



**TWENTY SIXTH
ANNUAL REPORT
2008 - 2009**



ASHIMA LIMITED

TWENTY SIXTH ANNUAL REPORT - 2008-2009

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
Mr. Atul Kumar Singh	—	Appointed as Director w.e.f. January 30, 2009

BANKERS

Axis Bank Ltd.

AUDITORS

Dhirubhai Shah & Co.,
Chartered Accountants,
Ahmedabad

CHIEF FINANCIAL OFFICER 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.

Annual Report 2008-2009

NOTICE

NOTICE is hereby given that the **TWENTY SIXTH ANNUAL GENERAL MEETING** of the members of **ASHIMA LIMITED** will be held on **Tuesday, June 30, 2009** 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, 2009 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. Saurabh V. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Jaykant R. Baxi 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 ordinary resolution:

“RESOLVED THAT pursuant to provisions of section 257 and other applicable provisions if any, of the Companies Act, 1956 and Article 110 of Articles of Association of the company, Mr. Atul Kumar Singh be and is hereby appointed as director of the company.”

Date : April 24, 2009
Place : Ahmedabad

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

Regd. Office:

Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad - 380021.

Hiren S. Mahadevia
Chief Financial Officer
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 of 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.
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 Tuesday, the June 23, 2009 to Monday, the June 29, 2009 (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 dematerialized 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.



ASHIMA LIMITED

7. Corporate members intending to send their authorized representative are requested to send a duly certified copy of the board resolution authorizing their representative to attend and vote at the annual general meeting.
8. Consequent upon the introduction of section 109A of the Companies Act, 1956, shareholders 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.
 - a. At the ensuing annual general meeting Mr. Saurabh V. Shah and Mr. Jaykant R. Baxi, directors of the company retire by rotation and being eligible for re-appointment, offers themselves for re-appointment. The information or details pertaining to the directors is 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:

Mr. Atul Kumar Singh was appointed as additional director of the company at the meeting of board of directors of the company held on January 30, 2009. According to the provisions of section 260 of the Companies Act, 1956, he shall hold office as director only upto the date of ensuing annual general meeting of the company.

Mr. Atul Kumar Singh is a textile graduate, with graduate diploma in materials management. He is having vast knowledge and experience of over 24 years in the field of textiles, garments etc.

The company has received notice under section 257 of the Companies Act, 1956 from a member of the company signifying candidature of Mr. Atul Kumar Singh, for the appointment as director of the company.

It would be beneficial and in the interest of the company to avail of services of Mr. Atul Kumar Singh considering his rich experience. The board recommends his appointment as director of the company.

None of the directors except Mr. Atul Kumar Singh is in any way concerned or interested in the resolution.

Date : April 24, 2009

Place : Ahmedabad

Regd. Office:

Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad - 380021.

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

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Annual Report 2008-2009**DIRECTORS' REPORT**

Dear members,

Your directors take pleasure in presenting the twenty sixth annual report of the company, together with audited statement of accounts for the year ended on March 31, 2009.

1. Financial Results:

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

Particulars	Rupees in lacs	
	Mar. 31, 2009	Mar. 31, 2008
Profit before interest and depreciation, exceptional and extraordinary items (Net)	111.30	0.78
Less: Interest	425.58	227.83
Loss before depreciation, exceptional & extraordinary items (Net)	314.28	227.05
Add: Depreciation and amortisation of expenses	1602.88	1717.22
Loss before tax, exceptional & extraordinary items (Net)	1917.16	1944.27
Add: Provision for tax	16.08	16.57
Loss after tax and before exceptional & extraordinary items (Net)	1933.24	1960.84
Add: Exceptional and extraordinary items (Net)	890.06	2349.65
Add: Prior period adjustment (Net)	0.02	(21.63)
Loss after tax, exceptional & extraordinary items (Net)	2823.32	4288.86
Add: Loss brought forward from previous year	40786.11	36497.25
Deficit carried to balance sheet	43609.43	40786.11

2. Dividend:

Your directors regret their inability to recommend any dividend on the equity shares in view of the losses suffered by your company during the year under review and carried forward losses of earlier years. They are also unable to pay any dividend on preference shares also.

3. Subsidiary companies:

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

The Ministry of Corporate Affairs, New Delhi has under section 212(8) of the Companies Act, 1956, exempted the company from annexing to this Report, the annual reports of above subsidiary companies. 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 includes the financials of the subsidiary companies.

4. Performance of the company:

The operational performance of the company has been negatively affected due to several factors such as overall sluggish market conditions both at domestic and global level, stiff competition in international market, rising raw material prices and higher input costs, pressure on selling prices, lower volumes etc.

Export volumes were down for both denims and yarn dyed shirting fabrics on account of global slowdown. Overall shrinking of demand has affected sales volumes of the company severely and capacity utilization has been down for the year. However, export sales realizations were better on account of Rupee depreciation against US Dollar. Cotton prices have hardened during the year. Rising exports of cotton pushed the domestic prices up. Inflationary pressures continued for almost all input costs despite Indian economy slowing down and overall inflation also coming down. Your company exercised better cost control over administrative costs and other overheads. Despite all these adverse factors, your company has registered improvement in overall profitability by containing various costs and manage utility costs.



ASHIMA LIMITED

The detailed discussion on the performance is highlighted in the management discussions 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. Director's 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 2008-2009, 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 judgments 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, 2009 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:

During the year under review, Mr. Nitin D. Parekh resigned as director and executive director of the company w.e.f. December 31, 2008. The board wishes to put on record the appreciation of services rendered by Mr. Nitin D. Parekh during his tenure with the board.

Mr. Atul Kumar Singh was appointed as additional director on the board of the company w.e.f. January 30, 2009. He holds office up to the date of the ensuing annual general meeting of the company and being eligible offers himself for reappointment. Notice under section 257 of the Companies Act, 1956 has been received by the company from a member signifying his intention to propose the candidature of Mr. Atul Kumar Singh as director of the company.

At the ensuing annual general meeting Mr. Saurabh V. Shah and Mr. Jaykant R. Baxi 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 & Company, 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 and Company, 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.

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

Annual Report 2008-2009

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, in view of the approval granted by the Ministry of Corporate Affairs, New Delhi vide order no.7/15/2006-CL.VI dated February 6, 2007. The said order is subject to observance of certain conditions inter-alia, not accepting any fresh deposits, investment of funds or grant of loans with prior approval of Ministry of Corporate Affairs, depositor's legal right of recovery etc.

The total amount of fixed deposits held by the company was Rs.15.67 lacs as on March 31, 2009 out of which due but unclaimed / unpaid deposits were Rs. 12.34 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 24, 2009

Chintan N. Parikh
Chairman & Managing Director

CEO / CFO CERTIFICATION

In regard to annual accounts of the company for the financial year April 1, 2008 to March 31, 2009, 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.

Shrikant S. Pareekh
Chief Executive Officer

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Ahmedabad
April 24, 2009

**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 important instrument of investor protection. Ashima believes that contribution to the society is 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, where he is director. The board comprises of seven directors as on date of this report, details of which is as follows:-

Category	Name of directors
Promoter Director	Mr. Chintan N. Parikh - Chairman & Managing Director
Non-Executive Independent Directors	Dr. Bakul H. Dholakia
	Mr. Saurabh V. Shah
	Mr. Jaykant R. Baxi
	Mr. Bihari B. Shah
	Mr. Atul Kumar Singh – Appointed as Director w.e.f. 30.01.2009.
Nominee Director	Mr. D. K. Jain – Nominee of IFCI Limited

None of the non-executive directors have any pecuniary or material relationship or transactions with 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 as under:-

At the ensuing annual general meeting, Mr. Saurabh V. Shah and Mr. Jaykant R. Baxi, directors of the company, retire by rotation and being eligible are seeking re-appointment. A brief profile of the above directors are as under:

Mr. Saurabh Shah son of Mr. Vikram Shah is science graduate engaged in the business of real estate development. He is having rich experience of over 20 years in the field of construction activities. He is also member of audit committee, remuneration committee, shareholders grievance committee, share transfer committee and sub-committee.

Annual Report 2008-2009

Mr. Jaykant Baxi son of Mr. Ramprasad Baxi is B.Sc., (Hons.), LLB, DLW having a rich experience of over 45 years in the field of labour laws in textile industry. He has contributed significantly in implementation and monitoring of transparent labour law policies, in his various assignments during the course of his long standing experience. He is also member of remuneration committee, shareholder grievance committee, share transfer committee and sub-committee.

- b. Number of other companies in which the directors are director/ chairman and other board committees in which they are member or chairperson:

Sr. No.	Name of the directors	Number of directorships including alternate director	No. of memberships in board committees	Whether Chairman/ Member
1.	Mr. Chintan N. Parikh	10	1	Chairman
2.	Dr. Bakul H. Dholakia	5	7	Chairman
3.	Mr. Saurabh V. Shah	6	1	Member
4.	Mr. Jaykant R. Baxi	-	-	-
5.	Mr. Nitin D. Parekh*	2	2	Member
6.	Mr. Bihari B. Shah	-	-	-
7.	Mr. D. K. Jain	1	1	Member
8.	Mr. Atul Kumar Singh**	1	2	Member

* Resigned as director and executive director w.e.f. 31.12.2008.

** Appointed as director w.e.f. 30.01.2009.

- c. Number of board meetings held:

The board meets at least once in a quarter to review the quarterly results and consider other items on agenda. During the year 2008-2009 board of directors of the company met 4 times on following dates :- April 30, 2008, July 31, 2008, October 22, 2008 and January 30, 2009. The gap between any two meetings never exceeded four months. The dates of the meeting were generally decided well in advance. The information as required under annexure I to clause 49 is being made available to the board at respective board meetings.

- d. Attendance of each director at the meeting of board of directors and at the last AGM:

Sr. No.	Name of the directors	Number of board meetings attended	Last AGM attended (Yes/No)
1.	Mr. Chintan N. Parikh	4	Yes
2.	Dr. Bakul H. Dholakia	4	Yes
3.	Mr. Saurabh V. Shah	4	Yes
4.	Mr. Jaykant R. Baxi	3	No
5.	Mr. Nitin D. Parekh *	3	Yes
6.	Mr. Bihari B. Shah	4	Yes
7.	Mr. D. K. Jain (Nominee of IFCI Limited)	4	Yes
8.	Mr. Atul Kumar Singh **	1	—

* Resigned as director and executive director w.e.f. 31.12.2008.

** Appointed as director w.e.f. 30.01.2009.



ASHIMA LIMITED

3. Board Committees

a. Audit Committee:

The board of directors of the company has already constituted an audit committee at their meeting held on January 31, 2001. The composition of audit committee has been changed as and when required. The audit committee at present comprises of four directors viz. Dr. Bakul H. Dholakia, Mr. Bihari B. Shah, Mr. Atul Kumar Singh and Mr. Saurabh V. Shah. The constitution of audit committee meets the requirements of section 292A of the Companies Act, 1956 and clause 49 of the listing agreement.

The terms of reference of audit committee as approved by the board of directors are stipulated herein:

1. The audit committee will meet at least four times a year and not more than 4 months shall elapse between two meetings.
2. Powers of audit committee
 - a. to investigate any activity within its terms of reference.
 - b. to seek information from any employee.
 - c. to obtain outside legal or other professional advice.
 - d. to secure attendance of outsiders with relevant expertise, if it considers necessary.
3. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
4. Recommending to the board, the appointment / re-appointment and if required, replacement or removal of statutory auditor and the fixation of audit fees.
5. Approval of payment to statutory auditors for any other services rendered by them.
6. Reviewing with the management the annual financial statements before submission to the board for approval with reference to:-
 - Matters required to be included in directors' responsibility statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgment by management.
 - Significant adjustments made in financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.
 - Disclosure of related party transactions.
 - Qualifications in audit report.
7. Reviewing with the management, the quarterly financial statement before submission to the board for approval.
8. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue etc.) the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the board to take up steps in the matter.
9. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
10. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
11. Discussion with internal auditors on any significant findings and follow up thereon.
12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.