

**EIGHTEENTH
ANNUAL REPORT
1999-2000**



ASHIMA LIMITED**NOTICE**

NOTICE is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING of the members of ASHIMA LIMITED will be held on Saturday, the 30th December, 2000 at 10.30 a.m. at the Conference Room, Ahmedabad Textiles Mills Association, Opp. National Chambers, Ashram Road, Ahmedabad - 380 009 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited balance sheet as at 30th June, 2000 and profit and loss account for the year ended on that date and the report of the directors and auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a director in place of Mr. Chintan N. Parikh, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Sunil Chandiramani, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. V.M.P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT pursuant to provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 and Article 101 of Articles of Association of the company, Ms. Bina Trivedi, be and is hereby appointed as director of the company."
8. To consider and if thought fit, to pass with or without modifications, the following resolutions as SPECIAL RESOLUTION :
 - a) "RESOLVED THAT pursuant to provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of financial institutions, the corporate guarantee given by the board of directors vide its resolution passed in the meeting held on 28th September, 2000, on behalf of Ashima Dyecot Limited (ADL) in favour of State Bank of India-Consortium, to the extent of increase in the working capital facilities from Rs.7708 lacs to

Rs.13000 lacs sanctioned to ADL by State Bank of India-Consortium, be and is hereby confirmed pursuant to provisions of Section 372A(1)(c)

RESOLVED FURTHER THAT the board of directors of the company be and is hereby authorised to do such things as they may think necessary or expedient in the matter and to settle all or any matters arising out of and incidental in the matter."

- b) "RESOLVED THAT pursuant to provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approvals of financial institutions if required and other necessary approvals to be obtained in this regard, approval of the members of the company be and is hereby accorded to the board of directors of the company for corporate guarantee to be extended on behalf of Ashima Dyecot Limited (ADL) in favour of Industrial Development Bank of India for rupee loan of Rs.1300 lacs sanctioned to ADL for its Garments Project, notwithstanding the fact that such guarantees together with aggregate of the investments, loans and guarantees / securities so far made / given by the company, may exceed higher of 60% of the paid up capital and free reserves or 100% of the company's free reserves.

RESOLVED FURTHER THAT the board of directors of the company be and is hereby authorised to do such things as they may think necessary or expedient in the matter and to settle all or any matters arising out of and incidental in the matter."

9. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION :

"RESOLVED THAT pursuant to provisions of Section 372A and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals of financial institutions if required and other necessary approvals to be obtained in this regard, approval of the members of the company be and is hereby accorded to the board of directors of the company for fresh corporate guarantee to be extended on behalf of Ashima Dyecot Limited (ADL) in favour of its lenders as per details given below, notwithstanding the fact that such guarantees together with aggregate of the investments, loans and guarantees / securities so far made / given by the company, may exceed higher of 60% of the paid up capital and free reserves or 100% of the company's free reserves.

Name of the company in whose favour corporate guarantees are to be extended.	Amount of guarantee (Rs. in Lacs)	Purpose of corporate guarantee
Ashima Dyecot Limited.	4000	Existing as well as new lenders for sanctioning enhanced working capital facilities.

RESOLVED FURTHER THAT the board of directors of the company be and is hereby authorised to determine the actual sum of guarantee that may be provided to the lenders of working capital requirements to ADL within the above limit and to take all necessary steps and to do such things as they may think necessary or expedient in the matter to implement this resolution and to settle all or any matters arising out of and incidental to the proposed guarantee”.

10. To consider and if thought fit, to pass with or without modifications, the following resolution as SPECIAL RESOLUTION :

“RESOLVED THAT pursuant to Section 31 and other applicable provisions of the Companies Act, 1956 the articles of association of the company be and are hereby amended, altered and/or substituted in the manner and to the extent as is set out herein below”.

- (1) For the existing clause (m) of Article 2, the following clause (m) be substituted :

‘Shareholders’ or ‘members’ means the duly registered holders from time to time of the shares of the company and includes every person whose name is entered as Beneficial Owner in the records of the Depository.

- (2) After clause (o) of Article 2, the following new clauses (p), (q), (r) and (s) be inserted :

(p) ‘Depository’ means a company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a Depository under the Securities and Exchange Board of India Act, 1992.

(q) ‘Depositories Act’ means the Depositories Act, 1996 and shall include any statutory modification(s) or re-enactment thereof for the time being in force.

(r) ‘Security’ means such security as may be specified by SEBI from time to time.

(s) ‘Beneficial Owner’ means a person or persons whose name is recorded as such with a Depository.

- (3) After Article 12 and under the heading shares , the following new Article 12 A be inserted :

12A.Dematerialisation of Securities

- (i) Notwithstanding anything contained in these Articles, the company shall be entitled to dematerialise its existing shares, debentures and other securities; rematerialise its shares, debentures and other securities held with Depositories and/or offer its fresh shares, debentures and other securities in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder.

(ii) Option for Investors

Every person subscribing to securities offered by the company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the Beneficial Owner of the securities can at any time opt out of a Depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the company shall, in the manner and within the time prescribed, issue to the Beneficial Owner the required certificates of securities.

If a person opts to hold his security with a Depository, the company shall intimate such Depository the details of allotment of the security and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the security.

(iii) Securities in Depositories to be in fungible form

All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners.

(iv) Rights of Depositories and Beneficial Owners

- (a) Notwithstanding anything to the contrary contained in the Act, or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the Beneficial Owner.
- (b) Save as otherwise provided in (a) above, the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of securities held by it on behalf of the Beneficial Owner.
- (c) Every person holding securities of the company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

(v) Service of documents

Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in Depository, the records of the Beneficial Ownership may be served by such Depository on the company by means of electronic mode or by delivery of floppies or discs.

(vi) Transfer of securities

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.

(vii) Allotment of securities dealt with in a Depository

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a Depository, the company shall intimate the details thereof to the Depository immediately on allotment of such securities.

(viii) Distinctive numbers of securities held with a Depository

Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to securities held with a Depository.

(ix) Register and Index of Beneficial Owners

The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of members and security holders for the purposes of these Articles.

(4) In Article 13 the following words be inserted at the end :

"Provided that the provision relating to progressive numbering shall not apply to the shares, debentures or other securities of the company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form".

(5) In clause (b) of Article 19 the following words be inserted at the end :

"Provided that no share certificate(s) shall be issued for shares held with a Depository".

(6) Existing Article 22 be substituted by the following new Article 22 :

"Except as ordered by a Court of competent authority jurisdiction or as by law required, the company shall be entitled to treat the person whose name appears on the Register of members or whose name appears as the Beneficial Owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognise any benami, trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not he shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any shares in the joint names of any two or more persons or the survivor or survivors of them".

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- (7) Existing Article 49 be substituted by the following new Article 49 :

"The company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share held in the material form".

- (8) The following new Articles 63-B and 63-C be inserted after the existing Article 63A :

63-B "In the case of transfer or transmission of shares or other marketable securities where the company has not issued any certificates and where such shares or securities are being held in any electronic and fungible form with a Depository, the provisions of the Depositories Act, 1996 shall apply".

63-C "Nothing contained in the foregoing Articles shall apply to transfer of security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the records of a Depository".

11. To consider and if thought fit, to pass, with or without modifications the following resolution as SPECIAL RESOLUTION :

"RESOLVED THAT pursuant and subject to provisions of Section 79A, 81,81A and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment to or re-enactment thereof) (hereinafter referred to as "the Act"), the relevant provisions of the Articles of Association of the company and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 (including any modifications therein) ("the Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the company (hereinafter referred to as "the Board"), consent of the company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person(s) who are in the employment of the company, including Directors of the company, under a Scheme titled "Employee Stock Option Plan" (hereinafter referred to as the " ESOP" or "Scheme" or "Plan") such number of Equity Shares (hereinafter referred to "the shares") of the company as the Board may deem fit, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines and the approvals, permissions and sanctions obtained, if any

RESOLVED FURTHER THAT the Board be and is hereby authorised to set up a Compensation Committee (hereinafter referred to as the 'ESOP Compensation Committee') consisting of 3 directors of which 2 shall be independent directors, for the purpose of determining the terms and conditions as also the administration and superintendence of the Scheme.

RESOLVED FURTHER THAT the shares will be issued to the employees and directors on the terms and conditions as per the Guidelines, approvals and permissions obtained if any and as set out in the explanatory statement to this item, as also on such other terms and conditions detailed in the Scheme formulated by the ESOP Compensation Committee and in such tranches as may be decided by the ESOP Compensation Committee in its absolute discretion.

RESOLVED FURTHER THAT the new shares to be issued and allotted by the company in the manner aforesaid shall rank pari passu in all respects, with the existing shares of the company, except that they shall be entitled to dividend on pro-rata basis from the date of allotment till the end of relevant financial year in which such new shares are allotted.

RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of the shares, the ESOP Compensation Committee be and is hereby authorised on behalf of the company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by the competent authority and to do all such acts, deeds, things and matters as it may in its absolute discretion deem fit or necessary or desirable for such purpose with the powers on behalf of the company to settle any and all questions, difficulties or doubts that may arise in relation to the implementation of the said Scheme without requiring the ESOP Compensation Committee to secure any further consent or approval of the Board or the members.”

Date: 30th November, 2000
Place: Ahmedabad

By order of the board of directors,

Regd. Office:

310, Ashima House
Kavi Nanalal Marg
Ahmedabad - 380 006

B. Ravi

Vice President (Corporate Finance)
& Company Secretary

NOTES :

1. The relevant Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business of items no. 7 to 11 as set above are annexed hereto.
2. 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 TO BE A MEMBER. The Proxy, in order to be effective, must be received by the company not less than 48 hours before the commencement of the meeting.

3. The Register of Members and Register of Share Transfer of the company in respect of equity shares of the company will remain closed from Wednesday, the 27th December, 2000 to Friday, the 29th December, 2000 (both days inclusive).
4. The dividend on equity shares, if sanctioned by the members at the Annual General Meeting, shall be paid to those shareholders whose names appear on the Register of Members of the company on Friday, the 29th December, 2000 within 42 days from the date of declaration. The members are requested to notify immediately any change in their addresses.
5. Members, who have not encashed their dividend of the past years may claim the unclaimed dividend directly from the company. The shareholders can send their request letter directly to the company.
6. Members are requested to encash the dividend warrants immediately on receipt, as dividend remaining unclaimed for seven years are now required to be transferred to the "Investor Education and Protection Fund" to be established by the Central Government under the amended provisions of the Companies Act, 1956. You shall not be able to claim any unpaid dividend of the company from the said fund thereafter.



ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

ITEM NO.: 7

Ms. Bina Trivedi was appointed as an additional director of the company at the board meeting held on 23rd October, 2000. According to the provisions of Section 260 of the Companies Act, 1956, she holds office as director only upto the date of ensuing annual general meeting of the company.

Ms. Bina Trivedi is a Chartered Accountant. She is also on the board of several reputed companies. Ms. Bina Trivedi's appointment would immensely benefit the company.

The company has received notice under Section 257 of the Companies Act, 1956 from her signifying her candidature for the appointment as director. The director recommend this resolution for the approval of shareholders of the company.

None of the directors except Ms. Bina Trivedi is concerned or interested in the resolution.

ITEMS NO.: 8 a), b) & 9

As per Section 372A of the Companies Act, 1956, which, inter-alia, provides that a company shall not be permitted to make inter-corporate loans or investments or give guarantees / provide securities beyond 60% of paid-up share capital and free reserves or 100% of the company's free reserves, whichever is higher, except after obtaining prior approval from the public financial institutions where the term loan is subsisting and obtaining prior authorisation by way of special resolution passed at the general meeting of the shareholders of the company. However board of directors is authorised to extend corporate guarantees in case of urgent necessities which will be ratified in the next general meeting of the shareholders.

The company's paid-up share capital is Rs. 3785.18 lacs and free reserves is Rs.18385.47 lacs on the basis of audited annual accounts as on 30th June, 2000. Hence, as a result of the restriction imposed by Section 372A, the company can give loans, make investments or give guarantees/ provide securities for an aggregate amount upto Rs. 18385.47 lacs without obtaining the prior approval of the shareholders and public financial institutions.

As you are aware Ashima Dyecot Ltd (ADL) was jointly promoted by the company and Nachmo Knitex Ltd. for processing of high value cotton fabrics. ADL has undertaken capacity expansion programme with which the requirement of working capital will also increase. The company has already passed resolution in 17th Annual General Meeting held on 29th December, 1999 for providing corporate guarantee to the tune of Rs. 4000 lacs in favour of working capital lenders of ADL.