

29th

**ANNUAL REPORT
2011-2012**



ashima
LIMITED



ASHIMA LIMITED

TWENTY NINTH ANNUAL REPORT - 2011-2012

BOARD OF DIRECTORS

Mr. Chintan N. Parikh	—	Chairman & Managing Director
Dr. Bakul H. Dholakia	—	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 & WORKS

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

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs (MCA) has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars allowing service of notices/documents including Annual Report by E-mail to its members. SEBI's recent amendment to the listing agreement also endorses the "Green Initiative" of MCA. To support this green initiative of the Government in full measure, members who have not registered their E-mail address, so far, are requested to do the same immediately.

NOTICE

NOTICE is hereby given that the **TWENTY NINTH ANNUAL GENERAL MEETING** of the members of **ASHIMA LIMITED** will be held on **Wednesday, the July 25, 2012** 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, 2012 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. 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.

Date : May 16, 2012

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
& Company Secretary

NOTES :

1. **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.
2. The register of members and register of share transfer of the company in respect of equity shares of the company will remain closed from Thursday, the July 19, 2012 to Wednesday, the July 25, 2012 (both days inclusive).
3. Shareholders are requested to bring their copy of annual report to the meeting.
4. Members / proxies should fill the attendance slip for attending the meeting.
5. 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.
6. As per 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.
7. Re-appointment of Directors

At the ensuing annual general meeting Mr. Chintan N. Parikh and Mr. Jaykant R. Baxi, 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.

Date : May 16, 2012

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
& Company Secretary

**DIRECTORS' REPORT**

Dear members,

Your directors take pleasure in presenting the twenty ninth annual report of the company, together with audited statement of accounts for the year ended on March 31, 2012.

1. Financial Results:

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

Particulars	(Rupees in lacs)	
	Mar. 31, 2012	Mar. 31, 2011
Profit before interest, depreciation, exceptional and extraordinary items (Net)	436.58	1166.88
Less : Interest	148.64	89.18
Profit / (Loss) before depreciation, exceptional and extraordinary items (Net)	287.94	1077.70
Less : Depreciation and amortisation of expenses	1344.84	1443.08
Loss before tax, exceptional and extraordinary items (Net)	1056.90	365.38
Add : Provision for tax	0.33	0.48
Loss after tax and before exceptional and extraordinary items (Net)	1057.23	365.86
Add : Exceptional and extraordinary items (Net)	122.86	158.38
Add : Prior period adjustment (Net)	14.00	—
Loss after tax, exceptional and extraordinary items (Net)	1194.09	524.24
Add : Loss brought forward from previous year	48001.49	47971.71
Less : Balance of general reserve set off	—	494.46
Deficit carried to balance sheet	49195.58	48001.49

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 Company:

The company's subsidiary namely Ashima Textiles Inc. USA has been dissolved during the year under review considering the fact that the company has adequate resources to effectively manage its USA business from its corporate office. This is likely to result into cost savings to the company.

4. Performance of the company:

The company has reported a decline in profitability, with PBDIT going down to Rs.436.58 lacs for the year 2011-12 compared to Rs.1166.88 lacs for the year 2010-11. This was mainly due to substantial rise in cotton prices and inflationary trend in prices of almost all other costs including dyes and chemicals,

utilities and overhead expenses. A sluggish market, characterised by lower demand and resistance against fabric price-hike, led to lower margins, as the company could not pass on higher costs to customers.

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. 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 2011-2012, 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, 2012 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. Jaykant R. Baxi, Directors 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 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 repaid 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 6th February, 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, 2012.

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
May 16, 2012

Chintan N. Parikh
Chairman & Managing Director

CEO AND CFO CERTIFICATION

The Board of Directors,
Ashima Limited
Ahmedabad

We hereby certify that:

1. We have reviewed financial statements and the cash flow statements for the year and that to the best of their 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 their 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 for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such 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 the audit committee:
 - (i) significant changes in internal control over financial reporting 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 a significant role in the company's internal control system over financial reporting.

Shrikant S. Pareek
Chief Executive Officer

Ahmedabad
May 16, 2012

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 5 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 five directors as on date of this report, details of which is as follows:-

Category	Name of directors
Promoter Director	1. Mr. Chintan N. Parikh - Chairman & Managing Director
Non-Executive Independent Directors	2. Dr. Bakul H. Dholakia
	3. Mr. Saurabh V. Shah*
	4. Mr. Jaykant R. Baxi
	5. Mr. Bihari B. Shah
	6. Mr. Atul Kumar Singh

* Resigned as Director w.e.f. July 30, 2011.

None of the non-executive directors have any material pecuniary 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. 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. 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 30 years of experience in the field of cotton textiles. He is also Managing Director of Ashima Dyecot Limited. He has tremendous foresight, unique business acumen, vision and capabilities for conceptualization of new projects,

its implementation and making them the most profitable. 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. He is also a member of sub-committee of the board of directors.

Mr. Jaykant R. Baxi, son of Shri Ramprasad Baxi is B.Sc., (Hons.), LLB, DLW having a rich experience of more than 48 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	9	-	-
2.	Dr. Bakul H. Dholakia	2	2	Chairman
3.	Mr. Jaykant R. Baxi	-	-	-
4.	Mr. Saurabh V. Shah *	3	-	-
5.	Mr. Bihari B. Shah	-	-	-
6.	Mr. Atul Kumar Singh	-	-	-

* Resigned as Director w.e.f. July 30, 2011.

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 2011-2012 board of directors of the company met 4 times on following dates:- April 28, 2011, July 30, 2011, October 22, 2011 and January 31, 2012. 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 *	-	No
4.	Mr. Jaykant R. Baxi	3	Yes
5.	Mr. Bihari B. Shah	4	Yes
6.	Mr. Atul Kumar Singh	3	No

* Resigned as Director w.e.f. July 30, 2011.

3. Board Committees

a. Audit Committee:

The board of directors of the company has constituted an audit committee in the year 2001. The composition of audit committee has been changed as and when required. The audit committee at present comprises of three directors viz. Dr. Bakul H. Dholakia, Mr. Bihari B. Shah and Mr. Atul Kumar Singh. 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.
13. Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
14. To review the functioning of the Whistle Blower Mechanism, in case the same is existing.