had major potential health problems. We treated all those patients coming to the health camp, who did not need further investigations, in the Out Patient Department of the Jeevraj Mehta Hospital. Our team asked these patients to continue the treatment that the hospital had prescribed and then come for a check on the date the hospital had given. In the third component of the Programme, we took the persons who needed further investigations or needed hospitalisation to the Jeevraj Mehta Hospital. In the Programme's fourth component, we paid the fees of eight mentally retarded children from slums and chawls to attend the Navjeevan Trust's Programme for mentally retarded children.

In the first component we helped twelve patients, in the second three hundred and sixty-three (363) and in the third ninety-seven patients (97). Therefore, one hundred and nine (109) patients got substantial help from the Trust while the three hundred and sixty-three (363) patients who came for the medical camp also got benefits that they would not have got on their own. Consequently, in the Health Care programme the Trust helped four hundred and seventy-two (472) poor persons, in the year 2006-07.



In the year 2006-07 the Trust spent about four lakh rupees for providing this medical help. Of this amount the Trust spent about 84% for transporting the patients to the hospital, paying the hospital bills and for buying medicines and refreshments for the patients as the healthcare facilities are becoming increasingly expensive, the Trust plans to forge a health insurance scheme for the poor.

The SHARDA Trust received generous financing for its educational programmes in municipal schools and its Health Care Programme. The S. M. Shah Settlement provided the financing. Arvind Mills besides contributing to this financing provides infrastructure support for carrying out these programmes. Arvind pays the salaries of the top team in the SHARDA Trust that provides leadership to these programmes and office space, stationary, computers for the SHARDA Trust's staff.

Programmes of Narottam Lalbhai Rural Development Fund (NLRDF) for helping the rural poor.

Except contextual differences, the needs of the urban and rural poor are very similar. The rural poor too need skill upgrading programmes, vocational programmes, a better infrastructure in their schools, and financial help for improving the yields in their farms. NLRDF has designed its programmes to fill these needs. Vocational Programmes for rural poor.

The Khedbrahma taluka of Gujarat's Sabarkantha district is a tribal and a hilly area. Except agriculture, there are no industries that can provide promising career opportunities for the rural youth who are poorly educated and have no marketable skills. Consequently, unemployment is a major problem facing the youth of that region. The irony is that Arvind Mills located in nearby Ahmedabad, is desperately looking for young persons with minimum educational qualifications to work in their garment factory. In this situation, we in NLRDF saw a unique opportunity to help the poor youth in the Khedbrahma taluka. NLRDF's team requested the Arvind Mills to provide training for about sixty youth from the Taluka for working in the company's garment factory. The company readily agreed to do so. Now these sixty young persons are working in the company's garment factory and earning a regular monthly income. This example is a textbook illustration of a corporation creating, immediately, mutual benefits for the society and the corporation.

Upgrading the infrastructure in a rural primary school.

Most schools in rural areas have poor infrastructure. By way of help in this area, the NLRDF constructed in a nearby primary school, a room with RCC structure. The NLRDF also provided teaching material and equipment that a school needs. After completion of the classroom, the NLRDF handed over to the school the better-equipped classroom.

Helping the rural poor in improving the yields in their farms

Non-availability of good quality seeds, and poor irrigation facilities impede the productivity of agriculture in rural India. Realising this need, the NLRDF team provided five kilograms of improved Sahara Brand Maize Seeds to each of the sixty-six families in the Tandalia village. The team also supplied, two and half kilograms of the improved Mug seed to each of the thirty-two farmers who possessed better irrigation facilities. These improved seed would yield better-quality and higher yield for the farmers and require less irrigation. The team also supplied vegetable seeds to the Self Help Groups of women in the area for their kitchen gardens.

The Khedbrahma taluka of Gujarat's Sabarkantha district is a hilly area. The rainwater does not percolate. Obviously, the water table in the region is very low leading to poor crop yields. To remedy the situation, the NLRDF team "cut and filled" the slopes, making the topography of the land less uneven, where twenty-seven farmers have their farms. We do hope that this measure would improve the crop yield for these twenty-seven farmers.

For more information visit - www.arvindmills.com / www.shardatrust.org

Auditors' Report

TO THE MEMBERS OF THE ARVIND MILLS LIMITED

We have examined the attached abridged Balance Sheet of The Arvind Mills Limited ('the Company') as at 31st March 2007, the abridged Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto, together with the notes thereon. These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the audited accounts of the Company for the year ended 31st March, 2007 prepared in accordance with the provisions of Section 211 of the Companies Act, 1956 and covered by our report of even date to the members of the Company which is attached herewith.

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

Ahmedabad
May 12, 2007

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

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, 2007, 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, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 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, 2007;
      (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
      (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

Ahmedabad
May 12, 2007

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 its fixed assets.

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

(c) No substantial part of fixed assets has been disposed 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 discrepancies noticed on verification between the physical stocks and the book records were not material.

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

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

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

(vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and rules framed thereunder. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.

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

(viii) We have broadly reviewed the books of accounts relating to materials, labour and other items of cost maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of these records with a view to determine whether they are accurate and complete.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

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

(b) There are no undisputed amounts outstanding as at March 31, 2007 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, 2007 on account of any dispute :

Nature of the Statute	Financial year to which the matter pertains	Forum where matter is pending	Rs. in crore
Sales Tax Act	1998-1999, 2001-2002, 2004-2005, 2005-2006	Reference with High Court	9.38
	2000-2001	Joint CST Appeal	0.33
	2002-2003	Appellate Tribunal	0.05
	1997-1998to2004-2005	Deputy Commissioner	2.54
Central Excise Act	2000-2001 to 2005-2006	Appeal with CESTAT	8.33
	2003-2004, 2004-2005	Appellate Tribunal	0.27
	2002-2003, 2004-2005	Commissioner of Central Excise	0.71
	2004-2005, 2005-2006 2006-2007	Asstt./ Deputy/ Joint Commissioner (Appeals)	0.65
Customs Act	1999-2000	Appeal with CESTAT	0.72
Service Tax Act	2005-2006	Commissioner (Appeals)	0.14
Income Tax Act	2000-2001	ITAT Appeal	0.66

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

(xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

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

Ahmedabad
May 12, 2007

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

Abridged Balance Sheet as at 31st March, 2007

(STATEMENT CONTAINING SALIENT FEATURES OF BALANCE SHEET AS PER SECTION 219 (1) (b) (iv) OF THE COMPANIES ACT,1956)

(Rs. in crores)

PARTICULARS	As at 31.03.2007	As at 31.03.2006
I. SOURCES OF FUNDS		
(1) SHAREHOLDERS' FUNDS		
a) SHARE CAPITAL		
(i) Equity	209.38	209.38
(ii) Preference	46.20	56.10
	255.58	265.48
b) RESERVES & SURPLUS		
(i) Capital Reserve	3.17	3.17
(ii) Securities Premium Account	653.21	928.73
(iii) Debenture Redemption Reserve	2.25	0.00
(iv) Capital Redemptin Reserve	23.30	13.40
(v) Revaluation Reserve	24.52	0.00
(vi) Surplus in profit and loss account	425.00	321.17
	1131.45	1266.47
(2) LOAN FUNDS		
a) Non Convertible Debentures	5.67	1.17
b) Secured Loans (other than Debentures)	1767.07	1687.21
c) Unsecured Loans	161.57	152.99
	1934.31	1841.37
(3) DEFERRED TAX LIABILITY	12.82	12.82
TOTAL OF (1 to 3)	3334.16	3386.14
II APPLICATION OF FUNDS		
(1) FIXED ASSETS		
a) Net Block (Original/Revalued cost less depreciation)	2044.89	1309.60
b) Capital Work in progress	71.45	79.59
	2116.34	1389.19
(2) INVESTMENTS		
a) Government Securities	0.01	0.00
b) Investments in Subsidiary Companies		
(i) Qoted (Market value Rs. 2.01 crores previous year Rs. 2.08 crores)	7.14	7.14
(ii) Unquoted	21.91	335.33
c) Others		
(i) Quoted (Market value Rs. 4.79 crores previous year Rs.16.62 crores)	6.51	4.63
(ii) Unquoted	12.48	1.00
	48.05	348.10
(3) i) CURRENT ASSETS, LOANS & ADVANCES :		
a) Inventories	645.01	479.26
b) Sundry Debtors	204.85	368.28
c) Cash & Bank Balances	22.31	9.59
d) Other Current Assets	54.95	38.68
e) Loans and Advances		
(i) To Subsidiary Companies	133.92	259.94
(ii) To Others	562.06	781.50
	1623.10	1937.25
Less :		
ii) CURRENT LIABILITIES & PROVISIONS		
a) Liabilities	408.99	243.31
b) Provisions	44.34	45.09
	453.33	288.40
Net Current Assets (i-ii)	1169.77	1648.85
TOTAL OF (1 to 3)	3334.16	3386.14

Refer Notes Forming Part of Accounts
Compiled from the Audited Accounts of the Company referred to in our Report dated 12th May, 2007

As per our Report of even date — **SANJAY S. LALBHAI**, Managing Director

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

JAYESH K. SHAH, Director & Chief Financial Officer

CA. N D ANKLESARIA
Partner

Ahmedabad, 12th May, 2007 — **R. V. BHIMANI**, Company Secretary

Abridged Profit & Loss Account for the year ended 31st March, 2007

(STATEMENT CONTAINING SALIENT FEATURES OF PROFIT & LOSS ACCOUNTS AS PER SECTION 219 (1) (b) (iv) OF THE COMPANIES ACT,1956)

(Rs. in crores)

	PARTICULARS	2006-2007	2005-2006
I	**INCOME :**		
	Sales & Operating Income (Refer Annexure)	**1,844.91**	1,588.69
	Income from Investments - Dividend	**0.35**	0.24
	Other Income	**15.90**	11.74
		1,861.16	1,600.67
II	**EXPENDITURE :**		
	Cost of Goods Consumed/Sold:		
	Opening Stock	**256.83**	281.64
	Add : Purchases (Net)	**579.10**	475.44
	Less : Closing Stock	**264.00**	256.83
		571.93	500.25
	Purchase of Finished Goods	**81.28**	4.45
	(Increase) / Decrease in Stock	**(97.95)**	9.93
	Manufacturing Expenses	**529.24**	424.07
	Selling & Distribution Expenses	**95.89**	31.51
	Salaries,Wages and Other Employees Benefits	**201.47**	132.66
	Managerial Remuneration	**2.86**	3.08
	Auditors' Remuneration & Expenses	**0.97**	0.70
	Bad debts / Advances written off	**0.37**	0.18
	Provision for Doubtful Debts	**2.65**	0.00
	Other Expenses	**151.12**	67.03
	Interest and Finance Costs (Net)	**150.26**	135.33
	Depreciation	**143.36**	155.10
		1,833.45	1,464.29
III	**Profit before Extra-ordinary Items and Tax (I - II)**	**27.71**	136.38
IV	**Provision for Taxation**		
	Current Tax	**11.61**	11.40
	Deferred Tax	**0.00**	8.27
	Fringe benefit Tax	**2.44**	0.95
	MAT credit Entitlement	**(11.61)**	(11.40)
V	**Profit before Extra-ordinary Items (III - IV)**	**25.27**	127.16
VI	**Extra-ordinary items (Net Income)**	**94.29**	0.00
VII	**Profit after Extra Ordinary Items**	**119.56**	127.16
VIII	**Balance as per Last Year's Balance Sheet**	**321.17**	232.74
IX	**Appropriations**		
	Interim Dividend on Preference Shares	**(3.14)**	(3.80)
	Tax on Dividend	**(0.44)**	(0.53)
	Proposed Dividend on Equity Shares	**0.00**	(20.94)
	Tax on Proposed Dividend	**0.00**	(2.94)
	Additional Dividend on Equity Shares	**0.00**	(1.40)
	Tax on Additional Dividend	**0.00**	(0.20)
	Transfer to Capital Redemption Reserve	**(9.90)**	(9.92)
	Transfer from/(to) Debenture Redemption Reserve	**(2.25)**	1.00
X	**Balance Carried to Balance Sheet**	**425.00**	321.17
	Earnings Per Share of Face Value of Rs.10/- each (in Rupees)		
	Basic and Diluted before extra ordinary items	**1.04**	5.98
	Basic and Diluted after extra ordinary items	**5.54**	5.98

Refer Notes Forming Part of Accounts
Compiled from the Audited Accounts of the Company referred to in our Report dated 12th May, 2007

As per our report of even date

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

CA. N D ANKLESARIA
Partner

Ahmedabad, 12th May,2007

SANJAY S. LALBHAI — Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

ANNEXURE

SALIENT FEATURES OF ADDITIONAL INFORMATION ON THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

SALES AND OPERATING INCOME (Rs.in crores)

			2006-2007		2005-2006	
	Class of Goods	Unit of Quantity	Quantity * in crore	Amount Rs. in crore	Quantity * in crore	Amount Rs. in crore
1	**Sales (Net of Excise)**					
(A)	**Textile :**					
	Cloth	Meters	**10.39**	**1028.62**	12.05	1252.07
	Grey	Meters	**0.06**	**5.44**	0.07	4.29
	Grey	Kgs	**0.01**	**0.62**	0.01	0.57
	Knit Fabric	Kgs	**0.14**	**34.50**	0.13	32.98
	Yarn	Kgs	**0.60**	**61.87**	0.38	42.79
				1131.05		1332.70
(B)	**Electronics :**					
	EPABX / RAX	Lines	**0.01**	**5.04**	0.01	4.26
	Trunk Radio	Nos.	**Nil**	**Nil**	(4)	(29697)
	FCBC / PBT	Nos.	**(149)**	**0.01**	0	0
	Delta	Lines	**(12764)**	**2.27**	(9524)	1.82
	Others			**4.61**		3.83
				11.93		9.91
(C)	**Garments :**					
	Garments **	Nos.	**1.55**	**605.94**	0.64	180.50
(D)	**Utility**					
	Utility			**21.41**		24.79
(E)	**I T Services**					
	I T Services			**0.01**		0.02
(F)	**Misc Sales**			**41.28**		40.39
	Total Sales			**1811.62**		588.31
2	**Operating Income**			**33.29**		0.38
				1844.91		1588.69

* After adjusting shortages/excess, if any.

** Excluding 0.07 Crore Garments Nos. tansferred to VF Arvind Brands Private Limited under the sale of wholesale garment business.

Abridged Cash Flow Statement for the year ended 31st March, 2007

(Rs.in crores)

			2006-2007		2005-2006
A	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit before extraordinary items		**27.71**		136.38
	Adjustments for:				
	Depreciation	**143.36**		155.10	
	Interest Income	**(11.47)**		(3.61)	
	Income from Investments	**(0.35)**		(0.24)	
	Interest & Lease Rent Expenses	**157.13**		120.21	
	Exchange Rate Difference	**(8.78)**		8.10	
	Fixed Assets Written Off	**0.20**		0.02	
	Bad Debts / Advances Written Off	**0.37**		0.18	
	Provision for Doubtful debts	**2.65**		0.00	
	Sundry Debits / Credit written off (Net)	**0.27**		(1.33)	
	Profit on Sale of Investments	**(6.49)**		0.00	
	Product Development Expenses	**(8.26)**		0.00	
	Loss/(Profit) on Sale of Fixed Assets	**0.78**	**269.41**	(10.54)	267.89
	Operating Profit before Working Capital Changes		**297.12**		404.27
	Working Capital Changes:				
	Changes in Inventories	**(57.80)**		31.89	
	Changes in Trade Receivables	**69.04**		(49.35)	
	Changes in Other Receivables	**(73.02)**		(158.06)	
	Changes in Current Liabilities	**26.59**		5.07	
	Net Changes in Working Capital		**(35.19)**		(170.45)
	Cash Generated From Operations		**261.93**		233.82
	Advance Tax Paid (TDS) (Net of Income Tax Refund)		**(13.09)**		(11.32)
	Fringe Benefit Tax		**(1.62)**		(0.95)
	Net Cash from Operating Activities		**247.22**		221.55
B	**CASH FLOW FROM INVESTING ACTIVITIES**				
	Purchase of Fixed Assets	**(187.38)**		(74.52)	
	Sale Proceeds from Fixed Assets	**6.92**		30.88	
	Profit on Sale of Business	**144.79**		0.00	
	Changes in Investments	**(15.85)**		(195.08)	
	Changes in Loans & Advances	**(0.32)**		(110.62)	
	Income from Investment	**0.35**		0.24	
	Interest Income	**11.02**		3.60	
	Net Cash Flow from Investing Activities		**(40.47)**		(345.50)
C	**CASH FLOW FROM FINANCING ACTIVITIES**				
	Issue of Equity Share Capital	**0.00**		14.00	
	Redemption of Preference Share Capital	**(9.90)**		(9.92)	
	Share Premium Received	**0.00**		154.00	
	Share Issue Expenses	**0.00**		(4.63)	
	Unclaimed Dividend	**(0.02)**		(0.13)	
	Interim Dividend on Preference Shares	**(3.14)**		(3.80)	
	Tax on Interim Dividend	**(0.44)**		(0.53)	
	Dividend on Equity Shares	**(20.74)**		(20.77)	
	Tax on Equity Shares	**(2.94)**		(2.94)	
	Changes in Borrowings	**(6.41)**		150.62	
	Interest & Lease Rent Paid	**(159.07)**		(155.23)	
	Net Cash Flow from Financing Activities		**(202.66)**		120.67
	Net Increase/(Decrease) in Cash & Cash Equivalents		**4.09**		(3.28)
	Cash & Cash Equivalent at the beginning of the Period		**18.22**		12.87
	Cash and Cash Equivalent at the end of the Period		**22.31**		9.59

Refer Notes Forming Part of Accounts

Notes to Cash Flow Statement (Refer Note 13)

As per our report attached

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

CA. N D ANKLESARIA
Partner

Ahmedabad 12th May,2007

SANJAY S. LALBHAI Managing Director

JAYESH K. SHAH Director & Chief Financial Officer

R. V. BHIMANI Company Secretary

NOTES forming part of Abridged Accounts

1: SIGNIFICANT ACCOUNTING POLICIES

(A) ACCOUNTING CONVENTION

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

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

(B) INFLATION

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

(C) SALES AND OPERATING INCOME

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

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

(D) VALUATION OF INVENTORY

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

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

(E) FIXED ASSETS & DEPRECIATION

(E.1) The Fixed Assets of the Company are revalued as on 1st October, 2006 except for Branded Garment Business. 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 October, 2006 have been stated at cost net of 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 October, 2006 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 capitalization except on motor vehicles where depreciation has been provided at 20%.

(E.6) Depreciation on lease hold improvements in case of Branded Garment divisions has been provided at 10%.

(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 realizable 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.

NOTES forming part of Abridged 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

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

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

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

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

(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. **CONTINGENT LIABILITIES (Note 3 of Schedule 16 of Annual Accounts)**

(a) Bills discounted Rs. 83.96 crore (Rs. 73.25 crore).

(b) Claims against the Company not acknowledged as Debt Rs. 13.39 crore (Rs.14.78 crore).

(c) Guarantees given by the Banks on behalf of the Company Rs. 14.23 crore (Rs.22.63 crore).

(d) Guarantees given by the Company on behalf of the subsidiary/joint venture companies Rs. 4.00 Crore (Rs.48.00 crore).

(e) Excise/Custom demands, Sales Tax demands, Income Tax demands and Service Tax demand in dispute Rs. 9.45 crore (Rs. 8.80 crore), Rs. 15.24 crore (Rs.14.00 crore), Rs.0.66 crore (Rs. Nil) and Rs. 0.14 crore (Rs. Nil) respectively.

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

(g) Liability for Recompense Payment Rs. 65.05 crore (Rs.57.94 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.

3. **(Note 4 of Schedule 16 of Annual Accounts)**
The estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 26.79 crore (Rs. 5.13 crore).

4. **(Note 3 of Schedule 5 of Consolidated Accounts)**
During the year, the Company has capitalised the depreciation of Rs. 3.62 crore (Rs. 2.24 crore.)

5. **(Note 9 of Schedule 16 of Annual Accounts)**
There is an unrealised gain of Rs. 9.12 crore (Rs. 1.14 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.

6. **(Note 10 of Schedule 16 of Annual Accounts)**
Category-wise Quantitative data about derivative instruments that are outstanding as at 31st March, 2007.

	Currency	In Mn	Avg. Ex. Rate	Rs. In Crs.
Forward Sales	USD	152.98	45.1490	690.67
	EUR	2.25	60.2041	13.55
	GBP	0.95	88.0115	8.36
Forward Purchase	USD	5.00	43.7600	21.88
Options Deals	USD	122.45	44.6843	547.16

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.

7. **(Note 11 of Schedule 16 of Annual Accounts)**
Current Assets includes Rs.196.22 crore (Rs.290.23 crore) due from subsidiary Companies. Current Liabilities includes Rs.82.94 crore (Rs.74.60 crore) due to subsidiary Companies.

8. **Revaluation of Fixed Assets (Note 12 of Schedule 16 of Annual Accounts)**

The Company has revalued all the fixed assets including goodwill except those of the Branded Garment Divisions acquired under the Composite Scheme of Arrangement with effect from 1st October, 2006 based on a valuation made by approved valuer. The resultant decrease in the gross block and accumulated depreciation amounting to Rs.259.69 crore and Rs.284.21 crore respectively has been adjusted from the carrying value of respective asset class as on 30th September, 2006. The net increase of Rs. 24.52 crore in the net book value of the entire block of fixed assets has been credited to Revaluation Reserve.

Had the revaluation not been carried out, the depreciation for the year would have been higher by Rs. 16.06 crore and the profit for the year would have been lower to the same extent.

9. **Sale of wholesale garment business (Note 13 of Schedule 16 of Annual Accounts)**

During the year, the ready made branded garment business of erstwhile Arvind Fashions Limited, excluding the business carried out through the Factory Outlets and Exclusive Business Outlets (EBOs) has been sold to VF Arvind Brands Private Limited with effect from 31st August, 2006 for a total consideration of Rs. 181.65 crore. Profit on sale of business (after making necessary provisions for claims and other contingent liabilities) amounting to Rs. 100.12 crore has been shown as Extra Ordinary Profit in the accounts.

10. **Scheme of Arrangement (Note 14 of Schedule 16 of Annual Accounts):**

1. A Composite Scheme of Arrangement (hereinafter referred to as "the Scheme") under Sections 391 to 394 read with Sections 78, 100 to 103 of the Companies Act, 1956 was approved by the shareholders of the Company on 8th August, 2006 for inter alia:

a. Demerger and transfer of Garment Business Division of Arvind Brands Limited (ABL),

NOTES forming part of Abridged Accounts:

b. Amalgamation of Arvind Fashions Limited (AFL) with the Company and

c. Reduction and Restructuring of share capital of the Company.

The Scheme was sanctioned by the High Court of Gujarat at Ahmedabad on 24th November, 2006 and has been declared effective from 1st April, 2006 referred to as the appointed date. The title deeds for leasehold land, buildings, licenses, agreements, etc. are being transferred in the name of the Company.

2. Pursuant to the Scheme, the garment business of the ABL stands demerged from ABL and transferred to and vested in the Company as a going concern with effect from 1st April, 2006 (the appointed date):

   a. In accordance with the scheme, all the assets and liabilities (including contingent liabilities), of the garment business of ABL existing immediately before the appointed date have been transferred to the Company and have been recorded at their respective book values as appearing in the books of accounts of ABL immediately before the demerger.

   b. Upon the scheme becoming effective, the interse amounts of loans, advances and other current account balances of the demerged garment business with the Company have been treated as cancelled.

   c. ABL being the wholly owned subsidiary of the Company, no consideration is required to be paid.

   d. In view of reduction and reorganization of the capital of ABL, the book value of investments by the Company in its subsidiary Arvind Brands Limited stands reduced to Rs. 72.06 lacs.

   e. The difference between the value of assets and liabilities taken over upon demerger amounting to Rs. 29.45 crore together with the extinguishment of investments in ABL consequent upon demerger amounting to Rs. 292.69 crore aggregating to Rs. 322.14 crore have been treated as "Goodwill on acquisition of the business" as per the accounting treatment prescribed under the Scheme. This goodwill has been treated as a permanent asset and no provision has been made for amortization.

   f. As permitted under the Scheme and as referred to in Note 5(v) hereinbelow, an amount of Rs. 23.65 crore have been provided for various claims for the past period, provision for bad and doubtful debts and reduction in inventory valuation consequent upon aligning the method of inventory valuation with the Company.

   g. Balance of intangible assets in the demerged garment business acquired under purchase of branded garment business in past from the Company amounting to Rs. 11.11 crore have been written off against the share premium as permitted under the Scheme and as referred to in Note 5(vi) hereinbelow to eliminate self generated asset.

3. Pursuant to the Scheme, Arvind Fashions Limited has been amalgamated with the Company with effect from 1st April, 2006, (the appointed date).

   a. The amalgamation has been accounted for under the "purchase method". Accordingly, all the assets of AFL have been taken at their fair value as decided by the management on the appointed date. Similarly all the liabilities appearing in the books of AFL on the appointed date including the contingent liabilities have been accounted for on the basis of accrual and certainty.

   b. Upon the Scheme becoming effective, the inter se amounts of loans, advances and other current account balances of AFL with the Company have been treated as cancelled.

   c. AFL being the wholly owned subsidiary of the Company, no consideration is required to be paid.

   d. The difference between the value of assets and liabilities taken over amounting to Rs. 17.49 crore together with the extinguishment of the investment in shares of AFL held by ABL and acquired by the Company under the demerger scheme as referred to above amounting to Rs.102.23 crore aggregating to Rs. 119.72 crore have been debited to "Amalgamation Goodwill". This Amalgamation Goodwill has been set off against the Share Premium Account as permitted under the scheme and referred to in Note 5(i) hereinbelow.

4. Both ABL and AFL were engaged in Manufacturing and Marketing of apparel products under various brands. From the appointed date up to the date on which the Scheme is effective, both ABL and AFL were held in trust for and on account of the Company. Accordingly, the results for the year ended March 31, 2007 include the results of ABL and AFL for the period April 1, 2006 to November 24, 2006.

5. Reduction and Restructuring of Share Capital:
   As permitted under the composite Scheme, the balance in Share Premium account has been utilized to the extent of Rs. 275.52 crore as under.

Sr.	Particulars	Amount Rs. in crore	Effect on Profit for the year had the scheme not prescribed this accounting treatment
(i)	To write off amalgamation goodwill as per Note 3 (d) above	119.72	Proportionate share of amortization of goodwill over useful life
(ii)	To provide for the diminution in value of investments in and receivables from the overseas subsidiaries	41.62	To the same extent
(iii)	To write off Product Development Expenses	8.26	To the same extent
(iv)	To write off balance in lease equalization account on foreclosure of lease agreements	71.16	Rs. Nil
(v)	To provide for claims and other provisions relating to demerged garment business as referred to in Note 2 (f) above	23.65	Written off consequent to restructuring business operations and harmonization of accounting policies of De-merged Undertaking and hence no effect on profit for the year
(vi)	To write off intangible assets of ABL as referred to in Note 2 (g) above	11.11	
	TOTAL	**275.52**	

NOTES forming part of Abridged Accounts:

11. **Disclosures in respect of Joint Venture (Note 15 of Schedule 16 of Annual Accounts)**

(a) List of Joint Venture

Sr. No	Name of Joint Venture	Description of Interest (Description of job)	Proportion of ownership interest	Country of Incor-poration	Country of Resi-dence
1	Arya Omnitalk Wireless Solutions Ltd.	Jointly Controlled Entity	50%	India	India
2	Arvind Murjani Brands Pvt. Ltd.	Jointly Controlled Entity	50%	India	India
3	VF Arvind Brands Pvt. Ltd.	Jointly Controlled Entity	40%	India	India

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

(Rs. In crores)

Sr. No.	Name of Joint Venture	Company's share of			
		Assets	Liabilities	Income	Expenses
		As at 31st March 2007		For the year	
1	Arya Omnitalk Wireless Solutions Limited	7.77 (5.64)	5.85 (4.43)	9.65 (7.34)	9.13 (7.23)
2	Arvind Murjani Brands Pvt. Ltd.	6.70	3.64	7.07	11.36

Company's share in :

(i) Contingent Liability in respect of guarantee given by Bank Rs. 0.35 crore (Rs. 0.04 crore)

(ii) Excise Duty Demand in Dispute (Rs.7,500/-) (Rs. 0.01crore).

(iii) Capital commitments Rs. 0.13 crore (0.01 crore).

(c) Financial Interest in VF Arvind Brands Pvt. Ltd. has not been disclosed as the accounts of the said Joint Venture are under preparation being the first year of operation.

12. **(Note 16 of Schedule 16 of Annual Accounts)**

(A) Future rental obligations in respect of Plant & Machinery taken on lease (Net of Prepayments) Rs. Nil. (Rs. 52.16 crore). Lease rentals payable within one year Rs. Nil (Rs.4.69 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)

Particulars	2006-07	2005-06
Future Minimum lease payments obligation on non-cancellable operating leases :	**71.37**	38.19
Not later than one year	**3.64**	1.29
Later than one year and not Later than Five years	**15.10**	7.54
Later than five years	**52.63**	29.36
Lease Payment recognised in Profit & Loss Account	**1.59**	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)

Particulars	2006-07	2005-06
Future Minimum lease payments obligation on non-cancellable operating leases :	**30.91**	37.93
Not later than one year	**6.14**	6.67
Later than one year and not later than Five years	**18.09**	19.99
Later than five years	**6.68**	11.27
Lease Payment recognised in Profit & Loss Account	**8.78**	4.66

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

The particulars of these leases are as follows:

(Rs. in crore)

Particulars	2006-07
Future Minimum lease payments obligation on non-cancellable operating leases :	**30.86**
Not later than one year	**7.86**
Later than one year and not later than Five years	**23.00**
Later than five years	**Nil**
Lease Payment recognised in Profit & Loss Account	**26.15**

(E) Rent Income includes Lease Rental received towards Building, Plant and Machineries. Such operating leases are generally for a period of 5 to 6 years with the option of renewal on mutual consent and premature termination of agreement through agreed notice period.

(Rs. in crore)

Class of Assets	Gross Block			Depreciation Fund			
	As at 31-03-06	Adjustment due to Revaluation	**As at 31-03-07**	As at 31-03-06	Adjustment due to Revaluation	For the year	**As at 31-03-07**
Buildings	0.32	0.00	**0.32**	0.04	0.00	0.01	**0.05**
Plant and Machi.	8.11	(2.43)	**5.68**	5.03	(2.90)	0.71	**2.84**

The particulars of these leases are as follows:

(Rs. in crore)

Particulars	2006-07	2005-06
Future Minimum lease payments under non-cancellable operating leases :	**0.26**	0.35
Not later than one year	**0.09**	0.09
Later than one year and not later than Five years	**0.17**	0.26
Later than five years	**Nil**	Nil
Lease Income recognised in Profit & Loss Account	**0.10**	0.09

NOTES forming part of Abridged Accounts

13. Notes to Cash Flow Statement: (Note 19 of Schedule 16 of Annual Accounts)

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Figures in bracket represent outflow of cash.
3. The demerger of Garment Business Division of Arvind Brands Limited and amalgamation of Arvind Fashions Limited as approved by the High Court of Gujarat are non-cash transactions for the Company.
4. Cash and Cash Equivalents at the beginning of the year includes Rs. 8.63 crore of Garment Business Division of Arvind Brands Limited and Arvind Fashions Limited included on demerger/ amalgamation.
5. Cash and Cash Equivalents includes Rs. 0.07 crore (Previous Year Rs. 0.07 crore) not available for use by the Company.

14. Segment Reporting (Note 20 of Schedule 16 of Annual Accounts):

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

Particulars	2006-07	2005-06
Segment Revenue		
a) Textiles	**1485.85**	1578.76
b) Branded Garments	**347.13**	0.00
c) Others	**11.93**	9.94
d) Unallocable	**0.00**	0.00
Total Sales	**1844.91**	1588.70
Less :Inter Segment Revenue	**0.00**	0.01
Net Sales	**1844.91**	1588.69
Segment Results		
Segment Results before Interest & Finance Cost		
a) Textiles	**178.12**	269.34
b) Branded Garments	**10.00**	0.00
c) Others	**(1.01)**	(2.25)
d) Unallocable	**(9.14)**	4.62
Total Segment Results	**177.97**	271.71
Less : Interest & Finance Cost	**150.26**	135.33
Profit from Ordinary Activities	**27.71**	136.38
Extra Ordinary Items (Net)	**94.29**	0.00
Profit before Tax	**122.00**	136.38
Other Information		
Segment Assets		
a) Textiles	**2671.29**	2802.22
b) Branded Garments	**286.61**	0.00
c) Others	**17.40**	16.25
d) Unallocable	**812.19**	856.07
Total Assets	**3787.49**	3674.54
Segment Liabilities		
a) Textiles	**267.15**	250.26
b) Branded Garments	**147.73**	0.00
c) Others	**8.20**	3.80
d) Unallocable	**43.07**	47.16
Total Liabilities	**466.15**	301.22
Segment Depreciation		
a) Textiles	**129.91**	146.90
b) Branded Garments	**6.94**	0.00
c) Others	**1.34**	1.68
d) Unallocable	**5.17**	6.52
Total Depreciation	**143.36**	155.10
Capital Expenditure		
a) Textiles	**468.52**	99.11
b) Branded Garments	**21.67**	0.00
c) Others	**0.03**	0.06
d) Unallocable	**0.84**	6.44
Total Capital Expenditure	**491.06**	105.61
Non cash expenses other than Depreciation		
a) Textiles	**0.85**	0.18
b) Branded Garments	**2.65**	0.00
c) Others	**0.00**	0.02
d) Unallocable	**0.49**	0.01
Total Non-cash expenses other than Depreciation	**3.99**	0.21

(B) Secondary Segment (Geographical by Customers)

(Rs. in crore)

Particulars	2006-07	2005-06
Segment Revenue		
a) In India	**1017.42**	779.02
b) Outside India	**827.49**	809.67
Total Sales	**1844.91**	1588.69
Carrying Cost of Assets by location of Assets		
a) In India	**3699.40**	3552.51
b) Outside India	**88.09**	122.03
Total	**3787.49**	3674.54
Addition to Assets		
a) In India	**491.06**	105.61
b) Outside India	**0.00**	0.00
Total	**491.06**	105.61

Notes :

1. The Company has disclosed business segments as the primary segment. Segments have been identified taking into account the nature of the products, differential risks and returns, the Organisational structure and internal reporting system. The Company's operations predominantly relate to manufacturing of textiles and Branded Garments.
2. Types of Products and Services in each business segment :
   Textiles : Yarn, Fabric and Garments
   Branded Garments : Branded Garments
   Others : EPABX and RAX Systems(Electronic Division), I.T. Services
3. Intersegment Revenues are recognised at sales price.

NOTES forming part of Abridged Accounts

15. Related Party Disclosures (Note 21 of Schedule 16 of Annual Accounts):

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

List of Related Parties & Relationship :

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

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

Related Party Transactions :

(Rs. in crore)

Nature of Transactions	Referred in 1(A)Above		Referred in 1(B) Above		Referred in 1(C) Above	
	2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
Purchases						
Goods and Materials	**41.40**	43.48			**57.71**	0.00
Fixed Assets	**2.86**	0.43				
Sales						
Goods and Materials	**68.11**	89.20			**17.69**	0.00
Fixed Assets	**0.66**	4.20				
Expenses						
Receiving of Services	**52.83**	48.45			**3.54**	3.04
Remuneration & Other Services			**2.70**	2.92		
Agent Commission	**0.09**	0.39				
Others	**0.77**	1.36				
Income						
Rendering of Services	**29.45**	33.85			**14.17**	1.08
Sale of Business					**181.65**	0.00
Finance						
Lease Rent Income	**0.10**	0.10			**0.01**	0.00
Loan Given/(Repaid) (Net)	**1.13**	110.97				
Lease Rent Expenses	**0.67**	0.67				
Guarantees & Collaterals	**0.00**	48.00				
Investments (Net)	**12.99**	195.09			**5.47**	0.00
Outstanding :						
Receivable in respect of Current Assets	**196.22**	290.23			**21.80**	3.48
Receivable in respect of loans	**141.83**	259.94				
Payable in respect of Current Liabilities	**82.94**	74.60			**36.88**	0.00

(Rs. in crore)

Name of Subsidiary	Loans & Advances in the nature of Loans: Closing Balance	Loans & Advances in the nature of Loans: Maximum Outstanding
Arvind Overseas (Mauritius) Ltd.	7.93	10.85
Arvind Products Ltd.	174.01	179.68
Asman Investments Ltd.	122.30	123.35
Arvind Worldwide (M) Inc.	6.52	6.79
Arvind Worldwide Inc. USA	1.21	3.27
Arvind Brands Limited	8.31	8.31
Arvind Textile Mills Limited	0.01	0.01
TOTAL	**320.29**	**332.26**

Note:

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

16. Earning Per Share (EPS) (Note 22 of Schedule 16 of Annual Accounts):

Particulars		**2006-07**	2005-06
Profit available to Equity Shareholder before Extra Ordinary Item	Rs. in Crore	**21.69**	122.83
Profit available to Equity Shareholder after Extra Ordinary Item	Rs. in Crore	**115.98**	122.83
Weighted average no. of Equity Shares for Basic EPS	Nos.	**209377541**	205323646
Nominal value of Equity Shares	Rs.	**10**	10
Basic and Diluted Earning per Equity Share before Extra Ordinary Item	Rs.	**1.04**	5.98
Basic and Diluted Earning per Equity Share after Extra Ordinary Item	Rs.	**5.54**	5.98

NOTES forming part of Abridged Accounts

(A) Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share	2006-07 Rs.in crore	2005-06 Rs.in crore
Profit for the year before Extra Ordinary Items	**25.27**	127.16
Less: Dividend on redeemable cumulative non-convertible Preference Shares	**3.14**	3.80
Less : Tax on Preference Dividend	**0.44**	0.53
Profit available to Equity Shareholder before Extra Ordinary Item	**21.69**	122.83
Extra Ordinary Item (Net)	**94.29**	0.00
Profit available to Equity Shareholder after Extra Ordinary Item	**115.98**	122.83

(B) Weighted average number of Equity Shares	2006-07	2005-06
No. of Shares	**209377541**	205323646

17. Deferred Tax (Note 23 of Schedule 16 of Annual Accounts) :

In terms of the provisions of the Accounting Standard - 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, there is a net deferred tax asset on account of accumulated business losses and unabsorbed depreciation (in respect of Garment Business Division of Arvind Brands Limited that merged with the Company).

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

18. Provision for Disputed Matters (Note 24 of Schedule 16 of Annual Accounts)

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

(Rs. in crore)

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

19. Actual Production (Note 30 of Schedule 16 of Annual Accounts)

(Quantity in crore)

Class of Goods	Unit of Quantity	2006-07	2005-06
Cloth *	Metres	**10.78**	11.59
Cloth **	Kgs	**0.15**	0.14
Yarn ***	Kgs	**0.43**	0.34
EPABX	Lines	**0.01**	0.01
Garments****	Nos.	**1.34**	0.63
Yarn @	Kgs	**0.16**	0.02
Grey @	Meters	**0.06**	0.07
Grey @	Kgs	**0.01**	0.01

* Net of internal consumption of 0.87 crore (0.48 crore) Metres
** Net of internal consumption of 0.17 crore (0.12 crore) Kgs
*** Net of internal consumption of 1.73 crore (1.67 crore) of Kgs
**** Includes Garments produced outside the Company by Job workers
@ Semi Processed Goods meant for Sale.

Note :

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

20. Installed Capacity (Note 31 of Schedule 16 of Annual Accounts)

	Installed Capacity	
Particulars	**2006-07**	2005-06
Spindles	**106776**	106776
Rotors	**7824**	7824
Stitching Machines	**678**	574
Knitting Machines	**105**	105
Looms	**1040**	1042
EPABX/RAX System Lines	**200000**	200000
Garments (Pcs.)	**8620000**	1920000

Notes :

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

21. Performance Ratios:

	2006-07	2005-06
1. Sales/Total Assets	**0.48**	0.43
2. Operating Profit/Capital Employed	**9.75%**	12.65%
3. Return on Net Worth	**1.85%**	8.30%
4. Net Profit/Sales	**1.39%**	8.01%

Notes:

1. Total Assets is net of Revaluation Reserve.
2. Capital Employed includes Shareholders' Funds (Net of Revaluation Reserve) and Loan Funds.
3. Operating Profit and Net Profit are excluding extra-ordinary items.
4. Net Worth includes Shareholders' Fund and is net of Revaluation Reserve.

22. (Note 37 of Schedule 16 of Annual Accounts)

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

23. (Note 38 of Schedule 16 of Annual Accounts)

Previous year's figures are shown in brackets and are regrouped or recast wherever necessary. The figures for the current year include the balances of Garment Division of Arvind Brands Limited and Arvind Fashion Limited included on Demerger/Amalgamation as per the Composite Scheme of Arrangement and hence are not comparable with those of the previous year.

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

CA. N. D. Anklesaria
Partner
Ahmedabad, 12th May 2007

SANJAY S. LALBHAI
Managing Director

JAYESH K. SHAH
Director & Chief Financial Officer

R. V. BHIMANI
Company Secretary

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

Balance Sheet Abstract and Company's General Business Profile:

1 Registration Details :

Registration No.	93		State Code	04
Balance Sheet Date	31.03.07			

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

Public Issue	Nil		Right Issue	Nil
Bonus Issue	Nil		Private Placement	Nil

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

Total Liabilities	3334.16		Total Assets	3334.16

Sources of Funds :			Application of Funds :	
Paid up Capital	255.58		Net Fixed Assets	2116.34
Reserves & Surplus	1131.45		Investments	48.05
Secured Loans	1772.74		Net Current Assets	1169.77
Unsecured Loans	161.57			
Deferred Tax Liability	12.82			

4 Performance of Company : (Amount in Rs. Crore)

Turnover	1844.91		Total Expenditure	1833.45
Profit before tax	122.00		Profit after tax	119.56

Earning per Share - Basic (Rs.)	5.54
Earning per Share -Diluted (Rs.)	5.54
Dividend Rate	Nil

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

Item Code (ITC Code)	520942.00		Product Description	Denim
Item Code (ITC Code)	520832.00		Product Description	Dyed Poplin/
				Shirting
Item Code (ITC Code)	520524.00		Product Description	Cotton Yarn

SANJAY S. LALBHAI Managing Director

JAYESH K. SHAH Director & Chief Financial Officer

Ahmedabad. 12th May,2007

R. V. BHIMANI Company Secretary

Consolidated Auditors' Report

TO THE BOARD OF DIRECTORS OF THE ARVIND MILLS LIMITED ON THE ABRDIGED CONSOLIDATED FINANCIAL STATEMENTS OF THE ARVIND MILLS LIMITED

We have examined the attached abridged Consolidated Balance Sheet of The Arvind Mills Limited and its subsidiaries and Joint Ventures ("Arvind Group") (excluding 4 subsidiaries and 1 Joint Venture for the reasons stated in Note No. 3 and 5 of the Notes respectively) as at 31st March 2007, the abridged Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, together with the notes thereon. These abridged consolidated financial statements have been prepared by the Company, to the extent possible, on the basis of Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956.

These abridged 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 financial statements of the Arvind Group included in the consolidated financial statements and is covered by our report of even date to the Board of Directors of the Company which report is attached herewith.

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

Ahmedabad
12th May, 2007

CA. N D Anklesaria
Partner
Membership No. 10250

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 and Joint Ventures ("Arvind Group") (excluding 4 subsidiaries and 1 Joint Venture for the reasons stated in Note No. 3 and 5 of Schedule 16 respectively) as at 31st March 2007, 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 three Subsidiaries whose financial statements reflect (before giving effect to the consolidation adjustments) total Assets of Rs. 146.86 Crore as at 31st March 2007 and total Revenue of Rs. 16.68 Crore for the year then ended. These Financial Statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amount included in respect of these subsidiaries, is based solely on the report of the other auditors.

We did not audit the financial statements of two Joint Venture Entities whose financial statements reflect (before giving effect to the consolidation adjustments) total Assets of Rs. 14.36 Crore as at 31st March 2007 and total Revenue of Rs. 16.69 Crore for the year then ended which were prepared by the management. The same has been considered for the purpose of consolidation and accepted as correct by us. Any adjustment to their balances on completion of audit could have consequential effect on the attached Consolidated Financial Statements.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' and Accounting Standard (AS) 27, 'Financial Reporting of Interests in Joint Ventures', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Arvind Group included in the consolidated financial statements. Attention is invited to the matters stated in Note No. 5 of Schedule 16.

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, 2007

(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

Ahmedabad
12th May, 2007

CA. N D Anklesaria
Partner
Membership No. 10250

Abridged Consolidated Balance Sheet as at 31st March, 2007

(STATEMENT CONTAINING SALIENT FEATURES OF CONSOLIDATED BALANCE SHEET AS PER SECTION 219 (1) (b) (iv) OF THE COMPANIES ACT,1956)

(Rs. in crores)

PARTICULARS	As at 31.03.2007	As at 31.03.2006
I SOURCES OF FUNDS		
(1) SHAREHOLDERS' FUNDS		
a) SHARE CAPITAL		
(i) Equity	**209.38**	209.38
(ii) Preference	**46.20**	56.10
	255.58	265.48
b) RESERVES & SURPLUS		
(i) Capital Reserve	**4.61**	4.61
(ii) Capital Reserve on Consolidation	**26.62**	26.62
(iii) Foreign Currency Translation Reserve	**(0.39)**	(0.38)
(iv) Capital Redemptin Reserve	**23.30**	13.40
(v) Share Premium Account	**653.21**	928.73
(vi) Debenture Redemption Reserve	**2.25**	2.00
(vii) Revaluation Reserve	**24.52**	0.00
(vi) Surplus in profit and loss account	**328.19**	278.81
	1062.31	1253.79
(2) MINORITY INTEREST	**65.43**	**73.90**
(3) LOAN FUNDS :		
a) Non Convertible Debentures	**5.67**	7.17
b) Secured Loans (other than Debentures)	**1932.52**	2002.69
c) Unsecured Loans	**161.57**	163.73
	2099.76	2173.59
(4) DEFERRED TAX LIABILITY	**25.34**	24.90
TOTAL OF (1 to 4)	**3508.42**	3791.66
II APPLICATION OF FUNDS :		
(1) Fixed Assets		
a) Net Block (Original/Revalued cost less depreciation)	**2390.33**	2236.52
b) Capital Work in progress	**84.31**	87.22
	2474.64	2323.74
(2) Investments		
a) Government Securities	**0.01**	0.01
b) Investments in Subsidiary Companies - Unquoted	**0.34**	33.71
c) Others		
(i) Quoted	**11.98**	5.08
(ii) Unquoted	**6.05**	0.86
	18.38	39.66
(3) i) Current Assets, Loans & Advances :		
a) Inventories	**757.51**	704.31
b) Sundry Debtors	**206.50**	167.25
c) Cash & Bank Balances	**28.20**	24.03
d) Other Current Assets	**61.77**	59.37
e) Loans and Advances		
(i) To Subsidiary Companies	**0.00**	10.84
(ii) To Others	**401.87**	755.92
	1455.85	1721.72
Less:		
ii) Current Liabilities & Provisions		
a) Liabilities	**391.96**	237.75
b) Provisions	**48.49**	55.71
	440.45	293.46
NET CURRENT ASSETS (i-ii)	**1015.40**	1428.26
TOTAL OF (1 to 3)	**3508.42**	3791.66

Refer Notes Forming Part of Accounts
Compiled from the Audited Accounts of the Company referred to in our Report dated 12th May,2007

As per our Report of even date
For **SORAB S.ENGINEER & CO.**
Chartered Accountants

CA. N D ANKLESARIA
Partner

Ahmedabad, 12th May,2007

SANJAY S. LALBHAI Managing Director

JAYESH K. SHAH Director & Chief Financial Officer

R. V. BHIMANI Company Secretary

Abridged Consolidated Profit & Loss Account for the year ended 31st March 2007

(STATEMENT CONTAINING SALIENT FEATURES OF CONSOLIDATED PROFIT & LOSS ACCOUNTS AS PER SECTION 219 (1) (b) (iv) OF THE COMPANIES ACT,1956)

(Rs. in crores)

	PARTICULARS	2006-07	2005-06
I	**INCOME :**		
	Sales & Operating Income	2,182.22	2,127.08
	Income from Investments - Dividend	0.42	0.26
	Other Income	18.17	32.89
		2,200.81	2,160.23
II	**EXPENDITURE**		
	Cost of Goods Consumed/Sold:		
	Opening Stock	322.17	312.94
	Add : Purchases (Net)	684.33	676.42
	Less : Closing Stock	298.65	322.17
		707.85	667.19
	Purchase of Finished Goods	98.42	67.85
	(Increase) / Decrease in Stock	(103.69)	12.23
	Manufacturing Expenses	592.55	513.80
	Selling & Distribution Expenses	102.61	97.57
	Salaries,Wages and Other Employees Benefits	242.72	197.37
	Managerial Remuneration	2.86	3.08
	Auditors' Remuneration & Expenses	1.26	1.23
	Bad debts / Advances written off	0.45	0.52
	Provision for Doubtful Debts/Advances/Contingencies	3.87	3.84
	Other Expenses	167.85	133.93
	Interest and Finance Costs (Net)	171.23	168.46
	Depreciation	179.14	200.13
		2,167.12	2,067.20
III	**Profit Before Extra-ordinary Items And Tax (I - II)**	33.69	93.03
IV	**Provision For Taxation**		
	Current Tax	12.24	11.56
	Deferred Tax	(0.05)	8.31
	Fringe benefit Tax	2.73	2.15
	MAT credit Entitlement	(11.61)	(11.40)
V	**Profit Before Extra-ordinary Items (III - IV)**	30.38	82.41
VI	**Extra-ordinary Items (Net Income)**	94.29	0.00
VII	**Profit after Extra Ordinary Items**	124.67	82.41
VIII	**Share of Profit/(Loss) of Minority Interest**	3.33	(3.41)
		121.34	85.82
IX	**Balance as per Last Year's Balance Sheet**	278.81	138.63
X	**Adjustment on account of Consolidation**	(55.70)	97.75
		223.11	236.38
XI	**Appropriations**		
	Deferred Tax adjustment on initial adoption	(0.53)	0.00
	Goodwill Written off	0.00	(4.66)
	Interim Dividend on Preference Shares	(3.14)	(3.80)
	Tax on Dividend	(0.44)	(0.53)
	Proposed Dividend on Equity Shares	0.00	(20.94)
	Tax on Proposed Dividend	0.00	(2.94)
	Additional Dividend on Equity Shares	0.00	(1.40)
	Tax on Additional Dividend	0.00	(0.20)
	Transfer to Capital Redemption Reserve	(9.90)	(9.92)
	Transfer (to)/from Debenture Redemption Reserve	(2.25)	1.00
XII	**Balance Carried to Balance Sheet**	328.19	278.81
	Earning Per Share of Face Value of Rs.10/- each (in Rupees)		
	Basic and Diluted before extra ordinary items	0.98	3.57
	Basic and Diluted after extra ordinary items	5.48	3.57

Refer Notes Forming Part of Accounts
Compiled from the Audited Accounts of the Company referred to in our Report dated 12th May, 2007

As per our Report of even date

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

CA. N D ANKLESARIA
Partner
Ahmedabad, 12th May,2007

SANJAY S. LALBHAI — Managing Director

JAYESH K. SHAH — Director & Chief Financial Officer

R. V. BHIMANI — Company Secretary

Consolidated Cash Flow Statement for the year ended on 31st March, 2007

(Rs.in Crores)

			2006-2007		2005-2006
A	**CASH FLOW FROM OPERATING ACTIVITIES**				
	Net Profit before extraordinary items		**33.69**		93.03
	Adjustments for:				
	Depreciation	**179.14**		200.13	
	Interest Income	**(11.82)**		(4.32)	
	Interest & Lease Rent Expenses	**191.00**		167.10	
	Income from Investment	**(0.42)**		(0.26)	
	Exchange Rate Difference on Loans	**(7.95)**		8.14	
	Profit on Sale of Investments	**(6.49)**		(0.09)	
	Bad Debts / Advances Written Off	**0.45**		0.52	
	Sundry Debit/(Credit) Written Off	**0.27**		(5.57)	
	Fixed Assets Written Off	**0.39**		0.02	
	Provision for Doubtful debts	**3.87**		3.84	
	Product Development Expenses	**(8.26)**		0.00	
	Capital Reserve on Consolidation	**0.00**		(0.04)	
	Foreign Currency Translation Reserve	**(0.01)**		(0.54)	
	Loss/(Profit) on Sale of Fixed Assets	**0.61**	**340.78**	(10.23)	358.70
	Operating Profit before Working Capital Changes		**374.47**		451.73
	Working Capital Changes:				
	Changes in Inventories	**(53.20)**		(5.81)	
	Changes in Trade and Other Receivables	**(37.62)**		(150.80)	
	Changes in Current Liabilities	**95.68**		(166.82)	
	Net Changes in Working Capital		**4.86**		(323.43)
	Cash Generated From Operations		**379.33**		128.30
	Advance Tax and Fringe Benefit Tax Paid (Net of Income Tax Refund)		**(15.48)**		(13.75)
	Net Cash from Operating Activities		**363.85**		114.55
B	**Cash Flow from Investing Activities**				
	Purchase of Fixed Assets	**(215.00)**		(110.91)	
	Sale Proceeds from Fixed Assets	**10.18**		33.75	
	Profit on Sale of Business	**144.79**		0.00	
	Changes in Investments	**(5.94)**		(123.97)	
	Changes in Loans & Advances	**2.64**		0.00	
	Income from Investment	**0.42**		0.26	
	Interest Income	**11.42**		4.30	
	Net Cash Flow from Investing Activities		**(51.49)**		(196.57)
C	**Cash Flow from Financing Activities**				
	Issue of Equity Shares	**0.00**		14.00	
	Redemption of Preference Share Capital	**(9.90)**		(9.92)	
	Share Premium Received	**0.00**		154.00	
	Share Issue Expenses	**0.00**		(4.63)	
	Unclaimed Dividend	**(0.02)**		(0.19)	
	Interim Dividend on Preference Shares	**(3.14)**		(3.80)	
	Tax on Interim Dividend	**(0.44)**		(0.53)	
	Dividend on Equity Shares	**(20.74)**		(20.77)	
	Tax on Equity Shares	**(2.94)**		(2.94)	
	Change in Borrowings	**(77.93)**		156.26	
	Interest & Lease Rent Paid	**(193.08)**		(205.08)	
	Net Cash Flow from Financing Activities		**(308.19)**		76.40
	Net Increase/(Decrease) in Cash & Cash Equivalents		**4.17**		(5.62)
	Cash & Cash Equivalent at the beginning of the Period		**24.03**		20.46
	Adjustment due to Exclusion / Disposal of Subsidiaries		**0.00**		9.19
			24.03		29.65
	Cash and Cash Equivalent at the end of the Period		**28.20**		24.03
	Refer Notes Forming Part of Accounts				

Notes to Cash Flow Statement (Refer Note 17)

As per our report attached

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

N D ANKLESARIA
Partner

Ahmedabad. 12th May, 2007

SANJAY S. LALBHAI Managing Director

JAYESH K. SHAH Director & Chief Financial Officer

R. V. BHIMANI Company Secretary

NOTES forming part of Abridged Consolidated Accounts

1. BASIS OF CONSOLIDATION

Basis

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

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

Principles

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

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

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

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

(v) The subsidiary companies which have closed their business and disposed 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 2007
1	Asman Investments Ltd.	India	95.63%
2	Arvind Products Ltd.	India	53.66%
3	Arvind Brands Ltd.	India	99%
4	Arvind Worldwide Inc	USA	100%
5	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 2007
1	Lifestyle Fabrics Limited	India	71.80%
2	Arvind Overseas (Mauritius) Ltd.	Mauritius	100%
3	Arvind Spinning Limited	Mauritius	100%
4	Arvind Textile Mills Limited	Bangladesh	100%

Note :

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

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

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

Sr. No.	Name of Joint Venture	Country of incorporation	Proportion of ownership as on 31st March 2007
1	Arya Omnitalk Wireless Solutions Limited.	India	50%
2	Arvind Murjani Brands Private Limited	India	50%

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

Sr. No.	Name of Joint Venture	Country of incorporation	Proportion of ownership as on 31st March 2007
1	VF Arvind Brands Pvt. Ltd.	India	40%

NOTES forming part of Abridged Consolidated Accounts

Note :

The Accounts of Joint Venture Company VF Arvind Brands Private Limited have not been considered for consolidation as the same are under preparation being first year of operation. There would be a consequential effect on the consolidated results on account of the non inclusion.

6. SIGNIFICANT ACCOUNTING POLICIES

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

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

(A) SALES AND OPERATING INCOME

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

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

(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 CENVAT.

(C.4) Depreciation on additions to Fixed Assets after 1st October 2006 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 capitalization except in case of The Arvind Mills Limited for motor vehicles where depreciation has been provided at 20%.

(C.5) Depreciation on lease hold improvements in case of Branded Garment divisions has been provided at 10%.

(C.6) In the case of foreign subsidiaries, depreciation has been provided as per the rates permitted under the local laws/ at such rate so as to write off the assets over its useful life.

(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

NOTES forming part of Abridged Consolidated Accounts

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

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

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

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

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

(K) 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.

7. CONTINGENT LIABILITIES

(a) Bills discounted Rs. 83.96 Crore (Rs. 73.25 Crore).

(b) Guarantees given by the Banks on behalf of the Company Rs. 14.59 Crore (Rs. 22.68 Crore).

(c) Income Tax demands, Excise/ Custom Duty demands, Sales Tax demands and Service Tax Demands Rs. 0.66 Crore (Rs 0.61 Crore), Rs. 35.79 Crore (Rs. 34.21 Crore), Rs. 15.24 Crore (Rs.16.54 Crore) and Rs. 0.14 Crore (Rs. Nil) respectively.

(d) Other demands in dispute Rs. 14.49 Crore (Rs. 16.91 Crore).

(e) Dividend on redeemable cumulative non convertible preference shares Rs. 43.70 Crore (Rs. 47.24 Crore). Out of this, Rs. 42.96 Crore (Rs. 46.50 Crore) are payable to Minority Shareholders of the Company.

(f) Liability for Recompense Payment Rs. 65.05 crores (Rs. 57.94 crores). The payment and the rate at which Recompense Payment is payable is contingent on the repayment of the total outstanding to the Restructured Lenders in terms of the Scheme of Restructuring approved by the High Court of Gujarat.

8. The estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 29.15 Crore (Rs. 11.76 Crore).

9. (Note 4 of Schedule 5 of Consolidated Accounts)

During the year, the Company has capitalised the depreciation of Rs. 3.62 Crore (Rs. 2.24 Crore.)

10. (Note 11 of Schedule 16 of Consolidated Accounts)

There is an unrealised gain of Rs. 9.12 Crore (Rs. 1.14 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.

11. Derivative Instruments (Note 12 of Schedule 16 of Consolidated Accounts):

Category-wise Quantitative data about derivative instruments that are outstanding as at 31st March, 2007.

	Currency	In Mn	Avg. Ex. Rate	Rs. in Crs.
Forward Sales	USD	152.98	45.1490	690.67
	EUR	2.25	60.2041	13.55
	GBP	0.95	88.0115	8.36
Forward Purchase	USD	5.00	43.7600	21.88
Options Deals	USD	122.45	44.6843	547.16

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. (Note 13 of Schedule 16 of Consolidated Accounts):

Current Assets includes Rs.0.03 Crore (Previous Year Rs. 1.32) due from subsidiary companies. Current Liabilities includes Rs.10.50 Crore (Previous Year Rs. 11.82 Crore) due to subsidiary companies.

13. Revaluation of Fixed Assets (Note 14 of Schedule 16 of Consolidated Accounts):

The Arvind Mills Limited has revalued all the fixed assets including goodwill except those of the Branded Garment Divisions acquired under the Composite Scheme of Arrangement with effect from 1st October

NOTES forming part of Abridged Consolidated Accounts

2006 based on a valuation made by approved valuer. The resultant decrease in the gross block and accumulated depreciation amounting to Rs.259.69 Crore and Rs.284.21 Crore respectively has been adjusted from the carrying value of respective asset class as on 30th September 2006. The net increase of Rs. 24.52 Crore in the net book value of the entire block of fixed assets has been credited to Revaluation Reserve.

Had the revaluation not been carried out, the depreciation for the year would have been higher by Rs. 16.06 Crore and the profit for the year would have been lower to the same extent.

14. Sale of wholesale garment business (Note 15 of Schedule 16 of Consolidated Accounts):

During the year, the ready made branded garment business of erstwhile Arvind Fashions Limited, excluding the business carried out through the Factory Outlets and Exclusive Business Outlets (EBOs) has been sold to VF Arvind Brands Private Limited with effect from 31st August 2006 for a total consideration of Rs. 181.65 Crore. Profit on sale of business (after making necessary provisions for claims and other contingent liabilities) amounting to Rs. 100.12 Crore has been shown as Extra Ordinary Profit in the accounts.

15. Scheme of Arrangement (Note 16 of Schedule 16 of Consolidated Accounts):

1. A Composite Scheme of Arrangement (herein after referred to as "the Scheme") under Sections 391 to 394 read with Sections 78, 100 to 103 of the Companies Act, 1956 was approved by the shareholders of the Company on 8th August, 2006 for inter alia:
   a. Demerger and transfer of Garment Business Division of Arvind Brands Limited (ABL),
   b. Amalgamation of Arvind Fashions Limited (AFL) with the Company and
   c. Reduction and Restructuring of share capital of the Company.

   The Scheme was sanctioned by the High Court of Gujarat at Ahmedabad on 24th November 2006 and has been declared effective from 1st April 2006 referred to as the appointed date. The title deeds for leasehold land, buildings, licenses, agreements etc. are being transferred in the name of the Company.
2. Pursuant to the Scheme, the garment business of the ABL stands demerged from ABL and transferred to and vested in the Company as a going concern with effect from 1st April 2006 (the appointed date):
   a. In accordance with the scheme, all the assets and liabilities (including contingent liabilities), of the garment business of ABL existing immediately before the appointed date have been transferred to the Company and have been recorded at their respective book values as appearing in the books of accounts of ABL immediately before the demerger.
   b. Upon the scheme becoming effective, the interse amounts of loans, advances and other current account balances of the demerged garment business with the Company have been treated as cancelled.
   c. ABL being the wholly owned subsidiary of the Company, no consideration is required to be paid.
   d. In view of reduction and reorganization of the capital of ABL, the book value of investments by the Company in its subsidiary Arvind Brands Limited stands reduced to Rs. 72.06 lacs.
   e. The difference between the value of assets and liabilities taken over upon demerger amounting to Rs. 29.45 Crore together with the extinguishment of investments in ABL consequent upon demerger amounting to Rs. 292.69 Crore aggregating to Rs. 322.14 Crore have been treated as "Goodwill on acquisition of the business" as per the accounting treatment prescribed under the Scheme. This goodwill has been treated as a permanent asset and no provision has been made for amortization.
   f. As permitted under the scheme and as referred to in Note 4(v) herein below, an amount of Rs. 23.65 Crore have been provided for various claims for the past period, provision for bad and doubtful debts and reduction in inventory valuation consequent upon aligning the method of inventory valuation with the Company.
   g. Balance of intangible assets in the demerged garment business acquired under purchase of branded garment business in past from the Company amounting to Rs. 11.11 Crore have been written off against the share premium as permitted under the scheme and as referred to in Note 4(vi) herein below to eliminate self generated asset.
3. Pursuant to the Scheme, Arvind Fashions Limited has been amalgamated with the Company with effect from 1st April 2006, (the appointed date).
   a. The amalgamation has been accounted for under the "purchase method". Accordingly, all the assets of AFL have been taken at their fair value as decided by the management on the appointed date. Similarly all the liabilities appearing in the books of AFL on the appointed date including the contingent liabilities have been accounted for on the basis of accrual and certainty.
   b. Upon the scheme becoming effective, the inter se amounts of loans, advances and other current account balances of AFL with the Company have been treated as cancelled.
   c. AFL being the wholly owned subsidiary of the Company, no consideration is required to be paid.
   d. The difference between the value of assets and liabilities taken over amounting to Rs. 17.49 Crore together with the extinguishment of the investment in shares of AFL held by ABL and acquired by the Company under the demerger scheme as referred to above amounting to Rs.102.23 Crore aggregating to Rs. 119.72 Crore have been debited to "Amalgamation Goodwill". This Amalgamation Goodwill has been set off against the Share Premium Account as permitted under the scheme and referred to in Note 4(i) herein below.

NOTES forming part of Abridged Consolidated Accounts

4. Reduction and Restructuring of Share Capital:

   As permitted under the composite scheme, the balance in Share Premium account has been utilized to the extent of Rs. 275.52 Crore as under.

Sr.	Particulars	Amount Rs. in Crore	Effect on Profit for the year had the scheme not prescribed this accounting treatment
(i)	To write off amalgamation goodwill as per Note 3 (d) above	119.72	Proportionate share of amortization of goodwill over useful life
(ii)	To provide for the diminution in value of investments in and receivables from the overseas subsidiaries	41.62	To the same extent
(iii)	To write off Product Development Expenses	8.26	To the same extent
(iv)	To write off balance in lease equalization account on foreclosure of lease agreements	71.16	Rs. Nil
(v)	To provide for claims and other provisions relating to demerged garment business as referred to in Note 2 (f) above	23.65	Written off consequent to restructuring business operations and harmonization of accounting policies of De-merged Undertaking and hence no effect on profit for the year
(vi)	To write off intangible assets of ABL as referred to in Note 2 (g) above	11.11	
	Total	**275.52**	

16. (Note 17 of Schedule 16 of Consolidated Accounts):

(A) Future rental obligations in respect of Plant & Machinery taken on lease (Net of Prepayments) is Rs. Nil (Rs. 52.16 Crore). Lease rentals payable within one year Rs. Nil (Rs. 4.69 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 with/without the option of renewal, no sub lease and having an escalation clause for increase in lease rental.

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

Particulars	2006-07	2005-06
Future Minimum lease payments obligation on non-cancellable operating leases :	**136.20**	83.09
Not later than one year	**18.00**	11.27
Later than one year and not later than Five years	**58.99**	31.19
Later than five years	**59.31**	40.63
Lease Payment recognised in Profit & Loss Account	**37.93**	19.13

(C) Rent Income includes Lease Rental received towards factory Building. Such operating leases are generally for a period of 6 years with the option of renewal on mutual consent and premature termination of agreement through agreed notice period.

(Rs. in crore)

Class of Assets	Gross Block		Depreciation Fund		
	As at 31-03-06	**As at 31-03-07**	As at 31-03-06	For the Year	**As at 31-03-07**
Buildings	3.49	**3.49**	0.49	0.08	**0.57**

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

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

17. Notes to Cash Flow Statement (Note 19 of Schedule 16 of Consolidated Accounts):

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
2. Figures in bracket represent outflow of cash.
3. Cash and Cash Equivalents include Rs. 0.08 Crore (Rs. 0.07 Crore) not available for use by the Company.

18. Segment Reporting (Note 20 of Schedule 16 of Consolidated Accounts):

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

Particulars	2006-07	2005-06
Segment Revenue		
a) Textiles	**1806.98**	1832.75
b) Branded Garments	**353.91**	277.30
c) Others	**21.33**	17.04
d) Unallocable	**0.00**	0.00
Total Sales	**2182.22**	2127.09
Less :Inter Segment Revenue	**0.00**	0.01
Net Sales	**2182.22**	2127.08
Segment Results		
Segment Results before Interest & Finance Cost		
a) Textiles	**209.79**	283.77
b) Branded Garments	**6.17**	(24.96)
c) Others	**(1.90)**	(1.94)
d) Unallocable	**(9.14)**	4.62
Total Segment Results	**204.92**	261.49
Less : Interest & Finance Cost	**171.23**	168.46
Profit from Ordinary Activities	**33.69**	93.03
Extra Ordinary Items (Net)	**94.29**	0.00
Profit before Tax	**127.98**	93.03

NOTES forming part of Abridged Consolidated Accounts

Other Information		
Segment Assets		
a) Textiles	**2818.30**	2820.17
b) Branded Garments	**293.31**	386.89
c) Others	**25.07**	21.99
d) Unallocable	**812.19**	856.07
Total Assets	**3948.87**	4085.12
Segment Liabilities		
a) Textiles	**257.41**	189.52
b) Branded Garments	**151.37**	97.20
c) Others	**13.94**	8.36
d) Unallocable	**43.07**	23.28
Total Liabilities	**465.79**	318.36
Segment Depreciation		
a) Textiles	**119.34**	180.74
b) Branded Garments	**7.14**	11.11
c) Others	**1.49**	1.76
d) Unallocable	**51.17**	6.52
Total Depreciation	**179.14**	200.13
Capital Expenditure		
a) Textiles	**484.17**	118.75
b) Branded Garments	**21.99**	18.21
c) Others	**0.25**	0.33
d) Unallocable	**0.84**	6.44
Total Capital Expenditure	**507.25**	143.73
Non cash expenses other than Depreciation		
a) Textiles	**3.65**	0.63
b) Branded Garments	**0.55**	3.72
c) Others	**0.29**	0.02
d) Unallocable	**0.49**	0.01
Total Non cash expenses other than Depreciation	**4.98**	4.38

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

Particulars	2006-07	2005-06
Segment Revenue		
a) In India	**1308.69**	1274.87
b) Outside India	**873.53**	852.21
Total Sales	**2182.22**	2127.08
Carrying Cost of Assets by location of Assets		
a) In India	**3842.31**	3952.09
b) Outside India	**106.56**	133.03
Total	**3948.87**	4085.12
Addition to Assets		
a) In India	**505.18**	143.72
b) Outside India	**2.07**	0.01
Total	**507.25**	143.73

Notes:

1. The Company has disclosed business segments as the primary segment. Segments have been identified taking into account the nature of the products, differential risks and returns, the organisational structure and internal reporting system. The company's operations predominantly relate to manufacturing of textiles.
2. Types of Products and Services in each business segment :
   Textiles : Yarn, Fabric and Garments
   Branded Garments : Branded Garments
   Others : EPABX and RAX Systems(Electronic Division), I.T. Services
3. Inter segment Revenues are recognised at sales price.

19. Related Party Disclosures (Note 21 of Schedule 16 of Consolidated Accounts):

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

List of Related Parties & Relationship:

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

* Excluded for consolidation.

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

Nature of Transactions (Rs. in crore)

	Referred in (A) Above		Referred in (B) Above		Referred in (C) Above	
	2006-07	2005-06	**2006-07**	2005-06	**2006-07**	2005-06
Purchases						
Goods and Materials					**57.66**	0.00
Sales						
Goods and Materials					**17.73**	0.00
Expenses						
Remuneration & Other Services	**2.70**	2.92			**0.01**	0.00
Income						
Rendering of Services					**12.22**	0.00
Finance						
Loan Given/ (Repaid) (Net)			**(2.92)**	(0.04)		
Sale of Business					**181.65**	0.00
Investments (Net)			**0.34**	0.00	**5.47**	0.00
Outstanding :						
Receivable in respect of:						
(a) Current Assets			**0.03**	1.32	**9.38**	0.00
(b) Loans			**7.91**	10.84	**0.00**	0.00
Payable in respect of:						
(a) Current Liabilities			**10.50**	11.82	**36.50**	0.00

NOTES forming part of Abridged Consolidated Accounts

(Rs. in crore)

Name of Subsidiary	Loans & Advances in the nature of Loans	
	Closing Balance	Maximum Outstanding
Arvind Overseas (Mauritius) Ltd.	7.93	10.85
Arvind Textile Mills Limited	0.01	0.01
TOTAL	7.94	10.86

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.

20. Provision for Disputed Matters (Note 22 of Schedule 16 of Consolidated Accounts):

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

(Rs. in Crore)

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

21. Earning Per Share (EPS) (Note 23 of Schedule 16 of Consolidated Accounts):

Particulars		2006-07	2005-06
Profit available to Equity Shareholder before Extra Ordinary Item	Rs. in Crore	**20.48**	73.28
Profit available to Equity Shareholder after Extra Ordinary Item	Rs. in Crore	**114.77**	73.28
Weighted average no. of Equity Shares for Basic EPS	Nos.	**209377541**	205323646
Nominal value of Equity Shares	Rs.	**10**	10
Basic and Diluted Earning per Equity Shares before Extra Ordinary Item	Rs.	**0.98**	3.57
Basic and Diluted Earning per Equity Shares after Extra Ordinary Item	Rs.	**5.48**	3.57

(Rs. in crore)

(A) Reconciliation of the profit/(loss) for the year, used for calculating Earning per Share	2006-07	2005-06
Profit for the year before Extra Ordinary Items	**27.05**	85.82
Less: Dividend on redeemable cumulative non Convertible Preference Shares	**5.76**	11.00
Less : Tax on Preference Dividend	**0.81**	1.54
Profit available to Equity Shareholder before Extra Ordinary Item	**20.48**	73.28
Extra Ordinary Item (Net)	**94.29**	0.00
Profit available to Equity Shareholder after Extra Ordinary Item	**114.77**	73.28

(B) Weighted average number of Equity Shares	2006-07	2005-06
No. of Shares	**209377541**	205323646

22. Deferred Tax (Note 24 of Schedule 16 of Consolidated Accounts):

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

In compliance with provisions of Accounting Standard, during the year under review, total deferred tax liability of Rs. 0.48 crore has been provided.

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

23. Capital Reserve on Consolidation (Note 25 of Schedule 16 of Consolidated Accounts):

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.

24. Performance Ratios:

	2006-07	2005-06
1. Sales/Total Assets	**0.55**	0.52
2. Operating Profit/Capital Employed	**11.32%**	12.50%
3. Return on Net Worth	**2.35%**	5.42%
4. Net Profit/Sales	**1.41%**	3.88%

Notes:

1. Total Assets is net of Revaluation Reserve.
2. Capital Employed includes Shareholders' Funds (Net of Revaluation Reserve) and Loan Funds.
3. Operating Profit and Net Profit are excluding extra-ordinary items.
4. Net Worth includes Shareholders' Fund and is net of Revaluation Reserve.

25. (Note 26 of Schedule 16 of Consolidated Accounts):

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

26. (Note 27 of Schedule 16 of Consolidated Accounts):

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

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

CA. N. D. Anklesaria
Partner
Ahmedabad, 12th May 2007

SANJAY S. LALBHAI
Managing Director

JAYESH K. SHAH
Director & Chief Financial Officer

R. V. BHIMANI
Company Secretary

Financial Statements – year ended March 31, 2007

Dear Shareholder

The Board of Directors is pleased to present the financial statements of The Arvind Overseas (Mauritius) Limited for the year ended March 31, 2007, 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 02nd Jul, 2007.

ARVIND N. LALBHAI
Director

SANJAY S. LALBHAI
Director

Secretary's Certificate – year ended March 31, 2007

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: 2nd July, 2007

Report of the Auditors to the Members

We have audited the financial statements of **The Arvind Overseas (Mauritius) Limited** set out on pages 57 to 66.

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

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

In our opinion, the financial statements, which has been prepared under the historical cost convention, gives a true and fair view of the state of affairs of the Company as at March 31, 2007 and of its loss for the year then ended.

BDO DE CHAZAL DU MEE
Chartered Accountants

Port Louis
Mauritius
Date: 2nd July, 2007

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

Balance Sheet – March 31, 2007

	Notes	2007		2006	
		Mau. Rs.	Rs.in Lacs*	Mau. Rs.	Rs.in Lacs**
ASSETS					
Current assets					
Property, plant and equipment	5	-	-	15,500,000	224.75
Leasehold land payments	6	-	-	2,000,000	29.00
Trade and other receivables	7	**40,377,272**	**545.09**	34,980,855	507.22
Cash and cash equivalents		**1,816,669**	**24.53**	1,797,369	26.06
Total assets		**42,193,941**	**569.62**	54,278,224	787.03
EQUITY AND LIABILITIES					
Capital and deficit					
Share capital	8	**238,517,100**	**3,219.98**	238,517,100	3,458.50
Revenue deficit		**(196,323,159)**	**(2,650.36)**	(184,238,876)	(2,671.47)
Equityholders' interest		**42,193,941**	**569.62**	54,278,224	787.03

These financial statements have been approved for issue by the Board of Directors on: 2 July, 2007

ARVIND N. LALBHAI
Director

SANJAY S.LALBHAI
Director

The notes on pages 60 to 66 form an integral part of these financial statements.
Auditors' report on page 56.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)
** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

Income Statements – year ended 31st March 2007

	Notes	2007		2006	
		Mau. Rs.	**Rs. In Lacs***	Mau. Rs.	Rs. In Lacs**
Other income		-	-	228,572	3.31
Administrative expenses		**(6,789,021)**	**(91.66)**	(3,726,494)	(54.03)
Other expenses		-	-	(6,401,794)	(92.82)
Loss before taxation		**(6,789,021)**	**(91.66)**	(9,899,716)	(143.54)
Net finance income	9	**1,865,561**	**25.19**	1,865,160	27.04
Loss before exceptional items		**(4,923,460)**	**(66.47)**	(8,034,556)	(116.50)
Exceptional items	10	**(7,160,823)**	**(96.67)**	(30,969,351)	(449.06)
Loss for the year	11	**(12,084,283)**	**(163.14)**	(39,003,907)	(565.56)

The notes on pages 60 to 66 form an integral part of these financial statements.
Auditors' report on page 56.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)
** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

Statement of Changes in Equity – year ended March 31, 2007

	Share Capital		Revenue Deficit		Total	
	Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs*
Balance at April 1, 2006	238,517,100	3,219.98	(184,238,876)	(2,487.22)	54,278,224	732.76
Loss for the year	-	-	(12,084,283)	(163.14)	(12,084,283)	(163.14)
Balance at March 31, 2007	**238,517,100**	**3,219.98**	**(196,323,159)**	**(2,650.36)**	**42,193,941**	**569.62**
Balance at April 1, 2005	238,517,100	3,458.50	(145,234,969)	(2,105.91)	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**

Auditors' report on page 56.

Cash Flow Statement – year ended March 31, 2007

	Notes	2007		2006	
Cash flows from operating activities		**Mau. Rs.**	**Rs. In Lacs***	Mau. Rs.	Rs. In Lacs**
Cash absorbed in operations	12(a)	**(15,110,700)**	**(203.99)**	(1,953,166)	(28.32)
Net cash used in operating activities		**(15,110,700)**	**(203.99)**	(1,953,166)	(28.32)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**15,130,000**	**204.26**	-	-
Net cash from investing activities		**15,130,000**	**204.26**	-	-
Increase/(decrease) in cash and cash equivalents		**19,300**	**0.27**	(1,953,166)	(28.32)
Movement in cash and cash equivalents:					
At April 1,		**1,797,369**	**24.26**	3,750,535	54.38
Increase/(decrease)		**19,300**	**0.26**	(1,953,166)	(28.32)
At March 31,	13(b)	**1,816,669**	**24.52**	1,797,369	26.06

The notes on pages 60 to 66 form an integral part of these financial statements.
Auditors' report on page 56.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)
** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

Notes to the Financial Statements – year ended March 31, 2007

1. GENERAL INFORMATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) 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 of the assets to their residual values over their estimated useful lives as follows:

Improvement to leasehold land	5%
Buildings on leasehold land	5%
Electrical equipment	10 - 20%
Furniture, fixtures and fittings	10 - 20%

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. Leashold 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

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.

(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) Foreign currencies

(i) **Functional and presentation currency**

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

(ii) **Transactions and balances**

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

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

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

(g) 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.

Notes to the Financial Statements – year ended March 31, 2007

(b) Currency risk analysis

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

	2007 Assets		2006 Assets	
	Mau. Rs.	**Rs.in lacs***	Mau. Rs.	Rs.in lacs**
Denominated in foreign currencies				
Bank balances - USD	**225,988**	**3.05**	1,653,912	23.98
Receivable from holding company -USD	**30,832,472**	**416.24**	9,917,711	143.81
Receivable from fellow subsidiary company - USD	**9,544,800**	**128.85**	8,960,400	129.93
	40,603,260	**548.14**	20,532,023	297.72

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, 2007 (1 Mau Rs.= 1.35)

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

Notes to the Financial Statements – year ended March 31, 2007

5. PROPERTY, PLANT AND EQUIPMENT

		Improvement to leasehold Land	Building on Leasehold Land	Electrical Equipment	Furniture Fixtures & Fittings	Total
		Rs.	Rs.	Rs.	Rs.	Rs.
(a) COST						
At April 1, 2006	In Mauritian Rupees	2,320,495	85,697,489	12,849,531	11,184,166	112,051,681
Disposals	In Mauritian Rupees	(2,320,495)	(85,697,489)	(12,849,531)	(11,184,166)	(112,051,681)
At March 31, 2007	**In Mauritian Rupees**	-	-	-	-	-
	Rs. In lacs*	-	-	-	-	-
DEPRECIATION						
At April 1, 2006	In Mauritian Rupees	2,320,845	71,697,489	12,549,531	9,984,166	96,552,031
Disposal adjustment	In Mauritian Rupees	(2,320,845)	(71,697,489)	(12,549,531)	(9,984,166)	(96,552,031)
At March 31, 2007	**In Mauritian Rupee**	-	-	-	-	-
	Rs. In lacs*	-	-	-	-	-
NET BOOK VALUE						
At March 31, 2007	**In Mauritian Rupees**	-	-	-	-	-
	Rs. In lacs*	-	-	-	-	-

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

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

Notes to the Financial Statements – year ended March 31, 2007

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) COST						
At April 1, 2005 and March 31, 2006	In Mauritian Rupees	2,320,845	85,697,489	12,849,531	11,184,166	112,052,031
	Rs. In lacs**	33.65	1,242.62	186.32	162.17	1,624.76
DEPRECIATION						
At April 1, 2005	In Mauritian Rupees	1,050,981	44,019,269	11,496,237	7,068,265	63,634,752
	Rs. In lacs**	15.24	638.28	166.70	102.49	922.71
Charge for the year	In Mauritian Rupees	116,042	4,284,874	404,665	946,210	5,751,791
	Rs. In lacs**	1.68	62.13	5.87	13.72	83.40
Impairment losses	In Mauritian Rupees	1,153,822	23,393,346	648,629	1,969,691	27,165,488
	Rs. In lacs**	16.73	339.20	9.41	28.56	393.90
At March 31, 2006	**In Mauritian Rupees**	**2,320,845**	**71,697,489**	**12,549,531**	**9,984,166**	**96,552,031**
	Rs. In lacs**	**33.65**	**1,039.61**	**181.98**	**144.77**	**1,400.01**
NET BOOK VALUE						
At March 31, 2006	**In Mauritian Rupees**	-	**14,000,000**	**300,000**	**1,200,000**	**15,500,000**
	Rs. In lacs**	-	**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, 2007 (1 Mau Rs.= 1.35)

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

Notes to the Financial Statements – year ended March 31, 2007

	2007 Mau Rs.	2007 Rs. In Lacs*	2006 Mau Rs.	2006 Rs. In Lacs**
6. LEASEHOLD LAND PAYMENTS				
(a) COST				
At April 1, 2006	**13,000,000**	**175.50**		
Disposals	**(13,000,000)**	**(175.50)**		
At March 31, 2007	**-**	**-**		
AMORTISATION				
At April 1, 2006	**11,000,000**	**148.50**		
Disposal adjustment	**(11,000,000)**	**(148.50)**		
At March 31, 2007	**-**	**-**		
NET BOOK VALUE				
At March 31, 2007	**-**	**-**		
(b) COST				
At April 1, 2005 and March 31, 2006	**13,000,000**	**196.30**		
AMORTISATION				
At April 1, 2005	**6,546,134**	**94.92**		
Amortisation	**650,003**	**9.42**		
Impairment losses	**3,803,863**	**55.16**		
At March 31, 2006	**11,000,000**	**159.50**		
NET BOOK VALUES				
At March 31, 2006	**2,000,000**	**36.80**		
7. TRADE AND OTHER RECEIVABLES				
Amount receivables from related parties (note 14)	**40,377,272**	**545.09**	34,795,815	504.54
Other receivables and prepayments	**-**	**-**	185,040	2.68
	40,377,272	**545.09**	34,980,855	507.22

The carrying amounts of trade and other receivable approximate their fair value.

	2007 Mau Rs.	2007 Rs. In Lacs*	2006 Mau Rs.	2006 Rs. In Lacs**
8. SHARE CAPITAL				
AUTHORISED				
2,500,000 ordinary shares of Rs. 100 each	**250,000,000**	**3,375.00**	250,000,000	3,625.00
ISSUED AND FULLY PAID				
2,385,171 ordinary shares of Rs. 100 each	**238,517,100**	**3,219.98**	238,517,100	3,458.50
9. NET FINANCE INCOME				
Net foreign exchange transaction gains	**1,865,561**	**25.19**	1,865,160	27.04

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

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

Notes to the Financial Statements – year ended March 31, 2007

	2007		2006	
	Mau Rs.	**Rs. In Lacs***	Mau Rs.	Rs. In Lacs**
10. EXCEPTIONAL ITEMS				
Amount receivable from fellow subsidiary company written off	**(7,160,823)**	**(96.67)**		
Impairment losses :				
- property, plant and equipment	-	-	(27,165,488)	(393.90)
- leasehold land payments	-	-	(3,803,863)	(55.16)
	(7,160,823)	**(96.67)**	(30,969,351)	(449.06)
11. LOSS FOR THE YEAR				
The loss for the year is arrived at after:				
Charging				
Loss on disposal of property ,plant and equipment	**2,370,000**	**32.00**	-	-
Depreciation of property , plant and equipment	-	-	5,751,791	83.40
Amortisation of leasehold land payments	-	-	650,003	9.43
Impairment losses on property, plant and equipment	-	-	27,165,488	393.90
Impairment losses on leasehold land payments	-	-	3,803,863	55.16
12. NOTES TO THE CASH FLOW STATEMENT				
(a) **Cash absorbed in operations**				
Loss for the year	**(12,084,283)**	**(163.14)**	(39,003,907)	(565.56)
Adjustments for:				
Depreciation of property, plant and equipment	-	-	5,751,791	83.40
Amortisation of leasehold land payment	-	-	650,003	9.43
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 on exchange	**(1,865,561)**	**(25.18)**	(1,865,160)	(27.03)
Loss on disposal of property, plant and equipment	**2,370,000**	**32.00**	-	-
	(11,579,844)	**(156.32)**	(3,497,922)	(50.70)
Changes in working capital:				
- trade and other receivables	**(3,530,856)**	**(47.67)**	1,544,756	22.40
Cash absorbed in operations	**(15,110,700)**	**(203.99)**	(1,953,166)	(28.30)
(b) **Cash and cash equivalents**				
Cash and bank balances	**1,816,669**	**24.53**	1,797,369	26.06

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

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

13. DEFERRED TAXATION

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of related tax benefit is probable. The company has tax losses of Mau.Rs.388,859,422 Rs. In Lacs 5,249.60* (2006: Mau Rs.384,253,230 Rs.in Lacs 5,571.67**) to carry forward against future taxable income, which have not been recognised in these financial statements due to cessation of business.

14. RELATED PARTY TRANSACTIONS

	Amount owed by related parties	
	Mau Rs.	**Rs. In Lacs***
2007		
Holding company	**30,832,472**	**416.24**
Fellow subsidiaries	**9,544,800**	**128.85**
	40,377,272	**545.09**
	Mau Rs.	**Rs. In Lacs****
2006		
Holding company	9,917,111	143.80
Fellow subsidiaries	24,878,704	360.74
	34,795,815	504.54

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

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

Financial Statements – year ended March 31, 2007

Dear Shareholder

The Board of Directors is pleased to present the financial statements of Arvind Spinning Ltd. for the year ended March 31, 2007, 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 02nd July, 2007.

SANJAY S.LALBHAI
Director

JAYESH K. SHAH
Director

Secretary's Certificate – year ended March 31, 2007

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: 2nd July, 2007

Report of the Auditors to the Members

We have audited the financial statements of **Arvind Spinning Ltd** set out on pages 68 to 75

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

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

In our opinion, the financial statements, which has been prepared under the historical cost convention, gives a true and fair view of the state of affairs of the Company as at March 31, 2007 and of its profit for the year then ended.

BDO DE CHAZAL DU MEE
Chartered Accountants

Port Louis,
Mauritius.
Date: 02nd July, 2007

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

Balance Sheet March 31, 2007

	Notes	2007		2006	
		Mau. Rs.	Rs. In Lacs*	Mau. Rs.	Rs. In Lacs**
ASSETS					
Current assets					
Property, plant and equipment	4	-	-	12,500,000	181.25
Cash and cash equivalents		598,656	8.08	-	-
Total assets		598,656	8.08	12,500,000	181.25
EQUITY AND LIABILITIES					
Capital and deficit					
Share capital	5	82,409,966	1,112.53	82,409,966	1,194.94
Revenue deficit		(81,811,310)	(1,104.45)	(85,842,083)	(1,244.71)
		598,656	8.08	(3,432,117)	(49.77)
Current liabilities					
Payable to fellow subsidiary company		-	-	15,918,305	230.82
Bank overdraft - unsecured		-	-	13,812	0.20
		-	-	15,932,117	231.02
Total equity and liabilities		598,656	8.08	12,500,000	181.25

These financial statements have been approved for issue by the Board of Directors on: 02nd Jul,2007

SANJAY S. LALBHAI
Director

JAYESH K. SHAH
Director

The notes on pages 71 to 75 form an integral part of these financial statements.

Auditors' report on page 67.

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)
** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

Income Statement year ended 31st March 2007

	Notes	2007		2006	
		Mau. Rs.	**Rs. In Lacs***	Mau. Rs.	Rs. In Lacs**
Administrative expenses		**(3,130,050)**	**(42.25)**	(2,518,103)	(36.51)
Loss before taxation		**(3,130,050)**	**(42.25)**	(2,518,103)	(36.51)
Exceptional items	6	**7,160,823**	**96.67**	(21,665,226)	(314.15)
Profit / (Loss) for the year	7	**4,030,773**	**54.42**	(24,183,329)	(350.66)

The notes on pages 71 to 75 form an integral part of these financial statements.

Auditors' report on page 67.

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

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

Statement of Changes in Equity – year ended March 31, 2007

	Share Capital		Revenue Deficit		Total	
	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*	Mau Rs.	Rs. In Lacs*
Balance at April 1, 2006	82,409,966	1,112.53	(85,842,083)	(1,158.87)	(3,432,117)	(46.34)
Profit for the year	-	-	4,030,773	54.42	4,030,773	54.42
Balance at March 31, 2007	**82,409,966**	**1,112.53**	**(81,811,310)**	**(1,104.45)**	**598,656**	**8.08**
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)
Balance at March 31, 2006	**82,409,966**	**1,194.94**	**(85,842,083)**	**(1,244.71)**	**(3,432,117)**	**(49.77)**

Auditors' report on page 67.

Cash Flow Statement – year ended March 31, 2007

	Notes	**2007**		2006	
Cash flows from operating activities		**Mau. Rs.**	**Rs. In Lacs***	Mau. Rs.	Rs. In Lacs**
Cash absorbed in operations	8(a)	**(8,778,270)**	**(118.51)**	(36,088)	(0.52)
Net cash used in operating activities		**(8,778,270)**	**(118.51)**	(36,088)	(0.52)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**9,390,738**	**126.77**	-	-
Net cash from investing activities		**9,390,738**	**126.77**	-	-
Net increase/(decrease) in cash and cash equivalents		**612,468**	**8.26**	(36,088)	(0.52)
Movement in cash and cash equivalents					
At April 1,		**(13,812)**	**(0.19)**	22,276	0.32
Increase/(decrease)		**612,468**	**8.27**	(36,088)	(0.52)
At March 31,	8(b)	**598,656**	**8.08**	(13,812)	(0.20)

The notes on pages 71 to 75 form an integral part of these financial statements.
Auditors' report on page 67.

* * The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)
** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

Notes to the Financial Statements – year ended March 31, 2007

1. GENERAL INFORMATION

Arvind Spinning Ltd is a private company incorporated and domiciled in Mauritius. Its main activity is the manufacture of ring and open end spun cotton yarn. The address of its registered office is at 10 Frère Félix de Valois Street, Port Louis, Mauritius and the place of business was at La Tour Koenig, Pointe aux Sables. The Company ceased business in August 2004. Arvind Mills Ltd, incorporated in India is the holding Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) Property, plant and equipment

All property, plant and equipment are stated at their net realisable value. Depreciation 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%

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) 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.

(d) Provisions

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

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, 2007

4. PROPERTY, PLANT AND EQUIPMENT

		Building on Leasehold Land	Furniture Fixtures & Fittings	Total
		Rs.	Rs.	Rs.
(a) COST				
At April 1, 2006	In Mauritius Rupees	31,107,492	9,266,404	40,373,896
Disposals	In Mauritius Rupees	(31,107,492)	(9,266,404)	(40,373,896)
At March 31, 2007	In Mauritius Rupees	-	-	-
	Rs. In Lacs *	-	-	-
DEPRECIATION				
At April 1, 2006	In Mauritius Rupees	19,107,482	8,766,404	27,873,886
Disposal adjustment	In Mauritius Rupees	(19,107,482)	(8,766,404)	(27,873,886)
At March 31, 2007	In Mauritius Rupees	-	-	-
	Rs. In Lacs *	-	-	-
NET BOOK VALUE				
At March 31, 2007	In Mauritius Rupees	-	-	-
	Rs. In Lacs *	-	-	-

		Building on Leasehold Land	Furniture Fixtures & Fittings	Total
		Rs.	Rs.	Rs.
(b) COST				
At April 1, 2005	In Mauritius Rupees	31,107,492	9,266,404	40,373,896
	Rs. In Lacs **	451.06	134.37	585.43
DEPRECIATION				
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
At March 31, 2006	In Mauritius Rupees	**19,107,492**	**8,766,404**	**27,873,896**
	Rs. In Lacs *	**277.06**	**127.12**	**404.18**
NET BOOK VALUE				
At March 31, 2006	In Mauritius Rupees	**12,000,000**	**500,000**	**12,500,000**
	Rs. In Lacs *	**174.00**	**7.25**	**181.25**

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

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

Notes to the Financial Statements – year ended March 31, 2007

	2007 Mau Rs.	2007 Rs. In Lacs*	2006 Mau Rs.	2006 Rs. In Lacs**
5. SHARE CAPITAL				
STATED CAPITAL				
Ordinary shares				
At April 1, and At March 31,	**82,409,966**	**1,112.53**	82,409,966	1,194.94
6. EXCEPTIONAL ITEMS				
Impairment losses on property, plant and equipment	-	-	(21,665,226)	(314.15)
Current account with fellow subsidiary company written back	**7,160,823**	**96.67**	-	-
	7,160,823	**96.67**	(21,665,226)	(314.15)
7. LOSS FOR THE YEAR				
The loss for the year is arrived at after charging:				
Loss on disposal of property, plant and equipment	**3,109,262**	**41.98**	-	-
Depreciation on property, plant and equipment	-	-	2,482,015	35.99
Impairment losses on property, plant and equipment	-	-	21,665,226	314.15
8. NOTES TO THE CASH FLOW STATEMENT				
(a) **Cash absorbed in operations**				
Profit/(loss) for the year	**4,030,773**	**54.42**	(24,183,329)	(350.66)
Adjustments for:				
Depreciation on property, plant and equipment	-	-	2,482,015	35.99
Impairment losses on property, plant and equipment	-	-	21,665,226	314.15
Loss on disposal of property, plant and equipment	**3,109,262**	**41.98**	-	-
	7,140,035	**96.40**	(36,088)	(0.52)
Changes in working capital:				
- trade and other receivables	-	-	82,143,480	1,191.08
- payables to fellow subsidiary company	**(15,918,305)**	**(214.90)**	(82,143,480)	(1,191.08)
Cash absorbed in operations	**(8,778,270)**	**(118.50)**	(36,088)	(0.52)
(b) **Cash and cash equivalents**				
Cash in hand and at bank	**598,656**	**8.08**	-	-
Bank overdraft	-	-	(13,812)	(0.20)
	598,656	**8.08**	(13,812)	(0.20)

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

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

9. 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:-

	2007		2006	
	Mau Rs.	**Rs. In Lacs***	Mau Rs.	Rs. In Lacs**
Deferred tax liabilities	-	-	510,023	12.73
Deferred tax assets	-	-	(510,023)	(12.73)
	-	-	-	-

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.81,424,070 Rs.in Lacs* 1099.22 (2006 :Mau. Rs.58,347,629 Rs.in Lacs** 846.04) 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, 2006		**(Credited) / Charged to income statement**		**At March 31, 2007**	
	Mau. Rs.	**Rs.In Lacs****	**Mau. Rs.**	**Rs.In Lacs***	**Mau. Rs.**	**Rs.In Lacs***
Deferred income tax liability						
Accelerated tax depreciation	510,023	12.73	(510,023)	(12.73)	-	-
Deferred income tax asset						
Tax losses	(510,023)	(12.73)	510,023	12.73	-	-
Net deferred income tax liabilities	-	-	-	-	-	-

* The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2007 (1 Mau Rs.= 1.35)
** The rupee equivalent of Mauritian Rs. has been given at the inter bank rate as on 31st March, 2006 (1 Mau Rs.= 1.45)

Notes to the Financial Statements – year ended March 31, 2007

10. RELATED PARTY TRANSACTIONS

	Amount owed to related parties	
	Mau. Rs.	Rs.In Lacs*
2007		
Fellow subsidiary company	-	-

	Amount owed to related parties	
	Mau. Rs.	Rs.In Lacs**
2006		
Fellow subsidiary company	15,918,305	230.82

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

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

Directors' Report

To,

The Members,
Lifestyle Fabrics Limited

Your Directors present their Thirteenth Annual Report along with the audited Financial Statements for the year ended on 31st March, 2007.

1. FINANCIAL RESULTS

(Rs. in lacs)

	2006-2007	2005-2006
Sales & Other Income	**Nil**	Nil
Profit/(Loss) before Depreciation, Interest and taxation	**(2.47)**	(1.12)
Less: Net Interest	**Nil**	Nil
Gross Profit / (Loss) after Interest but before Depreciation and Taxation	**(2.47)**	(1.12)
Less: Depreciation	**Nil**	Nil
Profit/(Loss) before tax	**(2.47)**	(1.12)
Less : Short provision for Income Tax of earlier years	**(0.12)**	(0.02)
Net Profit/(Loss) for the year	**(2.59)**	(1.14)
Less : Prior Period Expenses	**Nil**	(0.05)
Total Loss for the year	**(2.59)**	(1.19)

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 and carried forward losses of the Company, your directors do not recommend any dividend for the year under review.

4. SUBSIDIARY COMPANIES

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

5. DIRECTORS

Mr. Vinod D. Modha has resigned as Director from the Board of the Company w.e.f. 20th January, 2007 and Mr. Shreyas C. Sheth was appointed as a Director w.e.f. 23rd January, 2007 to fill the casual vacancy caused due to this resignation.

Mr. B. M. Shah and Mr. Shreyas C. Sheth, the Directors of the Company, retire by rotation as required under Section 256 of the Companies Act, 1956 at the ensuing Annual General Meeting and they, being eligible, offer themselves for re-appointment.

6. DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956, the Directors state that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed. There are no material departures from the applicable accounting standards.
2. Such accounting policies have been selected and applied consistently and such judgements and estimates have been made as are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended on and loss of the Company for the year.
3. Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. In view of the sale of all the fixed assets and in absence of any business activity the attached annual account could not be termed as prepared on a going concern basis. However, the directors have prepared the Annual Accounts after providing for all the potential losses and expenses and as such no further adjustments were required to be made in respect thereof.

7. REPORT ON CORPORATE GOVERNANCE

A separate report on Corporate Governance is being published as a part of the Annual Report of the Company. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

8. AUDITORS

M/s. M. M. Nissim & Co., Chartered Accountants, Mumbai, Auditors of the Company are retiring at the ensuing Annual General Meeting, have expressed their unwillingness to be re-appointed as Auditors of the Company at this meeting. It is therefore proposed to appoint M/s. G. K. Chokshi & Co., Chartered Accountants, Ahmedabad as Auditors of the Company who have given their consent to act as the Auditors, if appointed. Members 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**

Place : Ahmedabad
Date : 24th April, 2007

Bhupendra M. Shah
Director

Jayesh K. Shah
Director

Auditors' Report

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of LIFESTYLE FABRICS LIMITED, as at 31st March 2007, 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 of all its fixed assets during the previous years 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. The maximum amount involved during the year was Rs. 2,71,000/-.

   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 principle 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 carryout internal audit. The scope and coverage of the internal audit is commensurate with the size and nature of its business.

viii) We are informed that the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.

ix) a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other statutory dues with appropriate authorities, where applicable;

   b) According to the records of the Company, there are no dues outstanding of Sales Tax, Income Tax, Customs duty, Wealth Tax, Service Tax, Excise Duty, and Cess on account of any dispute, except for Income Tax demand of Rs. 4,99,800/- which are not deposited since the matter is pending with Appellate Authorities.

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;

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, 2007 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 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, 2007;

   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: 24th April, 2007

Balance Sheet

as at 31st March, 2007

	Schedule	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
SOURCES OF FUNDS :			
Shareholders' Funds			
Share Capital	1	**55,000,000**	55,000,000
Reserves & Surplus	2	**9,831,129**	9,831,129
		64,831,129	64,831,129
Loan Funds			
Unsecured Loan	3	**271,000**	15,000
TOTAL		**65,102,129**	64,846,129
APPLICATION OF FUNDS :			
Current Assets, Loans and Advances			
a) Cash and Bank Balances	4	**6,844**	14,653
		6,844	14,653
Less : Current liabilities and provisions:			
Sundry Creditors (Other than SSI)		**13,483**	18,163
Net Current Assets		**(6,639)**	(3,510)
Balance in Profit and Loss Account		**65,108,768**	64,849,639
TOTAL		**65,102,129**	64,846,129
Notes to Accounts	6		

Schedules 1 to 4 and 6 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

For and on behalf of the Board
BHUPENDRA M. SHAH
Director

JAYESH K. SHAH
Director

Ahmedabad,
24th April, 2007

Profit & Loss Account

for the year ended on 31st March, 2007

	Schedule	Year ended 31.03.2007 Rupees	Year ended 31.03.2006 Rupees
INCOME		–	–
TOTAL		–	–
EXPENDITURE			
Administration and Other Expenses	5	**247,489**	111,934
TOTAL		**247,489**	111,934
Loss for the year		**(247,489)**	(111,934)
Prior Period Expenses		–	(4,866)
		(247,489)	(116,800)
Short Provision of Income Tax of earlier years		**(11,640)**	(1,975)
		(259,129)	(118,775)
Balance brought forward		**(64,849,639)**	(64,730,864)
Balance carried to Balance Sheet		**(65,108,768)**	(64,849,639)
Basic & Diluted earning per Share		**(0.05)**	(0.02)
Notes Forming Part of Accounts	6		

Schedules 5 and 6 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

For and on behalf of the Board
BHUPENDRA M. SHAH
Director

JAYESH K. SHAH
Director

Ahmedabad,
24th April, 2007

Cash Flow Statement for the year ended on 31st March, 2007

	2006-2007		2005-2006	
	Rupees	**Rupees**	Rupees	Rupees
(A) CASH FLOW FROM OPERATING ACTIVITIES				
NET OPERATING LOSS BEFORE WORKING CAPITAL CHANGES		**(259,129)**		(116,800)
ADJUSTMENTS FOR :				
Trade payables	**(4,680)**		7,398	
		(4,680)		7,398
Cash Generated from Operations		**(263,809)**		(109,402)
Direct taxes paid (Net of Refund)		–		32,740
Net Cash from Operating Activities		**(263,809)**		(76,662)
(B) CASH FLOW FROM INVESTING ACTIVITIES		–		–
		(263,809)		(76,662)
(C) CASH FLOW FROM FINANCING ACTIVITIES				
Unsecured loan from the Holding Company		**256,000**		15,000
NET CASH FROM FINANCING ACTIVITIES		**256,000**		15,000
NET DECREASE IN CASH & CASH EQUIVALENTS		**(7,809)**		(61,662)
CASH & CASH EQUIVALENTS :				
Opening Balance at Begining of the year		**14,653**		76,315
Closing Balance at the End of the year		**6,844**		14,653
NET DECREASE IN CASH & CASH EQUIVALENTS		**(7,809)**		(61,662)

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,
24th April, 2007

For and on behalf of the Board

BHUPENDRA M. SHAH Director

JAYESH K. SHAH Director

Ahmedabad,
24th April, 2007

Schedules forming part of the Accounts

	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
SCHEDULE '1': SHARE CAPITAL		
Authorised :		
70,00,000 Equity Shares of Rs.10/- each	**70,000,000**	70,000,000
Issued, Subscribed and Paid-up :		
55,00,000 Equity Shares of Rs.10/- each Fully paid-up (Of the above 39,49,100 shares are held by the holding Company, Asman Investments Limited, a subsidiary of The Arvind Mills Limited.)	**55,000,000**	55,000,000
SCHEDULE '2': RESERVES & SURPLUS		
Capital Reserve:	**9,831,129**	9,831,129
Total	**9,831,129**	9,831,129
SCHEDULE '3': UNSECURED LOAN		
From the Holding Company	**271,000**	15,000
Total	**271,000**	15,000
SCHEDULE '4': CASH & BANK BALANCES		
Balance with a Scheduled Bank		
In Current Account	**6,844**	14,653
Total	**6,844**	14,653

	2006-07 Rupees	2005-06 Rupees
SCHEDULE '5' : ADMINISTRATION & GENERAL EXPENSES		
Printing and Stationery	**58,567**	39,145
Postage and Telephone	**69,296**	18,206
Membership & Subscription	**38,874**	36,143
Legal and Professional Expenses	**57,826**	4,250
Auditors' Remuneration		
Audit Fees	**13,482**	10102
Income Tax matters	–	2806
	13,482	12,908
Filing Fees	**3,530**	1,000
Bank Charges	**443**	282
Miscellaneous Expenses	**5,471**	–
Total	**247,489**	111,934

Schedules forming part of the Accounts

SCHEDULE 6 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. Contingent liability not provided for Income Tax demand, in dispute Rs. 4,99,800/-.

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

5. Related Party Transactions

Name of the Related Party	Relationship	Description	For the year 2006-2007	As at 31st March 2007 (Payable)
Asman Investments Limited, a subsidiary of Arvind Mills Ltd	Holding Company	Unsecured loan taken	Rs.2,56,000/- (Previous year Rs. 15,000)	Rs.2,71,000/- (Previous year Rs. 15,000)

6. Earning Per Share (EPS)

	2006-2007	2005-2006
Loss for the year Rs.	**(2,59,129)**	(1,18,775)
Number of Equity Shares (Rs. 10/- each)	**55,00,000**	55,00,000
Basic & Diluted Earning per Share	**Rs. (0.05)**	Rs. (0.02)

7. In respect of amounts mentioned under section 205C of the Companies Act, 1956, there is no amount due and outstanding to be credited to the Investor Education and Protection Fund as on 31st March, 2007.

8. Information as required by paras 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.

9. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date, to the extend such parties have been identified on the basis of information available with the Company.

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile

1. Registration Details :

Registration No.	U17120GJ1993PLC049941
State Code	04
Balance Sheet Date	31/03/2007

2. Capital raised during the year :

	(Amount in Thousands)
Public Issue	–
Rights Issue	–
Bonus Issue	–
Private Placement	–

3. Position of mobilisation and deployment of funds :

	(Amount in Thousands)
Total Liabilities	65,115
Total Assets	65,115
Sources of Funds :	
Paid-up Capital	55,000
Reserves & Surplus	9,831
Secured Loans	–
Unsecured Loans	271
Application of Funds :	
Net Fixed Assets	–
Investments	–
Net Current Assets	(7)
Miscellaneous Expenditure	–
Accumulated Losses	65,109

4. Performance of Company :

	(Amount in Thousands)
Turnover	–
Total Expenditure	259
Loss before Tax	(259)
Loss after Tax	(259)
Earnings per Share (Rs)	(0.05)
Dividend	Nil

5. Generic Names of principal products, services of the Company:

Item Code Nos.	Not Applicable
Product Description	–

Signatures to schedules 1 to 6, 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 : 24th April, 2007

For and on behalf of the Board

BHUPENDRA M. SHAH Director

JAYESH K. SHAH Director

Ahmedabad,
Date : 24th April, 2007

NOTE UNDER SUB-SECTION (1) OF SECTION 212

The Department of Company Affairs has,for the financial year 2006-07,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 13TH MARCH,2007
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	(43.86)	472.32	375.08	*	402.70	7.32	0.20	7.12	Nil
2	Asman Investments Limited	0.08	9.19	133.96	124.69	**	4.98	0.84	0.10	0.74	Nil
3	Arvind Worldwide Inc.	2.19	(1.43)	3.46	2.70	***	0.21	0.28	0.04	0.24	Nil
4	Arvind Worldwide (M) Inc.	23.87	(22.69)	9.47	8.29	***	2.87	0.60	0.00	0.60	Nil
5	Arvind Brands Limited	0.72	(0.77)	9.59	9.64	****	0.00	0.29	0.14	0.15	Nil

		Rs.in Crore
*	Fully paid Equity Shares(Quoted)	0.37
**	Not applicable being Investment Subsidiary.	
***	These Companies have no Investments.	
****	Fully paid Equity Shares(Quoted)	5.03

THE ARVIND MILLS LIMITED

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

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

This facility is not available on purchases against Credit Cards.

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

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

Amruta Emporium
Station Road, Maninagar Char
Rasta, Ahmedabad.

V & U
Sharad Shopping Centre
Ashram Road, Ahmedabad.

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

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

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

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

Ratnam
118, Silicon Valley,
Satellite Road, Ahmedabad.

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

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

Bombay Textorium Pvt. Ltd.
Sardar Chowk, Bardoli.

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

Salot Chunilal Ratilal
Herish Road, Bhavnagar.

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

Janta Cloth Centre
Bazar Street, Bilimora.

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

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

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

Nanak Saree Centre
Vaniawad, Chikhali.

Shah Kuberlal 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
"Slddharth"
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 Arvind

A Rs. 500-00 **Valid Upto 30.09.2008**

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

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon Arvind

B Rs. 500-00 **Valid Upto 30.09.2008**

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

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon Arvind

C Rs. 250-00 **Valid Upto 30.09.2008**

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

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon Arvind

D Rs. 250-00 **Valid Upto 30.09.2008**

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

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon Arvind

E Rs. 250-00 **Valid Upto 30.09.2008**

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

Bill No. Date

The Arvind Mills Ltd.

Fabric Coupon Arvind

F Rs. 250-00 **Valid Upto 30.09.2008**

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

Bill No. Date

FORM OF PROXY

THE ARVIND MILLS LIMITED

NARODA ROAD, AHMEDABAD-380 025

I/We ____ of
______________________ in the District of ______________________ being
a member / members of the above named Company hereby appoint ______________________ of
______________________ in the District of ______________________
or failing him ______________________ of ______________________
in the District of ______________________ or failing him ______________________
of ______________________ in the District of ______________________ as my
/ our proxy to vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on 29th September, 2007 and at any adjournment thereof.

Signed this ______________________ day of ______________________ 2007

Signature ______________________

AFFIX
15 Paise
REVENUE
STAMP

____

L.F.No. ______________________

* Depository : NSDL/CDSL ______________________

* DP. ID ______________________

* Client ID ______________________

* For Shares held in Electronic Form

No. of Share(s) held ______________________

Notes :

(1) A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself.

(2) A proxy need not be a member.

(3) The completed form should be deposited at the Registered Office of the Company, Naroda Road, Ahmedabad-380 025 not less than 48 hours before the time for holding the meeting.

THE ARVIND MILLS LIMITED

Regd. Office : Naroda Road, Ahmedabad-380 025

ATTENDANCE SLIP

II hereby record my presence at the Annual General Meeting held at Thakorebhai Desai Hall, Nr. Law Garden, Ellisbridge, Ahmedabad-380 006 on 29th September, 2007 at 10.00 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.

Directors

Mr. Sanjay S. Lalbhai	Managing Director
Mr. Jayesh K. Shah	Director & Chief Financial Officer
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.

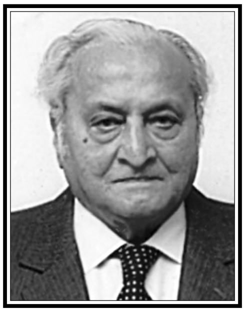
Registrars and Transfer Agents

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

Registered Office

Naroda Road,
Ahmedabad-380 025.

CONTENTS



Arvind N. Lalbhai
April 3, 1918 - August 3, 2007

"Leaving behind the Legacy of a leadership and human values"

Mr Arvind Narottam Lalbhai, Chairman of Arvind Mills, India's visionary industrialist passed away on 3 August 2007 at the age of eighty-nine. Born on 3 April 1918, Mr Lalbhai led the Arvind Mills to new heights and today is among the top textile companies of the country.

His passing away has created a void that is difficult to fill and he left a legacy that is impossible to forget. A visionary, Doyen of Indian textile Industry, Institution builder, an avid philanthropist, a man of multiple description, Arvind Lalbhai stood tall among the makers of Modern India. In the mid eighties the emergence of Power looms virtually wiped out most composite textile mills and created a crisis for the textile industry. During this difficult time he deftly steered the company, stitching up a major restructuring plan in the early nineties.

His leadership had the rare combine of tenacity, craftsmanship, of intellect and a sense of trusteeship. He presided over many national and state level trade and industry bodies. The institutions that had the benefit of his stewardship, included the Federation of Indian Chamber of Commerce and Industry (FICCI), Gujarat Chamber of Commerce and Industry. Thrice president of The Ahmedabad Textile Mills Association, he also nurtured the ATIRA (Ahmedabad Textiles and Industrial Research Association) as chairman of the governing council. He was also on the Indian Institute of Management's governing board and a member of the Ahmedabad Education Society's governing council. Arvind Lalbhai has played a significant role in the inception and rise of many institutions. These include, the Blind Men's Association, Gujarat Cancer & Research Society, Laxmipura Arogya Mandal, Aravalli Vidya Bhavan Trust, Girdharnagar Education Trust, Gujarat Law Society, L.D.Institute of Indology, just to name a few.

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