

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	NA	NA	SHI	✓
YE	✓	✓		

**FIFTEENTH  
ANNUAL REPORT  
1996-97**

*1996-97*

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**ASHIMA SYNTEX LIMITED**



ANSWERS ASSESS THE PRESENT,  
QUESTIONS QUALIFY THE FUTURE.

DECISIONS DEFINE THE PRESENT,  
ALTERNATIVES ASPIRE THE FUTURE.

STRENGTHS SUPPORT THE PRESENT,  
OPPORTUNITIES ORIGINATE THE FUTURE.

CONCLUSIONS CLARIFY THE PRESENT,  
ANALYSIS ARTICULATES THE FUTURE.

SOLUTIONS STATE THE PRESENT,  
METHODS MANDATE THE FUTURE.

SUCCESS SUSTAINS THE PRESENT,  
STRUGGLE SETS THE FUTURE.

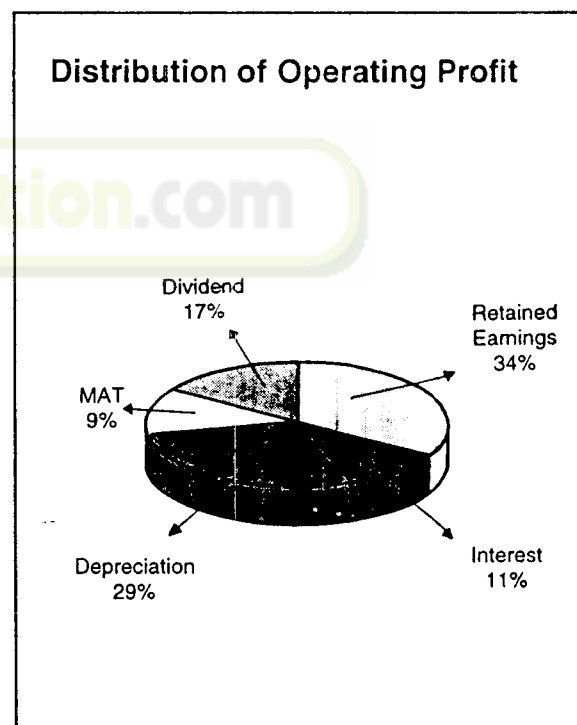
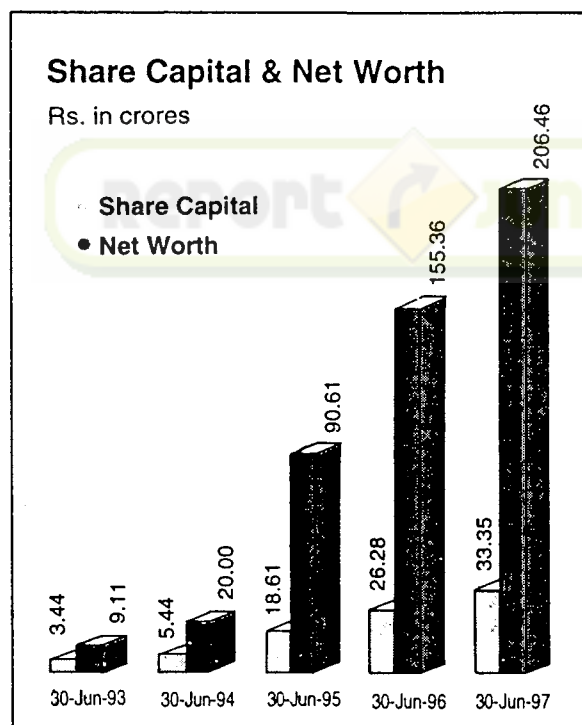
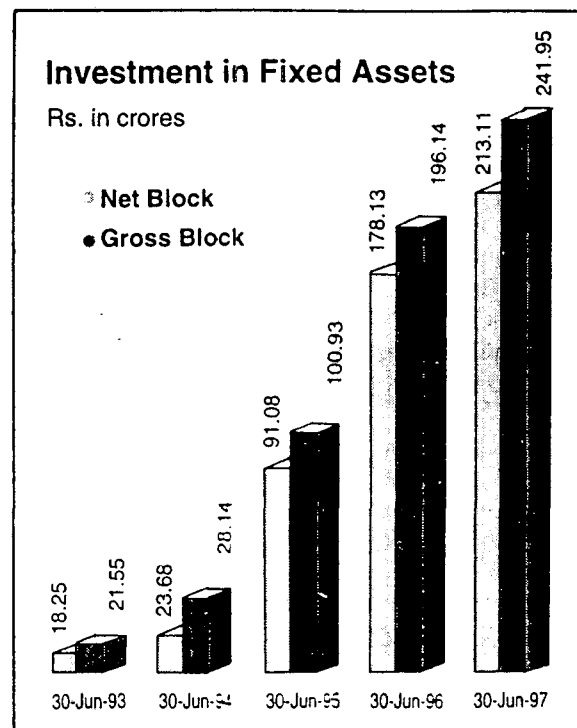
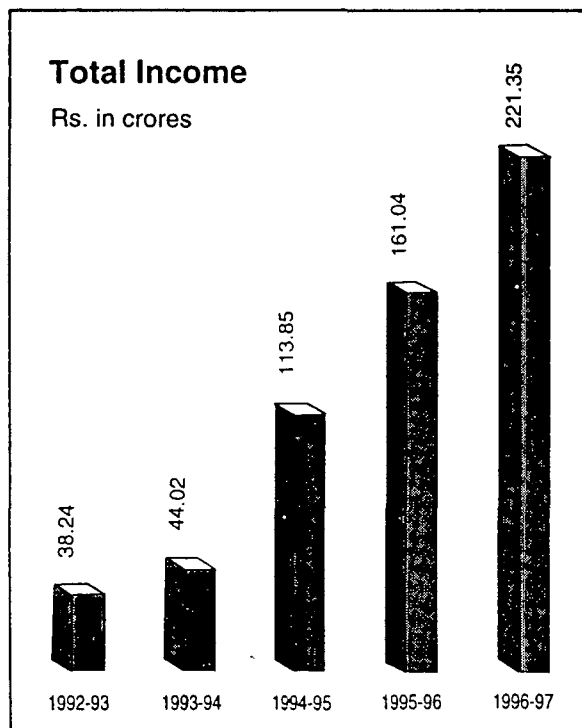
ABILITIES ACKNOWLEDGE THE PRESENT,  
ATTITUDES ASCERTAIN THE FUTURE.

OUTCOMES ORCHESTRATE THE PRESENT,  
INTENTIONS IMPROVISE THE FUTURE.

ACTIONS ATTRIBUTE THE PRESENT,  
COMMITMENT CORRELATES THE FUTURE.

REALITIES RATIONALISE THE PRESENT,  
DREAMS DESTINE THE FUTURE.

Chintan N. Parikh  
Chairman



## ASHIMA SYNTEX LIMITED

### FIFTEENTH ANNUAL REPORT 1996-97

**BANKERS**

State Bank of India  
Bank of Baroda  
UTI Bank Ltd.  
State Bank of Saurashtra  
Standard Chartered Bank

**AUDITORS**

M/s Dhirubhai Shah & Associates  
Chartered Accountants  
Ahmedabad - 380 001

**COMPANY SECRETARY**

Shri B. Ravi

**BOARD OF DIRECTORS**

SHRI CHINTAN N. PARIKH	- Chairman & Managing Director
SHRI PRADIP SHAH	
SHRI SUNIL CHANDIRAMANI	
DR. LAVKUMAR KANTILAL	
SHRI V.M.P. SHAH	
SHRI MOHANRAJ M. SINGHI	
SHRI S. RAMASUBRAMANIAN	- Nominee Director (ICICI)
SHRI D.U. RAO	- Nominee Director (IFCI)
SHRI JAYENDRA N. SHAH	- Alternate Director to Shri V.M.P. Shah
SHRI BHARAT KEWALRAMANI	- Alternate Director to Shri Pradip Shah.
SHRI DEEPAK VAIDYA	- Alternate Director to Shri Sunil Chandiramani
SHRI NITIN D. PAREKH	- Executive Director
SHRI DEEPAK PARULEKAR	- Director (Technical)

**REGISTERED OFFICE**

310, Ashima House  
Near M.J. Library,  
Kavi Nanalal Marg,  
Ahmedabad - 380 006

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**WORKS****ASHIMA FABRICS**

1B, Ashima Complex,  
Kalol - Kadi Highway,  
Village Karannagar,  
Taluka : Kadi  
District Mehsana  
North Gujarat

**ASHIMA DENIMS**

Texcellence Complex,  
Nr. Anupam Cinema  
Khokhara Mehmedabad  
Ahmedabad 380008

**ASHIMA SPINFAB**

Texcellence Complex,  
Nr. Anupam Cinema  
Khokhara Mehmedabad  
Ahmedabad 380008

## 15th Annual Report 1996-97

**DIRECTORS' REPORT**

Dear shareholders,

Your directors take pleasure in presenting the fifteenth annual report together with audited annual accounts for the year ended 30th June, 1997 :

**Performance of the company**

Your company's performance during 1996-97 is summarised below :

	(Rs. in lacs)	
	1996-97	1995-96
Profit before interest & depreciation	5062.69	3148.62
Profit before tax	3030.57	2125.67
Profit after tax	2659.57	2125.06
Profit brought forward from previous year	2206.43	1282.33
Profit available for appropriation	<u>4866.00</u>	<u>3407.39</u>

Your directors wish to appropriate the same as under :

Transfer to debenture redemption reserve	633.40	396.23
Transfer to general reserve	270.00	220.00
Proposed dividend	870.40	584.73
Tax on proposed dividend	87.04	nil
Balance carried forward to next year	3005.16	2206.43
Total appropriation of profit	<u>4866.00</u>	<u>3407.39</u>

**Dividend :**

Your directors are pleased to recommend for the year ended 30th June, 1997, for your approval and subject to other necessary approvals, a dividend of Rs. 2.80 ( previous year Rs. 2.80) per equity share of Rs. 10/- each on 262,76,563 equity shares for the full year on paid up value of shares and pro-rata on paid up value of 70,75,253 equity shares from the date of allotment till the date of balance sheet.

**Issue of share capital :**

During the year under review, share capital of the company increased by Rs.7,07,52,530, after allotment of 70,75,253 equity shares of the company offered on rights basis.

**Operations :**

The company has continued to perform exceedingly well for the year under review. The company's total income has increased by 37% in comparison to previous year. The exports of the company grew by 25%, as against export growth of cotton textiles from India of 20%, which is quite encouraging. Operating profit has also increased by 61% in comparison to previous year.

## ASHIMA SYNTEX LIMITED

### Denims division:

Denim fabrics formed the major share of the total turnover of the company for the year under review. The division operated at a record output levels of almost close to 100%. The company has continued to cater to both the domestic as well as the international market. During the year, the company has also introduced a special one-of-its-kind denim fabric called Fantim. This designer fabric is mainly targeted at 'haute couture' segment. Encouraged with the performance of this division and to collect "the critical mass" to cater to the burgeoning denims market, the company has planned to enhance the capacity of the division by more than 150% in the coming year.

### Fabrics division (Karannagar):

The grey fabrics division at Karannagar, since its inception has been performing exceedingly well, breaking its own production records. It had made its own position among the top customers across the world by producing the most sophisticated and difficult products. In spite of its global success, we are pleased to inform you that its focus towards the customers had to be changed by making its total capacity available for one customer, namely Ashima Dyecot Limited, for allowing further value addition possible within the group. In light of the same, the division was debonded from its 100% EOU status. This not only virtually concludes an era of grey fabrics exports for the group, but also would allow the group to have the best grey fabrics available for value added finished products. As a consequence, and thanks to the vision of the management, we are glad to inform you that Ashima did not face any adverse effects of anti-dumping duties on grey fabrics imposed by European Union, unlike many grey fabrics exporting mills in India.

### Spinfab division :

The production of high-value cotton yarn dyed fabrics commenced in September, 1996. The yarn dyed shirting fabrics produced by this division has been accepted as excellent quality fabrics and has received very encouraging response from both the domestic and exports markets. The current year's results would reflect the full operations of this division. Your company was successful in developing its **brand equity** in the local as well as international markets, by introducing these fabrics as "the highest price slot" products in their respective categories with a long list of discerning customers.

### Acquisition of The Ahmedabad New Cotton Mills Company Limited (the ANC) under SICA

In October 1996, your company acquired the management of the ANC, a sick company registered with Board for Industrial and Financial Reconstruction (BIFR). The ANC was a composite textile mill engaged in the production of cotton and blended fabrics and also had processing facilities. Your company had put up the scheme of rehabilitation of the ANC which was sanctioned and an order to this effect was passed by BIFR on 16th October, 1996.

Your company will invest Rs. 2400 Lakhs in reviving the ANC by putting up the project for spinning of cotton yarns, with total capital outlay of Rs. 6100 lakhs. The take-over for revival of the ANC will offer synergistic advantages to your company as yarn produced by the ANC will be consumed entirely by various present and future divisions of your company. With this acquisition your company will have benefits of economies of scale, ease of operation, easier supervision and better control by the management over a unified single textile complex of more than 70 acres in the heart of the city of Ahmedabad.

### Future expansions :

Your company has decided to expand its denim manufacturing capacity by additional 16 million metres per annum, to meet the ever increasing demand of this product group and also to avail the benefits of value added larger range. Further, your company also proposes to enhance the capacity for yarn dyed shirting fabrics by

## 15th Annual Report 1996-97

additional 1.5 mmpa by installing world class Picanol Gamma rapier looms for the first time in India. Your company also intends to expand the yarn dyeing capacity for the above purpose. To meet the need of power requirements of existing and future projects, your company has decided to install captive power plant with capacity of 5.34 mw.

In continuation of its philosophy of Texcellence, your company has taken one more step for further value addition which will have synergy with its core competence area of textiles. To avail benefits of value added products and to get direct access to retail consumer markets, your company has planned to enter the garment segment under its new division viz. Ashima Attires. Garments is a product extension of the denim and yarn dyed fabrics produced by your company and other varieties produced by its group companies. This division will offer wide range of products in this segment with ready-to-wear garments under the brand name 'LOGO' and ready-to-stitch fabrics kits under the brand name 'ICON'. This will help your company to create its own brand equity in the consumer mind and unfold new horizons in the years to come over and above bringing larger revenues and additional earnings.

**Performance vs. Promises**

As required by clause 43 of the listing agreement, given below is a statement of actual results for 1996-97 vis-a-vis projections made in letter of offer and prospectus both dated 10/06/94 for rights-cum-public issue of equity shares aggregating to Rs. 5400 Lakhs issued to part finance the cost of setting up a denim plant.

Particulars	(Rs. in Lakhs)	
	Projections	Actual
Total income	14876	22134.81
PAT	2637	2659.60
EPS (Rs.)	14.16	8.55

The turnover and profit after tax of the company increased during the year under review due to company's new project of yarn dyed cotton fabrics implemented during the year 1996-97, which was not taken into consideration for projections in above mentioned letter of offer and prospectus. The EPS for year under review has reduced as share capital of the company increased to Rs.3335 lakhs against Rs.1861 lakhs as envisaged in the said offer documents. The entire proceeds of Rs. 5400 lakhs was applied to part finance the denims projects as envisaged in the letter of offer and prospectus both dated 10/06/94.

Your company also made rights issue of equity shares in terms of letter of offer dated 6th June, 1996 for expansion of capacity of denim fabrics against which allotment for shares aggregating to Rs. 4103.65 lacs was made during the year. The company is in the process of deploying the funds for the purposes mentioned in the letter of offer, during the current year to part finance its Denim expansion.

**Auditors' report :**

The observations in the auditors' report are dealt with in notes forming part of accounts at the appropriate places and are self explanatory.

**Directors :**

During the year under review, Shri D.U.Rao was nominated on the board by the Industrial Finance Corporation of India Ltd. At the ensuing general meeting Shri V.M.P.Shah and Shri M.M.Singhi are to retire by rotation and being eligible offer themselves for reappointment.

## ASHIMA SYNTEX LIMITED

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### Insurance :

All the properties and insurable interests of all the divisions of the company including building, plant and machinery, stocks and liabilities under the legislative enactments are adequately insured.

### Auditors :

The retiring auditors M/s Dhirubhai Shah & Associates, Chartered Accountants, are eligible for reappointment and have indicated their willingness to act as such. You are requested to appoint auditors to hold office till the conclusion of next annual general meeting and fix their remuneration.

### 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 information as per section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time form part of this report. However, as per the provisions of section 219(1)(b)(iv), the report and the accounts are being sent to all shareholders of the company excluding the information relating to conservation of energy, technology absorption and foreign exchange earnings 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.

### Deposits :

The company has accepted fixed deposits to the tune of Rs. 3141.54 lakhs upto 30th June, 1997, against which due but unclaimed/unpaid deposits were Rs. 6.02 lacs.

### Appreciation :

Your company places on record its sense of appreciation of the dedicated services of the workers and employees of the company.

The company is also thankful to the state government, district level authorities, banks, financial institutions and investors for the continued co-operation extended to the company from time to time. Your appreciation of the management's efforts at general meetings has also encouraged your company to perform better year after year.

For and on behalf of the board

**CHINTAN N. PARIKH**  
Chairman and Managing Director



**15th Annual Report 1996-97****AUDITOR'S REPORT**

To,  
The Shareholders of  
**ASHIMA SYNTEX LIMITED**  
Ahmedabad.

We have audited the attached Balance Sheet of Ashima Syntex Limited as at 30th June, 1997 and also the annexed Profit and Loss Account of the company for the year ended on that date and report that :

1. 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.
2. In our opinion, proper books of account as required by law, have been kept by the company so far as it appears from our examination of those books.
3. The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
4. In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with notes thereon and subject to,
  - (i) Treatment by the company in respect of capitalization of interest for the entire contracted period as per note no. 7 as a result of which provision for depreciation is more by Rs. 2.13 lacs and profit of the current year is less to that extent.

give the information required by The Companies Act, 1956 in the manner so required and give a true and fair view :

- (a) In the case of the Balance Sheet of the state of affairs of the company as at 30th June, 1997, and
  - (b) In the case of the Profit and Loss Account of the profit of the company for the year ended on that date.
5. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of The Companies Act, 1956 and on the basis of such checks as we considered appropriate and as per the information and explanations given to us, we further state that :
    - (1) The company has maintained proper records to show full particulars, including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management during the year and no material discrepancy between the book records and physical inventory has been noticed.
    - (2) None of the fixed assets has been revalued during the year.
    - (3) The stocks of finished goods, stores, spares and raw materials have been physically verified by the management during the year at reasonable intervals and/or at the close of the year, except stocks lying with third parties which have been confirmed and stocks in transit which have been subsequently received.

## ASHIMA SYNTEX LIMITED

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- (4) The procedures of physical verification of stocks followed by the management are in our opinion reasonable and adequate, having regard to the size of the company and the nature of its business.
  - (5) The discrepancies noticed on verification between physical stocks and book records were not material.
  - (6) In our opinion, on the basis of our examination of the stock records, the valuation of stock is fair and proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
  - (7) In our opinion, the rate of interest and the terms and conditions on which loans have been obtained from companies or other parties as listed in the register maintained under section 301 of The Companies Act, 1956 are not prima facie prejudicial to the interest of the company. As per the information and explanations given to us, there is no company under the same management as defined under section 370(1B) of The Companies Act, 1956.
  - (8) In our opinion, the rate of interest and the terms and conditions on which loans have been granted to companies or other parties as listed in the register maintained under section 301 of The Companies Act, 1956 are not prima facie prejudicial to the interest of the company. As per the information and explanations given to us, there is no company under the same management as defined under section 370(1B) of The Companies Act, 1956.
  - (9) Loans and advances in the nature of interest bearing and interest free loans to employees and ex-employees are being generally repaid as stipulated.
  - (10) In our opinion and according to the informations and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets and sale of goods.
  - (11) According to the information and explanations given to us, the transactions for purchase and sale of goods, materials and services made in pursuance of contracts or arrangement entered in the register maintained under section 301 of The Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods or materials or the prices at which transactions for similar goods, materials or services have been made with other parties.
  - (12) The company has determined unserviceable or damaged stores, raw materials and provision has been made in the accounts for the loss on the items so determined.
  - (13) The company has accepted fixed deposits from the public and has complied with the provisions of section 58A of The Companies Act, 1956 and The Companies (Acceptance of Deposits) Rules, 1975.
  - (14) The company does not have any realisable by-products. In our opinion reasonable records have been maintained by the company for the sale and disposal of scrap.
  - (15) The company has internal audit system which is commensurate with the size and nature of its business.
  - (16) With regard to Polyester, Fabrics, Denims and Spinfab divisions of the company, we have broadly reviewed the records maintained by the company pursuant to the notification of the Central Government for the maintenance of the cost records under section 209(1)(d) of The Companies Act, 1956 and on
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