

MD		BKC	
CS		DPY	
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YE			

**SIXTEENTH
ANNUAL REPORT
1997-98**

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ASHIMA SYNTEX LIMITED



ASHIMA SYNTEX LIMITED

SIXTEENTH ANNUAL REPORT 1997-98

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 - 380 006

COMPANY SECRETARY

Mr. B. Ravi

BOARD OF DIRECTORS

Mr. CHINTAN N. PARIKH	– Chairman & Managing Director
Mr. FRANS G. SPITS	
Mr. V.M.P. SHAH	
Mr. SUNIL CHANDIRAMANI	
Mr. ANIL AHUJA	
Dr. LAVKUMAR KANTILAL	
Mr. MOHANRAJ M. SINGHI	
Mr. S. RAMASUBRAMANIAN	– Nominee Director (ICICI)
Mr. D.U. RAO	– Nominee Director (IFCI)
Mr. JAYENDRA N. SHAH	– Alternate Director to Mr. V.M.P. Shah
Mr. DEEPAK VAIDYA	– Alternate Director to Mr. Sunil Chandiramani
Ms. BINA TRIVEDI	– Alternate Director to Mr. Anil Ahuja
Mr. NITIN D. PAREKH	– Executive Director
Mr. DEEPAK PARULEKAR	– Director (Technical)

SHARES LISTED ON STOCK EXCHANGES AT :

Ahmedabad
Calcutta
Chennai
Delhi
Mumbai
National Stock Exchange

REGISTERED OFFICE

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

WORKS

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

Texcellence Complex,
Nr. Anupam Cinema
Khokhara Mehmedabad
Ahmedabad 380008

ASHIMA SYNTEX LIMITED

DIRECTORS' REPORT

Dear shareholders,

Your directors take pleasure in presenting the sixteenth annual report together with audited annual accounts for the year ended 30th June, 1998.

1. Performance of the company

Your company's performance during 1997-98 is summarised below :

	(Rs. in lakhs)	
	1997-98	1996-97
Profit before interest & depreciation	5286.88	5062.69
Less : Interest	1049.98	571.31
Profit before depreciation	4236.90	4491.38
Less : Depreciation & amortization of expenses	1986.68	1460.81
Profit before tax	2250.22	3030.57
Less: Provision for taxation	301.00	371.00
Profit after tax	1949.22	2659.57
Add: Profit brought forward from previous year	3005.16	2206.43
Profit available for appropriation	4954.38	4866.00
Your directors appropriate the same as under :		
Transfer to debenture redemption reserve	900.00	633.40
Transfer to general reserve	200.00	270.00
Proposed dividend	600.31	870.40
Tax on proposed dividend	60.03	87.04
Balance carried forward to next year	3194.04	3005.16
	4954.38	4866.00

2. Dividend

Your directors are pleased to recommend for the year ended 30th June, 1998, for your approval and subject to other necessary approvals, a dividend of Rs. 1.80 (previous year Rs. 2.80) per equity share of Rs. 10/- each on 3,33,51,816 equity shares, fully paid up resulting in dividend pay - out of 33.88 %.

3. Economic review

Indian economy witnessed a mixed scenario during the year 1997-98 which was marked by modest growth. There was a slow down in various sectors of the economy despite progressive policies introduced by the Government. The Indian economy remained to a large extent resilient to the crisis prevailing in the Asian markets due to lower burdens of external demand and minimal short term external debt coupled with low current account deficit. However, certain sectors did experience the rumblings. Thus overall economy growth of GDP decelerated to 5% in 1997-98 from 7.5% in 1996-97. The slow down in the growth of economy can be traced to a combination of underlying supply factors like quantity, quality and cost of basic infrastructure services and temporary demand factors due to decelerations in exports and uncertainty in domestic and international environment.

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India is now stepping into another pace of economic growth. It now strives to enter the global economy through global competitiveness. Your company has been one such contributor to meeting the changing needs of the consumers and has been meeting global competition to satisfactory levels. It thus has constant growth and has been constantly innovative in product developments, meeting world standard in quality.

4. 1997-98 in retrospect

The textile industry witnessed an unprecedented slump and a general depression in India and partly internationally. The overall recession in textile industry has affected the performance and margins of the company during the year 1997-98. Your company, as a part of its philosophy of Texcellence continues to have totally integrated textile operations. As a result of that vision a major leap towards integration has been witnessed in terms of high value cotton yarn dyed shirting fabrics facilities and other non-denim grey fabrics to be further finished and processed by the group company. This endeavor of not to remain only in denims has resulted in a balanced growth of your company and has paid off in the present textile scenario. The business of Ashima, consolidated its position in the domestic market in face of increased competition by resorting to establishing product quality and innovative product development and marketing strategies. Your company has made significant strides from trade sales to institutional sales and the products of your company today cater to large and internationally reputed brands. Your company has been able to maintain higher operating profits because of higher volumes and improvement in operating efficiencies despite comparatively lower realisation in denims and also due to the better yarn-dyed shirting sales. As compared to the previous year this year the various projects have been fully operational, thus leading to higher interest cost and depreciation. As a result the net profit has been affected. The stable performance during this period stresses the strong fundamentals of the company.

a. Denims division

The domestic as well as international denims market saw a major upheaval and shrinkage in margins. Your company had undertaken certain product developments and placed the denim fabrics at niche markets. Thus your company comparatively has been less affected. Denim fabrics formed the major share in total turnover of the company for the year under review. The company has continued to cater to both domestic as well as the international markets.

b. Fabrics division

The grey fabrics produced by this erstwhile EOU have since inception been very well accepted in international market. In order to avail synergistic benefits, this division was debonded last year to make its total capacity available for one customer, namely Ashima Dyecot Limited(ADL), the process house promoted by your company. The entire production of this division caters to ADL, allowing further value addition within the group.

c. Spinfab division

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 capacity utilisation of this division increased considerably during the current year and is now operating at double the previous year's utilisation. In view of larger potential of this division, the company decided to expand the capacities by an additional capacity of 1.5 mmpa. The project has been appraised and partly funded by Industrial Investment Bank of India (IIBI). The project is nearing completion.

d. Attires division

In continuation of its philosophy of Texcellence, your company launched the ready to stitch product ICON which received very good response. The ICON products are being sold at many centres in India and has helped the company to reach directly the retail customer market. The company has also done test marketing of its garments under its brand name of LOGO which has received encouraging response.

e. Captive power project

In order to be self sufficient in power and to take advantage of low cost and efficient supply of power, your

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company has set up the captive power project, of a capacity of 6 MW of which 3 MW capacity has gone into operations.

5. ISO 9002 - Accreditation

Your directors are pleased to inform you that the ISO 9002 accreditation from Bureau Veritas Quality International (BVQI) has been received for the denims division as well as the Yarn Dyed Shirting (Spinfab) division. As you are aware the grey fabrics weaving division has already received the accreditation before. With this, all the manufacturing divisions of your company have received the quality accreditation.

6. Strategic Alliance with Cone Mills Corporation, USA

Your directors are pleased to inform you that your company has entered into a strategic alliance with Cone Mills Corporation (Cone), USA., the largest denim manufacturer in the world and the largest cotton textiles exporter of USA. Under the alliance, the products of the company will be marketed in domestic as well as export markets as 'Ashima-Cone' products. Cone will distribute the products in international market by using its own world wide distribution channels catering to top most international brands and retail chain customers spread over more than 45 countries. This will help your company enhance its international customer profile. Cone would also provide technical services for all the present products and also be associated with all future expansions. It would help in product design and development, employee training, process automation, efficiency optimisation customer services and quality monitoring and thus will help your company maintain all international quality standards. In terms of sales magnitude and name licensing covered under the same, this alliance has become the single largest alliance ever done in India in cotton textiles.

7. Rights issue of equity shares

Your company made a rights issue of equity shares offered in terms of letter of offer dated 6th June, 1996 for expansion of capacity of denims. The company is in the process of deploying the funds for the purposes mentioned in the letter of offer.

8. 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.

9. Human Resources Development (HRD)

Employee relations continued to be harmonious with the spirit of partnership between the management and employees resulting into reaching record production and sales levels despite the industry scenario. In keeping with the high standards in personnel recruitment, the company has been able to attract good talent. The talent attracted is then being nurtured through adequate management time to keep them motivated. It attaches significance to teamwork encouraging innovation and consultations between employees and management, as the company believes in employee's contribution to the overall growth. The management is pleased to state that it is this spirit which enthused the executives to put in hard work stretching themselves beyond normal levels to bring home the leader in textiles - Cone Mills. It is the untiring effort of the executives as a team that your company can now step into a different league in textiles.

10. Community Development, Society and Environment

Your company understands what its social responsibilities are as a corporate citizen. It has developed various places of social interest like traffic islands, municipal gardens and the like. It has contributed to the environment by continuing to have the best pollution control equipment. Quality of air emissions and liquid effluents continue to meet the laid down norms. Best machinery handling procedures have led to your company getting ATMA Safety Award for reduction in disablement injuries index for the year 1996. Independent safety, effluent and risk analysis has been conducted and the recommendations of the experts are under implementation.

11. Listing fees

The equity shares of the company are listed on stock exchanges at Ahmedabad, Mumbai, Calcutta, Chennai, Delhi & National stock exchange.

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The company has already paid listing fees for the requisite period on all the exchanges.

12. Details of subsidiary

The reports and accounts of The Ahmedabad New Cotton Mills Company Limited (ANC), a subsidiary of the company are annexed to this report along with the statement pursuant to 212 of the Companies Act, 1956.

13. Directors

During the year under review, Mr. Anil Ahuja was appointed as an additional director on the board, whose term of office expires at the forthcoming annual general meeting of the company. Mr. Anil Ahuja has offered his candidature as director to be appointed at the annual general meeting. Ms. Bina Trivedi has been appointed as an alternate director to Mr. Anil Ahuja, whose term of office also expires at the forthcoming annual general meeting. Mr. Frans G. Spits was also appointed as an additional director on the board, whose term of office expires at the forthcoming annual general meeting. Mr. Frans G. Spits is recommended to be appointed at the annual general meeting as a director not liable to retire by rotation. At the ensuing general meeting Mr. Sunil Chandiramani, Dr. Lavkumar Kantilal and Mr. Chintan Parikh are to retire by rotation and being eligible offer themselves for reappointment.

During the period, Mr. Pradip Shah resigned from the board of directors. Mr. Bharat Kewalramani also ceased to be the alternate director to Mr. Pradip Shah. The board records its gratitude and deep sense of appreciation for the valuable guidance provided by them and regretfully accepts the resignation.

14. Insurance

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

15. 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.

16. 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 under 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.

17. Deposits

The company has accepted fixed deposits to the tune of Rs. 3000 lacs upto 30th June, 1998, against which due but unclaimed/unpaid deposits were Rs. 29.10 lacs.

18. Appreciation

The directors place on record their deep sense of appreciation and thanks to the workers and employees of the company for their dedicated services and commendable efforts.

The company is also grateful to the state government, district level authorities, banking circles, financial institutions and investors for the co-operation extended and the faith reposed in the company and contributing to the various achievements made by it from time to time.

For and on behalf of the board

CHINTAN N. PARIKH
Chairman and Managing Director

ASHIMA SYNTEX LIMITED

AUDITORS' REPORT

To,
The Shareholders of
ASHIMA SYNTEX LIMITED
Ahmedabad.

We have audited the attached Balance Sheet of Ashima Syntex Limited as at 30th June, 1998 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 premium on special import licence (Note No. 7) which is self explanatory,
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, 1998, 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.
 - (4) The procedures of physical verification of stocks followed by the management is in our opinion reasonable and adequate, having regard to the size of the company and the nature of its business.

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- (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 preceeding 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. The company has not obtained any loan from 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. The company has not granted any loan to 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 an 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 the basis of the information received, are of the opinion that prima-facie the prescribed records have been made and maintained. We have not, however, made a detailed examination of these records.
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- (17) According to the records of the company provident fund and ESI dues have been almost regularly deposited during the year with the appropriate authorities.
- (18) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty and excise duty were outstanding as at 30th June, 1998 for a period of more than six months from the date they became payable.
- (19) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
- (20) The company is not a sick industrial company within the meaning of clause (O) of sub section (i) of section 3 of The Sick Industrial Companies (Special Provisions) Act, 1985.
- (21) In the case of trading activities of the company, there are no damaged goods.
- (22) In our opinion the company has a reasonable system of recording receipts, issues and consumption of materials and stores, commensurate with the size and nature of its business.

For and on behalf of
DHIRUBHAI SHAH & ASSOCIATES
Chartered Accountants

Ahmedabad
31st August, 1998

Kaushik D. Shah
Partner.