



**TWENTY FIFTH
ANNUAL REPORT
2007-2008**



ASHIMA LIMITED

TWENTY FIFTH ANNUAL REPORT - 2007-2008

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. Dileep Kumar Jain	—	Nominee Director (Appointed as nominee director w.e.f. April 30, 2008)
Mr. Sanjay K. Tandon	—	Nominee Director (Withdrawn as nominee director w.e.f. April 30, 2008)
Mr. Nitin D. Parekh	—	Executive Director

BANKERS

Axis Bank Ltd.

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

Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad-380 021.

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 fifth annual general meeting** of the members of **Ashima Limited** will be held on **Monday, June 30, 2008** at Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380 021 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, 2008 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 Dr. Bakul H. Dholakia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Bihari B. 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 Corporate Affairs, New Delhi, the company hereby accords its approval to the re-appointment of Mr. Nitin D. Parekh as executive director of the company for a further period of three (3) years with effect from January 1, 2009 with same remuneration and perquisites and such other terms and conditions pertaining to appointment and remuneration as set out in the agreement of his re-appointment entered into between the company and the executive 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 executive 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 executive director shall be paid minimum remuneration by way of salary and perquisites as specified in the agreement of re-appointment of the executive director entered into between the company and the executive director and as submitted to this meeting.”

Date : April 30, 2008
Place : Ahmedabad

By order of the board of directors
For **Ashima Limited**

Regd. Office:
Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad - 380021.

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.



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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 Monday, June 23, 2008 to Sunday, June 29, 2008 (both days inclusive).
4. Shareholders 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 numbers 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. Shareholders desirous of making nominations are requested to send in their request in form no. 20B to the R & T agent.
9. Re-appointment of directors.

At the ensuing annual general meeting Dr. Bakul H. Dholakia and Mr. Bihari B. 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.

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

Item no. 5:

Brief details of company and executive director

The company is in the business of manufacturing and sale of denim fabrics, 100% cotton grey fabrics and high value yarn dyed cotton fabrics. The company has recorded operating profit of Rs.0.78 lacs on a turnover of Rs.22,320.88 lacs, which included export sales of Rs.4,475.97 lacs. The foreign direct investors hold about 9.62% of the equity of the company.

Mr. Nitin D. Parekh was re-appointed as executive director of the company for a period of 3 years w.e.f January 1, 2006 to December 31, 2008 by the board of directors at their meeting held on July 29, 2005 with payment of remuneration and perquisites as per agreement dated July 30, 2005 entered into between the company and the executive director. The said re-appointment was approved by the shareholders at the 23rd annual general meeting of the company held on June 30, 2006 and the same was also duly approved by Ministry of Finance, Department of Company Affairs, Government of India vide their letter no. 1/443/2005-CL.VII dated September 27, 2006. The term of Mr. Nitin D. Parekh as executive director of the company is to expire on December 31, 2008. The board of directors at their meeting held on April 30, 2008, re-appointed Mr. Nitin D. Parekh as executive director of the company for a further period of 3 (three) years w.e.f. January 1, 2009, on same remuneration and perquisites and such other terms and conditions as set out in agreement dated April 30, 2008 entered into between the company and executive director subject to the approval of members and Central Government.

Mr. Nitin D. Parekh, executive director is a Chartered Accountant (Gold Medalist), Chartered Financial Analyst (Gold Medalist), MBA from IIMA (12th rank) and LL.B (Gold Medalist), and is having more than 22 years of experience in the field of finance, taxation and accounts. He has a unique combination of accountancy, finance and law and management acumen and has been associated with Group Ashima since 1985. He looks after finance, administration and HRD. He has contributed immensely to the growth of your company and also will be able to take it out of the present difficulties. He received a remuneration of Rs.45.68 lacs for the year ended on March 31, 2008.

Annual Report 2007-2008**Extracts from the agreement for re-appointment of Mr. Nitin D. Parekh, Executive Director**

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

1. Salary

The executive director shall be entitled to monthly salary of Rs.2,35,000/- (Rupees two lacs thirty five thousand only).

2. Perquisites

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

- a. House rent allowance: The executive director shall be provided with house rent allowance of Rs.43,500/- p.m. (Rupees forty three thousand five hundred only).
 - b. Special allowance: The executive director shall be entitled for special allowance of Rs.35,250/- p.m. (Rupees thirty five thousand two hundred fifty only).
 - c. Medical allowance: The executive director shall be entitled for medical allowance of Rs.15,000/- p.a. (Rupees fifteen thousand only).
 - d. Leave travel concession: Expenses incurred by the executive director for self and family subject to a ceiling of Rs.24,000/- p.a. (Rupees twenty four thousand only).
 - e. Ex-Gratia payment: To the extent of 1 month's basic salary and house rent allowance put together per annum to the extent of Rs.2,78,500/- p.a. (Rupees two lacs seventy eight thousand five hundred only).
 - f. Contribution to provident fund to the extent of Rs.28,200/- p.m. (Rupees twenty eight thousand two hundred only), which would 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. Gratuity, if payable, will not exceed half a month's salary for each completed year of service, which at present salary is Rs.1,35,576/- p.a. (Rupees one lac thirty five thousand five hundred seventy six only).
 - g. Provision of car for use in company's business and telephone at residence. The usage of car for official purpose is not quantifiable in nature. However long distance calls on telephone and use of car for private purpose shall be billed by the company to the executive director.
 - h. 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.2,60,000/- p.a. (Rupees two lacs sixty thousand only).
 - i. Children's education allowance of Rs.1,500/- p.m. (Rupees one thousand five hundred only). The amount not taxable under this head would be as per provisions of the Income Tax Act, 1961 and rules made thereunder from time to time.
 - j. Premium upto Rs.1,000/- p.a. (Rupees one thousand only) towards personal accident insurance.
3. **Sitting Fees** - The executive director shall not be paid any sitting fees for attending the meetings of the board of directors or committee thereof from the date of his appointment.
4. The executive director shall be liable to retire by rotation and he shall automatically assume the office of the executive 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 executive director.



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Notwithstanding anything contained herein, where in any financial year, during the currency of tenure of the executive director, the company has no profit or its profits are inadequate the company will pay him remuneration by way of salary and perquisites as specified hereinabove, as minimum remuneration, subject to provisions of section 198, 309, 310, section II or para II of Schedule XIII of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and subject to approval of Central Government.

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. Nitin D. Parekh, Executive Director, doesn't have any pecuniary relationship with the company except for the remuneration drawn by him.

Reasons for loss and steps to improve performance

The various reasons for the present performance have been highlighted in the director's report and the management discussions 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 development and newer product developments etc. With these renewed and effective efforts, the company is hopeful to improve its operational profitability for the year 2008-2009.

The board is of the opinion that Mr. Nitin D. Parekh 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 Mr. Nitin D. Parekh as executive director with same remuneration and perquisites is subject to the approval of members 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 executive director is available for inspection at the registered 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. Nitin D. Parekh is 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 executive director under section 302 of the Companies Act, 1956.

Date : April 30, 2008

Place : Ahmedabad

By order of the board of directors
For Ashima Limited

Regd. Office:

Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad - 380021.

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

Annual Report 2007-2008

DIRECTORS' REPORT

Dear members,

Your directors take pleasure in submitting the twenty fifth annual report of the company together with audited statement of accounts for the year ended on March 31, 2008.

1. Financial results:

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

Particulars	Rupees in lacs	
	Mar. 31, 2008	Mar. 31, 2007
Profit before interest, depreciation and exceptional and extraordinary items (Net)	0.78	968.49
Less: Interest	227.83	314.22
Profit /(Loss) before depreciation, exceptional and extraordinary items (Net)	(227.05)	654.27
Less: Depreciation and amortisation of expenses	1,717.22	1,611.44
Loss before tax, exceptional and extraordinary items (Net)	1,944.27	957.17
Add: Provision for tax	16.57	20.58
Loss after tax and before exceptional and extraordinary items (Net)	1,960.84	977.75
Add: Exceptional and extraordinary items (Net)	2,349.65	1,181.37
Add: Prior period adjustment (Net)	(21.63)	(1.59)
Loss after tax, exceptional and extraordinary items (Net)	4,288.86	2,157.53
Add: Loss brought forward from previous year	36,497.25	34,339.72
Deficit carried to balance sheet	40,786.11	36,497.25

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 company's performance has been adversely affected on account of several major unfavourable business conditions. The denim market has continued to remain sluggish due to over capacities, affecting the sales realisations adversely. Further the stronger Rupee against the US Dollar has an over all negative effect on the exports. India's competitive edge vis-à-vis the neighbouring countries like Pakistan, Bangladesh and Sri Lanka has also been impacted due to the stronger Rupee. Profitability of the company has further suffered during the year due to continuous increase in the prices of furnace oil and coal. Inflationary trends in the country have increased the raw material and other input costs. Sluggish market conditions have affected company's ability to pass on the enhanced costs to the customer. On account of these factors, profitability of denim and spinfab divisions has suffered during the year.



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In order to cut utility costs, the company has completely switched over from captive power to power supplied by a local distributor company during the last quarter of the year under review, which would have its full impact by way of reduction in cost in the current year.

The company is putting in further efforts to improve upon its performance in various areas like strengthening the marketing set up and controlling costs. Further, the efforts of the company to restructure its finances are on, which would enable the company to sustain its performance and grow in a longer run.

The cotton prices have continued to be higher and are likely to strengthen further. Looking to the present liquidity constraints faced by the company, no long term view on cotton procurement can be taken.

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 to 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 2007-2008, 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, 2008 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:

Mr. Sanjay K. Tandon was withdrawn as nominee director of IFCI Limited w.e.f. April 30, 2008 and in his place Mr. Dileep Kumar Jain was appointed as nominee director of IFCI Limited w.e.f. April 30, 2008.

The board wishes to put on record the appreciation of services rendered by Mr. Sanjay K. Tandon as nominee director during his tenure with the board.

At the ensuing annual general meeting Dr. Bakul H. Dholakia and Mr. Bihari B. 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 auditors of the company, if re-appointed. You are requested to re-appoint Dhirubhai Shah & Co., Chartered Accountants as 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 auditors in their report.

Annual Report 2007-2008**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 shareholders of the company excluding the information relating to conservation of energy, technology absorption and foreign exchange earning 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.

12. Fixed deposits:

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.

The total amount of fixed deposits held by the company was Rs.65.68 lacs as on March 31, 2008 out of which due but unclaimed/unpaid deposits were Rs.22.67 lacs.

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 the 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 30, 2008

Chintan N. Parikh
Chairman & Managing Director

CEO / CFO CERTIFICATION

In regard to annual accounts of the company for the financial year April 1, 2007 to March 31, 2008, 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

Ahmedabad
April 30, 2008

**ASHIMA LIMITED**

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 organization results in maximizing 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 maximizing value for all its stakeholders. Ashima recognizes 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 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 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 specialization 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/Whole Time Director	Mr. Nitin D. Parekh – Executive Director
Non-Executive Independent Director	Dr. Bakul H. Dholakia
	Mr. Saurabh V. Shah
	Mr. Jaykant R. Baxi
	Mr. Bihari B. Shah
Nominee Director	Mr. Sanjay K. Tandon - Nominee of IFCI Limited – Withdrawn as nominee director w.e.f. 30.04.2008
	Mr. Dileep Kumar Jain – Nominee of IFCI Limited – Appointed as nominee director w.e.f. 30.04.2008.

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

Brief resume of Directors seeking Re-appointment / Appointment u/s 256 of the Companies Act, 1956.

Information required under clause 49 IV (G) of the listing agreement with respect to the directors retiring and seeking re-appointment / directors sought to be appointed is as under:-

At the ensuing annual general meeting, Dr. Bakul H. Dholakia and Mr. Bihari B. Shah, directors of the company, retire by rotation and being eligible are seeking re-appointment. A brief profile of the above directors are as under:

Dr. Bakul H. Dholakia son of Shri Harshadrai Dholakia, is B.A., M.A. Ph.D (Economics). At present he acts as advisor of Adani Group. He was director of Indian Institute of Management, Ahmedabad.