

ASAHI FIBRES LIMITED

BOARD OF DIRECTORS

Shri Saurabh Kumar Tayal – Chairman
Shri Jai Kumar Mishra – Managing Director
Shri Jodha Ram Dhaka
Shri Shiv Prasad Srivastava
Shri Harinder Kumar
Shri Mahendra Patel
Dr. Pritam Singh Pritam
Shri Mahesh Prasad Mehrotra
Shri Subhash Chandra Bhargava

COMPANY SECRETARY

Ms Supriya Baldi

PRINCIPAL BANKER

The Bank of Rajasthan Ltd.

AUDITORS

M/s. A. F. Khasgiwala & Co.
Chartered Accountants

REGISTERED OFFICE

Ecomax, Musrane, Taluka Wada,
Dist. Thane – 421 312,
Maharashtra.

CORPORATE OFFICE

Raghuvanshi Mills Compound,
11/12, Senapati Bapat Marg,
Lower Parel (W),
Mumbai- 400 013,
Maharashtra.

REGISTRAR & SHARE TRANSFER AGENT

Mondkar Computers Pvt. Ltd
21, Shakil Nivas, Opp Satya Sai Baba Temple,
Mahakali Caves Road, Andheri (East)
Mumbai – 400 093.
Maharashtra

PLANTS

Valsad, Gujarat

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ANNUAL GENERAL MEETING on Saturday, **3rd July, 2010** at 11.00 a.m.,
at Ecomax, Musrane, Taluka Wada, Dist. Thane – 421 312.

ASAHI FIBRES LIMITED

NOTICE

Notice is hereby given that 17th Annual General Meeting of the Members of **ASAHI FIBRES LIMITED** will be held on Saturday, 3rd July, 2010 at the Registered Office of the Company at Ecomax, Musrane, Taluka Wada, Dist. Thane – 421 312 at 11.00 a.m.to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2010 and the Balance Sheet as on that date together with Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Jodharam Dhaka, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Shiv Prasad Srivastav, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. A. F. Khasgiwala & Co., Chartered Accountants, as the Statutory Auditors of the Company and to authorize the Board of Directors to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following Resolution as Ordinary Resolution:

“RESOLVED THAT M/s A. F. Khasgiwala. & Co, Chartered Accountants (Membership No. 6491), be and is hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification(s) the following Resolutions as **ORDINARY RESOLUTIONS:**

5. **“RESOLVED THAT** in accordance with the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Shri Mahesh Prasad Mehrotra, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, on 18th March, 2010 and whose tenure of Office comes to an end at this Annual General Meeting, be and is hereby appointed as a Director of the Company who shall be liable to retire by rotation.”
6. **“RESOLVED THAT** in accordance with the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Dr. Pritam Singh Pritam, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, on 18th March, 2010 and whose tenure of Office comes to an end at this Annual General Meeting, be and is hereby appointed as a Director of the Company who shall be liable to retire by rotation.”
7. **“RESOLVED THAT** in accordance with the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactment thereof, Shri Subhash Chandra Bhargava, who was appointed by the Board as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956, on 20th May, 2010 and whose tenure of Office comes to an end at this Annual General Meeting, be and is hereby appointed as a Director of the Company who shall be liable to retire by rotation.”

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NOTES:

1. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
2. A SHAREHOLDER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON (WHETHER A SHAREHOLDER OR NOT) AS HIS/HER PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING AND SHALL BE ENTITLED TO VOTE ONLY UPON A POLL.
3. The instrument(s) appointing the Proxy shall be delivered at the Registered Office of the Company not less than forty eight (48) hours before the commencement of the Meeting and the instrument of proxy shall be treated as invalid in case of default.
4. Corporate Members intending to send their Authorized Representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
5. The Register of Members and Share Transfer Register of the Company will remain closed from Thursday, 1st July, 2010 to Saturday, 3rd July, 2010 (both days inclusive) to comply with Annual Book Closure requirements.
6. All documents and agreements referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except public holidays, between 10.00 a.m.. and 1.00 p.m., up to the date of Annual General Meeting.
7. Members desiring any information on the Annual Accounts of the Company for the year ended 31st March, 2010 are requested to write to the Company at its Corporate Office Address atleast 7 days in advance of the Annual General Meeting, so as to enable the Management to keep the information ready at the Meeting.
8. Members holding shares under multiple folios in the identical order of names are requested to consolidate their holdings into one folio. Members are requested to immediately notify any change in their Registered Address specifying full address with Pin Code Number and quoting their Registered Folio Number to the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date: 20th May, 2010

Sd/-
Saurabh Kumar Tayal
Chairman

ASAHI FIBRES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 5:

Shri Mahesh Prasad Mehrotra was appointed as an Additional Director by the Board on 18th March, 2010, pursuant to Section 260 of the Companies Act, 1956. He holds office upto this Annual General Meeting. The Company has received a Notice along with requisite deposit amount from a Member under Section 257 of the Act signifying his intention to propose the candidature of Shri Mahesh Prasad Mehrotra for the Office of the Director of the Company.

Shri Mahesh Prasad Mehrotra is not disqualified from being appointed as Director in terms of Section 274(1)(g) of the Act. The Company has received the requisite Form 'DD-A' from Shri Mahesh Prasad Mehrotra, in terms of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules 2003, confirming his eligibility for such appointment.

Shri Mahesh Prasad Mehrotra is Graduate in Commerce, L.L.B. and a Fellow Chartered Accountant. He is a founder partner of M/s. Mehrotra and Mehrotra, Practising Chartered Accountants, Kanpur and Delhi. He has rich experience of working in diverse functional areas like Legal, Finance and Accounts.

Shri Mahesh Prasad Mehrotra is on the Board of several well known Companies such as India Securities Ltd. (Essar Group), Dhampur Sugar Mills Ltd., Delton Cables Ltd., etc. He is also a Member of PHD Chamber of Commerce Industry and ASSOCHAM.

The Board recommends the passing of this Resolution. Except Shri Mahesh Prasad Mehrotra, none of the Directors is interested in the Resolution.

ITEM NO. 6:

Dr. Pritam Singh Pritam was appointed as an Additional Director by the Board on 18th March, 2010 under Section 260 of the Companies Act, 1956. He holds office upto this Annual General Meeting. The Company has received a Notice along with requisite deposit amount from a Member under Section 257 of the Act signifying his intention to propose the candidature of Dr. Pritam Singh Pritam for the Office of the Director of the Company.

Dr. Pritam Singh Pritam is not disqualified from being appointed as Director in terms of Section 274(1)(g) of the Act. The Company has received the requisite Form 'DD-A' from Dr. Pritam Singh Pritam, in terms of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules 2003, confirming his eligibility for such appointment.

Dr. Pritam Singh Pritam is Post Graduate in Arts, L.L.B., Ph.D. and F.I.I.I. He has rich experience of 36 years in working with the Financial Institutions.

During his tenure, he has held top positions in LIC. He has worked in diverse functional areas like Accounts, Legal, Sales & Marketing, Client Servicing, Underwriting, etc. He was also National Head of Allianz Bajaj Life Insurance Company. He is currently on the Board of Escorts Limited.

The Board recommends the passing of this Resolution. Except Dr. Pritam Singh Pritam, none of the Directors is interested in the Resolution.

ITEM NO. 7:

Shri Subhash Chandra Bhargava was appointed as an Additional Director by the Board on 20th May, 2010 under Section 260 of the Companies Act, 1956. He holds office up to this Annual General Meeting. The Company has received a Notice along with requisite deposit amount from a Member under Section 257 of the Act signifying his intention to propose the candidature of Shri Subhash Chandra Bhargava for the Office of the Director of the Company.

Shri Subhash Chandra Bhargava is not disqualified from being appointed as Director in terms of Section 274(1)(g) of the Act. The Company has received the requisite Form 'DD-A' from Shri Subhash Chandra Bhargava, in terms of the Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules 2003, confirming his eligibility for such appointment.

Shri Subhash Chandra Bhargava is a Graduate in Commerce (Hons.) and Chartered Accountant. He has rich experience in working as Financial Advisory with the renowned institutions like LIC, Investment Department at Central office, RBI, etc. He has worked in diverse functional areas apart from Investment Department like Audit & Inspection Dept., Finance and Accounts Dept. and Estate Management. He is currently on the Board of Met Life Insurance Company Limited and Bank of Rajasthan Limited.

The Board recommends the passing of this Resolution. Except Shri Subhash Chandra Bhargava, none of the Directors is interested in the Resolution.

For and on behalf of the Board of Directors

Sd/-

**Saurabh Kumar Tayal
Chairman**

Place: Mumbai

Date: 20th May, 2010

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DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 17th Annual Report of **ASAHI FIBRES LIMITED** with the Audited Statements of Accounts for the Financial Year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

	2009-2010 (Rs. in Lacs)	2008-2009 (Rs. in Lacs)
Sales	8701.09	2848.70
Profit before Depreciation, Interest and Tax	1201.41	354.95
Depreciation	1188.12	283.81
Provision for Tax	2.26	10.37
Deferred Tax Liability	(112.46)	435.56
Profit/(Loss) for the year	123.49	(374.80)
Profit/(Loss) brought forward from Previous Year	(918.89)	(544.09)
Profit/(Loss) carried to Balance Sheet	(795.40)	(918.89)

Note: Previous year figures have been regrouped/rearranged wherever necessary.

DIVIDEND

Due to inadequacy of profits during the year under report, your Directors do not recommend dividend on the Equity Shares of the Company.

REVIEW OF OPERATIONS

During the year, the Sales Turnover of Company has substantially increased to Rs. 8701.09 Lacs as against Rs. 2848.70 Lacs in respect of the previous Financial Year ended 31st March, 2009 registering a growth of around 205% over the previous Financial Year. There is a tremendous increase in Sales as the Company had installed additional 60,000 spindles in its existing unit at Valsad, Gujrat resulting in the expansion of the existing production capacity of cotton yarn. The Profit before Depreciation, Interest and Tax is Rs. 1201.41 Lacs in the Financial Year ended 31st March, 2010 as against Rs. 354.95 Lacs in the previous Financial Year registering a growth of around 238% over the previous year. The profit after tax was Rs. 123.49 Lacs during the year under Report after making provision for taxation of Rs. 2.26 Lacs and after considering Deferred tax Assets of Rs. 112.46 Lacs as against loss after tax of Rs 374.80 Lacs in the previous Financial Year.

EXPANSION PROJECT

The Company is implementing the expansion of its existing cotton spinning project at Valsad, Gujarat. The Company is planning to install 1,26,000 spindles (out of which 60,000 spindles have already been installed), which would result in the total capacity expansion of 22508 TPA of the cotton yarn. The Company is also planning to install 28,000 Rotors which would result in the capacity expansion of 5984 TPA of the cotton yarn.

The Estimated cost of the expansion project is Rs. 335 Crore of which Rs. 135 Crore will be brought in by the Promoters and Rs. 200 Crore will be raised by way of Term Loan. The Promoters have already incurred a capital expenditure of Rs. 141.23 Crore upto March 2010 and the Company is in process of tying up Term Loan of Rs. 200 Crore to part finance the project.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Jodha Ram Dhaka and Shri Shiv Prasad Srivastav, Directors of the Company, are due to retire by rotation at the forthcoming Annual General Meeting, and being eligible, have offered themselves for re-appointment.

During the year under Report, Dr. Bidhubhusan Samal and Shri Sridar Venkatesan had resigned as the Directors of the Company w.e.f. 13th March, 2010 and 15th March, 2010 respectively. The Board places on record its appreciation of the

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sincere contribution made by Dr. Bidhubhusan Samal and Shri Sridar Venkatesan to the Company during their tenure as the Directors of the Company.

The Board of Directors of the Company had, in its Meeting held on 18th March, 2010, appointed Dr. Pritam Singh Pritam and Shri Mahesh Prasad Mehrotra and in its Meeting held on 20th May, 2010 appointed Shri Subhash Chandra Bhargava as Additional Directors of the Company.

All the aforesaid Additional Directors shall hold office upto the date of ensuing Annual General Meeting and are eligible for appointment as Directors of the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Director's Responsibilities Statement, it is hereby confirmed:

- (i) that in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2010 the applicable Accounting Standards had been followed alongwith proper explanation relating to material departures.
- (ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 and of the Profit or Loss of the Company for the year under review;
- (iii) that the Directors had taken proper and sufficient care 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 frauds and other irregularities;
- (iv) that the Directors had prepared the accounts for the Financial Year ended 31st March 2010 on a '*going concern*' basis.

CHANGE OF NAME OF THE COMPANY

The Company has obtained the approval of its Members in the Extra-ordinary General Meeting dated 27th March, 2010 to change the name of the Company to "**ASAHI INDUSTRIES LIMITED**". The Company has already filed an Application with the Central Government as required under Section 21 of the Companies Act, 1956 for its approval to change the name. The name of the Company shall be changed as above after the approval of the Central Government is received.

AUDIT COMMITTEE

The composition of Audit Committee is as given in the Report on Corporate Governance.

SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

The composition of Share Transfer and Investors' Grievance Committee is as given in the Report on Corporate Governance.

REPORT ON CORPORATE GOVERNANCE

The Company has complied with Corporate Governance Code as stipulated under Clause 49 of the Listing Agreement. A separate section on Corporate Governance alongwith a Certificate from M/s. A. F. Khasgiwala & Co., Practising Chartered Accountants confirming the Compliance is annexed and forms part of this report.

SAFETY, HEALTH AND ENVIRONMENT

Sustained and meticulous efforts continues to be exercised by the Company at the plant of the Company towards greener production and Environment Conservation. The Company perseveres in its efforts to indoctrinate safe and environmentally accountable behavior in every Employee as well as Vendors by compulsory annual training and refresher courses and frequent awareness programs. Mock drills of emergency preparedness are regularly conducted at the plant showing Company's commitment towards safety, not only of its own men and plant, but also of the society at large.

Safety records at plant showed considerable improvement and accident statistics showed a downward trend. This was made possible by strict adherence to laid-down procedures and following of International Guidelines. Involvement of workers in all safety matters has been encouraged by their participation in shop floor safety meetings.

The health of employees and the environment in and around the plant area have been given due care and attention. The Company continued to comply with the prescribed Industrial Safety Environment Protection and Pollution Control Regulation at its production plant through periodic checks of the system involved and constant monitoring to meet the standards set by the Pollution Control Authorities, etc.

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The Mills of the Company are eco-friendly and do not generate any harmful effluents. They have facilities for captive power generation as a stand-by arrangement to meet any contingency. Safety devices have been installed wherever necessary.

INDUSTRIAL REALATIONS & HUMAN RESOURCES MANAGEMENT

The Company recognizes that in a people intensive business, major gains can be scored in the area of productivity management. In view of this, the Company has strengthened its people management through performance-linked incentives, amenities, training, multi-skilling and career path identification.

The Company is of firm belief that good Human Resource (HR) Management would ensure success through high performance. HR strategy and plans of the Company are deeply embedded with the organizational goals. In order to enhance the manpower productivity the goal is set to increase the production capacity of the plant and rationalize the manpower through scientific study. All the operational goals of the top management emanate from the business plan. The goals of MD are shared with his subordinates who in turn share their goal with their respective subordinates and so on. Regular visits by HR team is being made to the plant to meet the employees and also interaction meetings are conducted to get their feed back, based on which HR policies are improved continuously. The process has resulted in better employer-employee relationship.

The Company lays due emphasis on all-round development of its human resource. Hence, training of the employees is aimed at systemic development of knowledge, skills, aptitude and team work. Training is designed for the development of personal skills necessary for the performance of the present job and to prepare them for future growth. Individual development is given top priority to groom high caliber manpower.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the Annexure forming part of this Report.

PARTICULARS OF EMPLOYEES

There were no employees drawing remuneration of Rs.24,00,000/- or more per annum employed throughout the year or Rs.2,00,000/- or more per month employed for a part of the year. This information is furnished as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

FIXED DEPOSITS

During the year under report the Company has not accepted any fixed deposits.

INSURANCE

The properties/assets of your Company are adequately insured.

AUDITORS

M/s. A. F. Khasgiwala & Co., Practising Chartered Accountants, the statutory Auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received a letter from M/s. A. F. Khasgiwala & Co. to the effect that their re-appointment as Auditors, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors place on record their appreciation of the assistance and support extended by Banks, Consultants, Solicitors, Shareholders and Employees of the Company.

For and on behalf of the Board of Directors

Place: Mumbai
Date: 20th May, 2010

Sd/-
Saurabh Kumar Tayal
Chairman

ASAHI FIBRES LIMITED

ANNEXURE TO THE DIRECTORS' REPORT:

Information as per Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year 2009-2010.

1. CONSERVATION OF ENERGY

a) Energy conservation measures taken:

The Company has been making concerted efforts for enhancement in capacity utilization, cost competitiveness and quality through systematic process, monitoring and adherence to technological norms. Sophisticated instruments are used for regulation and adjustment as per parameters. Efforts are also made for upgradation of the quality of the plant operation. Utilities are being combined for effective energy conservation.

b) Additional Investments and Proposals being implemented for reduction of consumption of energy:

The Company, as a matter of policy, has a regular and ongoing programme for investments in energy saving devices. Studies are being made to reduce energy consumption and make suitable investments in this area, if necessary.

c) Impact of the measures (a) & (b) above for reduction of energy consumption and consequential impact on the cost of production of goods:

The Company has economised the cost of power despite steep hike in the tariffs and is constantly exploring avenues for cost saving as an on-going process.

d) Total energy consumption and energy consumption per unit of production as per Form 'A' of the Rules in respect of Industries specified in the Schedule thereof

	Year ended 31.03.2010	Year ended 31.03.2009
A. Power and Fuel Consumption in respect of :		
1. Electricity		
(a) Purchased		
1. Units (KWH in Lacs)	117.52	50.53
2. Total amount (Rs. in Lacs)	688.66	295.10
3. Rate per unit (Rs/unit)	5.86	5.84
(b) Own Generation		
(Through Diesel Generator/Furnace Oil)		
1. Units (KWH in Lacs)	29.56	—
2. Units per litre of fuel	3.30	—
3. Cost per unit (Rs/unit)	6.85	—
2. Coal	—	—
3. Furnace Oil		
1. Furnace Oil (Ltr. In Lacs)	—	—
2. Total Amt (Rs. In Lacs)	—	—
3. Cost Rs./ltr.	—	—
4. Others/Internal Generation	—	—
B. Consumption per unit of production		
(Product : Yarn & Fabric)		
1. Electricity (KWH/Tonne)	2401.52	2096.38
2. Coal (Kgs.)	—	—
3. Furnace Oil (Ltrs.)	—	—
4. Steam (Tonnes)	—	—

Note: Since the Company manufactures different qualities of yarns with product-mix changing significantly, there are no specific norms for per unit of production.

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2. TECHNOLOGY ABSORPTION

Efforts made in technology absorption in prescribed Form 'B':

- | | |
|--|---|
| a. Research and Development: | |
| i) Specified areas in which R&D activities are carried out by the Company. | R&D activities are being carried out continuously to produce better quality of yarn and fabrics. |
| ii) Benefits derived as a result of the above | As a result of R&D activities, the Company has been able to produce quality fabrics confirming to International Standards. |
| iii) Future Plan of Action | Efforts aimed at cost reduction, improvement in quality of products and development of new process will continue. |
| iv) Expenditure on R & D | Expenditure on R&D is being booked under the respective heads in the Profit & Loss Account as no separate account is maintained for this purpose. |
| b. Technology Absorption, Adoption and Innovation: | The Company has not utilized any imported technology. |

3. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a. Activities relating to export markets for products and services and export planThe Company is exploring avenues to export its premium quality fabrics.

	Year ended 31.03.2010	Year ended 31.03.2009
b. Foreign Exchange Outgo (Rs. in Lacs)	—	—
c. Foreign Exchange Earnings (Rs. in Lacs)	—	—

For and on behalf of the Board of Directors

Place: Mumbai
Date: 20th May, 2010

Sd/-
Saurabh Kumar Tayal
Chairman