



**TWENTY SEVENTH
ANNUAL REPORT
2009 - 2010**



ASHIMA LIMITED

TWENTY SEVENTH ANNUAL REPORT - 2009-2010

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. Atul Kumar Singh	—	Director

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.

NOTICE

NOTICE is hereby given that the **TWENTY SEVENTH ANNUAL GENERAL MEETING** of the members of **ASHIMA LIMITED** will be held on Wednesday, **June 30, 2010** 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, 2010 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. 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. Chintan N. Parikh as Managing Director of the company for a further period of three (3) years with effect from February 7, 2011 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 managing director and available for inspection of members, which is hereby specifically approved at the liberty 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 28, 2010

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 Wednesday, the June 23, 2010 to, Tuesday, the June 29, 2010 (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.
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 sent in their request in Form no. 20B to the R & T agent.
9. Re-appointment of Directors

At the ensuing annual general meeting Mr. Chintan N. Parikh 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 these 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 Statements 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 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.705.03 lacs on a turnover of Rs.22476.97 lacs, which included export sales of Rs.3462.23 lacs. The foreign direct investors / NRIs holds about 10.56% of the equity 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, 2008 to 6th February, 2011 by the board of directors at their meeting held on April 24, 2007 with payment of remuneration and perquisites as per agreement dated April 24, 2007 entered into between the company and the managing director. The said re-appointment was approved by the shareholders at the 24th annual general meeting of the company held on June 30, 2007 and the same was also duly approved by Ministry of Corporate Affairs, New Delhi vide their letter no.1/360/2007-CL.VII dated May 10, 2007 and 12/360/07-CL.VII dated July 26, 2007. The term of Mr. Chintan N. Parikh as Managing Director of the company is to expire on February 6, 2011. The board of directors at their meeting held on April 28, 2010, 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, 2011, on same remuneration and perquisites and such other terms and conditions as set out in agreement dated April 28, 2010 entered into between the company and managing director subject to the approval of shareholders 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 conceptualization of new projects, its implementation. His constant endeavours to implement new state of art technologies to cater to world market with top class quality products has 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 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 28 years of experience in the field of textiles. He is also managing director of Ashima Dyecot Limited, a company engaged in the business of processing of cotton fabrics and manufacturing of garments. He received a remuneration of Rs.66.04 lacs for the year ended on March 31, 2010.

Extracts of the 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) per month.

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/- p.m. (Rupees One lac fifty thousand only) per month.
- ii. Contribution to provident fund to the extent of Rs.42,000/- p.m. (Rupees forty two thousand only) per month and superannuation fund to the extent of Rs.52,500/- p.m. (Rupees fifty two thousand five hundred only) per month, which would singly not exceed the amounts not taxable under the Income-tax Act. 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) per annum towards personal accident and group insurance policies.
- v. Encashment of leave at the end of tenure, 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 lacs 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 committee thereof from the date of his appointment.
- viii. The board of directors is empowered to increase the salary from time to time by an amount not exceeding Rs.30 lacs over a period till such time a further resolution is passed in this regard subject to necessary approval.
- ix. In view of the above remuneration of the managing director would vary from Rs.60 lacs per annum by such an amount as may be decided by the board from time to time, but not exceeding to Rs.90 lacs per annum over a period of time.
- x. The headquarter of the managing director shall be Ahmedabad in the state of Gujarat.
- xi. Subject to the provisions of the Companies Act, the managing director shall be liable to retire by rotation.
- xii. 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.

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.

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 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 developments and newer product developments etc., With these renewed and effective efforts, the company is hopeful to improve its operational profitability for the year 2010-2011.

The board is of the opinion that he is fit and proper person to hold the said office and 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 forthcoming 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 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 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 managing director under section 302 of the Companies Act, 1956.

Date : April 28, 2010
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

DIRECTORS' REPORT

Dear members,

Your directors take pleasure in presenting the twenty seventh annual report of the company, together with audited statement of accounts for the year ended on March 31, 2010.

1. Financial Results:

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

Particulars	Rupees in lacs	
	Mar. 31, 2010	Mar. 31, 2009
Profit before interest, depreciation, exceptional and extraordinary items (Net)	705.03	111.30
Less: Interest	94.52	425.58
Profit / (Loss) before depreciation, exceptional and extraordinary items (Net)	610.51	(314.28)
Less: Depreciation and amortisation of expenses	1590.86	1602.88
Loss before tax, exceptional and extraordinary items (Net)	980.35	1917.16
Add: Provision for tax	0.61	16.08
Loss after tax and before exceptional and extraordinary items (Net)	980.96	1933.24
Add: Exceptional and extraordinary items (Net)	3346.32	890.06
Add: Prior period adjustment (Net)	35.00	0.02
Loss after tax, exceptional and extraordinary items (Net)	4362.28	2823.32
Add: Loss brought forward from previous year	43609.43	40786.11
Deficit carried to balance sheet	47971.71	43609.43

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 highlight of the performance of the company for the year 2009-2010 is an improvement in performance of Denim division backed by recovery in denim market. Denim division has able to arrest its losses through higher volumes and better pricing. Attires division has shown improved profitability with shift to higher value added products. Spinfab division has been able to sustain its profitability despite major adverse factors such as increase in yarn prices and appreciation of Rupee against the US dollar. The company has been able to offset the negative impact of these factors by managing raw material cost with cost-efficient mix and strict control over administrative expenses.



Due to the above factors, the operational profitability of the company has gone up to Rs.705.03 lacs as compared to Rs.111.30 lacs in previous year.

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 2009-2010, 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, 2010 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. D. K. Jain, nominee Director of IFCI ceased to be director from July 27, 2009 consequent upon withdrawal of his nomination by IFCI. At the ensuing annual general meeting Mr. Chintan Parikh and Mr. Bihari B. Shah, Directors retire by rotation, and being eligible, offers 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 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.

There are no unpaid deposits (except unclaimed deposits) as on March 31, 2010.

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.

Ahmedabad
April 28, 2010

For and on behalf of the board
Chintan N. Parikh
Chairman & Managing Director

CEO / CFO CERTIFICATION

In regard to annual accounts of the company for the financial year April 1, 2009 to March 31, 2010, 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

Ahmedabad
April 28, 2010

Hiren S. Mahadevia
Chief Financial Officer
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 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 6 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 six 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
Nominee Director	Mr. D. K. Jain – Nominee of IFCI Limited - Withdrawn as nominee director w.e.f. 27.07.2009.

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. Chintan N. Parikh 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: