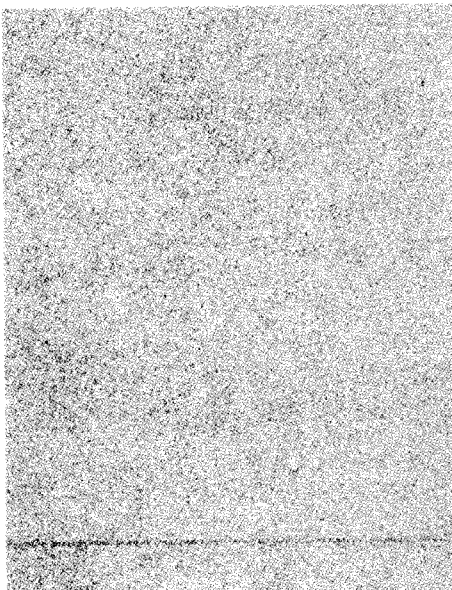


TWENTY FOURTH ANNUAL REPORT 2006-2007



ashima
LIMITED

ASHIMA LIMITED

TWENTY FOURTH ANNUAL REPORT - 2006-2007

BOARD OF DIRECTORS

Mr. Chintan N. Parikh	—	Chairman & Managing Director
Dr. Bakul H. Dholakia	—	Director
Mr. Saurabh V. Shah	—	Director
Mr. Bihari B. Shah	—	Director
Mr. Jaykant R. Baxi	—	Director
Mr. Sanjay K. Tandon	—	Nominee Director
Mr. Nitin D. Parekh	—	Executive Director

BANKERS

UTI Bank Ltd.
State Bank of Saurashtra

AUDITORS

Dhirubhai Shah & Co.,
Chartered Accountants,
Ahmedabad

VICE-PRESIDENT (CORPORATE FINANCE & PLANNING) AND COMPANY SECRETARY

Mr. Hiren S. Mahadevia

SHARES LISTED ON STOCK EXCHANGES AT:

Ahmedabad
Mumbai
National Stock Exchange

REGISTERED OFFICE

310, Ashima House,
Kavi Nanlal Marg,
Ellisbridge,
Ahmedabad - 380 006.

WORKS

Texcellence Complex,
Nr. Anupam Cinema,
Khokhara-Mehmedabad,
Ahmedabad-380 021.

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

NOTICE

NOTICE is hereby given that the **twenty fourth annual general meeting** of the members of **Ashima Limited** will be held on **Saturday, June 30, 2007** at Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380021 at **10.30 a.m.** to transact the following businesses:

ORDINARY BUSINESS:

1. To consider and adopt the audited balance sheet as at March 31, 2007 and profit and loss account for the year ended on even date together with the reports of the directors and auditors thereon.
2. To appoint a director in place of Mr. Chintan N. Parikh who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Saurabh V. Shah who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint statutory auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to provisions of section 269, 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956, read with schedule XIII of the Companies Act, 1956 and article 146 of Articles of Association of the company, and subject to approval of Ministry of Company Affairs, New Delhi, the company hereby accords its approval to the re-appointment of Mr. Chintan N. Parikh as Managing Director of the company for a further period of three (3) years with effect from February 7, 2008 with same remuneration and perquisites and such other terms and conditions pertaining to remuneration as set out in the agreement of his re-appointment entered into between the company and the managing director and available for inspection of members, which is hereby specifically approved with an authority to the directors to alter and vary the terms and conditions of the said re-appointment and/or agreement, as may be agreed to between the company and the managing director and subject to necessary approvals as may be required under relevant provisions of the Act.”

“RESOLVED FURTHER THAT notwithstanding anything contained herein, in event of loss or inadequacy of profits in any financial year, the managing director shall be paid minimum remuneration by way of salary and perquisites as specified in the agreement of re-appointment of the managing director entered into between the company and the managing director and as submitted to this meeting.”

Date : April 24, 2007

Place : Ahmedabad

By order of the board of directors

For **Ashima Limited**

Regd. Office:

310, Ashima House,
Kavi Nanalal Marg,
Ellisbridge, Ahmedabad - 380 006.

Hiren S. Mahadevia

Vice President

(Corporate Finance & Planning)

and Company Secretary

NOTES :

1. The relevant explanatory statement, pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business at item no.5 set above is 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 BE A MEMBER OF THE COMPANY.** The proxy, in order to be effective, must be received by the company not less than 48 hours before the commencement of the meeting.



ASHIMA LIMITED

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 Saturday, June 23, 2007 to Friday, June 29, 2007 (both days inclusive).
4. Members are requested to bring their copy of annual report to the meeting.
5. Members / proxies should fill the attendance slip for attending the meeting.
6. Members who hold shares in dematerialised form are requested to write their client ID and DP ID number and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
7. Corporate members intending to send their authorised representative(s) are requested to send a duly certified copy of the board resolution authorising their representative(s) to attend and vote at the annual general meeting.
8. Consequent upon the introduction of section 109A of the Companies Act, 1956, members are entitled to make nomination in respect of shares held by them in physical form. Members desirous of making nominations are requested to send in their request in Form no. 20B to the R & T agent.
9. Re-appointment of director.

At the ensuing annual general meeting Mr. Chintan N. Parikh and Mr. Saurabh V. Shah, directors of the company retire by rotation and being eligible for re-appointment, offer themselves for re-appointment. The information or details pertaining to the directors are provided in terms of clause 49 of the listing agreement in the report of corporate governance forming part of the annual report.

10. The details of unclaimed/unpaid dividend due for transfer to investor education and protection fund established by Central Government pursuant to section 205C of the Companies Act, 1956 are made available in the report of corporate governance forming part of the annual report.

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

Item no. 5:

Brief details of company and managing director

The company is in the business of manufacture and sale of denim fabrics, 100% cotton grey fabrics and high value yarn dyed cotton fabrics. The company has recorded operating profit of Rs. 968.49-lacs on a turnover of Rs. 23,613.73 lacs, which included export sales of Rs. 5,101.85 lacs. The foreign direct investors hold about 9.97% of the equity share capital of the company.

Mr. Chintan N. Parikh was re-appointed as managing director of the company for a period of 3 years w.e.f. February 7, 2005 to February 6, 2008 by the board of directors at their meeting held on April 28, 2004 with payment of remuneration and perquisites as per agreement dated April 28, 2004 entered into between the company and the managing director. The said re-appointment was approved by the members at the 22nd annual general meeting of the company held on June 30, 2005 and the same was also duly approved by Ministry of Company Affairs, Government of India vide their letter no.1/264/2004-CL.VII dated September 29, 2004 and letter no.1/264/04-CL.VII dated July 19, 2005. The term of Mr.Chintan N. Parikh as Managing Director of the company is to expire on February 6, 2008. The board of directors at their meeting held on April 24, 2007, re-appointed Mr.Chintan N. Parikh as Managing Director of the company for a further period of 3 (three) years w.e.f. February 7, 2008, on same remuneration and perquisites and such other terms and conditions as set out in agreement dated April 24, 2007 entered into between the company and managing director subject to the approval of members and Central Government.

Mr. Chintan N. Parikh, Managing Director is a management graduate, with specialisation in the areas of finance and accounts. He has tremendous foresight, unique business acumen, vision and capabilities for conceptualisation of new projects and their implementation. His constant endeavours to implement new state of art technologies to cater to world market with top class quality products have earned group Ashima worldwide recognition. His philosophy of "Texcellence" meaning thereby "Excellence in Textiles" has become a way of life at group Ashima and it encompasses all aspect of business right from procurement of raw

Annual Report 2006-2007

materials to final production. The group has grown leaps and bounds under his leadership. Today with his contribution, the group has become a force to reckon with in cotton textile industry both in India and world over. His views on textile industry policies are invited by Ministry of Textiles, Government of India. Mr. Chintan N. Parikh is having more than 25 years of experience in the field of textiles. He is also chairman of Nachmo Knitex Limited and managing director of Ashima Dyecot Limited, companies engaged in the business of manufacturing knitted fabrics and cotton textiles respectively. He received a remuneration of Rs.66.04 lacs for the year ended on March 31, 2007.

Extracts of the modified agreement with Mr. Chintan N. Parikh, Managing Director

The material terms of remuneration and other terms and conditions for re-appointment of the managing director are re-produced hereinbelow:

Salary

The managing director shall be entitled to monthly salary of Rs.3,50,000/- (Rupees three lacs fifty thousand only).

Perquisites

In addition to the above, the managing director shall be entitled to the following perquisites:

- i. House rent allowance: House rent allowance of Rs.1,50,000/- per month (Rupees one lac fifty thousand only).
- ii. Contribution to provident fund to the extent of Rs.42,000/- per month (Rupees forty two thousand only) and superannuation fund to the extent of Rs.52,500/- per month (Rupees fifty two thousand five hundred only), which would singly not exceed the amounts not taxable under the Income-tax Act, 1961. The contribution together with salary and other perquisites would not exceed the maximum limits as laid down under schedule XIII of the Act.
- iii. Provision of car with chauffeur for use on company's business and telephone at residence. However, personal long distance calls on telephone and use of car for private purpose shall be billed by the company to the managing director.
- iv. Premium upto Rs.1,800/- per annum (Rupees eighteen hundred only) towards personal accident and group insurance policies.
- v. Encashment of leave at the end of each year not to exceed salary and house rent allowance for a period of 28 days in a year. The amount shall not exceed Rs.4,66,667/- per annum (Rupees four lac sixty six thousand six hundred and sixty seven only) at current salary.
- vi. Notwithstanding anything contained herein, where in any financial year, during the currency of tenure of the managing director the company has no profit or its profits are inadequate, the company will pay him the above stated remuneration and perquisites as minimum remuneration.
- vii. Sitting fees - The managing director shall not be paid any sitting fees for attending the meetings of the board of directors or committees thereof from the date of his appointment.
- viii. The headquarter of the managing director shall be Ahmedabad in the state of Gujarat.
- ix. Subject to the provisions of the Act the managing director shall be liable to retire by rotation.
- x. The managing director shall not during the continuance of his employment or at any time thereafter divulge or disclose to any person whomsoever or make any use whatever for his own or for whatever purpose, of any confidential information or knowledge obtained by him during his employment as to the business or affairs of the company or as to any trade secrets or secret processes of the company and the managing director shall during the continuance of his employment hereunder also use his best endeavours to prevent any other person from doing so.



ASHIMA LIMITED

- xi. The other terms and conditions of the modified agreement will remain unchanged except to the extent modified as above.

The managing director shall be liable to retire by rotation and he shall automatically assume the office of the managing director on his re-appointment as director when retired by rotation at the relevant annual general meeting of the company and this agreement shall also remain valid and effective as if there is no change in date of his appointment as the managing director.

The remuneration proposed above is appropriate in terms of the size of the company and as compared to persons of his qualifications, cadre, knowledge and experience in the industry. Mr. Chintan N. Parikh, Managing Director, doesn't have any pecuniary relationship with the company except for the remuneration drawn by him, and equity shares held by him.

Reasons for loss and steps to improve performance

The various reasons for the present performance have been highlighted in the directors' report and the management discussion and analysis. The company has initiated and taken various steps and measures for internal and external restructuring aimed at improving upon the efficiencies, widening of the geographical base to increase customers, more emphasis on research and developments and newer product developments etc. With these renewed and effective efforts, the company is hopeful to improve its operational profitability for the year 2007-2008.

The board is of the opinion that he is fit and proper person to hold the said office and his re-appointment is in the interest of the company.

The re-appointment of the managing director with same remuneration and perquisites is subject to the approval of shareholders of the company in the ensuing annual general meeting and Central Government. Therefore the directors recommend this resolution for the approval of the members.

The copy of agreement executed between the company and the managing director is available for inspection at the administrative and corporate office of the company at Texcellence Complex, Khokhara - Mehmedabad, Ahmedabad - 380021, on any working day except Saturdays upto the date of annual general meeting.

None of the directors except Mr. Chintan N. Parikh are in any way concerned or interested in the resolution.

This explanation together with the accompanying notice is and should be treated as an extract of the terms of re-appointment of the managing director under section 302 of the Companies Act, 1956.

Date : April 24, 2007
Place : Ahmedabad

By order of the board of directors
For Ashima Limited

Regd. Office:
310, Ashima House,
Kavi Nanalai Marg,
Ellisbridge, Ahmedabad - 380 006.

Hiren S. Mahadevia
Vice President
(Corporate Finance & Planning)
and Company Secretary

DIRECTORS' REPORT

Dear members,

Your directors take pleasure in submitting the twenty fourth annual report of the company together with audited statement of accounts for the year ended on March 31, 2007.

1. Financial results:

Your company's performance during the above year is summarised below:

Particulars	(Rupees in lacs)	
	Mar. 31, 2007 (12 months)	Mar. 31, 2006 (15 months)
Profit before interest and depreciation, exceptional and extraordinary items (Net)	968.49	4,584.44
Less: Interest	314.22	2,551.21
Profit before depreciation, exceptional and extraordinary items (Net)	654.27	2,033.23
Less: Depreciation and amortisation of expenses	1,611.44	2,108.09
Loss before tax, exceptional and extraordinary items (Net)	957.17	74.86
Add: Provision for tax	20.58	30.91
Loss after tax and before exceptional and extraordinary items (Net)	977.75	105.77
Add: Exceptional and extraordinary items (Net)	1,181.37	6,419.44
Add: Prior period adjustment (Net)	(1.59)	40.97
Loss after tax, exceptional and extraordinary items (Net)	2,157.53	6,566.18
Add: Loss brought forward from previous period	34,339.72	27,773.54
Deficit carried to balance sheet	36,497.25	34,339.72

2. Dividend:

Your directors wish to inform you that in view of the losses suffered by your company during the year under review and carried forward losses of earlier years, they are unable to pay any dividend on preference shares and also unable to recommend any dividend on the equity shares of the company.

3. Subsidiary companies:

The company has two subsidiary companies in the name of Ashima Cottons Private Limited and Ashima Textiles Inc. USA.

In terms of the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, copy of the balance sheet and profit and loss account, report of the board of directors and the auditors' report of the subsidiary companies have not been attached with the balance sheet of the company. The company will make available these documents/details if and when requested by the members of the company. It may however be noted that in terms of accounting standard AS-21 of The Institute of Chartered Accountants of India, consolidated financial statements have been presented which include the financials of the subsidiary companies.

4. Performance of the company:

The operational performance of the company during the year has not been satisfactory as compared to last period both in terms of sales and operational profitability. Unfavourable and sluggish market conditions in denim division, appreciation of rupee, increase in furnace oil cost, one time payment to workers of spinning division under voluntary retirement scheme, etc., have been responsible for decline in PBDIT of the company. On a positive side, in these inflationary times company has been able to control its variable and fixed costs. The abolition of quotas has intensified competition from neighbouring countries and put tremendous pressure on sales price and consequently the margins.

The cotton prices have remained strong during the year and due to current liquidity constraints the company could not take any long term position on cotton procurement.



ASHIMA LIMITED

During the year under review the company has closed down its spinning activities of shirting division and workers have been offered voluntary retirement scheme with an approximate outflow of Rs.1061.27 lacs.

The detailed discussion on the performance is highlighted in the management discussion and analysis attached to this report.

5. Listing agreement:

The equity shares of the company are presently listed on stock exchanges at Ahmedabad, Mumbai and National Stock Exchange.

6. Corporate governance:

The report on corporate governance along with management discussion and analysis and certificate of compliance from statutory auditors forms part of this annual report.

The certificate of the statutory auditors of the company certifying compliance of conditions of the corporate governance as per clause 49 of the listing agreement is annexed with the report of corporate governance.

7. Directors' responsibility statement:

Pursuant to requirements of section 217(2AA) of the Companies Act, 1956 and on the basis of information placed before them the directors confirm that:

- (i) In the preparation of the annual accounts for financial year 2006-2007, the applicable accounting standards have been followed along with proper explanation relating to material departures if any.
- (ii) They have selected appropriate accounting policies and have applied them consistently, and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at March 31, 2007 and of the loss of the company for the said year.
- (iii) They have taken proper and sufficient care to the best of their knowledge 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.
- (iv) They have prepared the annual accounts on a going concern basis.

8. Directors:

At the ensuing annual general meeting Mr. Chintan N. Parikh and Mr. Saurabh V. Shah, are to retire by rotation, and being eligible, offer themselves for re-appointment.

9. 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.

10. Auditors:

Dhirubhai Shah & Co., Chartered Accountants, Ahmedabad retire at the ensuing annual general meeting of the company and are eligible for re-appointment. They have given their consent to act as statutory auditors of the company, if re-appointed. You are requested to re-appoint Dhirubhai Shah & Co., Chartered Accountants, Ahmedabad as statutory auditors to hold the office till the next annual general meeting.

The relevant notes forming part of accounts are self-explanatory and give full information and explanation in respect of the observations made by the statutory auditors in their report.

11. 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 forms 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 members of the company excluding the information relating to conservation of energy, technology absorption and foreign exchange

Annual Report 2006-2007

earning and outgo, and the statement of particulars of employees. Any member interested in obtaining such particulars may inspect the same at the registered office of the company or write to the secretary for a copy.

12. Fixed deposits:

The company has fixed deposits to the tune of Rs.230.67 lacs upto March 31, 2007, out of which due but unclaimed/unpaid deposits were Rs.38.18 lacs.

The company has stopped accepting fresh deposits from April 1, 2004 and has been repaying all such deposits on their maturity, in time as per the schedule and hence has not exceeded the limits.

13. Appreciation:

The directors express their gratitude for the dedicated services put in by all the employees of the company.

14. Acknowledgements:

Your directors place on record their sincere thanks to the customers, vendors, investors, banks and financial institutions for their continued support. Your directors are also thankful to the Government of India, State Government and other authorities for their support and solicit similar support and guidance in future.

For and on behalf of the board

Ahmedabad
April 24, 2007

Chintan N. Parikh
Chairman & Managing Director

CEO / CFO CERTIFICATION

In regard to annual accounts of the company for the financial year April 1, 2006 to March 31, 2007, we hereby certify that:-

1. We have reviewed financial statements and the cash flow statements for the year and that to the best of our knowledge and belief:-
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) 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.
2. There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the company and we have disclosed to the auditors and audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and audit committee:-
 - (i) significant changes in internal control systems during the year, if any.
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the company's internal control system.

Nitin D. Parekh
Executive Director

Hiren S. Mahadevia
Vice President (Corporate Finance & Planning) and Company Secretary



CORPORATE GOVERNANCE

1. Company's philosophy on corporate governance:

Ashima believes in transparency and has immense value for the principles of corporate governance. Ashima understands that accountability, equity and total transparency in its interaction with all stakeholders is its responsibility while conducting its business and hence is totally committed to achieving highest levels of standards in corporate governance practice. It is a well accepted fact both in India and world over that a good governed organisation results in maximising its stakeholders value in long run. In line with these globally accepted principles of good corporate governance, Ashima has ensured and implemented the same in its true letter and spirit, to maximise shareholders' wealth. Ashima believes that good corporate governance practice enables the management to direct and control the affairs of a company in a more efficient manner and achieve its ultimate goal of maximising value for all its stakeholders. Ashima recognises that an efficient and strong corporate governance is indispensable to resilient and vibrant capital markets and is therefore an important instrument of investor protection. Ashima believes that contribution to the society is an integral part of its being and hence strives to preserve environment, energy and heritage. Thus good corporate governance is an integral part of its value system. The company is in full compliance of clause 49 of the listing agreement.

2. Board of directors:

- a. The current policy of Ashima is to have an optimal blend of executive and independent directors having in-depth knowledge of textile industry in addition to their own areas of specialisation and expertise. The size and composition of the board conforms to the requirements of the corporate governance code under clause 49 of the listing agreement with stock exchange. The present board of directors of the company consists of 7 directors with more than 50% of it as non-executive independent directors. Further none of the directors are members of more than 10 board level committees and chairman of 5 board level committees of public companies. The board comprises of seven directors as on date of this report, details of which are as follows:-

Category	Name of directors
Promoter Director	Mr. Chintan N. Parikh - Chairman & Managing Director
Executive Director	Mr. Nitin D. Parekh
Non-Executive Independent Directors	Dr. Bakul H. Dholakia (Appointed as director of the company w.e.f. April 28, 2006)
	Mr. Saurabh V. Shah
	Mr. Jaykant R. Baxi
	Mr. Bihari B. Shah (Appointed as director w.e.f January 5, 2006)
Nominee Director	Mr. Sanjay K. Tandon - Nominee of IFCI Limited.

None of the non-executive directors have any pecuniary or material relationship or transactions with the company.

Appointment of director to retire by rotation u/s 256 of the Companies Act, 1956

As per the provisions of section 255 and 256 of the Companies Act, 1956, at least two-third of the board should consist of retiring directors. Of these, one-third are required to retire every year and if eligible may seek their re-appointment by the members. As per the said provisions, two directors are liable to retire by rotation at the ensuing annual general meeting and being eligible have offered themselves for re-appointment. Brief resume of the directors to be re-appointed at the ensuing annual general meeting, nature of their expertise in specific functional areas, and number of companies in which they hold directorship and membership of committees of the board are furnished below :-

Mr. Chintan N. Parikh- Chairman & Managing Director is management graduate. He was a doctoral student of IIMA in the areas of finance and accounts. He has about 25 years of experience of textile industry. He is also managing director of Ashima Dyecot Limited and chairman of Nachmo Knitex