



ashima
LIMITED

**THIRTIETH
ANNUAL REPORT
2012-2013**





ASHIMA LIMITED

THIRTIETH ANNUAL REPORT - 2012-2013

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. Pramod Kumar Gupta	—	Nominee Director of ARCIL
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. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holding with the Depository through their concerned Depository Participants.

NOTICE

NOTICE is hereby given that the **THIRTIETH ANNUAL GENERAL MEETING** of the members of **ASHIMA LIMITED** will be held on **Saturday, September 21, 2013** 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, 2013 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. Bihari B. Shah who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Atul Kumar Singh who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint statutory auditors and authorise the Board to fix their remuneration.

Date : May 24, 2013

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 share transfer books of the company in respect of equity shares will remain closed from Monday, September 16, 2013 to Saturday, September 21, 2013 (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 authorised representative are requested to send a duly certified copy of the board resolution authorising their representative to attend and vote at the annual general meeting.
6. Members holding shares in physical form can avail of nomination facility by filling up Form 2B (in duplicate) with the company's Registrar and Share Transfer Agents and in case of shares held in dematerialized form the nomination has to be lodged with their Depository Participants (DP).
7. Re-appointment of Directors

At the ensuing annual general meeting Mr. Bihari B. Shah and Mr. Atul Kumar Singh, 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 24, 2013

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 thirtieth annual report of the company, together with audited statement of accounts for the year ended on March 31, 2013.

1. Financial Results:

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

Particulars	(Rupees in lacs)	
	Mar. 31, 2013	Mar. 31, 2012
Profit before interest, depreciation, exceptional and extraordinary items (Net)	98.46	313.72
Less : Interest	166.33	148.64
Profit / (Loss) before depreciation, exceptional and extraordinary items (Net)	(67.87)	165.08
Less : Depreciation and amortisation of expenses	1326.93	1344.84
Loss before tax, exceptional and extraordinary items (Net)	1394.80	1179.76
Add : Provision for tax	0.35	0.33
Loss after tax and before prior period adjustments	1395.15	1180.09
Add : Prior period adjustments	—	14.00
Loss after tax	1395.15	1194.09
Add : Loss brought forward from previous year	49195.58	48001.49
Deficit carried to balance sheet	50590.73	49195.58

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. Performance of the company:

The company has reported a substantially lower PBDIT of Rs.98.45 lacs for the year under review as compared to a PBDIT of Rs.313.72 lacs in the year 2011-12. This was mainly due to the steep fall in the performance of the Spinfab division of the company, which has more than offset marked improvement in the performance of Denim division.

Increase in yarn prices, enhanced costs due to wage revision, increase in salary cost and inflationary pressure led to higher costs and expenses. While the prices of dyes and chemicals remained steady, utilities cost increased significantly. The textile market had a difficult year as liquidity position remained tight and there was demand for higher credit from the buyers putting the strain on working capital resources.

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

4. Listing Agreement:

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

5. Corporate Governance:

The report on corporate governance along with management discussion and analysis 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.

6. 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 2012-2013, 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, 2013 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.

7. Directors:

Mr. Pramod Kumar Gupta was appointed as nominee director of Asset Reconstruction Company (India) Ltd., w.e.f. May 24, 2013.

At the ensuing annual general meeting Mr. Bihari B. Shah and Mr. Atul Kumar Singh, Directors retire by rotation, and being eligible, offer themselves for re-appointment.

8. 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.

9. 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.



10. 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.

11. 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, 2013.

12. Appreciation:

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

13. 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 24, 2013

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 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 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.
 - (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.

Chintan N. Parikh
Chairman & Managing Director

Ahmedabad
May 24, 2013

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 and Managing Director
Non-Executive Independent Directors	Dr. Bakul H. Dholakia Mr. Jaykant R. Baxi Mr. Bihari B. Shah Mr. Atul Kumar Singh
Non-Executive-Nominee Director	Mr. Pramod Kumar Gupta – Nominee of ARCIL w.e.f. 24 th May, 2013.

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. Bihari B. Shah and Mr. Atul Kumar Singh, 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. Bihari B. Shah son of Shri Bhogilal Shah is a practicing chartered accountant and is having rich and wide experience of more than 47 years in field of finance, taxation, audit and corporate laws. He is also member of audit committee of the board of directors.

Mr. Atul Kumar Singh son of Shri Vidya Swarup Singh is a textiles graduate, with diploma in materials management. He is having vast knowledge and experience of over 28 years in the field of textiles, garments etc. He is also member of audit committee, share transfer committee, remuneration committee, shareholders' grievances committee and sub-committee of the board of directors of the company.

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. Bihari B. Shah	-	-	-
5.	Mr. Atul Kumar Singh	-	-	-
6.	Mr. Pramod Kumar Gupta #	1	-	-

Appointed as Nominee Director of ARCIL w.e.f. May 24, 2013.

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 2012-2013 board of directors of the company met 4 times on following dates:- May 16, 2012, July 31, 2012, October 30, 2012 and January 31, 2013. 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	No
4.	Mr. Jaykant R. Baxi	3	Yes
5.	Mr. Bihari B. Shah	4	Yes
6.	Mr. Atul Kumar Singh	4	Yes
7.	Mr. Pramod Kumar Gupta #	-	-

Appointed as Nominee Director of ARCIL w.e.f. May 24, 2013.

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 four 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.

15. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
16. Approval of appointment of CFO (i.e. the whole time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate.
17. Carrying out any other function as is mentioned in the terms of reference of the audit committee.

During the year 2012-2013, the audit committee met 4 times on May 16, 2012, July 31, 2012, October 30, 2012 and January 31, 2013. The audit committee normally reviews those functions which are assigned to it as per the terms of reference approved by board. The meeting held on May 16, 2012 was to review annual accounts for the year ended on March 31, 2012.

The details of audit committee meetings attended by the directors are given below:

Sr. no.	Name	Designation	No. of meetings held	No. of meetings attended
1.	Dr. Bakul H. Dholakia	Chairman	4	4
2.	Mr. Bihari B. Shah	Member	4	4
3.	Mr. Atul Kumar Singh	Member	4	4

b. Remuneration Committee:

The board of directors of the company has constituted a remuneration committee in the year 2003. The composition of remuneration committee has been changed as and when required. The committee recommends/reviews the remuneration package of the managing / whole-time / executive directors of the company based on individual performance, qualifications and experience & the comparable industry practices. The remuneration policy of the company is aimed at rewarding good performance and attracting and retaining the best managerial talent. The committee at present consists of Dr. Bakul H. Dholakia, Mr. Jaykant R. Baxi and Mr. Atul Kumar Singh, directors of the company. There was no remuneration committee meeting held in the year under review. By constituting a remuneration committee the board has complied with non-mandatory requirement of clause 49 of the listing agreement.

Details of remuneration paid to directors for the financial year 2012-2013:-

The terms of appointment and remuneration of Mr. Chintan N. Parikh, Chairman and Managing Director has been fixed and approved by the remuneration committee, board of directors, shareholders and Ministry of Corporate Affairs, New Delhi for a period of 3 years w.e.f. February 7, 2011 to February 6, 2014.

The remuneration paid for the financial year ended on March 31, 2013 to Mr. Chintan N. Parikh, Managing Director of the company is Rs.66.44 lacs which includes salary, perquisites, contribution to provident fund and superannuation fund. Besides this the Managing Director, is also entitled to encashment of leave as per the rules of the company.

The company pays sitting fees to all of its Independent Non-Executive Directors. The same is paid at the rate of Rs.3,000/- per meeting. The sitting fees paid for the year ended on March 31, 2013 to the directors is as follows:-

Sr.no.	Name of the directors	Amount (in Rs.)
1.	Dr. Bakul H. Dholakia	24000
2.	Mr. Jaykant R. Baxi	9000
3.	Mr. Bihari B. Shah	24000
4.	Mr. Atul Kumar Singh	24000

**c. Share Transfer Committee:**

The board of directors of the company has already constituted a share transfer committee to deal with the matters relating to transfers/ transmissions/ transposition/ consolidation/split / issue of share certificates in exchange for sub-divided/consolidated/ defaced/mutilated share certificates/ issue of duplicate share certificates etc. The composition of share transfer committee has been changed as and when required. The share transfer committee at present comprises of Mr. Atul Kumar Singh - Director, Mr. Jaykant R. Baxi – Director and Mr. Hiren S. Mahadevia - Chief Financial Officer & Company Secretary as members. The share transfer committee met from time to time to approve the matters relating to transfer, transmission, issue of duplicate share certificates etc.

The board of directors of the company ratifies and takes on record the businesses transacted by the share transfer committee at subsequent board meetings.

The company has as per Securities and Exchange Board of India (SEBI) guidelines w.e.f. March 24, 2000 offered the facility of transfer of shares both in physical and demat form. At present the entire activities relating to shares transfer, transmission, etc. is handled by Link Intime India Pvt. Ltd., Ahmedabad, a SEBI authorised registrar which also provides electronic connectivity with CDSL and NSDL to carry out such work assigned.

The shareholding of the company constitutes shares in dematerialized and physical form in ratio of 96.30% and 3.70% respectively as on March 31, 2013.

d. Shareholders’/ Investors’ Grievance Committee:

The board of directors of the company constituted shareholders’ / investors’ grievances committee in the year 2002. The composition of same has been changed as and when required. The present committee consists of Mr. Atul Kumar Singh and Mr. Jaykant R. Baxi as Directors and Mr. Hiren S. Mahadevia – Chief Financial Officer & Company Secretary as Compliance Officer, to look into redressal of investors complaints like transfer of shares, non-receipt of annual report and other investor related matters. The committee met once in the year on March 31, 2013 to take stock of redressal of investors complaints. The committee has authorised Mr. Dipak Thaker, Authorised Person to attend and redress day to day investor complaints and report the same to committee at their meetings. The meeting was attended by all the members of the committee. The company had received 4 investors complaint during the financial year under review, and the same was redressed and no complaint is pending.

e. Code of conduct and business ethics:

The company has laid down code of conduct and business ethics for its board members and senior management. This code of conduct and business ethics lays down various principles and guidelines for board members and senior management of the company, aimed at improving and enhancing the corporate relations with its stakeholders. The said code has been communicated to the directors and the members of the senior management and they have confirmed compliance with the said code.

4. General Body Meetings:***Location and time for the last three AGMs:***

Year	Date	AGM/EGM	Venue	Time
2010	30/06/2010	AGM	Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380021.	10.30 a.m.
2011	23/09/2011	AGM	As Above	10.30 a.m.
2012	25/07/2012	AGM	As Above	10.30 a.m.

Special resolutions set out in respective notices of the aforesaid AGMs were passed by the shareholders present at the meeting. None of the resolutions placed before the previous AGMs required a postal ballot. Similarly, no special resolution requiring a postal ballot is being proposed at the ensuing AGM.

5. Disclosures:

- a) Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.**

All the transactions entered by company were reasonable and routine in nature. None of the transactions with any of the related parties were in conflict with the interest of the company. The details have been given as part of notes to accounts in the annual report.

- b) Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.**

No penalty for any non-compliance by the above named authorities were imposed on the company during last three years.

Further a qualified practicing company secretary has carried out reconciliation of share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) with the total issued and paid up capital. The audit confirms that total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

- c) Board disclosure – risk management**

The board takes responsibility for the total process of risk management in the organization. Results of the risk assessments and residual risks are presented to the senior management and the audit committee members. The management is accountable for the integration of risk management practice in its day to day activities. The scope of the audit committee includes review of the company's financial and risk management policies. The audit committee reviews the audit reports covering operational, financial and other business risk areas.

- d) Certification from CEO and CFO**

The requisite certification from the Chief Executive Officer and Chief Financial Officer and Company Secretary as required to be given under clause 49 (V) has been placed before the board of directors of the company.

6. Means of Communication:

The financial results of the company are reported to as mentioned below:-

- Half yearly reports sent to shareholders : No
- Quarterly results normally published in which news paper : English Daily News paper
Gujarati Daily News paper
- Any website : Yes on www.ashimagroup.com
- Whether it displays official news release and the presentation made to institutional investors or to analyst : There have been no presentations made.
- Whether management discussion and analysis report is a part of annual report : Yes

7. General Shareholders' Information:

- a. AGM date, time and venue : September 21, 2013 at 10.30 a.m. at Texcellence Complex, Khokhara - Mehmedabad, Ahmedabad – 380021.
- b. Date of book closure : September 16, 2013 to September 21, 2013.
- c. Listing on stock exchanges : 1. The Ahmedabad Stock Exchange Limited
2. The National Stock Exchange of India Limited
3. The Bombay Stock Exchange Limited



- d. Listing fees : Paid for all the above stock exchanges for financial year 2012-2013.
- e. Address of registered office : Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad - 380021.
- f. Financial calendar : April 1, 2013 to March 31, 2014.
 Results for 1st quarter ending on June 30, 2013 : Last week of July, 2013
 Results for 2nd quarter ending on September 30, 2013 : Last week of October, 2013
 Results for 3rd quarter ending on December 31, 2013 : Last week of January, 2014
 Results for 4th quarter ending on March 31, 2014 : Last week of April, 2014
 Annual General Meeting : September, 2014.
- g. Stock exchange security code:
 ➤ The Ahmedabad Stock Exchange Ltd : ASHIMA/05530
 ➤ The Bombay Stock Exchange Ltd : 514286
 ➤ The National Stock Exchange of India Ltd : ASHIMASYN
 Demat ISIN numbers in NSDL and CDSL for equity shares : ISIN No. : INE 440A01010
- h. Monthly high and low quotations along with the volume of shares traded at National Stock Exchange and Bombay Stock Exchange during the financial year ended March 31, 2013:

MONTH	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
April 2012	4.10	3.60	16298	4.25	3.61	55447
May 2012	3.70	3.10	29168	4.03	3.11	161723
June 2012	3.70	3.20	83275	3.90	3.22	97132
July 2012	4.25	3.35	78505	4.19	3.35	156519
Aug.2012	4.70	3.25	85858	5.15	3.25	218666
Sept.2012	6.75	4.30	358130	6.75	4.28	709251
Oct.2012	7.20	4.95	181640	7.35	4.92	352118
Nov.2012	5.20	4.70	39474	5.34	4.66	223071
Dec.2012	5.20	4.35	56297	5.20	4.36	148900
Jan. 2013	5.30	3.85	93857	5.40	3.90	209195
Feb. 2013	4.50	3.50	66679	4.53	3.45	88650
Mar. 2013	4.40	2.70	175433	3.98	2.60	140729

- i. Distribution of shareholding:

As on March 31, 2013 the distribution of shareholding and share holding pattern was as under:

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1-500	16993	80.27	2730793	8.18
501-1000	1985	9.38	1790232	5.37
1001-5000	1719	8.12	4195389	12.57
5001-10000	264	1.25	1975915	5.92
10001 and above	209	0.98	22676458	67.96

Shareholding Pattern of the Company:

Sr. No.	Category	No. of shares held	Percentage (%) of share holding
A.	Promoter's holding		
	Indian Promoters & Promoter Group	11137293	33.38
	Sub Total	11137293	33.38
B.	Non- Promoter holding		
	1. Institutional Investors		
	a. Mutual Funds and UTI	3300	0.01
	b. Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions/ Non-government institutions)	23074	0.07
	c. FII's	-	-
	Sub Total	26374	0.08
C.	Others		
	a. Private Corporate Bodies	4620460	13.85
	b. Indian Public	16243457	48.68
	c. NRI/ OCBs	1341203	4.01
	d. Any other (FDIs)	-	-
	Sub Total	22205120	66.54
	Grand Total	33368787	100.00

j. Registrar and Share Transfer Agents:

The company had appointed Link Intime India Pvt. Limited, Ahmedabad to carry out transfer related activities of shares of the company both in physical and demat form in pursuance to SEBI circular no. D&CC/FITTC/CIR-15/2002 dated 27/12/2002.

k. Share Transfer System :

All the shares related work is undertaken by Link Intime India Pvt. Ltd, Ahmedabad in pursuance of SEBI guidelines. All the statements relating to share transfer, transmission, split up, consolidation, demat etc., are regularly placed before the meeting of share transfer committee, which meets regularly for their approval and thereafter is placed before the meeting of the board of directors of the company for noting and ratification. Further the share transfers are registered and returned within 15 days from the date of receipt, if the documents are complete and clear in all respects.

l. Dematerialisation Details:

The shares of the company have been under compulsory trading in demat effective from March 24, 2000. The company had entered into tripartite agreement with NSDL, CDSL and Link Intime India Private Ltd, for dematerialisation of the securities. Upto March 31, 2013, 13696 shareholders have sought dematerialisation of their 3,21,32,704 equity shares which constitutes 96.30% of total share capital of the company.



m. Liquidity:

The company's shares are among the most liquid and actively traded shares on Bombay Stock Exchange and National Stock Exchange. The monthly trading volumes of company's shares have been given at point h hereinabove.

n. Dividend:

The board of directors of the company have not recommended any dividend for the year ended on March 31, 2013.

o. Plant Location:

Texcellence Complex, Khokhara – Mehmedabad, Ahmedabad – 380021.

p. Address for Correspondence:- Investors / shareholders should address their correspondence to the Registrar and Share Transfer Agents at the address mentioned below :-

Mr. Umesh Ved
Link Intime India Pvt. Ltd
Unit No.303, 3rd Floor, Shoppers Plaza V,
Opp. Municipal Market, Off. C.G. Road,
Ahmedabad – 380009.

All the other investors related complaints be addressed to:-

Secretarial Department, Texcellence Complex, Near Anupam Cinema, Khokhara – Mehmedabad, Ahmedabad – 380021.

The company has also designated an e-mail ID exclusively for the purpose of registering complaints by investors. The e-mail ID is investor_redressel@ashimagroup.com. Shareholders / Investors can send their complaints / grievances to the above e-mail ID and the same will be attended to by our In-house secretarial department.

q. Transfer of unclaimed amounts to Investor Education and Protection Fund:

Pursuant to the provisions of section 205A(5) of the Companies Act, 1956 dividends on equity shares remaining unclaimed for a period of seven years from the date they became due for payment will have to be transferred to the Investor Education and Protection Fund (IEPF) set up by the Central Government. There is no unclaimed dividend on equity shares which are falling due for transfer to IEPF in the next financial year i.e. 2013-2014.

During the year under review the company has credited a sum of Rs.90,766/- and Rs.2,30,000/- respectively towards unclaimed interest on fixed deposit and unclaimed matured fixed deposits in respect of financial years 2005-2006 and unclaimed non-convertible debentures (NCDs) to IEPF, pursuant to section 205C of the Companies Act, 1956 and Investor Education Protection Fund (Awareness and Protection of Investor) Rules, 2001.

The above report has been placed before the board of directors of the company at their meeting held on May 24, 2013 and the same was approved thereat.

For and on behalf of the board

Ahmedabad
May 24, 2013

Chintan N. Parikh
Chairman and Managing Director

AUDITORS' CERTIFICATE

To,
The members of
Ashima Limited
Ahmedabad.

We have examined the compliance of conditions of corporate governance for the year ended on March 31, 2013, as stipulated in clause 49 of the listing agreement of the said company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

On the basis of our verification, and as certified by Compliance Officer (Company Secretary), we have to state that no investor grievances were remaining unattended / pending for more than thirty days.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with the management has conducted the affairs of the company.

For **Dhirubhai Shah & Co.**
Chartered Accountants
[Firm Registration No. 102511W]

Date : May 24, 2013
Place : Ahmedabad

Kaushik D. Shah
Partner
Membership No. 016502

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

This is to confirm that the company has adopted a code of conduct for directors and senior management personnel.

I confirm that the company has in respect of the financial year ended on March 31, 2013, received from the members of the board and senior management personnel declaration of compliance with the code of conduct as applicable to them.

Date : May 24, 2013
Place : Ahmedabad

Chintan N. Parikh
Chairman & Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS**OVERVIEW**

The year 2012-13 was a difficult year for fabric manufacturing industry as it faced problems on several fronts such as continued inflationary pressures, firming of yarn prices. The liquidity position remained tight and manufacturers faced stress on their finances on account of demand for higher credit by the buyers and those who could not stretch their finances were affected badly. Volumes were affected on account of buying power of customers getting affected due to inflationary pressures. Yarn prices strengthened due to global factors like higher imports by China and removal of safeguard import duty by Turkey during the year.

As the company has been facing financial constraints, it is unable to invest in machinery upgradation required for product development, as well as for keeping machinery and utilities in good operational condition. This has hampered product development and affected efficiency, resulting in sub-optimum performance. All major costs, especially the utilities and wages cost increased during the year. As a result, profitability of the company at PBDIT level fell sharply.

SEGMENT ANALYSIS AND REVIEW

The company has continued to operate only in one segment i.e. Textiles. The different products within textiles in which company has its presence are discussed below:

Denim:

Denim division achieved significant improvement in the performance on account of better realizations and higher exports. Domestic denim market was very sluggish in the second half of the year under review but the division improved profitability by pushing export volumes. The division could have reported better profitability but for the increased costs due to inflation and wage revision. Although domestic sales have gone down marginally, there was a marked improvement in export sales performance. There was a substantial shift in product mix in favour of lighter varieties as per the fashion trend, as a result of which some intermediate capacity was available, which the division utilized by undertaking job work during the year and boosted its profitability. Softening of cotton prices had a positive impact and allowed the company to maintain its volumes, as the benefit of lower cotton prices was passed on to the customers.

Spinfab:

The division has reported sharp reduction in overall profitability as compared to the previous year. The division tried to push volumes and improve profitability but increase in yarn prices and inflationary pressures led to higher costs and expenses. Challenging market conditions did not permit company to pass on higher costs to the customers. The division faced challenges in offering new products to its customers due to its inability to invest in new product development capability. As a result of these factors, the operational profitability was negative as against the positive profitability in the previous year.

Attires:

The Attires division has reported higher sales turnover as compared to the previous year, but overall PBDIT margin has declined.

FINANCIAL RESULTS AND OUTLOOK:**Financial performance:**

The performance of the company suffered due to steep fall in the profitability of Spinfab division, which more than offset the marked improvement in performance of Denim division. While Denim division benefited due to lower cotton prices, Spinfab division suffered due to higher yarn prices. The overall PBDIT suffered steep fall and came down to Rs.98.45 lacs during the year under review from Rs.313.72 lacs in the previous year.

Raw material:

The cotton prices softened during the year compared to all time high levels in the previous year. However, increase in yarn prices and inflationary trend led to higher costs and expenses.

Dyes and Chemicals:

The prices of all dyes and chemicals almost remained steady.

Utilities:

Utilities cost has increased significantly during the year due to hike in power tariff by power supplier.

Other Manufacturing expenses:

The cost of spares consumption has gone up as the machineries and utilities have become very old and need higher maintenance. Job work charges have gone up due to higher volumes in Spinfab division. There was increase in fixed costs as wages went up on account of wage settlement with workers, the full impact of which will be reflected in the subsequent year. Salary cost also increased in line with the industry norm.

Interest:

Interest cost, which includes mainly interest paid to overdue trade creditors, has gone up during the year under review, as the company is dependent on market credit in absence of working capital facilities. The company has not made provision for unpaid interest on secured debt and unsecured debt, considering the ongoing comprehensive debt restructuring. It is only when the debt restructuring is completed that the actual interest cost would be known. It is expected that the debt restructuring exercise would take into consideration the earning capacity of the company and existing situation of the textile industry.

Outlook:

The near term outlook for the industry is slightly pessimistic even from the base of immediate past, especially the liquidity situation is likely to remain tight for next 6 months and companies which are facing liquidity crunch will have a tough time in such a challenging situation. There are not many positive indications except for the marginal easing of inflation of late. However, it seems unlikely that the economy would move into low inflation on sustainable basis, as several macro level factors are not encouraging. Thus, pressure of inflation on markets is likely to continue. Also, it seems the high interest regime is likely to continue considering the policy stance of the regulators hitherto and hence credit availability in the market is likely to be expensive. A good monsoon, however, may salvage the situation to some extent, but a substantial improvement in the economy or markets in general or textile market in particular is unlikely to happen.

RESOURCES AND LIQUIDITY

The consistent pressure on operational profitability has put the resources of the company on continuous stress, especially its working capital management. The company has been facing resource constraint and therefore it is unable to make essential investments in up gradation of manufacturing facilities and product development, affecting competitiveness and performance of the company.

The high level of debt continues to haunt the operations of the company. The company continues to pursue with its lenders for a viable debt restructuring exercise which can improve its liquidity position and lead to efficient operational performance.

OPPORTUNITIES

The company is making all out efforts to improve its performance by continuously enhancing product range, market development and better cost management for competitive advantage, with the available resources.

THREATS

Company's ageing machineries and utilities need upgradation. However, on account of financial constraints faced by the company, it is unable to invest in upgradation. Obsolescence in machineries and inefficient utilities coupled with inflationary pressure on price of inputs result in higher costs. The company is facing serious challenge on cost front, as inflationary pressures, which affect all elements of cost, are likely to continue despite moderate easing of the inflation of late.



INTERNAL CONTROL SYSTEMS

The company's internal control system encompasses all business processes to ensure efficiency of operations, compliance with internal policies and applicable laws and regulations, protection of resources and assets and accurate reporting of financial transactions. The adequacy and effectiveness of the internal control systems is reviewed by the audit committee of the board, which suggests improvements for strengthening them. Considering the size of the company and nature of its operations the present internal control system is adequate.

RISKS AND CONCERNS

Since last few years frequent changes in the government policy has become a major factor impacting the price movement of cotton which is the main raw material for the company. Being an agro commodity, it has high risk of supply fluctuations due to variations in crop volumes, which also lead to volatile price movements. Purchases of cotton and yarn by China which is a leading player, also plays an important part in such price movements. Except for the year under review, cotton prices have continuously surged in the last few years, which have affected profitability of the company. The company is also exposed to fluctuations in the currency, which has an impact on export sales realization and profitability of the company. Inflation affects cost-competitiveness of the company in global markets. The company also faces other risks like economic slowdown, change in government policies etc. that affect the business of the company. The international trade related policies of the Government, like the decision taken in recent past to accord special status and better access to Indian markets to Bangladesh has adversely affected the domestic textile industry.

RESEARCH AND DEVELOPMENT

The company recognizes the importance of research and development in a competitive and constantly challenging business environment. In order to ensure that its products meet high standards of quality, the company has set up modern product designing and development facilities and consistently maintains its focus on research and development, especially product innovation and development.

HEALTH, SAFETY AND ENVIRONMENT

The company accords top priority to health, safety and welfare of its workers and employees. Adequate steps have been taken and further improvements are made on continuous basis aimed at safe and comfortable working conditions of workers. The company adheres to environment emission standards. The company maintains green cover in its manufacturing complex to protect the environment and provide pleasant ambience for its employees. Various aspects of working conditions of workers, health related issues, minimizing risk of accidents at work place, etc. are being taken care of by safety committee of the company.

HUMAN RESOURCES DEVELOPMENT

Human resource policies adopted by the company attaches significant importance for attracting and retaining the right talent. The company ensures employee satisfaction and welfare through various financial and non financial measures.

CAUTIONARY STATEMENT

Statements in the directors' report and the management discussion and analysis containing the objectives, expectations or predictions of the company may be forward-looking within the meaning of securities laws and regulations. Actual results may differ materially from those expressed in the statement. The operations of the company could be influenced by various factors such as domestic and global demand and supply conditions affecting sales volumes and selling prices of finished goods, input availability and cost, government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

INDEPENDENT AUDITORS' OPINION

**To
The Members of
Ashima Limited
Ahmedabad**

Report on the Financial Statements

We have audited the attached Balance Sheet of Ashima Limited as at March 31, 2013 and the related Profit and Loss Account and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Attention is required to following notes forming parts of accounts-

- 1. Note no. 38 relating to non provision of interest amounting to Rs. 27,409.57 lacs on secured/unsecured debt.**
- 2. Note no. 41 relating to preparation of accounts on a going concern basis.**

Subject to the foregoing, in our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2013;
- (ii) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.



Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion **subject to note no. 38 of notes forming part of the accounts regarding non provision of interest and reconciliation of outstanding dues of the lenders**, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956; and
 - e. On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **Dhirubhai Shah & Co.**
Chartered Accountants
[Firm Registration No. 102511W]

Date : May 24, 2013
Place : Ahmedabad

Kaushik D. Shah
Partner
Membership No. 016502

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF THE AUDITORS

1. The nature of the company's business/activities during the year is such that the requirements of clauses (xii),(xiii) and (xiv) of paragraph 4 of the Order are not applicable to the company.
2. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals. In our opinion, the programme of verification is reasonable having regard to the size of the company and the nature of its assets. We have been informed that no material discrepancies were noticed on such verification.
(c) According to the information and explanations given to us, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
3. (a) As explained to us, the inventories have been physically verified during the year by the management except inventories lying with third parties (other than stock lying with Ashima Dyecot Limited) which have been confirmed and stock in transit which have been subsequently received. In our opinion, the frequency of verification is reasonable.
(b) As explained to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) On the basis of our examination of the inventory records, we are of the opinion that, the company is maintaining proper records of inventory. Discrepancies noticed on physical verification of inventory as compared to book records were not material and the same have been properly dealt with in the books of account.
4. (a) As explained to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(b) Not applicable in view of (a) above.
(c) Not applicable in view of (a) above.
(d) Not applicable in view of (a) above.
(e) As explained to us, the company has not taken any loans, secured or unsecured from the parties covered in the register maintained under section 301 of the Companies Act, 1956.
(f) Not applicable in view of (e) above.
(g) Not applicable in view of (e) above.
5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls.
6. (a) We have been informed that particulars of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanations given to us, all the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000/- in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.



7. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from the public. Further, no order has been passed by the Company Law Board or any other court or tribunal.
8. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
9. According to the information and explanations given to us, the company has maintained proper cost records as prescribed by the Central Government under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956. We have broadly reviewed the accounts and records of the company in this connection and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not however made a detailed examination of the same.
10. (a) According to the information and explanations given to us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employee's state insurance, income tax, municipal tax, sales tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employee's state insurance, income tax, sales tax, value added tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it were in arrears, as at March 31, 2013 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the details of disputed statutory dues are as follows:

Sr. No.	Nature of statute	Nature of dues	Amount Rupees in lacs	Period to which the amount relates	Forum where dispute is pending
1	Foreign Trade (Dev. & Regu. Act), 1992	Custom Duty and Interest	54.14	1997	Gujarat High Court
2	The Income Tax Act, 1961	Income tax	41.04	A.Y. 1994-95	Gujarat High Court
3	The Income Tax Act, 1961	Income tax	676.66	A.Y. 1996-97	Assessment Officer (matter remanded by ITAT)
4	The Income Tax Act, 1961	Income tax	0.87	A.Y. 2001-02	Assessment Officer
5	The Income Tax Act, 1961	Income tax	0.48	A.Y. 2006-07	CIT (Appeals)
6	The Income Tax Act, 1961	Income tax	0.10	A.Y. 2007-08	CIT (Appeals)
7	Gujarat Education Cess Act, 1962	Education cess	64.77	Prior to year 1993-94	Ahmedabad Municipal Corporation Cess Act, 1962
8	Gujarat Sales Tax Act, 1969	Sales Tax	1906.01	A.Y. 1999-2000 and 2000-2001	Joint Commissioner (Appeals) of Commercial Tax

11. In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. Further, the company has incurred cash losses during the financial year covered by our audit.
12. According to the information and explanations given to us, the company has defaulted in repayment of dues to banks, financial institutions and debenture holders. The details of which are as follows:

Year of default	Principal	Interest	Total
Within the year under review	—	4,629.84	4,629.84
Since prior to the year under review	4,060.54	20,714.82	24,775.36
Total	4,060.54	25,344.66	29,405.20

Apart from the above the amount of Rs. 750 lacs in suspense account also remains unsettled. Refer note no. 39 of notes forming parts of accounts.

13. According to the information and explanations given to us, in respect of guarantees given by the company for loans taken by others from banks, the terms and conditions of such guarantee are not prejudicial to the interest of the company.
14. According to the information and explanations given to us, the company has not taken term loans during the year. However, in respect of term loans availed in past the same were applied for the purpose for which the loans were obtained.
15. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.
16. According to the information and explanations given to us, the company has not made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
17. According to the information and explanations given to us, proper securities or charge have been created in respect of debentures issued by the company.
18. According to the information and explanations given to us, the company has not raised any money by way of public issue during the year under audit.
19. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For **Dhirubhai Shah & Co.**
Chartered Accountants
[Firm Registration No. 102511W]

Date : May 24, 2013
Place : Ahmedabad

Kaushik D. Shah
Partner
Membership No. 016502



BALANCE SHEET AS AT MARCH 31, 2013

(Rupees in lacs)

	Note Number	As at Mar. 31, 13	As at Mar. 31, 12
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	2	5,386.88	5,386.88
(b) Reserves and surplus	3	(29,798.60)	(28,403.45)
2 Non-current liabilities			
(a) Long-term borrowings	4	46,810.89	47,057.33
(b) Other Long term liabilities	5	540.37	546.23
(c) Long-term provisions	6	223.38	183.11
3 Current liabilities			
(a) Trade payables	7	2,827.14	1,210.02
(b) Other current liabilities	8	636.48	612.36
TOTAL		26,626.54	26,592.48
II. ASSETS			
1 Non-current assets			
(a) Fixed assets	9		
(i) Tangible assets		17,297.94	18,513.86
(ii) Intangible assets		70.81	72.19
(b) Long term loans and advances	10	431.56	394.33
(c) Other non-current assets	11	152.93	156.09
2 Current assets			
(a) Inventories	12	5,752.19	4,254.19
(b) Trade receivables	13	2,194.62	2,339.80
(c) Cash and cash equivalents	14	499.28	673.48
(d) Short-term loans and advances	15	40.30	56.06
(e) Other current assets	16	186.91	132.48
TOTAL		26,626.54	26,592.48
Significant Accounting Polices	1		

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants

Kaushik D. Shah
Partner

Ahmedabad
May 24, 2013

Chintan N. Parikh
Chairman & Managing Director

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Atul Kumar Singh
Director

Ahmedabad
May 24, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

(Rupees in lacs)

	Note Number	For the year ended Mar. 31, 13	For the year ended Mar. 31, 12
I. Revenue from operations	17	26,810.43	24,500.07
II. Other income		62.79	70.39
III. Total Revenue (I + II)		26,873.22	24,570.46
IV. Expenses:			
Cost of materials consumed	18	13,958.79	12,431.00
Purchases of stock-in-trade	19	1,556.34	692.34
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	(1,185.99)	322.67
Employee benefits expense	21	3,238.85	2,826.69
Finance costs	22	166.33	148.64
Depreciation and amortization expense	23	1,326.93	1,344.84
Other expenditure	24	9,206.77	7,984.03
Total expenses		28,268.02	25,750.21
V. Loss before exceptional and extraordinary items and tax (III-IV)		1,394.80	1,179.75
VI. Prior Period Items		—	14.00
VII. Loss before tax (V- VI)		1,394.80	1,193.75
VIII. Tax expense - Current tax		0.35	0.33
IX. Loss for the period (VII- VIII)		1,395.15	1,194.09
X. Earnings per equity share:			
(1) Basic		(4.88)	(4.28)
(2) Diluted		(4.88)	(4.28)
Significant Accounting Polices	1		

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants

Kaushik D. Shah
Partner

Ahmedabad
May 24, 2013

Chintan N. Parikh
Chairman & Managing Director

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Atul Kumar Singh
Director

Ahmedabad
May 24, 2013



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(Rupees in lacs)

Sr. PARTICULARS No.	2012-13		2011-12	
(A) CASH FLOW FROM OPERATING ACTIVITIES				
LOSS BEFORE TAX, EXCEPTIONAL AND EXTRAORDINARY ITEMS (NET)		(1,394.80)		(1,179.76)
Add:				
Depreciation	1,312.74			1,304.41
Amortization of expenditure	14.19			40.43
Interest expenses (Net)	166.33			148.64
(Excess)/Short provision of Income Tax	0.08			-
(Profit)/Loss on sale of fixed assets and investments (Net)	3.82	1,497.15	8.60	1,502.08
		102.35		322.32
Deduct:				
Sundry balances written off/(back)	(12.65)			(14.36)
Excess provision written back	(0.27)			(0.17)
Rent income	(44.79)	(57.71)	(44.97)	(59.50)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		44.64		262.82
Add/(Less): Decrease/(Increase) in inventories	(1,497.98)			890.00
Add/(Less): Decrease/(Increase) in sundry debtors	145.18			(545.14)
Add/(Less): Decrease/(Increase) in other trade receivables	(82.19)			(49.60)
Add/(Less): Increase/(Decrease) in current liabilities	1,691.90	256.91	(397.94)	(102.67)
CASH GENERATED FROM OPERATIONS		301.55		160.15
Less:				
Interest paid (Net)	(168.44)			(154.54)
Deferred revenue expenditure incurred during the year	-			(1.69)
Tax paid	(3.04)			1.37
Prior period adjustment (Net)	-	(171.48)	(14.00)	(168.86)
NET CASH INFLOW FROM OPERATING ACTIVITIES		130.07		(8.71)

(Rupees in lacs)				
Sr. PARTICULARS No.	2012-13		2011-12	
(B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(107.43)		(35.03)	
Sale of fixed assets and investments	8.15		45.56	
Decrease/(Increase) in bank FDR	(15.27)		(3.93)	
Rent received	44.79	(69.73)	44.97	51.57
	<u> </u>		<u> </u>	
NET CASH FLOW FROM INVESTING ACTIVITIES	(69.73)		51.57	
(C) CASH FLOW FROM FINANCING ACTIVITIES				
(Decrease)/increase in other borrowings	(249.81)	(249.81)	(15.17)	(15.17)
	<u> </u>		<u> </u>	
NET CASH FLOW FROM FINANCING ACTIVITIES	(249.81)		(15.17)	
TOTAL CASH INFLOW (A + B + C)	(189.47)		27.69	
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	45.42		234.89	
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	234.89	(189.47)	207.20	27.69

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants

Kaushik D. Shah
Partner

Ahmedabad
May 24, 2013

Chintan N. Parikh
Chairman & Managing Director

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Atul Kumar Singh
Director

Ahmedabad
May 24, 2013

**Notes forming part of the accounts**

1. ACCOUNTING POLICIES

a. The financial statements have been prepared on the historical cost convention basis (except for revaluation of fixed assets and provision for depreciation on revalued amounts) and as a going concern with revenues considered and expenses accounted for wherever possible on their accrual, including provisions/adjustments for committed obligations.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ('GAAP') requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision of accounting estimates is recognized prospectively in current and future periods.

c. Fixed Assets

Fixed assets have been shown at revalued figures as on January 1, 2005. Subsequent additions to fixed assets are accounted for at the cost of acquisition or construction.

d. Capital Work-In-Progress

These are stated at cost relating to items of project incurred during construction/pre-operative period.

e. Expenditure During Construction Period

In case of new project/expansion of existing projects, expenditure incurred during construction period, including interest and finance cost, prior to commencement of commercial production is capitalised.

f. Depreciation

The company has provided depreciation under straight-line method on all assets at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956, as amended by notification no. GSR 756 (E) dated December 16, 1993 together with circular no. 14 dated December 20, 1993, issued by the Department of Company Affairs.

g. Insurance

The company has accounted for insurance claims for damage of goods/machinery on the basis of claims filed with the insurance company.

h. Investments

Investments of the company are long term. The same are valued at the cost of acquisition. Decline in the value of permanent nature, as per the requirements of Accounting Standard (AS-13) issued by The Institute of Chartered Accountants of India, is provided. Dividend on investments is accounted for as and when received.

i. Inventories

Inventories are valued at cost except;

- (i) finished goods and trading stock which are valued at lower of cost or net realisable value;
- (ii) waste and export incentives, which are valued at net realisable value;

Cost is ascertained on the following basis:

- (i) Raw materials : Specific identification
- (ii) Dyes, chemicals, stores and spares : First-in, First-out (FIFO)
- (iii) Semi-finished and finished goods : Weighted average
- (iv) Trading stock : Specific identification

Notes forming part of the accounts

j. Inter-divisional Transactions

Inter-divisional transactions are eliminated as contra items. Any unrealised profit on unsold stock on account of inter-divisional transactions is eliminated while valuing the inventory.

k. Employees Benefits

The company accounts for retirement benefits in compliance with the revised AS-15 as per following details:

(i) Gratuity

Liability on account of gratuity, which is a defined benefit plan, is provided for on the basis of actuarial valuation carried out by an independent actuary as at the balance sheet date. The contribution towards gratuity liability is funded to an approved gratuity fund.

(ii) Provident fund

Contribution to provident fund, which is a defined contribution plan, is made as per the provisions of Provident Fund Act, 1952 and charged to revenue account.

(iii) Superannuation

Liability on account of superannuation, which is a defined contribution plan, is accounted for on accrual basis and funded to an approved superannuation fund.

(iv) Leave encashment

Provision for leave encashment is made on undiscounted basis for accumulated leave that employees can encash in future.

l. Foreign Currency Transactions

(i) Transactions covered under forward contracts are accounted for at the contracted rate.

(ii) All export proceeds have been accounted for at a fixed rate of exchange at the time of raising invoices. Foreign exchange fluctuations as a result of the export sales have been adjusted in the profit and loss account and export proceeds not realised at the balance sheet date are restated at the rate prevailing as at the balance sheet date.

(iii) Balance of foreign currency loans as at the balance sheet date if any is restated at the exchange rate prevailing as at the balance sheet date and difference arising thereon is adjusted in the cost of fixed assets acquired out of the said loans.

m. Premium on Redemption of Debentures

Premium payable on redemption of debentures is evenly recognised in annual accounts.

n. Sales

The company recognises sales of goods on transferring property of underlying goods to customers. Sales include all charges and duties collected. However, for waste sales, value added tax collected is credited to "VAT collected on sales" account. Export sales of "F O R Destination" contracts are recognised on goods having reached the destination or on the basis of the estimated average time taken to reach the destination of the respective customers.

Export benefits in respect of exports made under the duty entitlement passbook scheme as per EXIM policy have been accounted on accrual basis.



Notes forming part of the accounts

o. Excise Duty

Liability for excise duty on finished goods is accounted for on accrual basis as per the provisions of Central Excise Laws.

p. Deferred Revenue Expenditure

- (i) Retrenchment compensation has been treated as deferred revenue expenditure and is written off over a period of five years.
- (ii) Compensation and gratuity paid on account of Voluntary Retirement Scheme (VRS) is treated as revenue expenditure and charged to profit & loss account. Also the amount of compensation relating to employees who have yet not opted for VRS is treated as contingent liability and disclosed appropriately.
- (iii) Premium on account of reduction in rate of interest in respect of term loans and non-convertible debentures has been deferred and is written off over a period of ten years.

q. Recognition of Income and Expenditure

Income and expenditure are recognised on accrual basis.

r. Contingent Liabilities

Contingent liabilities are not provided for in the books of accounts. The same are separately disclosed in the notes forming part of accounts.

s. Taxes on Income

Income tax provision comprises current tax provision and deferred tax provision. Current tax provision is made annually based on the tax liability computed after considering tax allowances and deductions.

Deferred tax is recognised on timing difference between the accounting income and the taxable income for the year that originate in one period and are capable of reversal in one or more subsequent periods. Such deferred tax is quantified using the tax rates and laws enacted or substantively enacted as on the balance sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

t. Impairment Loss

Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amounts. Recoverable amount is the higher of an asset's net selling price and its value. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from sale of the asset in the arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

u. Provisions and Contingencies

Provisions are recognised when the company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are disclosed when the company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognised nor disclosed.

Notes on Accounts:**Notes in compliance of Schedule VI to the Companies Act, 1956****2 SHARE CAPITAL**

2.1 The Company has two classes of shares referred to as equity shares and preference shares. The details thereof are as under:

(Rupees in lacs)

	As at Mar. 31, 13	As at Mar. 31, 12
AUTHORISED SHARE CAPITAL		
6,00,00,000 Equity shares of Rs. 10/- each (Previous year 6,00,00,000)	6,000.00	6,000.00
40,00,000 Preference shares of Rs. 100/- each (Previous year 40,00,000)	4,000.00	4,000.00
TOTAL	10,000.00	10,000.00
ISSUED SHARE CAPITAL		
3,40,73,360 Equity shares of Rs. 10/- each (Previous year 3,40,73,360)	3,407.34	3,407.34
4,50,000 13% redeemable cumulative preference shares of Rs. 100/- each fully paid (Previous year 4,50,000)	450.00	450.00
16,00,000 11% redeemable cumulative preference shares of Rs. 100/- each fully paid (Previous year 16,00,000)	1,600.00	1,600.00
	5,457.34	5,457.34
SUBSCRIBED AND PAID UP CAPITAL		
3,33,68,787 Equity shares of Rs. 10/- each fully paid (Out of the above, 22,500 and 31,500 equity shares of the face value of Rs. 100/- each were issued as fully paid-up bonus shares in the year 1987-88 and 1989-91 respectively by way of capitalisation of reserves and 16,971 equity shares of Rs. 10/- each were allotted to the shareholders of erstwhile The Ahmedabad New Cotton Mills Company Limited pursuant to scheme of amalgamation without payment being received in cash) (Previous year 3,33,68,787)	3,336.88	3,336.88
4,50,000 13% redeemable cumulative preference shares of Rs. 100/- each fully paid (Previous year 4,50,000) to be redeemed in three equal instalments at the end of 3rd, 4th and 5th year from the date of allotment	450.00	450.00
16,00,000 11% redeemable cumulative preference shares of Rs. 100/- each fully paid (Previous year 16,00,000) to be redeemed at the end of 24 months from the date of allotment	1,600.00	1,600.00
TOTAL	5,386.88	5,386.88

**Notes on Accounts:****2.2 Reconciliation of number of shares outstanding:**

The company has not issued or brought back any equity or preference shares during the year under review.

2.3 Shares Held by holding/ultimate holding company and/or their subsidiaries/associates

Out of issued, subscribed and paid up capital:

Nil (Previous Year Nil) Equity Shares are held by holding company

Nil (Previous Year Nil) Equity Shares are held by ultimate holding company

Nil (Previous Year Nil) Equity Shares are held by subsidiary of holding company

Nil (Previous Year Nil) Equity Shares are held by associates of holding or ultimate holding company.

2.4 The details of shareholders holding more than 5 % of issued share capital:

Name of Shareholder	As at Mar. 31, 13		As at Mar. 31, 12	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Apus Investments Pvt. Ltd.	4,934,221	14.79	4,934,221	14.79
Albus Investments Pvt. Ltd.	4,937,871	14.80	4,937,871	14.80
Geek Technologies Pvt. Ltd.	2,194,200	6.58	2,194,200	6.58

2.5 The details of bonus shares issued, shares issued for consideration otherwise than in cash and shares bought back in preceding five years:

The company has not issued any bonus shares, shares for consideration otherwise than in cash and has not bought back any shares in year under review and preceding five years.

2.6 Details of Unpaid calls due from Directors or officers

There were no unpaid calls due from Directors/Officers of the Company.

2.7 Rights of Shareholders, Dividend and Repayment of Capital:**Rights of Equity Share holders**

- a. Holder of equity shares is entitled to one vote per share.
- b. The Company declares and pays dividends in Indian Rupees. The Companies Act, 1956 provides that any dividend be declared out of accumulated distributable profits only after the transfer to a general reserve of a specified percentage of net profit computed in accordance with current regulations.
- c. In the event of liquidation of the Company, the holders of shares shall be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

Rights of Preference Share holders

- a. Preference shareholders shall have right to vote only on resolutions placed before company which directly affect their rights attached to preference shares. As per explanation to Sec. 87 (2)(a) any resolution for winding up the company or for repayment or reduction of share capital shall be deemed directly to affect their rights.

Notes on Accounts:

- b The holders of preference shares (whether cumulative or non cumulative) have a right to vote on any resolutions of the company where dividends are in arrears -
- 1 In case of cumulative preference shares, on all resolutions of the company at any meeting if dividends are in arrears for aggregate period of not less than 2 years on the date of meeting.
 - 2 In case of non cumulative preference shares, if arrears of 2 financial years immediately preceding date of such meeting or any 3 years arrears out of 6 years preceding date of meeting.
 - 3 Such voting right is proportionate to preference paid up capital bears to total paid up equity capital.

3 RESERVES & SURPLUS**(Rupees in lacs)**

	As at Mar. 31, 13	As at Mar. 31, 12
3.1 The Reserves & Surplus includes:		
(A) Capital Reserve (Created on account of reissue of shares/debentures forfeited)	38.05	38.05
(B) Capital Redemption Reserve - I	1.50	1.50
(C) Capital Redemption Reserve - II	37.50	37.50
(D) Securities Premium Account	12,388.07	12,388.07
(E) Debenture Redemption Reserve	2,900.50	2,900.50
(F) Reconstruction Reserve	526.10	526.10
(G) Revaluation Reserve	4,900.41	4,900.41
(H) Surplus (being balance of Profit & Loss Account)		
Debit Balance As per last Balance Sheet	(49,195.58)	(48,001.49)
Add: Net Profit/(Net Loss) For the current year	(1,395.15)	(1,194.09)
Closing Debit Balance	(50,590.73)	(49,195.58)
TOTAL	(29,798.60)	(28,403.45)

3.2 Appropriations out of Balance in Profit and Loss Account:

There is no appropriation out of Profit and Loss Account for the year / previous year.

**Notes on Accounts:****4 LONG TERM BORROWINGS****(Rupees in lacs)**

		As at Mar. 31, 13	As at Mar. 31, 12
4.1 SECURED BORROWINGS			
(A) NON CONVERTIBLE DEBENTURES	1	4,060.53	4,060.53
(B) TERM LOANS			
[1] From Banks	1 & 2	-	63.75
[2] Interest accrued and due on borrowings (from banks)		-	104.14
[3] From Other Parties	1	32,413.62	32,349.87
[4] Interest accrued and due on borrowings (from other parties)		104.14	-
	Sub total	32,517.76	32,517.76
(C) WORKING CAPITAL FACILITIES FROM OTHERS	2	8,508.94	8,508.94
	SUB TOTAL	45,087.23	45,087.23
4.2 UNSECURED LOANS			
(A) TERM LOANS		1,543.64	1,543.64
from companies and others			
(B) DEPOSITS		180.02	426.46
	SUB TOTAL	1,723.66	1,970.10
TOTAL		46,810.89	47,057.33

Notes :

- All the debentures and loans are secured/ to be secured by charge on plant and machinery and land and building of the company situated at Mouje Karannagar, Taluka Kadi, District Mehsana, North Gujarat; and at Mithipur, Ahmedabad in the State of Gujarat and the land and building situated at Mouje Rajpur-Hirpur, District Ahmedabad and 201, Tulsiani Chambers situated at Nariman Point, Mumbai - 400 021. The details of debentures in terms of respective debenture trust deeds and/or memorandum of entry signed and executed by the company are as per details given below.
- Secured by current assets including stock of raw materials, stock-in-process, finished goods, stores, spares, colour chemicals and book debts and second charge on movable and immovable assets of the company.

4.3 Terms of Repayment of Debentures and Loans:

Nature of Borrowing	Rate of Interest	Repayment Schedule
Non Convertible Debentures	Interest rate ranges from 14.00% p.a. to 17.00% p.a.	Total 1 to 24 quarterly / yearly installments. First installment due date ranges from 02.01.1999 to 03.03.2005.
Term Loans	Interest rate ranges from 6.10% p.a. to 19.00% p.a.	Total 3 to 32 quarterly / half-yearly / yearly installments. First installment due date ranges from 31.03.1998 to 01.01.2008.
Working Capital Loans	Interest rate ranges from 8.00% p.a. to 14.50% p.a.	Subject to renewal annually.

Notes on Accounts:**4.4 Period and Amount of Default****(Rupees in lacs)**

Nature of Borrowing	Period Of Default	Principal	Interest	Total
Non Convertible Debentures	Various Years Starting From 1998-99	4,060.54	-	4,060.54
Term Loans	Various Years Starting From 2001 - 02	32,413.60	-	32,413.60
Working Capital Loans	Various Years Starting From 2005 - 06	9,292.05	104.14	9,396.19
Total		45,766.20	104.14	45,870.34

(Rupees in lacs)

	As at Mar. 31, 13	As at Mar. 31, 12
5 OTHER LONG TERM LIABILITIES		
(A) Bills Payable	462.65	462.65
(B) Trade Payables	77.72	83.58
TOTAL	540.37	546.23
6 LONG TERM PROVISIONS		
(A) Provision for employee benefits		
- For Gratuity	74.05	47.26
- For Leave Encashment	82.84	77.85
(B) Others (For wealth tax, service tax & for premium on redemption of debentures)	66.49	58.00
TOTAL	223.38	183.11
7 TRADE PAYABLES		
(A) Micro, Small and Medium Scale Industries	6.43	9.36
(B) Others	2,820.71	1,200.66
TOTAL	2,827.14	1,210.02
8 OTHER CURRENT LIABILITIES		
(A) Unclaimed matured deposits and interest accrued thereon	1.16	4.53
(B) Unclaimed matured debentures and interest accrued thereon	13.32	13.32
(C) Other payables		
[1] Statutory Authorities	75.17	71.82
[2] Other liabilities	491.01	463.04
(D) Provision for Gratuity	55.83	59.65
TOTAL	636.48	612.36

Notes on Accounts:
9 FIXED ASSETS

(Rupees in lacs)

Name of assets	GROSS BLOCK				DEPRECIATION				IMPAIRMENT LOSS	NET BLOCK	
	As at April 1, 2012	Additions during the year	Disposals during the year	As at Mar. 31, 2013	Upto Mar. 31, 2012	For the year	On Disposals during the year	Upto Mar. 31, 2013		As at Mar. 31, 2013	As at Mar. 31, 2012
A. TANGIBLES											
Land											
Freehold	98.32	-	-	98.32	-	-	-	-	-	98.32	98.32
Leasehold	9,380.14	-	-	9,380.14	-	-	-	-	834.10	8,546.04	8,546.04
Buildings #	6,383.58	-	-	6,383.58	1,399.96	188.20	-	1,588.16	333.73	4,461.69	4,649.89
Plant and equipment	13,813.97	65.35	-	13,879.32	7,999.33	1,080.37	-	9,079.70	807.79	3,991.83	5,006.85
Furniture and fixtures	147.33	0.46	-	147.79	66.83	9.43	-	76.26	-	71.53	80.50
Vehicles	71.52	24.76	22.03	74.25	28.11	6.99	13.30	21.80	-	52.45	43.41
Office equipment	188.02	9.81	4.94	192.89	99.18	19.31	1.70	116.79	-	76.10	88.84
Sub-Total (A)	30,082.88	100.38	26.97	30,156.29	9,593.41	1,304.30	15.00	10,882.71	1,975.62	17,297.94	18,513.86
B. INTANGIBLES											
Computer software	138.68	7.05	-	145.73	66.48	8.44	-	74.92	-	70.81	72.19
Sub-Total (B)	138.68	7.05	-	145.73	66.48	8.44	-	74.92	-	70.81	72.19
TOTAL (A+B)	30,221.56	107.43	26.97	30,302.01	9,659.90	1,312.74	15.00	10,957.64	1,975.62	17,368.75	18,586.05
Previous year	30,211.24	35.02	24.70	30,221.55	8,368.61	1,304.41	13.13	9,659.89	1,975.62	18,586.05	-

Cost of building includes cost of share of the face value of Rs. 450/- received under the bye-laws of the societies.

9.1 None of the fixed assets have been written off on account of reduction of capital during preceding last five years.

9.2 The Company has not revalued any fixed assets during the preceding last five years.



Notes on Accounts:

(Rupees in lacs)		
	As at Mar. 31, 13	As at Mar. 31, 12
10 LONG TERM LOANS AND ADVANCES		
(A) Security Deposits		
Unsecured, considered good	181.30	156.92
Balance with Excise Authorities	0.08	0.08
(B) Advance Tax	59.90	57.27
(C) Loans and advances to parties other than related parties (Advance receivable in cash or kind)		
Unsecured, considered good	190.28	180.06
Considered Doubtful	7.72	7.72
Less: Provision for Doubtful Advances	7.72	7.72
Sub total	<u>190.28</u>	<u>180.06</u>
TOTAL	<u><u>431.56</u></u>	<u><u>394.33</u></u>
11 OTHER NON CURRENT ASSETS		
(A) Deferred Revenue Expenditure	53.24	67.43
(B) Claims and other receivables	105.26	94.23
Less: Provision for doubtful receivables	5.57	5.57
TOTAL	<u><u>152.93</u></u>	<u><u>156.09</u></u>
12 INVENTORIES		
(A) Raw Materials and components	1,068.78	941.87
Add: Goods-in transit	131.32	109.46
	<u>1,200.10</u>	<u>1,051.33</u>
(B) Work-in-progress	1,284.81	908.04
(C) Finished goods	2,439.38	1,705.15
(D) Stock-in-trade	286.63	209.52
(E) Stores and spares	497.36	347.80
Add: Goods-in transit	14.47	9.14
	<u>511.83</u>	<u>356.94</u>
(F) Others (Waste and stock of DEPB)	29.44	23.21
TOTAL	<u><u>5,752.19</u></u>	<u><u>4,254.19</u></u>
13 TRADE RECEIVABLES		
(A) Trade receivables outstanding for a period less than six months		
Unsecured, considered good	2,177.99	2,335.69
(B) Trade receivables outstanding for a period exceeding six months		
Unsecured, considered good	16.63	4.11
Unsecured, considered doubtful	30.31	30.31
Less: Provision for doubtful debts	30.31	30.31
Sub total	<u>16.63</u>	<u>4.11</u>
TOTAL	<u><u>2,194.62</u></u>	<u><u>2,339.80</u></u>



Notes on Accounts:

(Rupees in lacs)

	As at Mar. 31, 13	As at Mar. 31, 12
14 CASH AND CASH EQUIVALENTS		
(A) Balances with banks		
In Current Accounts	41.92	232.31
Sub total	41.92	232.31
(B) Bank deposits maturing within 12 months*	453.86	438.59
(C) Cash on hand	3.50	2.58
TOTAL	499.28	673.48
* The Bank Deposits include amount of Rs.443.86 Lacs which is subject to repatriation restrictions.		
15 SHORT-TERM LOANS AND ADVANCES		
Advance receivable in cash or kind from parties other than related parties		
Unsecured, considered good	40.30	56.06
TOTAL	40.30	56.06
16 OTHER CURRENT ASSETS		
(A) Interest receivable	23.02	20.91
(B) Assets held for sale	3.50	3.50
(C) Claims and other receivables	109.78	61.15
(D) Prepaid Expenses	36.45	32.76
(E) Deferred Revenue Expenditure	14.16	14.16
TOTAL	186.91	132.48
17 REVENUE FROM OPERATIONS		
(A) Sale of products	26,494.21	24,246.77
(B) Other operating revenues	316.22	253.30
TOTAL	26,810.43	24,500.07
18 DETAILS OF RAW MATERIAL CONSUMED		
(A) Cotton/Yarn	11,633.88	11,388.06
(B) Fabrics	2,324.91	1,031.41
(C) Others	—	11.53
TOTAL	13,958.79	12,431.00
19 DETAILS OF STOCK IN TRADE PURCHASED		
Fabrics	1,556.34	692.34
TOTAL	1,556.34	692.34

Notes on Accounts:

(Rupees in lacs)

	As at Mar. 31, 13	As at Mar. 31, 12
20 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Closing Stock	4,019.44	2,833.45
Less: Opening Stock	2,833.45	3,156.12
NET	<u>1,185.99</u>	<u>(322.67)</u>
21 EMPLOYEE BENEFITS EXPENSES		
(A) Salaries and Wages	2,870.79	2,476.39
(B) Contribution to Provident and Other Funds	275.02	256.40
(C) Staff welfare expenses	93.04	93.90
TOTAL	<u>3,238.85</u>	<u>2,826.69</u>
22 FINANCE COST		
(A) Interest expense (Net)	127.11	105.09
(B) Other borrowing costs	39.22	43.55
TOTAL	<u>166.33</u>	<u>148.64</u>
23 DEPRECIATION AND AMORTIZATION EXPENSE		
Depreciation	1,312.74	1,304.41
Amortization	14.19	40.43
TOTAL	<u>1,326.93</u>	<u>1,344.84</u>
24 OTHER EXPENDITURE		
(A) Payments to the auditor		
As auditor	9.55	8.82
For taxation matters	1.28	1.21
Sub total	<u>10.83</u>	<u>10.03</u>
(B) Consumption of Stores, Spares, Dyes and Chemicals	2,209.74	2,088.37
(C) Power & Fuel	2,930.34	2,522.03
(D) Rent	11.19	11.86
(E) Repairs to Buildings	8.99	12.85
(F) Repairs to Machinery	119.45	109.64
(G) Insurance	71.31	74.81
(H) Rent and Taxes	54.46	48.17
(I) Job Charges	2,563.34	1,959.06
(J) Selling and Distribution Expenses	443.50	476.45
(K) Miscellaneous Expenses	783.62	670.76
TOTAL	<u>9,206.77</u>	<u>7,984.03</u>



Notes on Accounts:

					(Rupees in lacs)	
			As at Mar. 31, 13	As at Mar. 31, 12		
25	CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)					
	(A) Claims against the company not acknowledged as debt				2,689.89	2,676.89
	(B) Guarantees				24,625.14	24,625.14
	(C) Other money for which the company is contingently liable				37.92	32.80
	TOTAL				27,352.95	27,334.83
26	DIVIDEND					
	Arrears of fixed cumulative dividend (including Dividend Tax) on cumulative preference shares for the following period.					
	- 11% cumulative preference shares for the period from March 26, 2001 to March 31, 2013				2,476.01	2,255.11
	- 13% cumulative preference shares for the period from July 1, 2000 to March 31, 2013				873.25	799.49
	TOTAL				3,349.26	3,054.60
27	DETAILS OF WORK-IN-PROGRESS					
	(A) Up to Yarn Stage				754.26	645.54
	(B) Fabrics				530.55	262.50
	TOTAL				1,284.81	908.04
28	VALUE OF IMPORTS ON CIF BASIS:					
	(A) Raw Materials				100.77	1.53
	(B) Components, Stores, Spares, Dyes and Chemicals				456.86	93.28
	TOTAL				557.64	94.81
29	DETAILS OF EXPENDITURE IN FOREIGN CURRENCY					
	(A) Travelling Expenses				24.92	20.89
	(B) Fees & Services				14.82	4.53
	(C) Sales and Distribution exp.				4.32	12.29
	(D) Others				12.61	7.74
	TOTAL				56.67	45.45
30	VALUE OF RAW MATERIAL, STORES, SPARES, DYES AND CHEMICALS CONSUMED					
		Raw Materials		Stores, Spares, Dyes and Chemicals		
		In %	Rs. In Lacs	In %	Rs. In Lacs	
Imported	0.73	101.95	22.61	499.52		
	(0.01)	(1.53)	(19.35)	(404.06)		
Indigenous	99.27	13,856.84	77.39	1,710.22		
	(99.99)	(12,429.47)	(80.65)	(1,684.32)		
TOTAL	100.00	13,958.79	100.00	2,209.74		
	(100.00)	(12,431.00)	(100.00)	(2,088.38)		

Notes forming part of the accounts

31 FOREIGN CURRENCY TRANSACTIONS:

The Company used forward exchange contracts to hedge against its foreign currency exposures relating to the underlying transactions and firm commitments. The Company did not enter into any contract for derivative instruments for trading or speculative purposes. The foreign currency exposure not hedged as at March 31, 2013 are as under:

Particulars	(Rs. In Lacs)			
	As at Mar. 31, 13		As at Mar. 31, 12	
	Amount in US \$	INR Equivalent	Amount in US \$	INR Equivalent
Export of Goods and services.	2.74	148.93	1.34	63.74
Total		148.93		63.74

32. Loans and advances to staff include Rs.2.71 lacs (Previous year Rs. 2.16 lacs) due from officers of the company.
33. The Sales Tax authorities have issued notices for demand of Sales Tax of Rs.747.93 lacs, penalty of Rs.619.58 lacs and interest of Rs.538.51 lacs, aggregating to Rs.1906.02 lacs for various assessment years. The company disputes the said demand. The company has filed appeals against these notices and got stay orders against the same.
34. During the year under review due to loss the company has not provided for Income-tax for the Assessment Year (A.Y.) 2013-14 (Previous year Rs. NIL). Provision for wealth-tax is made of Rs.0.35 lacs (Previous year Rs. 0.33 lacs).

As regards deferred tax as per Accounting Standard - 22 (AS-22) on "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, there is a net deferred tax asset for the past years and for the current year after adjusting unabsorbed depreciation and carry forward losses of the past years. Considering the provisions of the AS-22 and as a matter of prudence, the company has not recognised the said deferred tax asset while preparing the accounts for the year under review.

The Income-tax assessments of the company are completed up to A.Y. 2010-11. In respect of assessment for A.Y. 1996-97, income-tax department had disputed some of the claims and raised demand of Rs. 676.66 lacs for tax and interest. The company had preferred an appeal against the said assessment and had succeeded before Commissioner of Income-tax (Appeal) and demand has been deleted. However, Income-tax department has preferred further appeal before the Income-tax Appellate Tribunal for which Tribunal has sent back file to Assessing Officer with certain directions for which appeal effect order is yet to be received from the Assessing Officer.

35. The cost of purchase is arrived at after considering effect of any settlement reached with the suppliers during the year.
36. Export benefits/incentives in respect of duty draw back and purchase of raw material from local suppliers (against advance released orders under duty exemption scheme) are accounted on accrual basis in order to follow the system of accounting which is mandatory as per the provisions of section 209 of the Companies Act, 1956.
37. Names of small scale industrial undertakings in whose account amount was outstanding for more than 30 days are as under:

Krupa Printers, Super Engineering Co., Atul Enterprise, Gemini Polyplast Industries, Mascot Industries, Hydro Flex Hose Industries, Sun Industries, Balagee Textile Services, Vaishali Corporation, Kadam Environmental Consultants, Mina Tin Works, Royal Electric Engineering Co. and Hariom Refrigeration.

The company has provided for interest of Rs.0.19 lacs (Previous year Rs.0.10 lacs) on outstanding for more than 45 days payable to Micro, Small and Medium enterprises. The total amount due to these parties is Rs.6.43 lacs (Previous year Rs.9.36 lacs) as at the balance sheet date. This



Notes forming part of the accounts

information has been determined to the extent such parties have been identified on the basis of information available with the company. This has been relied upon by the auditors.

38. In view of ongoing comprehensive debt restructuring, the company has not made provision of Rs.27,409.57 lacs for unpaid interest (Previous year Rs.23,442.98 lacs). The loss for the year is understated by Rs. 27,409.57 lacs (Previous year Rs. 23,442.98 lacs). This amount and the amount due to the lenders is disclosed based on information available with the management. As a result, outstanding dues of lenders are subject to reconciliation.
39. The unsecured loans include Rs. 750.00 lacs in the suspense account representing amount of a cheque drawn on HDFC Bank given by the company to Bank of Bahrain & Kuwait (BBK) and paid to BBK by clearing house because of the delay by HDFC Bank in returning the cheque to BBK. The dispute is the subject matter of notice correspondence between HDFC Bank and BBK and under dispute between the company, BBK and HDFC Bank in various courts.
40. The expenditure incurred in respect of assets damaged for which insurance claim has been received has been debited under respective heads.
41. The net worth of the company has eroded. However, the company expects to revive its financial position in view of the ongoing debt restructuring and good prospects of improvement in its operational performance in future. Considering these facts, the accounts of the company are prepared on going concern basis.

42. Retirement Benefits (Accounting Standard – 15) :

Provision for Gratuity

The following table sets out the status of the gratuity plan as required under AS 15 on “Employee Benefits”.

Reconciliation of opening and closing balances of the present value of the defined benefit and fair value of the plan assets.

		(Rs. In lacs)	
Sr. No.	Particulars	For the year ended Mar. 31, 13	For the year ended Mar. 31, 12
1	Assumptions:		
	Interest rate	8.10%	8.50%
	Estimated rate of return on plan assets	8.60%	8.60%
	Rate of growth in salary levels	3.00%	3.00%
2	Changes in present value of obligation		
	Present value of obligation as at beginning of the year	715.76	682.50
	Add: Service cost	45.08	43.78
	Add: Interest cost	58.30	56.31
	Add: Actuarial loss	56.45	28.40
	Less: Benefits paid	59.66	95.23
	Net being present value of obligation as at end of the year	815.93	715.76
3	Changes in the fair value of plan assets		
	Fair value of plans assets at beginning of the year	608.85	604.17
	Add: Expected return on plan assets	53.01	48.33
	Add/(Less) : Actuarial gain / (loss)	6.31	(24.43)
	Add: Contributions	77.55	76.00
	Less: Benefits paid	59.66	95.23
	Net being fair value of plan assets at end of the year	686.06	608.85
4	Actuarial Loss recognised		
	Actuarial Loss for the year – Obligation	56.45	28.40
	Less/ (Add) : Actuarial Gain / (Loss) for the year - plan assets	6.31	(24.43)
	Net loss / (gain) for the year	50.14	52.83
	Actuarial loss / (gain) recognised in the year	50.14	52.83

Notes forming part of the accounts

Sr. Particulars No.	(Rs. In lacs)	
	For the year ended Mar. 31, 13	For the year ended Mar. 31, 12
5 The amounts to be recognised in Balance sheet		
Present value of obligations as at the end of the year	815.93	715.76
Less: Fair value of plan assets as at the end of the year	686.06	608.85
Net being liability recognised in the balance sheet as at the end of the year	129.88	106.91
6 Expenses Recognised in Statement of Profit and Loss		
Current Service cost	45.08	43.78
Add: Interest cost	58.30	56.31
Less: Expected return on plan assets	53.01	48.33
Add: Actuarial loss recognised in the year	50.14	52.83
Net being expenses recognised in statement of Profit and Loss	100.52	104.58
7 Estimated amount of contribution to be paid to the plan within the next year	55.83	131.73

43. Segment reporting (Accounting Standard - 17):

The company's operations relate only to manufacture and sale of textile and related products and hence primary reporting disclosure is not applicable.

The company sells goods in domestic market and also exports them to various countries. Accordingly, secondary segment reporting is based on sales in India and exports outside India.

Disclosure has been made relating to debtors only, as other assets and liabilities are used interchangeably between the segments and hence cannot be allocated to segments.

Secondary segment reporting: (Rupees in lacs)

Particulars	In India	Outside India	Total
Sales	23,180.55 (21,194.27)	3,629.88 (3,305.80)	26,810.43 (24,500.07)
Debtors	2,045.69 (2,276.06)	148.93 (63.74)	2,194.62 (2,339.80)

44. Related parties disclosures (Accounting Standard – 18):**(i) Relationships****(a) Subsidiary**

Ashima Textiles Inc., U.S.A. - up to 05.05.2011

(b) Key management personnel:

Mr. Chintan N. Parikh - Chairman & Managing Director

(c) Other related parties where control exists:

Ashima Dyecot Limited	Atrium Exports Private Limited
Elephants Enterprises Limited	Lahar Trading and Investments Limited
Apus Investments Private Limited	Albus Investments Private Limited

**Notes forming part of the accounts**(ii) **Transactions carried out with related parties referred to in (i) above are in ordinary course of business.** (Rupees in lacs)

Nature of transactions	Related parties		
	Subsidiary	Key management personnel	Other parties where control exists
Purchases	-	-	62.14
	(-)	(-)	(25.67)
Sales	-	-	1,200.26
	(-)	(-)	(1,035.31)
Expenses	-	-	2,376.02
	(4.16)	(-)	(1,920.56)
Directors' remuneration	-	66.44	-
	(-)	(69.11)	(-)
Income	-	-	36.41
	(-)	(-)	(36.41)
Other receipts	-	-	7.67
	(-)	(-)	(7.35)
Outstanding			
Payables	-	-	91.25
	(-)	(-)	(24.49)
Receivables	-	-	0.02
	(-)	(-)	(-)

45. Earning per share (Accounting Standard - 20): (Rupees in lacs)

Particulars	2012-13	2011-12
Loss for the year	(1395.15)	(1194.09)
Add: Preference dividend		
13% Redeemable	58.50	58.50
11% Redeemable	176.00	176.00
Loss for the year including preference dividend	(1629.65)	(1428.59)
No. of equity shares outstanding during the year	3,33,68,787	3,33,68,787
Nominal value of ordinary shares	Rs. 10	Rs. 10
Basic and diluted earning per share (Rs.)	(4.88)	(4.28)

Note: Preference shares being cumulative in nature, its dividend has been added to loss for the year in the above calculation, though the appropriation for the same has not been done.

46. Based on review carried out as on 31.03.2013, no impairment loss is required to be provided for as per Accounting Standard 28 on "Impairment of Assets".

47. Previous year figures have been regrouped / rearranged wherever necessary to confirm to this year's figures.

48. Remittances in foreign currency on account of dividend: NIL

49. Earnings in foreign currency: (Rupees in lacs)

Particulars	For the year ended Mar. 31, 13	For the year ended Mar. 31, 12
Total export sales	3,629.88	3,305.80
Of which F.O.B. value of exports	3,551.20	3,201.16

50. Figures less than Rs. 500/- which are required to be shown separately have been shown as actual in brackets

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants**Chintan N. Parikh**
Chairman & Managing Director**Atul Kumar Singh**
Director**Kaushik D. Shah**
Partner**Hiren S. Mahadevia**
Chief Financial Officer
and Company SecretaryAhmedabad
May 24, 2013Ahmedabad
May 24, 2013

ASHIMA LIMITED

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

ATTENDANCE SLIP

Please COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL. Joint holders may obtain additional slips on request. (Client ID/Ledger Folio No. & Name of the Share holders/joint holders/Proxy & address as given on the envelope in BLOCK LETTERS to be furnished below)

Name of Shareholder/Proxy	Client ID/ Ledger folio no.	No. of shares held
---------------------------	-----------------------------	--------------------

I hereby record my presence at the 30th annual general meeting of the company at the Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380 021 on Saturday, September 21, 2013 at 10.30 a.m.

SIGNATURE OF THE SHAREHOLDER OR PROXY: _____

NOTES:

- (1) Shareholders/proxy holders are requested to bring the attendance slip with them when they come to the meeting and hand it over at the gate after affixing their signature on it.
- (2) Shareholders are requested to advise, indicating their Client ID/ Ledger folio nos., the change in their addresses, if any, at the company's registered office.

ASHIMA LIMITED

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

FORM OF PROXY

(Client ID/ledger folio no. & name of the shareholders/joint holders & addresses as given on the envelope in BLOCK LETTERS to be furnished below)

Client ID/ Ledger folio no.	No. of shares held
-----------------------------	--------------------

I/We _____ of _____ being a member/members of ASHIMA LIMITED hereby appoint _____ of _____ failing him/her _____ of _____ as my/our proxy to vote for me/us on my/our behalf at the 30th annual general meeting of the members of the company to be held at Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380 021 on Saturday, September 21, 2013 at 10.30 a.m. and at any adjournment thereof. As witness my/our hand(s) this _____ day of _____, 2013.
Signed by the said _____

Affix a
1 Re.
Revenue
Stamp

Note: The proxy form must be returned so as to reach the registered office of the company not less than 48 hours before the time for holding the aforesaid meeting.

BOOK-POST

If undelivered

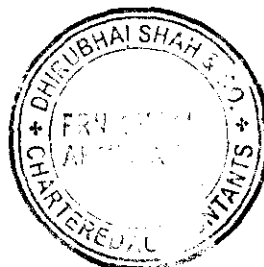
Please return to :

ASHIMA LIMITED

Texcellence Complex,
Khokhara-Mehmedabad, Ahmedabad-380021

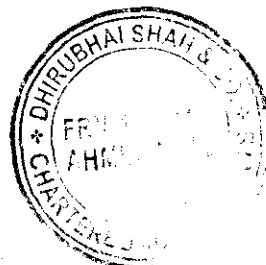
FORM B

1.	Name of the Company	Ashima Limited
2.	Annual financial statements for the year ended	31 st March, 2013
3.	Type of Audit qualification	Qualified (items 1 & 2); Subject to (item 3); Disclosure (items 4 & 5).
4.	Frequency of qualification	Items 1, 2, 4 & 5 as numbered in point 5 below – repetitive since many years; Item 3 – for the first time
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>1. Subject to (qualification): Non-provision of interest on secured loans</p> <p><u>Auditors</u> have qualified their report and drawn attention to the fact stated by the management in Note No.38 (forming part of accounts) that the company has not provided for interest aggregating to Rs.27409.57 lacs for the year. (Pls refer to point 1 of the Auditors' Report under head "Opinion")</p> <p><u>Management response:</u> The management in the said note no.38 has clarified that "In view of ongoing comprehensive debt restructuring, the company has not made provision of Rs.27409.57 lacs for unpaid interest."</p> <p>2. Subject to (qualification): Preparation of accounts on going concern basis.</p> <p><u>Auditors</u> have qualified their report and drawn attention to the fact stated by the management in Note No.41 (forming part of accounts) that the company has prepared accounts on going concern basis though its net worth has eroded. (Pls refer to point 2 of the Auditors' Report under head "Opinion")</p> <p><u>Management response:</u> The management in the said note no.41 has clarified that "the net worth of the company has eroded. However, the company expects to revive its financial position in view of the ongoing debt restructuring and good prospects of improvement in its operational performance in future. Considering these facts, the accounts of the company are prepared on going concern basis."</p>





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 B.K.D.

		<p>3. Subject to: Non-reconciliation of outstanding dues of lenders: <u>Auditors</u> have mentioned that outstanding dues of the lenders are subject to reconciliation. (Pls refer to part of the text in point 2b of the Auditors' Report under head "report on other legal and regulatory requirements.")</p> <p><u>Management response:</u> The management in part of note no. 38 has clarified that ".... This amount (of non-provision of interest) and the amount due to the lenders is disclosed based on information available with the management. As a result, outstanding dues are subject to reconciliation."</p> <p>4. Disclosure: Disclosure of disputed statutory dues.</p> <p>Auditors' Report – vide point 10(b) of the Annexure to their report – have disclosed, in detail, disputed statutory dues.</p> <p><u>Management response:</u> This disclosure relates to those statutory dues which are demanded by various tax authorities but the company has not paid the same, as it has disputed these demands and preferred appeals against them. As required, these are disclosed as contingent liabilities.</p> <p>5. Disclosure: Details of default in repayment of dues to banks, financial institutions and debenture-holders.</p> <p>Auditors' Report – vide point 12 of the Annexure to their report – have disclosed the amount of default.</p> <p><u>Management response:</u> This is a disclosure of factual position regarding default in repayment of dues as specified above. The management is pursuing comprehensive debt restructuring with its lenders, as it is unable to repay its dues due to its weak financial position and liquidity problem.</p>
6.	Additional comments from the board/audit committee chair:	----



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 B. K. D.

7.	<p>To be signed by –</p> <ul style="list-style-type: none"> • CEO/Managing Director • CFO • Auditor of the company • Audit Committee Chairman 	<p><i>Chintan N. Parikh</i> (Chintan N. Parikh) Chairman & Managing Director</p> <p><i>Hiren S. Mahadevia</i> (Hiren S. Mahadevia) Chief Financial Officer & Company Secretary</p> <p>For Dhirubhai Shah & Company Chartered Accountants, <i>Kaushik D. Shah</i> Kaushik D. Shah Partner Membership no.16502</p> <p><i>Dr. Bakul H. Dholakia</i> (Dr. Bakul H. Dholakia) Audit Committee Chairman</p>  
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