

TWENTY EIGHTH
ANNUAL REPORT
2010 - 2011





ASHIMA LIMITED

TWENTY EIGHTH ANNUAL REPORT - 2010-2011

BOARD OF DIRECTORS

Mr. Chintan N. Parikh	—	Chairman & Managing Director
Dr. Bakul H. Dholakia	—	Director
Mr. Saurabh V. Shah	—	Director
Mr. Bihari B. Shah	—	Director
Mr. Jaykant R. Baxi	—	Director
Mr. Atul Kumar Singh	—	Director

AUDITORS

Dhirubhai Shah & Co.,
Chartered Accountants,
Ahmedabad

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Hiren S. Mahadevia

SHARES LISTED ON STOCK EXCHANGES AT:

Ahmedabad
Mumbai
National Stock Exchange

REGISTERED OFFICE

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

WORKS

Texcellence Complex,
Nr. Anupam Cinema,
Khokhara-Mehmedabad,
Ahmedabad-380 021.

1 B, Ashima Complex,
Kalol - Kadi Highway,
Village Karannagar,
Taluka: Kadi,
District Mehsana,
North Gujarat.

IMPORTANT COMMUNICATION TO MEMBERS

The Ministry of Corporate Affairs 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 address, so far, are requested to do the same immediately.

NOTICE

NOTICE is hereby given that the **TWENTY EIGHTH ANNUAL GENERAL MEETING** of the members of **ASHIMA LIMITED** will be held on Friday, **September 23, 2011** 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, 2011 and profit and loss account for the year ended on even date together with the reports of the directors and auditors thereon.
2. To appoint a director in place of Dr. Bakul H. Dholakia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Mr. Atul Kumar Singh who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint statutory auditors and to fix their remuneration.

Date : April 28, 2011

Place : Ahmedabad

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

Regd. Office:

Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad - 380021.

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** The proxy, in order to be effective, must be received by the company not less than 48 hours before the commencement of the meeting.
2. The register of members and register of share transfer of the company in respect of equity shares of the company will remain closed from Monday, September 19, 2011 to Friday, September 23, 2011 (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. Members who hold shares in dematerialized form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their folio number in the attendance slip for attending the meeting.
6. Corporate members intending to send their authorized representative are requested to send a duly certified copy of the board resolution authorizing their representative to attend and vote at the annual general meeting.
7. Consequent upon the introduction of section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to sent in their request in Form no. 20B to the R & T agent.
8. Re-appointment of Directors

At the ensuing annual general meeting Dr. Bakul H. Dholakia 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 : April 28, 2011

Place : Ahmedabad

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

Regd. Office:

Texcellence Complex,
Khokhara-Mehmedabad,
Ahmedabad - 380021.

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

**DIRECTORS' REPORT**

Dear members,

Your directors take pleasure in presenting the twenty eighth annual report of the company, together with audited statement of accounts for the year ended on March 31, 2011.

1. Financial Results:

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

Particulars	Rupees in lacs	
	Mar. 31, 2011	Mar. 31, 2010
Profit before interest, depreciation, exceptional and extraordinary items (Net)	1166.88	705.03
Less : Interest	89.18	94.52
Profit / (Loss) before depreciation, exceptional and extraordinary items (Net)	1077.70	610.51
Less : Depreciation and amortisation of expenses	1443.08	1590.86
Loss before tax, exceptional and extraordinary items (Net)	365.38	980.35
Add : Provision for tax	0.48	0.61
Loss after tax and before exceptional and extraordinary items (Net)	365.86	980.96
Add : Exceptional and extraordinary items (Net)	158.38	3346.32
Add : Prior period adjustment (Net)	—	35.00
Loss after tax, exceptional and extraordinary items (Net)	524.24	4362.28
Add : Loss brought forward from previous year	47971.71	43609.43
Deficit carried to balance sheet	48495.95	47971.71

2. Dividend:

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

3. Subsidiary Companies:

The company has a subsidiary company namely Ashima Textiles Inc. USA. During the year under review, Ashima Cottons Private Limited ceased to be a subsidiary of the company. The Ministry of Corporate Affairs, Government of India has under section 212(8) of the Companies Act, 1956, granted general exemption to the companies from attaching the annual report of the subsidiary company subject to prescribed conditions. Accordingly, the company has not attached the annual accounts of its above subsidiary company. The annual accounts and related information shall be made available to the members of the company seeking the same and the same are also available for inspection by any member at the registered office of the company. The company will furnish a copy of the details of accounts of subsidiaries to any member on demand. It may however be noted that in terms of accounting standard AS-21 of The Institute of Chartered Accountants of India, consolidated financial statements have been presented which includes the financials of the subsidiary company.

4. Performance of the company:

The highlight of the performance of the company for the year 2010-11 is significant improvement in the performance of denim division riding on the recovery in denim market. Denim division has been able to arrest its losses and has achieved operating profit through higher volumes and better pricing. Attires division has shown improved profitability with shift to higher value added products. Grey fabric division has recorded higher PBDIT on account of business of piece dyed fabrics. Spinfab division, however, has not been able to sustain its profitability on account of reduction in export sales volume and substantial increase in yarn prices which could not be passed on fully to customers.

The operational profitability of the company has gone up to Rs.1166.88 lacs as compared to Rs.705.03 lacs in previous year.

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

5. Listing Agreement:

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

6. Corporate Governance:

The report on corporate governance along with management discussion and analysis and certificate of compliance from statutory auditors forms part of this annual report.

The certificate of the statutory auditors of the company certifying compliance of conditions of the corporate governance as per clause 49 of the listing agreement is annexed with the report of corporate governance.

7. Director's Responsibility Statement:

Pursuant to requirements of section 217(2AA) of the Companies Act, 1956 and on the basis of information placed before them the directors confirm that:

- (i) In the preparation of the annual accounts for financial year 2010-2011, 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, 2011 and of the loss of the company for the said year;
- (iii) They have taken proper and sufficient care to the best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) They have prepared the annual accounts on a going concern basis.

8. Directors:

At the ensuing annual general meeting Dr. Bakul H. Dholakia and Mr. Atul Kumar Singh, Directors retire by rotation, and being eligible, offers themselves for re-appointment.

9. Insurance:

All the properties and insurable interests of all the divisions of the company including plant and machinery, stocks and liabilities under the legislative enactments are adequately insured.

**10. Auditors:**

Dhirubhai Shah & Company, Chartered Accountants, Ahmedabad retire at the ensuing annual general meeting of the company and are eligible for re-appointment. They have given their consent to act as auditors of the company, if re-appointed. You are requested to re-appoint Dhirubhai Shah and Company, Chartered Accountants as auditors to hold the office till the next annual general meeting.

The relevant notes forming part of accounts are self-explanatory and give full information and explanation in respect of the observations made by the auditors in their report.

11. Information regarding conservation of energy etc. and employees:

Information required under section 217(1) (e) of the Companies Act, 1956 read with rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and information under section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time forms part of this report. However, as per the provisions of section 219(1) (b) (iv), the report and the accounts are being sent to all shareholders of the company excluding the information relating to conservation of energy, technology absorption and foreign exchange earning and outgo, and the statement of particulars of employees. Any shareholder interested in obtaining such particulars may inspect the same at the registered office of the company or write to the secretary for a copy.

12. Fixed Deposits:

The company has stopped accepting fresh deposits from April 1, 2004 and has 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 February 6, 2007. The said order is subject to observance of certain conditions inter-alia, not accepting any fresh deposits, investment of funds or grant of loans with prior approval of Ministry of Corporate Affairs, depositor's legal right of recovery etc.

There are no unpaid deposits (except unclaimed deposits) as on March 31, 2011.

13. Appreciation:

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

14. Acknowledgements:

Your directors place on record their sincere thanks to the customers, vendors, investors, banks and financial institutions for the continued support. Your directors are also thankful to the Government of India, State Government and other authorities for their support and solicit similar support and guidance in future.

For and on behalf of the board

Ahmedabad
April 28, 2011

Chintan N. Parikh
Chairman & Managing Director

CEO AND CFO CERTIFICATION

In regard to audited annual results of the company for the financial year April 1, 2010 to March 31, 2011, we hereby certify that:

1. We have reviewed financial statements and the cash flow statements for the year and that to the best of their knowledge and belief:-
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
4. We have indicated to the auditors and the audit committee:
 - (i) significant changes in internal control over financial reporting during the year, if any.
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Shrikant S. Pareek
Chief Executive Officer

Ahmedabad
April 28, 2011

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

**CORPORATE GOVERNANCE****1. Company's Philosophy on Corporate Governance:**

Ashima believes in transparency and has immense value for the principles of corporate governance. Ashima understands that accountability, equity and total transparency in its interaction with all stakeholders is its responsibility while conducting its business and hence is totally committed to achieving highest levels of standards in corporate governance practice. It is a well accepted fact both in India and world over that a good governed organization results in maximizing its stakeholders value in long run. In line with these globally accepted principles of good corporate governance, Ashima has ensured and implemented the same in its true letter and spirit, to maximise shareholders' wealth. Ashima believes that good corporate governance practice enables the management to direct and control the affairs of a company in a more efficient manner and achieve its ultimate goal of maximizing value for all its stakeholders. Ashima recognizes that an efficient and strong corporate governance is indispensable to resilient and vibrant capital markets and is therefore important instrument of investor protection. Ashima believes that contribution to the society is integral part of its being and hence strives to preserve environment, energy and heritage. Thus good corporate governance is integral part of its value system. The company is in full compliance of clause 49 of the listing agreement.

2. Board of Directors:

- a. The current policy is to have an optimal blend of executive and independent directors having in-depth knowledge of textile industry in addition to their own areas of specialization and expertise. The size and composition of the board conforms to the requirements of the corporate governance code under clause 49 of the listing agreement with stock exchange. The present board of directors of the company consists of 6 directors with more than 50% of it as non executive independent directors. Further none of the directors are members of more than 10 board level committees and chairman of 5 board level committees of public companies, where he is director. The board comprises of six directors as on date of this report, details of which is as follows:-

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

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, Dr. Bakul H. Dholakia 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:

Dr. Bakul H. Dholakia, son of Shri Harshadrai Dholakia is B.A, M.A.Ph.D (Economics). At present he acts as advisor of Adani Group. He is ex-director of Indian Institute of Management, Ahmedabad. He has more than 43 years of experience in the field of teaching and administration. He is also a director on reputed listed company Arvind Limited. He is also a member of audit committee and remuneration committee of the board of directors of the company.

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 26 years in the field of textiles, garments etc. He is also member of audit committee, share transfer 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. Saurabh V. Shah	3	-	-
4.	Mr. Jaykant R. Baxi	-	-	-
5.	Mr. Bihari B. Shah	-	-	-
6.	Mr. Atul Kumar Singh	-	-	-

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 2010-2011 board of directors of the company met 4 times on following dates:- April 28, 2010, July 31, 2010, October 30, 2010 and January 29, 2011. 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	3	No
2.	Dr. Bakul H. Dholakia	4	No
3.	Mr. Saurabh V. Shah	4	Yes
4.	Mr. Jaykant R. Baxi	4	Yes
5.	Mr. Bihari B. Shah	4	Yes
6.	Mr. Atul Kumar Singh	4	Yes

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 four directors viz. Dr. Bakul H. Dholakia, Mr. Bihari B. Shah, Mr. Atul Kumar Singh and Mr. Saurabh V. Shah. The constitution of audit committee meets the requirements of section 292A of the Companies Act, 1956 and clause 49 of the listing agreement.



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

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

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 2010-2011, the audit committee met 4 times on April 28, 2010, July 31, 2010, October 30, 2010 and January 29, 2011. 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 April 28, 2011 was to approve annual accounts for the year ended on March 31, 2011.

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. Saurabh V. Shah	Member	4	4
3	Mr. Bihari B. Shah	Member	4	4
4.	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. Saurabh V. Shah, directors of the company. By constituting a remuneration committee the board has complied with non-mandatory requirement of clause 49 of the listing agreement. The remuneration committee met once on April 28, 2010 to approve the remuneration and perquisites payable to Mr. Chintan N. Parikh, Chairman and Managing Director of the company, which was attended by all the members.

Details of remuneration paid to directors for the financial year 2010-2011:-

The terms of appointment and remuneration of Mr. Chintan N. Parikh, Chairman and Managing Director has been fixed and approved by the board of directors and remuneration committee. The terms of appointment and payment of remuneration of Mr.Chintan N. Parikh have been approved by Ministry of Corporate Affairs, New Delhi vide their letter no.SRN. A93799823/4/2010-CL.VII dated December 22, 2010 for a period of 3 years w.e.f. February 7, 2011.

The aggregate value of salary and perquisites paid for the financial year ended on March 31, 2011 to Mr. Chintan N. Parikh, Managing Director of the company is Rs.77.76 lacs. Besides this the Managing Director, is also entitled to company's contribution to provident fund, superannuation fund to the extent not taxable, gratuity and 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, 2011 to the directors is as follows:-

Sr.no.	Name of the directors	Amount (in Rs.)
1.	Dr. Bakul H. Dholakia	27000
2.	Mr. Saurabh V. Shah	27000
3.	Mr. Jaykant R. Baxi	15000
4.	Mr. Bihari B. Shah	24000
5.	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, Mr. Saurabh V. Shah, Director & Mr. Hiren S. Mahadevia, Chief Financial Officer & Company Secretary as member. 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 authorized 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 96.25% and 3.75% respectively as on March 31, 2011.

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. Saurabh Shah 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 3 times in the year, on June 30, 2010, September 30, 2010 and December 31, 2010 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 3 investors complaints during the financial year under review, all of which have been redressed and no complaints are 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
2008	30/06/2008	AGM	Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380021.	10.30 a.m.
2009	30/06/2009	AGM	As Above	10.30 a.m.
2010	30/06/2010	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 secretarial 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 Financial Officer and Company Secretary and Chief Executive Officer 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 23, 2011 at 10.30 a.m. at Texcellence Complex, Khokhara - Mehmedabad, Ahmedabad – 380021.
- b. Date of book closure : September 19, 2011 to September 23, 2011.
- c. Listing on stock exchanges : 1. The Ahmedabad Stock Exchange Ltd
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 2010-2011.
- e. Address of registered office : Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad - 380021.
- f. **Financial calendar** : April 1, 2011 to March 31, 2012.
Results for 1st quarter ending on June 30, 2011 : Last week of July,2011
Results for 2nd quarter ending on September 30, 2011 : Last week of October,2011
Results for 3rd quarter ending on December 31, 2011 : Last week of January,2012
Results for 4th quarter ending on March 31, 2012 : Last week of April, 2012
Annual General Meeting : September, 2012.
- g. **Stock exchange security code** :
a. The Ahmedabad Stock Exchange Ltd : ASHIMA/05530
b. The Bombay Stock Exchange Ltd : 514286
c. 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 and Bombay Stock Exchange during the financial year ended March 31, 2011:**

MONTH	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
April 2010	6.50	4.90	375140	6.48	5.00	515686
May 2010	6.35	4.00	184019	6.19	4.31	182205
June 2010	6.65	4.80	360797	6.30	4.81	288486
July 2010	6.10	5.10	209946	6.01	5.10	243113
Aug.2010	8.10	5.00	1692557	8.50	5.20	1950397
Sept.2010	8.90	6.65	426481	9.01	6.73	1225614
Oct.2010	9.45	7.35	338454	9.69	7.34	967084
Nov.2010	9.20	5.85	178547	9.05	5.89	610464
Dec.2010	7.75	5.60	196936	7.82	5.65	469621
Jan. 2011	8.15	5.75	100782	8.21	5.81	275670
Feb. 2011	6.10	4.85	57840	6.18	4.86	267355
Mar. 2011	5.80	4.50	133351	5.70	4.41	287780

i. Distribution of shareholding:

As on March 31, 2011 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	17887	79.97	2931845	8.79
501-1000	2167	9.69	1953582	5.85
1001-5000	1858	8.30	4534208	13.59
5001-10000	254	1.14	1888361	5.66
10001 and above	201	0.90	22060791	66.11

Shareholding Pattern of the company:

Sr. No.	Category	No. of shares held	Percentage (%) of share holding
A.	Promoter's holding		
1.	Indian Promoter	11137293	33.38
	Foreign Promoter	—	—
2.	Persons acting in concert	—	—
	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)	180254	0.54
c.	FII's	—	—
	Sub Total	183554	0.55
C.	Others		
a.	Private Corporate Bodies	4919512	14.75
b.	Indian Public	15794051	47.33
c.	NRI/ OCBs	1334377	3.99
d.	Any other (FDI's)	—	—
	Sub Total	22047940	66.07
	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 15-20 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, 2011, 14766 shareholders have sought dematerialisation of their 3,21,18,341 equity shares which constitutes 96.25% of total share capital of the company.

m. Liquidity:

The company's shares are among the most liquid and actively traded shares on Mumbai and National Stock Exchanges. 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, 2011.

o. Plant Location:

- i) Texcellence Complex, Khokhara – Mehmedabad, Ahmedabad – 380021.
- ii) 1B Ashima Complex, Kalol – Kadi Highway, Village Karannagar, Taluka – Kadi, District Mehsana, North Gujarat.

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
211, Sudharshan Building, Nr. Mithakhali Six Roads, Navrangpura, 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. 2011-2012.

During the year under review the company has credited a sum of Rs.1,41,451/- with regard to unclaimed interest on fixed deposit and unclaimed matured fixed deposits in respect of financial years 2003-2004 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 April 28, 2011 and the same was approved thereat.

For and on behalf of the board

Ahmedabad
April 28, 2011

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, 2011, 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 statement 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

Date : April 28, 2011
Place : Ahmedabad

Kaushik D. Shah
Partner
Membership no. : 16502

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, 2011, received from the members of the board and senior management personnel declaration of compliance with the code of conduct as applicable to them.

Date : April 28, 2011
Place : Ahmedabad

Chintan N. Parikh
Chairman & Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS**OVERVIEW**

The year 2010-11 was a year of recovery for the textile and clothing sector. Though the year started on an uncertain note, demand for all textile products picked up in the domestic and global markets as the year progressed.

However, there was an unprecedented rise in cotton prices on account of a combination of various factors such as market forces, speculation by traders and government policies. There were crop losses in China & Pakistan and production was lower than the initial expectation in the US. With some strengthening of the global economy, demand for textile products increased, leading to a significant increase in cotton consumption in all textile producing countries. Cotton prices in the international markets reached to unprecedented levels due to this supply-demand mismatch. Though India's production was marginally higher than that of the previous year, committing for export even before the beginning of the season created an artificial scarcity in the domestic market. Frequent announcements from the government authorities on possibility of further exports led to swift price fluctuations.

Cotton prices increased by more than 75% during the last one year which has resulted into increased prices of cotton yarn which happens to be the main raw material for the company as the company does not spin much of its own yarn.

There is an improvement in overall performance of the company during the year mainly due to improvement in profitability of Denim division.

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:

The performance of Denim division has shown remarkable improvement for the year under review, due to recovery in Denim market and as a result the division has turned profitable at the operating level. The capacity utilization has almost remained at the same level as in the previous year. However, on account of better sales realization in both domestic and export markets the division could perform better.

Cotton prices have gone up substantially on a year-to-year basis. However, the company was able to offset adverse impact of higher cotton cost by increasing the selling prices of Denim as the market showed strength.

Spinfab:

During the year under review, capacity utilisation for the division was higher. On sales front domestic volumes have improved. However, there is a reduction in exports sales volume as more and more overseas buyers get their fabric converted into garments in India and sales to them is considered as domestic sales.

Yarn prices have gone up significantly during the year due to higher demand and increased cotton cost. This has adversely affected the profitability of the division as the company could not pass on the increase in yarn prices fully to its customers due to competitive pressures.

Attires:

During the year under review, the Attires division has achieved higher volumes. Though margins were under pressure, PBDIT in absolute terms has gone up as compared to the previous year. The Attires division faces a challenging period ahead in view of increased competition with the entry of new players in the domestic market.

Grey Fabric:

The company has reduced its activity level in Grey fabrics division and took up piece dyed fabrics activity.

FINANCIAL RESULTS AND OUTLOOK:

Financial performance

The year under review saw extraordinary rise in cotton and yarn prices putting severe cost pressure on the company. Further, there has been inflationary trend in all major cost elements like dyes and chemicals, fuels as well as overhead expenses. However, the company could achieve higher operational profit mainly backed by the recovery in the Denim market. Except Spinfab division all other divisions of the company have reported improved performance over the previous year.

The operational profitability of the company has gone up to Rs.1166.88 lacs as compared to Rs.705.03 lacs in previous year.

Raw material:

The rise in cotton prices during the year has been extraordinary and the prices continued their upward movement as in the previous year. Yarn prices have also shown significant increase. This has put severe cost pressure on the company. The company had to bear bigger burden of higher cotton cost as compared to competitors, as it could not buy cotton at lower prices during season due to tight working capital position. The company's bottom line could have been better but for this adverse situation that it has been facing.

Dyes and Chemicals:

As compared to previous year prices of all dyes, chemicals and consumables have shown inflationary trend which has resulted in higher costs. The recent market trends indicate that prices of all dyes, chemicals, consumables and fuel in form of coal are further likely to strengthen.

Utilities:

Utilities cost has also increased during the year due to higher coal and fuel prices.

Other Manufacturing expenses:

Overall cost of job work has gone down due to lower job work production volume in Denim division and Spinfab division. Cost of spares consumption has reduced considerably, as company has also reduced its Grey fabric production capacities.

Interest:

Interest cost is marginally lower, which includes mainly the interest paid to overdue trade creditors. In view of the ongoing comprehensive debt restructuring, provision for unpaid interest on secured debt and unsecured debt has not been made. Therefore, the actual impact of interest costs would not be known until the completion of debt restructuring exercise. The company expects that the debt restructuring exercise would be carried out keeping in mind the current earning capacity and prevalent scenario in textile industry.

Outlook:

Going forward, the outlook remains cautious. Major rise in cotton and yarn prices and inflationary trend on other costs will continue to increase cost burden. It would be difficult to pass on high costs burden to customers by hiking fabric prices, as this may result into demand contraction. This may have negative impact on volumes and profitability in coming period. As regards textile market, there are signs of recessionary trend in both global and domestic textile markets and this, coupled with inflation, would put pressure on volumes and profitability of the company.



Another important development is imposition of excise duty on branded garments. The garment industry which is already reeling under pressure of high fabric cost is expected to go through difficult times on account of imposition of excise and competitive pressures.

RESOURCES AND LIQUIDITY

The profitability of the company has shown improvement on account of Denim division showing significant improvement in performance. Other divisions namely Attires and Grey fabrics have recorded better performance. On account of high cost of raw materials and other consumables, company's operating cycle has increased and therefore company requires more funds for working capital. The company has ensured smooth running of its operations by managing its resources judiciously.

The company has been facing resource constraint, so it has not been able to make essential investments in upgradation of manufacturing facilities and product development. This has hampered the competitiveness of the company.

The high level of debt continues to haunt the operations of the company. The company is pursuing debt restructuring exercise with its lenders so as to improve its liquidity position, which can lead to efficient operational performance.

OPPORTUNITIES:

The company is making all out efforts to improve its performance by way of continuous enhancement of product range and market development and better cost management for competitive advantage.

THREATS:

The inflationary trend and consistently rising cotton and yarn prices affect the cost-competitiveness of the industry. It would be difficult to pass on any rise on the customer as it would adversely affect demand and in turn put pressure on volumes and profitability in the coming period. Further, there have been signs of recessionary trend in textile market recently. These factors may affect the performance of the industry in future.

INTERNAL CONTROL SYSTEMS

The company has adequate internal controls for its business processes across departments 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 audit committee of the board reviews and will continue to review the adequacy and effectiveness of the internal control systems and suggest improvements for strengthening them. The present internal control system is adequate considering the size of the company and nature of its operations.

RISKS AND CONCERNS:

Volatility in cotton market is a major risk for the company. In fact, the recent major rise in cotton price has highlighted the risk of agro-based raw material in business, as the supply of cotton fluctuates based on crop conditions and seasonality. Any significant change in cotton crop or consumption leads to its price volatility. The price of cotton is also highly influenced by Government policies like minimum support price of cotton, allowing cotton exports, etc. Such volatility in raw material price creates cost pressures for the company. Another major risk is adverse fluctuations in the currency, which affect the export sales realisation and profitability of the company. Inflation is another factor that can affect cost-competitiveness of the company in the export markets. Apart from this, there are many other risks faced by the company in its normal course of business, like increased competition in global and local markets, changes in regulatory framework, recession, etc.

RESEARCH AND DEVELOPMENT:

Global market platform and high degree of competition makes it imperative for a company to continuously focus on research and development and adopt it as part of its business philosophy. The company attaches great importance to product development to enable it to meet the requirements and expectations of its customers. The company continues to offer new products and product variants. The company has always maintained high standards of product quality and customer service.

HEALTH, SAFETY AND ENVIRONMENT:

Health, Safety and well being of its workers and employees is of prime importance to the company. Various aspects such as working conditions of workers, health related issues, minimizing risk of accidents at work place are being taken care of by the safety committee of the company. The company has been adhering strictly to environment emission standards. Green lawn, garden and trees are being maintained in the manufacturing complex to protect the environment and create pleasant environment for its employees. As a recognition of efforts made for preservation and protection of environment, the prestigious Greentech Foundation has given several awards to the company.

HUMAN RESOURCES DEVELOPMENT

Human resources have always been considered an important asset by the company. Human resource policies adopted by the company adequately address the issue of attracting and retaining the right talent. Employee satisfaction and welfare is ensured 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.



AUDITORS' REPORT

To
The Members of
Ashima Limited
Ahmedabad

1. We have audited the attached balance sheet of Ashima Limited as at March 31, 2011 and also the profit and loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanations given to us, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to above, 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 purposes of the audit;
 - (b) In our opinion **subject to note no. 11 of schedule 19 regarding non-provision of interest**, proper books of account as required by the law, have been kept by the company so far as appears from our examination of those books;
 - (c) The balance sheet, profit & loss account and the cash flow statement dealt with by this report are in agreement with the books of account of the company;
 - (d) In our opinion **subject to note no. 11 of schedule 19 regarding non-provision of interest** the balance sheet, profit & loss account and the cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (e) On the basis of written representations received from the directors as on March 31, 2011 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) **Attention is invited to following notes of Schedule 19-**
 - 1) **Note no. 11 relating to non provision of interest amounting to Rs. 19,989.04 lacs on secured/unsecured debt.**
 - 2) **Note no. 15 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 said financial statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - (a) In the case of the balance sheet, of the state of affairs of the company as at March 31, 2011; and

- (b) In the case of the profit and loss Account, of the loss of the company for the year ended on that date; and
- (c) In the case of the cash flow Statement, of the cash flows of the Company for the year ended on that date.

For **Dhirubhai Shah & Co.**
Chartered Accountants

Kaushik D. Shah
Partner

Date : April 28, 2011
Place : Ahmedabad

Membership No. : 16502

ANNEXURE REFERRED TO IN PARAGRAPH 3 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 explanation 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 explanation 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 explanation 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, National Company Law Tribunal or Reserve Bank of India 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, 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, 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, the details of disputed statutory dues are as follows:

Sr. No.	Nature of statute	Nature of dues	Amount Rupees in lacs	Year to which the amount relates	Forum where dispute is pending
1	Central Excise and Salt Act, 1944	Excise duty	266.18	1996	Customs Excise and Service Tax Appellate Tribunal
2	Central Excise and Salt Act, 1944	Excise duty	7.56	1997	Customs Excise and Service Tax Appellate Tribunal
3	Foreign Trade (Dev. & Regu. Act), 1992	Custom Duty and Interest	49.30	1997	Addl. D.G. (Appeals), DGFT, New Delhi
4	The Income Tax Act, 1961	Income tax	41.04	A.Y. 1994-95	Gujarat High Court
5	The Income Tax Act, 1961	Income tax	676.66	A.Y. 1996-97	Assessment Officer (matter remanded by ITAT)
6	The Income Tax Act, 1961	Income tax	0.87	A.Y. 2001-02	Assessment Officer
7	The Income Tax Act, 1961	Income tax	0.48	A.Y. 2006-07	CIT (Appeals)
8	The Income Tax Act, 1961	Income tax	0.10	A.Y. 2007-08	CIT (Appeals)
9	Gujarat Education Cess Act, 1962	Education cess	64.77	Past years	Ahmedabad Municipal Corporation Cess Act, 1962
10	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 not 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:

(Rupees in lacs)			
Year of default	Principal	Interest	Total
Within the year under review	478.76	19661.48	20140.24
Since prior to the year under review	42641.41	74511.92	117153.33
Total	43120.17	94173.40	137293.57

Apart from the above the amount of Rs.750 lacs in suspense account also remains unsettled. Refer note no. 12 of Schedule 19 to the balance sheet and profit and loss account.

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

Kaushik D. Shah
Partner
Membership No. : 16502

Date : April 28, 2011
Place : Ahmedabad

**BALANCE SHEET AS AT MARCH 31, 2011**

(Rupees in lacs)

	Schedule	As at Mar. 31, 11	As at Mar. 31, 10
SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
(a) Share capital	1	5,386.88	5,386.88
(b) Reserves and surplus	2	20,792.13	21,342.80
		26,179.01	26,729.68
2 LOAN FUNDS			
(a) Secured loans	3	45,087.22	45,087.22
(b) Unsecured loans	4	1,982.59	1,986.35
		47,069.81	47,073.57
TOTAL		73,248.82	73,803.25
APPLICATION OF FUNDS			
1 FIXED ASSETS	5		
(a) Gross block		30,211.22	30,720.78
(b) Less: Accumulated depreciation		8,368.61	7,329.26
(c) Less: Impairment of fixed assets		1,975.62	2,046.28
(d) Net block		19,866.99	21,345.24
2 INVESTMENTS	6	—	0.03
3 CURRENT ASSETS, LOANS AND ADVANCES	7		
(a) Inventories		5,144.19	3,540.77
(b) Sundry debtors		1,780.30	2,050.18
(c) Cash and bank balances		641.86	773.69
(d) Other current assets		158.78	161.25
(e) Loans and advances		487.54	676.79
		8,212.67	7,202.68
Less: CURRENT LIABILITIES AND PROVISIONS	8		
(a) Liabilities		2,754.35	2,751.12
(b) Provisions		198.32	188.76
		2,952.67	2,939.88
NET CURRENT ASSETS		5,260.00	4,262.80
4 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	9	120.35	223.48
5 PROFIT AND LOSS ACCOUNT	10	48,001.49	47,971.71
TOTAL		73,248.82	73,803.25
Accounting policies and notes forming part of accounts	19		

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants

Kaushik D. Shah
Partner

Ahmedabad
April 28, 2011

Chintan N. Parikh
Chairman & Managing Director

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Bihari B. Shah
Director

Ahmedabad
April 28, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in lacs)

	Schedule	For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
INCOME			
Sales and operating income	11	25,935.72	22,476.97
Other income	12	76.59	207.97
Increase / (Decrease) in stock	13	819.97	(187.95)
TOTAL (I)		26,832.28	22,496.99
EXPENDITURE			
Raw material consumed	14	12,652.51	9,439.67
Manufacturing and other expenses	15	9,236.04	8,454.99
Employees' emoluments	16	2,597.82	2,653.98
Administrative and other expenses	17	1,179.03	1,243.32
Interest and finance charges	18	89.18	94.52
Depreciation	5	1,333.86	1,350.11
Amortization of expenses	9	109.22	240.75
TOTAL (II)		27,197.66	23,477.34
Loss before tax, exceptional and extraordinary items (Net) [(I) - (II)]		365.38	980.35
Provision for tax			
Wealth tax		0.48	0.61
Loss before exceptional and extraordinary items (Net)		365.86	980.96
Exceptional and extraordinary items (Income)/Expenditure (Net)		158.38	3,346.32
Prior period adjustment (Net)		—	35.00
Total Loss		524.24	4,362.28
Add: Deficit brought forward from previous year		47,971.71	43,609.43
Deficit carried to balance sheet		48,495.95	47,971.71
Basic/diluted earning per share (in Rs.)		(2.27)	(13.78)
Face value per equity share (in Rs.)		10.00	10.00
Accounting policies and notes forming part of accounts	19		

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants

Kaushik D. Shah
Partner

Ahmedabad
April 28, 2011

Chintan N. Parikh
Chairman & Managing Director

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Bihari B. Shah
Director

Ahmedabad
April 28, 2011

**Schedules forming part of the accounts****(Rupees in lacs)**

	As at Mar. 31, 11	As at Mar. 31, 10
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED SHARE CAPITAL		
6,00,00,000 Equity shares of Rs. 10/- each (Previous year 6,00,00,000 equity shares of Rs. 10/- each)	6,000.00	6,000.00
40,00,000 Preference shares of Rs. 100/- each (Previous year 40,00,000 preference shares of Rs. 100/- each)	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 share holders 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 equity shares of Rs. 10/- each fully paid)	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 installments 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

Schedules forming part of the accounts

(Rupees in lacs)

		As at Mar. 31, 11	As at Mar. 31, 10
SCHEDULE 2 - RESERVES AND SURPLUS			
(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) Share Premium		12,388.07	12,388.07
(E) Debenture Redemption Reserve		2,900.50	2,900.50
(F) Reconstruction Reserve		526.10	526.10
(G) General Reserve			
Balance as per last Balance Sheet		—	—
Add : Transferred from Revaluation Reserve		494.46	—
		494.46	—
Less : Set off against balance of Profit and Loss Account		494.46	—
	Total	—	—
(H) Revaluation Reserve			
Balance As per last Balance Sheet		5,451.08	5,547.02
Less : Provision for impairment loss		—	95.95
		5,451.08	5,451.08
Less : Adjusted upon sale of scrapped assets		56.21	—
Less : Amount transferred to General Reserve upon sale of scrapped assets / retirement		494.46	—
	Sub total	4,900.41	5,451.08
TOTAL		20,792.13	21,342.80
SCHEDULE 3 - SECURED LOANS			
(A) NON CONVERTIBLE DEBENTURES	1	4,060.53	4,060.53
	Sub total	4,060.53	4,060.53
(B) TERM LOANS AND WORKING CAPITAL FACILITIES			
[1] FROM BANKS			
Working capital facilities	2	—	1,968.32
Term loans	1 & 2	63.75	63.75
Interest accrued and due on term loans		104.14	104.14
		167.89	2,136.21
[2] FROM OTHERS			
Working capital facilities	2	8,508.94	6,540.61
Loans	1	32,349.87	32,349.87
		40,858.81	38,890.48
	Sub total	41,026.69	41,026.69
TOTAL		45,087.22	45,087.22

**Schedules forming part of the accounts****Notes :**

1 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 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.

- (i) (a) 15,00,000 16% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable in three equal installments at the end of 5th, 6th and 7th year from the date of allotment of debentures and
- (b) 3,00,000 16% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable in three equal installments at the end of 4th, 5th and 6th year, pursuant to debenture trust deed dated March 24, 1995 executed between the company and IDBI Trusteeship Services Ltd. ('The Trustee'), and subsequent sanctions/modifications by subscribers.
- (ii) 24,00,000 16% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable at a premium of 2% from the date on which debentures are fully paid-up in three equal annual installments starting from October 2000, pursuant to the debenture trust deed dated September 12, 1996 between the company and IFCI Ltd. ('The Trustee') and further to such modifications as done by IFCI Ltd. in terms of their letter no. ARD/TEX 333 /2002/1418 dated March 24, 2002.
- (iii) 5,00,000 17% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable at par in five equal installments after expiry of first year in terms of debenture trust deed dated October 14, 1998, executed between the company and IDBI Trusteeship Services Ltd. ('The Trustee').
- (iv) 5,00,000 14.50% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable in three equal installments after expiry of third year from the date on which debentures are allotted, pursuant to debenture trust deed dated October 1, 2001 executed between the company and Axis Bank Ltd. ('The Trustee')
- (v) 10,00,000 14% secured non convertible debentures of Rs. 100/- each fully paid up redeemable at par in three equal yearly installments after the expiry of 4th, 5th and 6th year.

The first and second installments of redemption of debentures in (i)(a) and (b) and also the third installments in certain debentures and the first, second and third installments of redemption of debentures in (iii) have already been made. The first installment of redemption of debentures in (ii) has also been made. Thus the charge is subsisting on the balance amounts.

2 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.

(Rupees in lacs)		
	As at Mar. 31, 11	As at Mar. 31, 10
SCHEDULE 4 - UNSECURED LOANS		
From companies and others	1,543.64	1,543.64
Other advances and deposits	438.95	442.71
TOTAL	1,982.59	1,986.35

Schedules forming part of the accounts

SCHEDULE 5 - FIXED ASSETS

(Rupees in lacs)

Sr. No.	Name of assets	GROSS BLOCK				DEPRECIATION				IMPAIRMENT	NET BLOCK	
		As at April 1, 2010	Additions during the year	Deductions during the year	As at Mar. 31, 2011	Upto Mar. 31, 2010	For the year	Deductions/adjustment during the year	Upto Mar. 31, 2011	LOSS	As at Mar. 31, 2011	As at Mar. 31, 2010
1	Freehold land	98.32	—	—	98.32	—	—	—	—	—	98.32	98.32
2	Leasehold land	9,380.14	—	—	9,380.14	—	—	—	—	834.10	8,546.04	8,546.04
3	Buildings #	6,379.03	8.58	4.03	6,383.58	1,024.01	188.29	0.54	1,211.76	333.73	4,838.09	5,021.29
4	Plant and machinery, electrical installation and equipments	14,398.63	37.27	535.12	13,900.78	6,124.68	1,102.76	268.09	6,959.35	807.79	6,133.64	7,395.50
5	Furnitures, fixtures and electric fittings	146.85	0.05	—	146.90	48.20	9.32	—	57.52	—	89.38	98.65
6	Office equipments	192.89	18.35	0.08	211.16	86.82	23.22	0.01	110.03	—	101.13	106.07
7	Vehicles	124.92	22.50	57.08	90.34	45.55	10.27	25.87	29.95	—	60.39	79.37
	TOTAL	30,720.78	86.75	596.31	30,211.22	7,329.26	1,333.86	294.51	8,368.61	1,975.62	19,866.99	21,345.24
	Previous year	30,763.45	88.38	131.05	30,720.78	6,013.26	1,350.11	34.11	7,329.26	2,046.28	21,345.24	22,799.86

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



Schedules forming part of the accounts

(Rupees in lacs)

	As at Mar. 31, 11	As at Mar. 31, 10
SCHEDULE 6 - INVESTMENTS (At cost/book value)		
(A) TRADE-LONG TERM INVESTMENTS		
(I) UNQUOTED - IN SUBSIDIARY COMPANY		
1	— (1,60,000) Equity shares in Ashima Cottons Pvt. Ltd. of Rs. 10/- each fully paid-up (Including 10,000 shares recd as gift)	15.01
2	100 (100) Equity shares in Ashima Textiles Inc. USA of US\$ 0.01 each fully paid-up (Received as gift)	—
		15.01
	Less : Provision for diminution in the value	15.01
	Sub total	—
(B) NON-TRADE		
(I) IN GOVERNMENT SECURITIES		
1	7 years National savings certificate	0.03
	Sub total	0.03
	TOTAL	0.03
SCHEDULE 7 - CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS		
(1) Inventories (As taken, valued and certified by the management)		
	Raw material	672.07
	Stores, spares and components, packing materials, chemicals, fuel and consumables	413.34
	Finished goods	1,452.25
	Semi finished goods	712.63
	Stock of DEPB	23.89
	Goods in transit	95.31
	Trading stock	163.65
	Waste	7.63
	Sub total	3,540.77

Schedules forming part of the accounts

(Rupees in lacs)

	As at Mar. 31, 11	As at Mar. 31, 10
(2) Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months		
Considered good	3.58	48.71
Add: Considered doubtful	30.31	30.31
Less: Provision for doubtful debts	30.31	30.31
Other debts	1,776.72	2,001.47
Sub total	<u>1,780.30</u>	<u>2,050.18</u>
(3) Cash and Bank Balances		
Cash/cheques on hand	5.35	4.78
Balance with scheduled banks		
In current accounts	201.81	352.77
In fixed deposit accounts	434.66	416.07
In margin money deposit accounts	0.04	0.07
Sub total	<u>641.86</u>	<u>773.69</u>
(4) Other Current Assets		
Interest receivable	15.01	16.67
Assets held for sale	46.10	25.00
Claims and other receivables	103.24	4,575.65
Less : Provision for doubtful receivables	5.57	4,456.07
Total	<u>97.67</u>	<u>119.58</u>
Sub total	<u>158.78</u>	<u>161.25</u>
TOTAL	<u>7,725.13</u>	<u>6,525.89</u>
(B) LOANS AND ADVANCES		
(Unsecured, considered good)		
Loans to staff	—	0.13
Loans to subsidiary companies	—	158.78
Pre-paid expenses	30.29	32.90
Advance tax (Net of provision)	59.12	57.51
Advances recoverable in cash or in kind or for value to be received	245.58	255.64
Less : Provision for doubtful advance	7.72	7.72
Total	<u>237.86</u>	<u>247.92</u>
Balance with excise authorities	0.08	0.08
Sundry deposits	160.19	179.47
Sub total	<u>487.54</u>	<u>676.79</u>
TOTAL	<u>8,212.67</u>	<u>7,202.68</u>



Schedules forming part of the accounts

(Rupees in lacs)

	As at Mar. 31, 11	As at Mar. 31, 10
SCHEDULE 8 - CURRENT LIABILITIES AND PROVISIONS		
(A) CURRENT LIABILITIES		
Sundry creditors		3.51
Small scale industries	3.63	
Others	1,704.49	1,703.39
Total	<u>1,708.12</u>	<u>1,706.90</u>
Unclaimed debentures and interest	15.93	15.93
Unclaimed matured fixed deposits*	7.21	8.66
Other liabilities	1,023.09	1,019.63
Sub total	<u>2,754.35</u>	<u>2,751.12</u>
* The above figure does not include cheques issued but not cleared for		
(1) Fixed deposits Rs.0.10 lacs (Previous year Rs. 0.10 lacs)		
(2) Interest on fixed deposits Rs. 2.84 lacs (Previous year Rs. 3.85 lacs)		
(B) PROVISIONS		
For leave encashment	64.52	59.46
For gratuity	78.33	73.70
For wealth tax	0.48	0.61
For premium on redemption of debentures	54.99	54.99
Sub total	<u>198.32</u>	<u>188.76</u>
TOTAL	<u><u>2,952.67</u></u>	<u><u>2,939.88</u></u>
SCHEDULE 9 - MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
DEFERRED REVENUE EXPENDITURE		
As per last balance sheet	223.48	452.59
Add: Expenses incurred during the year	6.09	11.64
Less: Written off to profit and loss account	109.22	240.75
TOTAL	<u>120.35</u>	<u>223.48</u>
SCHEDULE 10 - DEBIT BALANCE OF PROFIT AND LOSS ACCOUNT		
Debit Balance as per last Balance Sheet	47,971.71	43,609.43
Add: Loss for the year	524.24	4,362.28
Total	<u>48,495.95</u>	<u>47,971.71</u>
Less: Balance of General Reserve set off	494.46	—
TOTAL	<u><u>48,001.49</u></u>	<u><u>47,971.71</u></u>

Schedules forming part of the accounts

(Rupees in lacs)

	For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
SCHEDULE 11 - SALES AND OPERATING INCOME		
Domestic sales	21,644.20	18,760.85
Exports sales	4,044.18	3,462.23
Others	247.34	253.89
NET SALES	25,935.72	22,476.97
SCHEDULE 12 - OTHER INCOME		
Rent	48.83	48.59
Insurance claim	—	74.63
Excess provision written back	25.91	25.06
Miscellaneous income	1.85	59.69
TOTAL	76.59	207.97
SCHEDULE 13 - INCREASE/(DECREASE) IN STOCK		
Closing stock	3,156.12	2,336.15
Less: Opening stock	2,336.15	2,524.10
DIFFERENCE	819.97	(187.95)
SCHEDULE 14 - RAW MATERIAL CONSUMED		
Opening stock	672.07	747.44
Add: Cost of purchase	13,381.29	9,364.30
	14,053.36	10,111.74
Less: Closing stock	1,400.85	672.07
NET CONSUMPTION	12,652.51	9,439.67
SCHEDULE 15 - MANUFACTURING AND OTHER EXPENSES		
Stores, spares and components, packing materials and consumables and chemicals consumed	2,023.11	1,829.50
Power and fuel	2,278.91	2,400.16
Repairs and maintenance to plant and machinery	91.54	96.65
Repairs and maintenance to building	10.41	6.08
Other purchase expenses	8.69	10.10
Finished goods purchases	2,309.17	1,850.48
Job charges	2,317.00	2,017.48
Other manufacturing expenses	197.21	244.54
TOTAL	9,236.04	8,454.99

**Schedules forming part of the accounts****(Rupees in lacs)**

	For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
SCHEDULE 16 - EMPLOYEES' EMOLUMENTS		
Salaries, wages, bonus etc.	2,250.31	2,318.09
Employees' welfare expenses	99.59	102.08
Contribution to provident and other funds	247.92	233.81
TOTAL	2,597.82	2,653.98
SCHEDULE 17 - ADMINISTRATIVE AND OTHER EXPENSES		
Insurance	77.93	73.67
Auditors' remuneration		
As auditors	8.82	8.27
In other capacities	1.21	1.21
Sub total	10.03	9.48
Printing stationery and communication	87.36	96.62
Advertisement and business promotion	67.77	70.97
Travelling and conveyance (Including directors' travelling Rs.19.45 lacs, Previous year Rs.4.09 lacs)	111.73	109.79
Rent	15.63	17.99
Rates and taxes	44.97	42.14
Repairs and maintenance (Others)	28.88	36.17
Directors' sitting fees	1.17	1.11
Professional fees and services	84.58	62.51
Donation	1.30	0.25
Short provision of income-tax/FBT	—	1.90
Selling and distribution expenses	540.26	622.20
Sundry balance written off (Net)	2.01	20.21
Loss on sale/retirement/damage of fixed assets (Net)	34.78	12.45
Provision for doubtful debts and advances	0.03	1.04
Miscellaneous expenses	70.60	64.82
TOTAL	1,179.03	1,243.32
SCHEDULE 18 - INTEREST AND FINANCE CHARGES		
On working capital facilities and others (Net)	89.18	94.52
TOTAL	89.18	94.52

Schedules forming part of the accounts

SCHEDULE 19 – ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS:**A. ACCOUNTING POLICIES**

1. 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.
2. **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.
3. **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.
4. **Capital Work-In-Progress**
These are stated at cost relating to items of project incurred during construction/pre-operative period.
5. **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.
6. **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.
7. **Insurance**
The company has accounted for insurance claims for damage of goods/machinery on the basis of claims filed with the insurance company.
8. **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.
9. **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



Schedules forming part of the accounts

10. 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.

11. 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.

12. 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.

13. Premium on Redemption of Debentures

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

14. 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.

15. Excise Duty

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

Schedules forming part of the accounts

16. Deferred Revenue Expenditure

- (i) Fixed deposit expenses have been deferred and are written off over a period of three years.
- (ii) Retrenchment compensation has been treated as deferred revenue expenditure and is written off over a period of five years.
- (iii) 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.
- (iv) Transitional obligation arising on the first time adoption of the revised Accounting Standard 15 on "Employee Benefits" has been deferred and written off over a period of five years.
- (v) 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.

17. Recognition of Income and Expenditure

Income and expenditure are recognised on accrual basis.

18. 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.

19. 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.

20. 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.

21. 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.

**Schedules forming part of the accounts****B. NOTES FORMING PART OF ACCOUNTS:**

1. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs NIL (Previous year Rs. 7.22 lacs).

2. **Contingent liabilities not provided for:** **(Rupees in lacs)**

	As on	
	Mar. 31, 11	Mar. 31, 10
(i) In respect of bills of exchange discounted	—	35.88
(ii) In respect of guarantee given by the company to lenders on behalf of Ashima Dyecot Limited,	24,625.14	24,625.14
(iii) In respect of disputed income-tax demand not acknowledged by the company	719.15	719.15
(iv) In respect of disputed demand of central excise not acknowledged by the company	273.74	273.74
(v) In respect of disputed custom duty not acknowledged by the company	49.30	46.89
(vi) In respect of disputed demand of service tax not acknowledged by the company	—	148.01
(vii) In respect of disputed demand of Sales tax not acknowledged by the company	1906.02	1906.02
(viii) In respect of employees who have yet not opted for VRS.	530.97	470.03
(ix) 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 Mar. 31, 2011 Rs. 2056.81 lacs.		
• 13% cumulative preference shares for the period from July 1, 2000 to Mar. 31, 2011 Rs. 733.75 lacs.	2,790.56	2,525.45

3. (i) **Provision for education cess :** **(Rupees in lacs)**

	2010-11	2009-10
Opening balance	9.75	9.75
Add: Provision made during the year	-	-
Less: Payments/Debits	-	-
Closing balance	9.75	9.75

The provision for education cess was made @ 20% of the amount of demand for old outstanding cess raised by the Ahmedabad Municipal Corporation. The liability is contested.

- (ii) **Provision for Stamp duty on increase in authorised share capital** **(Rupees in lacs)**

	2010-11	2009-10
Opening balance	3.45	3.45
Add: Provision made during the year	—	—
Less: Payments/Debits	—	—
Closing balance	3.45	3.45

4. (i) Sundry debtors as appearing in the balance sheet include Rs.NIL (Previous year Rs.NIL) due from companies in which a director of the company is director.
- (ii) Loans and advances to staff include Rs.0.44 lacs (Previous year Rs. 2.38 lacs) due from officers of the company (Maximum amount outstanding at any time during the period Rs. 2.87 lacs, previous year Rs. 4.54 lacs).

Schedules forming part of the accounts

5. During the year 2002, central excise authorities had raised a demand for excise duty of Rs. 127.18 lacs and penalty of Rs. 139.00 lacs aggregating to Rs. 266.18 lacs. The company has paid Rs. 15.00 lacs under protest. Subsequently the company has succeeded in the appeal before Commissioner of Central Excise, Ahmedabad. The department has preferred an appeal before Customs, Excise and Service Tax Appellate Tribunal against the order passed by Commissioner of Central Excise, Ahmedabad.
6. 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.
7. During the year under review due to loss the company has not provided for Income-tax for the Assessment Year (A.Y.) 2011-12 (Previous year Rs. NIL). Provision for wealth-tax is made of Rs.0.47 lacs (Previous year Rs. 0.61 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. 2008-09. 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.

8. The cost of purchase is arrived at after considering effect of any settlement reached with the suppliers during the year.
9. 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.
10. Names of small scale industrial undertakings in whose account amount was outstanding for more than 30 days are as under:

Krupa Printers, Alpa Industries, Super Engineering Co., Hariom Industries, Atul Enterprise, Gemini Polyplast Industries, Mascot Industries, Sun Industries, Balagee Textile Services, and Hariom Refrigeration.

The company has provided for interest of Rs.0.02 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.3.63 lacs (Previous year Rs.3.51 lacs) as at the balance sheet date. This 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.

11. In view of ongoing comprehensive debt restructuring, the company has not made provision of Rs.19,989.04 lacs for unpaid interest (Previous year Rs.19,617.97 lacs). The loss for the year is understated by Rs. 19,989.04 lacs (Previous year Rs. 19,617.97 lacs).
12. 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

**Schedules forming part of the accounts**

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.

13. Extraordinary items mainly include balances written off.
14. The expenditure incurred in respect of assets damaged for which insurance claim has been received has been debited under respective heads.
15. 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.
16. **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, 11	For the year ended Mar. 31, 10
1	Assumptions:		
	Interest rate	8.25%	8.25%
	Estimated rate of return on plan assets	8.00%	8.00%
	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	582.53	503.02
	Add: Service cost	35.52	35.58
	Add: Interest cost	49.07	40.51
	Add: Actuarial loss	61.86	67.77
	Less: Benefits paid	46.49	64.35
	Net being present value of obligation as at end of the year	682.50	582.53
3	Changes in the fair value of plan assets		
	Fair value of plans assets at beginning of the year	560.16	355.45
	Add: Expected return on plan assets	46.95	36.34
	Add/(Less) : Actuarial gain / (loss)	(6.45)	101.72
	Add: Contributions	50.00	131.00
	Less: Benefits paid	46.49	64.35
	Net being fair value of plans assets at end of the year	604.17	560.16
4	Actuarial Loss recognised		
	Actuarial Loss for the year - Obligation	61.86	67.77
	Less/ (Add) : Actuarial Gain /(Loss) for the year - plan assets	(6.45)	101.72
	Net loss / (gain) for the year	68.32	(33.95)
	Actuarial loss / (gain) recognised in the year	68.32	—
	– (for previous year, refer note)		

Schedules forming part of the accounts

Sr. No.	Particulars	(Rs. In lacs)	
		For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
5	The amounts to be recognised in Balance sheet		
	Present value of obligations as at the end of the year	682.50	582.53
	Less: Fair value of plan assets as at the end of the year	604.17	560.16
	Net being liability to be recognised in the balance sheet as at the end of the year	78.33	22.37
	Liability recognised in the balance sheet as at the end of the year – refer note	78.33	73.69
6	Expenses Recognised in Statement of Profit and Loss		
	Current Service cost	35.52	35.58
	Add: Interest cost	49.07	40.51
	Less: Expected return on plan assets	46.95	36.34
	Add: Actuarial loss recognised in the year	68.32	—
	Net being expenses to be recognised in statement of Profit & Loss	105.96	39.75
	Net being expenses recognised in statement of Profit and Loss (for previous year, refer note)	105.96	57.12
7	Transitional obligation recognised as deferred revenue expenditure	N.A.	N.A.
8	Estimated amount of contribution to be paid to the plan within the next year	64.15	27.83

Note for the year ended Mar 31, 2010 : The company has not recognised positive impact of Rs.51.33 lacs in the profit and loss account as a measure of prudence.

17 **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	21,891.54 (19,014.74)	4,044.18 (3,462.23)	25,935.72 (22,476.97)
Debtors	1,739.97 (1,877.01)	40.33 (173.17)	1,780.30 (2,050.18)

18 **Related parties disclosures (Accounting Standard – 18):**

(i) **Relationships**

(a) **Subsidiaries**

Ashima Cottons Private Limited – up to 17.01.2011

Ashima Textiles Inc., U.S.A.



Schedules forming part of the accounts

(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
- N.C.P. Enterprises Limited
- Elephants Enterprises Limited
- Lahar Trading and Investments Limited
- Nachmo Trading Company Limited
- Amrakadamb Investments Private Limited
- Amrashagun Investments Private Limited

(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		
	Subsidiaries	Key management personnel	Other parties where control exists
Purchases	— (-)	— (-)	25.68 (416.31)
Sales	— (-)	— (-)	775.14 (2,350.43)
Expenses	10.20 (86.46)	— (-)	2,032.16 (1,898.16)
Investments in associates	— (-)	— (-)	— (-)
Directors' remuneration	— (-)	77.76 (66.41)	— (-)
Income	— (-)	— (-)	36.41 (38.69)
Other receipts	— (-)	— (-)	6.10 (6.09)
Finance	— (-)	— (-)	— (-)
Outstanding			
Payables	— (17.47)	— (-)	53.40 (96.37)
Receivables	— (-)	— (-)	— (-)
Loans payable	— (-)	— (-)	— (-)
Loans receivable	— (158.78)	— (-)	— (-)

Schedules forming part of the accounts

19 Earning per share (Accounting Standard - 20):

Particulars	(Rupees in lacs)	
	2010-11	2009-10
Loss for the year	(524.24)	(4,362.28)
Add: Preference dividend		
13% Redeemable	58.50	58.50
11% Redeemable	176.00	176.00
Loss for the year including preference dividend	(758.74)	(4,596.78)
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.)	(2.27)	(13.78)

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.

- 20 As per Accounting Standard 21 on "Consolidated Financial Statements" and Accounting Standard 23 on "Accounting for investments in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India, the company has presented consolidated financial statements separately, including subsidiary and associate, in this annual report.
- 21 Based on review carried out as on 31.03.2011, no impairment loss is required to be provided for as per Accounting Standard 28 on "Impairment of Assets".
- 22 Previous year figures have been regrouped / rearranged wherever necessary to confirm to this year's figures.
- 23 The chairman & managing director has been paid the following as minimum remuneration as approved by the Central Government :

Sr. No.	Particulars	(Rupees in lacs)	
		For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
(i)	Salary and allowances	71.32	60.00
(ii)	Company's contribution to provident and other funds	6.04	6.04
(iii)	Perquisites	0.40	0.37
	Total	77.76	66.41

- 24 Additional information pursuant to paragraph 3 and 4 of part II of Schedule VI of The Companies Act, 1956.

Particulars	(Figures in lacs)	
	Qty.	Amt.
Cotton/Cotton Yarn (Kgs.) and others	89.66 (98.47)	12652.50 (9439.67)



Schedules forming part of the accounts

(II) Finished goods:	Particulars	(Figures in lacs)	
		Cotton Fabrics (in Mtrs.)	
		Qty.	Amt.
Opening stock		19.44 (21.96)	1615.90 (1739.19)
Purchase		17.29 (17.98)	2309.17 (1850.48)
Production		193.02 (217.48)	— (—)
Consumption		0.04 (0.08)	4.34 (7.37)
Sales		212.23 (237.90)	25348.64 (22513.40)
Closing stock		17.48 (19.44)	1984.67 (1615.90)

25 Licensed capacity / Installed capacity*

	Licensed capacity		Installed capacity	
	2010-11	2009-10	2010-11	2009-10
Textiles division:				
Spindles	1,74,647 **	1,74,647 **	2,760	2,760
Rotors	2,800	2,800	1,080	1,080
Looms	1,872 ***	1,872 ***	171	235
Cloth processing (in lac meters)	170.05	170.05	—	—
Yarn/Fabric processing (in metric tones)	2,139.05	2,139.05	1,960	1,960

*As certified by the management and not verified by the auditors, being a technical matter.

**Includes licensed capacity of 45,244 spindles of erstwhile The Ahmedabad New Cotton Mills Co. Ltd.

***Includes licensed capacity of 764 looms of erstwhile The Ahmedabad New Cotton Mills Co. Ltd.

26 C.I. F. value of imports (Rupees in lacs)

Sr. No.	Particulars	For the year ended Mar. 31, 2011	For the year ended Mar. 31, 2010
(i)	Raw materials	—	—
(ii)	Stores, spares and chemicals	211.27	229.43
(iii)	Capital goods	—	—
(iv)	Fabrics purchase	—	—

Schedules forming part of the accounts

27 Value of imported and indigenous raw material, stores and spares consumed.

Sr. Particulars No.	Raw materials		Stores, spares and chemicals	
	Rupees in lacs	% of total consumption	Rupees in lacs	% of total consumption
(i) Imported	— (—)	— (—)	330.05 (341.41)	16.31 (18.66)
(ii) Indigenous	12,652.51 (9,439.67)	100.00 (100.00)	1,693.07 (1,488.10)	83.69 (81.34)
TOTAL	12,652.51 (9,439.67)	100.00 (100.00)	2,023.12 (1,829.51)	100.00 (100.00)

28 Expenditure in foreign currency paid or provided:

Sr. Particulars No.	(Rupees in lacs)	
	For the year ended Mar. 31, 2011	For the year ended Mar. 31, 2010
(i) Travelling expenses	18.50	8.17
(ii) Professional and consultancy fees	3.25	0.95
(iii) Sales and distribution expenses	24.75	40.44
(iv) Others	28.91	97.64
Total	75.41	147.20

29 Remittances in foreign currency on account of dividend: NIL

30 Earnings in foreign currency:

Particulars	(Rupees in lacs)	
	For the year ended Mar. 31, 2011	For the year ended Mar. 31, 2010
Total export sales	4,044.18	3,462.23
Of which F.O.B. value of exports	3,921.64	3,330.38

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



32 Additional information as required under part IV of Schedule VI of the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I REGISTRATION DETAILS**

A) Registration no.	5253
B) State code	04
C) Balance sheet date	March 31, 2011

II CAPITAL RAISED DURING THE YEAR**Rupees in lacs**

A) Public issue (including premium)	NIL
B) Rights issue (including premium)	NIL
C) Bonus issue	NIL
D) Private placement of preference shares	NIL

NIL**III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS****Rupees in lacs**

A) TOTAL LIABILITIES	73,248.82
B) TOTAL ASSETS	73,248.82
C) SOURCES OF FUNDS:	
1) Paid-up capital	5,386.88
2) Reserves and surplus	20,792.13
3) Secured loans	45,087.22
4) Unsecured loans	1,982.59
	73,248.82
D) APPLICATION OF FUNDS:	
1) Net fixed assets	19,866.99
2) Investments	—
3) Net current assets	5,260.00
4) Miscellaneous expenditure	120.35
5) Debit balance of profit and loss account	48,001.49
	73,248.82

IV PERFORMANCE OF THE COMPANY**Rupees in lacs**

A) Turnover and other income	26,832.28
B) Total expenditure	27,356.04
C) Profit/(Loss) before tax	(523.76)
D) Profit/(Loss) after tax	(524.24)
E) Basic earning per share (Rs.)	(2.27)
F) Dividend rate	—

V GENERIC NUMBERS OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY

A) 1) Item code	5209
2) Product description	Fabrics
B) 1) Item code	5209
2) Product description	Denims
C) 1) Item code	5205
2) Product description	Cotton yarn
D) 1) Item code	5208
2) Product description	Shirting fabrics
E) 1) Item code	5210
2) Product description	Special shirting
F) 1) Item code	5211
2) Product description	Special denims

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants**Kaushik D. Shah**
PartnerAhmedabad
April 28, 2011**Chintan N. Parikh**
Chairman & Managing Director**Hiren S. Mahadevia**
Chief Financial Officer
and Company Secretary**Bihari B. Shah**
DirectorAhmedabad
April 28, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in lacs)

Sr. PARTICULARS No.	2010-11	2009-10
(A) CASH FLOW FROM OPERATING ACTIVITIES		
LOSS BEFORE TAX, EXCEPTIONAL AND EXTRAORDINARY ITEMS (NET)	(365.38)	(980.35)
Add:		
Depreciation	1,333.86	1,350.11
Amortization of expenditure	109.22	240.75
Interest expenses (Net)	89.18	94.52
(Excess)/Short provision of Income Tax/FBT	—	1.90
Provision for doubtful debts	0.03	1.04
Sundry balances written off/(back)	2.01	—
(Profit)/Loss on sale of fixed assets and investments (Net)	34.78	12.45
	1,569.08	1,700.77
	1,203.70	720.42
Deduct:		
Excess provision written back	(25.91)	(25.06)
Rent income	(48.83)	(48.59)
	(74.74)	(73.65)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,128.96	646.77
Add/(Less): Decrease/(Increase) in inventories	(1,603.41)	377.03
Add/(Less): Decrease/(Increase) in sundry debtors	267.84	(227.14)
Add/(Less): Decrease/(Increase) in other trade receivables	76.99	152.98
Add/(Less): Increase/(Decrease) in current liabilities	17.23	(345.44)
	(1,241.36)	(42.57)
CASH GENERATED FROM OPERATIONS	(112.40)	604.20
Less:		
Interest paid (Net)	(87.52)	(64.62)
Deferred revenue expenditure	(6.09)	(11.65)
Tax paid	(2.22)	71.52
Prior period adjustment (Net)	—	(4.75)
	(95.83)	—
NET CASH INFLOW FROM OPERATING ACTIVITIES	(208.24)	599.44



(Rupees in lacs)

Sr. PARTICULARS No.	2010-11		2009-10	
(B) CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets	(86.75)		(88.38)	
Sale of fixed assets and investments	119.48		59.71	
Decrease/(Increase) in loans to companies and others	—		3.07	
Decrease/(Increase) in bank FDR	(18.59)		7.82	
Rent received	48.83	63.03	48.59	30.85
	<hr/>		<hr/>	
NET CASH FLOW FROM INVESTING ACTIVITIES		63.03		30.85
(C) CASH FLOW FROM FINANCING ACTIVITIES				
(Decrease)/increase in other borrowings	(5.21)		(310.05)	
	<hr/>		<hr/>	
		(5.21)		(310.05)
NET CASH FLOW FROM FINANCING ACTIVITIES		(5.21)		(310.05)
TOTAL CASH INFLOW (A + B + C)		(150.42)		320.24
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		207.20		357.62
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	357.62	(150.42)	37.38	320.24

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants

Kaushik D. Shah
Partner

Ahmedabad
April 28, 2011

Chintan N. Parikh
Chairman & Managing Director

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Bihari B. Shah
Director

Ahmedabad
April 28, 2011

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ASHIMA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENT OF ASHIMA LIMITED AND ITS SUBSIDIARY

We have audited the attached consolidated balance sheet of Ashima Limited and its subsidiary as at March 31, 2011, the consolidated profit and loss account and consolidated cash flow statement for the year ended on that date.

These financial statements are the responsibility of management of Ashima Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of Ashima Textiles Inc.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard AS-21 on "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Ashima Limited and its subsidiary included in the consolidated financial statements.

Attention is given to the following notes:

- (a) Note no. 7 relating to non provision of interest amounting to Rs. 19989.04 lacs on secured/ unsecured debt.**
- (b) Note no. 10 relating to preparation of accounts on a going concern basis.**

Subject to the foregoing, on the basis of the information and explanation given to us and on the consideration of separate audit report on individual audited financial statements of Ashima Limited and unaudited financial statement of its subsidiary, we are of the opinion that –

- (a) The consolidated balance sheet gives a true and fair view of the consolidated state of affairs of Ashima Limited and its subsidiary as at March 31, 2011; and
- (b) The consolidated profit and loss account gives a true and fair view of the consolidated operations of Ashima Limited and its subsidiary for the year ended on that date; and
- (c) The consolidated cash flow statement gives a true and fair view of the consolidated cash flow of Ashima Limited and its subsidiary for the year ended on that date.

For Dhirubhai Shah & Co.
Chartered Accountants

Date : April 28, 2011
Place : Ahmedabad

Kaushik D. Shah
Partner
Membership No. : 16502

**CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2011**

(Rupees in lacs)

	Sche- dule	As at Mar. 31, 11	As at Mar. 31, 10
SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
(a) Share capital	1	5,386.88	5,386.88
(b) Reserves and surplus	2	20,792.14	21,342.80
		26,179.02	26,729.68
2 LOAN FUNDS			
(a) Secured loans	3	45,087.22	45,087.22
(b) Unsecured loans	4	1,982.59	5,671.35
		47,069.81	50,758.57
TOTAL		73,248.83	77,488.25
APPLICATION OF FUNDS			
1 FIXED ASSETS	5		
(a) Gross block		30,215.16	30,724.74
(b) Less:Accumulated depreciation		8,370.72	7,330.83
(c) Less:Impairment of fixed assets		1,975.62	2,046.28
(d) Net block		19,868.81	21,347.63
2 INVESTMENTS	6	—	0.28
3 CURRENT ASSETS, LOANS AND ADVANCES	7		
(a) Inventories		5,144.19	3,540.75
(b) Sundry debtors		1,780.30	2,050.18
(c) Cash and bank balances		642.90	776.24
(d) Other current assets		158.78	161.25
(e) Loans and advances		477.12	509.12
		8,203.29	7,037.54
Less:CURRENT LIABILITIES AND PROVISIONS	8		
(a) Liabilities		2,743.25	2,749.08
(b) Provisions		198.44	188.89
		2,941.69	2,937.97
NET CURRENT ASSETS		5,261.61	4,099.58
4 MISCELLANEOUS EXPENDITURE	9	120.45	223.97
(to the extent not written off or adjusted)			
5 PROFIT AND LOSS ACCOUNT	10	47,997.96	51,816.79
TOTAL		73,248.83	77,488.25
Accounting policies and notes forming part of accounts	19		

As per our report of even date attached
For Dhirubhai Shah & Co.
Chartered Accountants

Chintan N. Parikh
Chairman & Managing Director

Kaushik D. Shah
Partner

Bihari B. Shah
Director
Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Ahmedabad
April 28, 2011

Ahmedabad
April 28, 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

(Rupees in lacs)

	Sche- dule	For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
INCOME			
Sales and operating income	11	25,936.04	22,476.97
Other income	12	76.68	208.01
Increase/(Decrease) in stock	13	819.97	(187.95)
TOTAL (I)		26,832.69	22,497.03
EXPENDITURE			
Raw material consumed	14	12,652.51	9,439.67
Manufacturing and other expenses	15	9,236.04	8,454.98
Employees' emoluments	16	2,598.09	2,720.97
Administrative and other expenses	17	1,175.41	1,176.08
Interest and finance charges	18	89.18	94.70
Depreciation	5	1,334.40	1,350.66
Amortization of expenses	9	109.60	241.42
TOTAL (II)		27,195.23	23,478.48
Loss before tax, exceptional and extraordinary items (Net) [(I)-(II)]		362.54	981.45
Provision for tax			
Taxation including wealth tax		0.48	0.61
Loss before exceptional and extraordinary items (Net)		363.02	982.06
Exchange rate fluctuation on consolidation		(2.68)	4.41
Exceptional and extraordinary items (Income) /Expenditure (Net)		158.38	3,346.32
Prior period adjustment (Net)		—	35.00
Total Loss		518.72	4,367.79
Add:Deficit brought forward from previous year		47,973.70	47,448.99
Deficit carried to balance sheet		48,492.42	51,816.79
Basic/diluted earning per share (in Rs.)		(2.26)	(13.79)
Face value per equity share (in Rs.)		10.00	10.00
Accounting policies and notes forming part of accounts	19		

As per our report of even date attached
For Dhirubhai Shah & Co.
Chartered Accountants

Chintan N. Parikh
Chairman & Managing Director

Kaushik D. Shah
Partner

Bihari B. Shah
Director
Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Ahmedabad
April 28, 2011

Ahmedabad
April 28, 2011

Schedules forming part of the consolidated accounts

		(Rupees in lacs)	
		As at	As at
		Mar. 31, 11	Mar. 31, 10
SCHEDULE 1 - SHARE CAPITAL			
AUTHORISED SHARE CAPITAL			
6,00,00,000	Equity shares of Rs. 10/- each (Previous year 6,00,00,000 equity shares of Rs. 10/- each)	6,000.00	6,000.00
40,00,000	Preference shares of Rs. 100/- each (Previous year 40,00,000 preference shares of Rs. 100/- each)	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 share holders 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 equity shares of Rs. 10/- each fully paid)	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 installments at the end of 3 rd , 4 th and 5 th 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 he end of 24 months from the date of allotment	1,600.00	1,600.00
TOTAL		5,386.88	5,386.88

		(Rupees in lacs)	
		As at	As at
		Mar. 31, 11	Mar. 31, 10
SCHEDULE 2 - RESERVES AND SURPLUS			
(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)	Share Premium	12,388.07	12,388.07
(E)	Debenture Redemption Reserve	2,900.50	2,900.50
(F)	Reconstruction Reserve	526.10	526.10
(G)	General Reserve		
	Balance as per last Balance Sheet	—	—
	Add: Transferred from Revaluation Reserve	494.46	—
		494.46	—
	Less: Set off against balance of Profit and Loss Account	494.46	—
	Total	—	—
(H)	Revaluation Reserve	5,451.08	5,547.02
	Less: Provision for impairment loss	—	95.95
	Sub total	5,451.08	5,451.08
	Less: Adjusted upon sale of scrapped assets	56.21	—
	Less: Amount transferred to General Reserve upon sale of scrapped assets / retirement	494.46	—
	Sub total	4,900.41	5,451.08
TOTAL		20,792.14	21,342.80

SCHEDULE 3 - SECURED LOANS			
(A)	NON CONVERTIBLE DEBENTURES 1	4,060.53	4,060.53
	Sub total	4,060.53	4,060.53
(B)	TERM LOANS AND WORKING CAPITAL FACILITIES		
[1]	FROM BANKS		
	Working capital facilities 2	—	1,968.32
	Term loans 1 & 2	63.75	63.75
	Interest accrued and due on term loans	104.14	104.14
		167.89	2,136.21
[2]	FROM OTHERS		
	Working capital facilities 2	8,508.94	6,540.61
	Loans 1	32,349.87	32,349.87
		40,858.81	38,890.48
	Sub total	41,026.69	41,026.69
TOTAL		45,087.22	45,087.22

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 Mouje Rajpur-Hirpur, District Ahmedabad and 201, Tulsiani



Schedules forming part of the consolidated accounts

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.

- (i) (a) 15,00,000 16% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable in three equal installments at the end of 5th, 6th and 7th year from the date of allotment of debentures and
- (b) 3,00,000 16% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable in three equal installments at the end of 4th, 5th and 6th year, pursuant to debenture trust deed dated March 24,1995 executed between the company and IDBI Trusteeship Services Ltd. ('The Trustee'), and subsequent sanctions/modifications by subscribers.
- (ii) 24,00,000 16% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable at a premium of 2% from the date on which debentures are fully paid-up in three equal annual installments starting from October 2000, pursuant to the debenture trust deed dated September 12,1996 between the company and IFCI Ltd. ('The Trustee') and further to such modifications as done by IFCI Ltd. in terms of their letter no. ARD/TEX 333 /2002/1418 dated March 24, 2002.
- (iii) 5,00,000 17% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable at par in five equal installments after expiry of first year in terms of debenture trust deed dated October 14, 1998, executed between the company and IDBI Trusteeship Services Ltd. ('The Trustee').
- (iv) 5,00,000 14.50% secured non convertible debentures of Rs. 100/- each fully paid-up, redeemable in three equal installments after expiry of third year from the date on which debentures are allotted, pursuant to debenture trust deed dated October 1, 2001 executed between the company and Axis Bank Ltd. ('The Trustee')
- (v) 10,00,000 14% secured non convertible debentures of Rs. 100/- each fully paid up redeemable at par in three equal yearly installments after the expiry of 4th, 5th and 6th year.

The first and second installments of redemption of debentures in (i)(a) and (b) and also the third installments in certain debentures and the first, second and third installments of redemption of debentures in (iii) have already been made. The first installment of redemption of debentures in (ii) has also been made. Thus the charge is subsisting on the balance amounts.

- 2 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.

	(Rupees in lacs)	
	As at Mar. 31, 11	As at Mar. 31, 10
SCHEDULE 4 - UNSECURED LOANS		
From companies and others	1,543.64	5,228.64
Other advances and deposits	438.95	442.71
TOTAL	1,982.59	5,671.35

SCHEDULE 5 - FIXED ASSETS

Sr. No.	Name of assets	GROSS BLOCK		DEPRECIATION		IMPAIRMENT LOSS		NET BLOCK			
		As at April 1, 2010	Additions during the year	Deductions during the year	As at Mar. 31, 2011	Upto Mar. 31, 2010	For the year	Deductions/adjustment during the year	Upto Mar. 31, 2011	As at Mar. 31, 2011	As at Mar. 31, 2010
1	Freehold land	98.32	—	—	98.32	—	—	—	98.32	98.32	
2	Leasehold land	9,380.14	—	—	9,380.14	—	834.10	—	8,546.04	8,546.04	
3	Buildings #	6,379.03	8.58	4.03	6,383.58	1,024.01	188.29	0.54	4,838.09	5,021.29	
4	Plant and machinery, electrical installation and equipments	14,398.63	37.27	535.12	13,900.78	6,124.68	1,102.76	268.09	6,133.34	7,395.50	
5	Furnitures, fixtures and electric fittings	146.85	0.05	—	146.90	48.20	9.32	—	89.38	98.65	
6	Office equipments	196.86	18.35	0.08	215.10	88.39	23.76	—	102.95	108.44	
7	Vehicles	124.92	22.50	57.08	90.34	45.55	10.27	25.87	60.39	79.37	
	TOTAL	30,724.74	86.75	596.31	30,215.16	7,330.83	1,334.40	294.50	8,370.72	19,868.81	21,347.63
	Previous year	30,767.39	88.38	131.01	30,724.74	6,014.28	1,350.66	34.11	7,330.83	21,347.63	22,802.78

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

Schedules forming part of the consolidated accounts

		(Rupees in lacs)	
		As at	As at
		Mar. 31, 11	Mar. 31, 10
SCHEDULE 6 - INVESTMENTS (At cost/book value)			
(A) NON-TRADE			
(I) IN GOVERNMENT SECURITIES			
1	7 Years National Savings Certificate	—	0.03
	Sub total	—	0.03
(II) UNQUOTED			
2*	1,80,000 (1,80,000) Equity shares in Kowa Spinning Ltd. of the face value of Rs. 10/- each fully paid-up	—	0.25
	Sub total	—	0.25
* Listed but not quoted and cost price taken as market price			
TOTAL		—	0.28

SCHEDULE 7 - CURRENT ASSETS, LOANS AND ADVANCES

(A) CURRENT ASSETS			
(1) Inventories (As taken, valued and certified by the management)			
	Raw material	1,400.85	672.06
	Stores, spares and components, packing materials, chemicals, fuel and consumables	315.95	413.34
	Finished goods	1,699.89	1,452.25
	Semi finished goods	1,162.69	712.63
	Stock of DEPB	10.35	23.89
	Goods in transit	260.91	95.31
	Trading stock	284.78	163.65
	Waste	8.77	7.63
	Sub total	5,144.19	3,540.75
(2) Sundry Debtors (Unsecured, considered good)			
	Debts outstanding for a period exceeding six months		
	Considered good	3.58	48.71
	Add: Considered doubtful	30.31	30.31
	Less: Provision for doubtful debts	30.31	30.31
	Other debts	1,776.72	2,001.47
	Sub total	1,780.30	2,050.18

		(Rupees in lacs)	
		As at	As at
		Mar. 31, 11	Mar. 31, 10
(3) Cash and Bank Balances			
	Cash/cheques on hand	5.35	4.79
	Balance with scheduled banks		
	In current accounts	202.85	355.31
	In fixed deposit accounts	434.66	416.07
	In margin money deposit accounts	0.04	0.07
	Sub total	642.90	776.24
(4) Other Current Assets			
	Interest receivable	15.01	16.67
	Assets held for sale	46.10	25.00
	Claims and other receivables	103.24	4,734.15
	Less : Provision for doubtful receivables	5.57	4,614.57
	Total	97.67	119.58
	Sub total	158.78	161.25
TOTAL		7,726.17	6,528.42
(B) LOANS AND ADVANCES (Unsecured, considered good)			
	Loans to staff	—	0.13
	Loans to others	0.85	—
	Pre-paid expenses	31.38	34.22
	Advance tax (Net of provision)	59.12	57.51
	Advances recoverable in cash or in kind or for value to be received	232.75	244.94
	Less : Provision for doubtful advance	7.72	7.72
	Total	225.03	237.22
	Balance with excise authorities	0.08	0.08
	Sundry deposits	160.66	179.96
	Sub total	477.12	509.12
TOTAL		8,203.29	7,037.54



		(Rupees in lacs)	
		As at	As at
		Mar. 31, 11	Mar. 31, 10
SCHEDULE 8 - CURRENT LIABILITIES AND PROVISIONS			
(A) CURRENT LIABILITIES			
Sundry creditors			
Small scale industries	3.63		3.51
Others	1,704.49		1,704.05
Total	1,708.12		1,707.56
Unclaimed debentures and interest	15.93		15.93
Unclaimed matured fixed deposits*	7.21		8.66
Other liabilities	1,011.99		1,016.93
Sub total	2,743.25		2,749.08
* The above figure does not include cheques issued but not cleared for			
(1) Fixed deposits Rs. 0.10 lacs (Previous year Rs. 0.10 lacs)			
(2) Interest on fixed deposits Rs. 2.84 lacs (Previous year Rs. 3.85 lacs)			
(B) PROVISIONS			
For leave encashment	64.52		59.46
For gratuity	78.33		73.70
For taxation including wealth tax	0.60		0.74
For premium on redemption of debentures	54.99		54.99
Sub total	198.44		188.89
TOTAL	2,941.69		2,937.97
SCHEDULE 9 - MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
(A) PRELIMINARY AND PRE-OPERATIVE EXPENSES			
As per last balance sheet	—		0.07
Less: Written off to profit and loss account	—		0.07
Sub total	—		—
(B) DEFERRED REVENUE EXPENDITURE			
As per last balance sheet	223.97		453.67
Add: Expenses incurred during the year	6.25		11.64
Less: Written off to profit and loss account	109.77		241.34
Sub total	120.45		223.97
TOTAL	120.45		223.97
SCHEDULE 10 - DEBIT BALANCE OF PROFIT AND LOSS ACCOUNT			
Debit Balance as per last Balance Sheet	47,973.70		47,448.99
Add: Loss for the year	518.72		4,367.79
Total	48,492.42		51,816.79
Less: Balance of General Reserve set off	494.46		—
Total	47,997.96		51,816.79

		(Rupees in lacs)	
		For the year ended	For the year ended
		Mar. 31, 11	Mar. 31, 10
SCHEDULE 11 - SALES AND OPERATING INCOME			
Domestic sales	21,644.20		18,760.85
Exports sales	4,044.18		3,462.23
Others	247.66		253.89
NET SALES	25,936.04		22,476.97
SCHEDULE 12 - OTHER INCOME			
Rent	48.83		48.59
Insurance claim	—		74.63
Excess provision written back	25.91		25.06
Exchange rate fluctuation on conversion	0.09		0.03
Miscellaneous income	1.85		59.70
TOTAL	76.68		208.01
SCHEDULE 13 - INCREASE/(DECREASE) IN STOCK			
Closing stock	3,156.12		2,336.15
Less: Opening stock	2,336.15		2,524.10
DIFFERENCE	819.97		(187.95)
SCHEDULE 14 - RAW MATERIAL CONSUMED			
Opening stock	672.07		747.44
Add: Cost of purchase	13,381.29		9,364.30
	14,053.36		10,111.74
Less: Closing stock	1,400.85		672.07
NET CONSUMPTION	12,652.51		9,439.67
SCHEDULE 15 - MANUFACTURING AND OTHER EXPENSES			
Stores, spares and components, packing materials and consumables and chemicals consumed	2,023.11		1,829.50
Power and fuel	2,278.91		2,400.16
Repairs and maintenance to plant and machinery	91.54		96.65
Repairs and maintenance to building	10.41		6.08
Other purchase expenses	8.69		10.10
Finished goods purchases	2,309.17		1,850.48
Job charges	2,317.00		2,017.48
Other manufacturing expenses	197.21		244.53
TOTAL	9,236.04		8,454.98

Schedules forming part of the consolidated accounts
(Rupees in lacs)

	For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
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SCHEDULE 16 - EMPLOYEES' EMOLUMENTS

Salaries, wages, bonus etc.	2,250.31	2,381.17
Employees' welfare expenses	99.86	105.99
Contribution to provident and other funds	247.92	233.81
TOTAL	2,598.09	2,720.97

SCHEDULE 17 - ADMINISTRATIVE AND OTHER EXPENSES

Insurance	78.47	74.88
Auditors' remuneration		
As auditors	8.82	8.29
In other capacities	1.21	1.21
Sub total	10.03	9.50
Printing stationery and communication	87.36	98.16
Advertisement and business promotion	67.77	71.09
Travelling and conveyance	110.56	118.97
(Including directors' travelling Rs.19.45 lacs, Previous year Rs.4.09 lacs)		
Rent	15.27	22.56
Rates and taxes	44.97	42.16
Repairs and maintenance (Others)	28.88	36.17
Directors' sitting fees	1.17	1.11
Professional fees and services	89.35	69.71
Donation	1.30	0.25
Short provision of income-tax/FBT	—	1.90
Selling and distribution expenses	530.11	530.80
Sundry balance written off (Net)	2.01	20.21
Loss on sale of fixed assets (Net)	34.78	12.45
Provision for doubtful debts and advances	0.03	1.04
Miscellaneous expenses	73.35	65.12
TOTAL	1,175.41	1,176.08

SCHEDULE 18 - INTEREST AND FINANCE CHARGES

On working capital facilities and others	89.18	94.70
TOTAL	89.18	94.70

SCHEDULE 19:

SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT:

A. ACCOUNTING POLICIES:

1. Principles of consolidation:

The consolidated financial statements relate to Ashima Limited ('the company') and its subsidiary company. The consolidated financial statements have been prepared on the following basis:

- (i) The financial statements of the company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS – 21) on "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.
- (ii) 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.
- (iii) In case of foreign subsidiary, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of year. Any exchange difference arising on consolidation is recognised in the profit and loss account.
- (iv) The difference between the cost of investment in subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be. Goodwill arising on consolidation has been amortised over a period of three years.
- (v) In case of associates where the company holds more than 20% of equity, investments in associates are accounted for using equity method in accordance with Accounting Standard (AS – 23) on "Accounting for Investments in Associates in Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India.
- (vi) The company accounts for its share in the change in the net assets of the associate, post acquisition, after eliminating unrealised profits and losses resulting from transactions between the company and its associate to the extent of its share, through its profit and loss account

**Schedules forming part of the consolidated accounts**

to the extent such change is attributable to the associate's profit and loss account and through its reserves for the balance, based on available information.

- (vii) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve as the case may be.
- (viii) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the company's separate financial statements.

2. Other significant accounting policies:

- (i) In case of foreign subsidiary fixed assets have been accounted on the basis of translation of asset at year-end rates and depreciation is calculated at the rate of 100% as per the applicable local laws.
- (ii) In case of foreign subsidiary, preliminary expenses in respect of company formation have been amortised and written off over a period of 60 months as allowed under the local laws.
- (iii) Other significant accounting policies are set out under "Significant Accounting Policies" as given in the unconsolidated financial statements of Ashima Limited.

B. NOTES FORMING PART OF CONSOLIDATED ACCOUNTS:

1. The subsidiary company considered in the consolidated financial statement is:

Name of the subsidiary	Country of Incorporation	Proportion of ownership interest
Ashima Textiles Inc.	U.S.A.	100 %

Financial statements of Ashima Textile Inc. are drawn up to December 31, 2010. Ashima Cottons Private Limited ceased to be a subsidiary company during the year. Ashima Dyecot Limited ceased to be an associate company in the previous year. Therefore, both these companies are not considered in the consolidated financial statements for the year. Figures of the current year are not comparable with previous year to that extent.

2. Estimated amount of contracts remaining to be executed on capital account and not provided Rs.NIL (Previous year Rs.7.22 lacs).

3 Contingent liabilities not provided for:**(Rupees in lacs)**

	As on	
	Mar. 31,11	Mar. 31,10
(i) In respect of bills of exchange discounted	—	35.88
(ii) In respect of guarantee given by the company to lenders on behalf of Ashima Dyecot Limited	24,625.14	24,625.14
(iii) In respect of disputed income-tax demand not acknowledged by the company	719.15	719.15
(iv) In respect of disputed demand of central excise not acknowledged by the company	273.74	273.74
(v) In respect of disputed custom duty not acknowledged by the company	49.30	46.89
(vi) In respect of disputed demand of service tax not acknowledged by the company	—	148.01
(vii) In respect of disputed demand of Sales tax not acknowledged by the company	1906.02	1906.02
(viii) In respect of employees who have yet not opted for VRS	530.97	470.03
(ix) 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, 2011 Rs. 2,056.81 lacs. – 13% cumulative preference shares for the period from July 01, 2000 to March 31, 2011 Rs. 733.75 lacs.	2,790.56	2,525.45

4 (i) Provision for education cess :**(Rupees in lacs)**

	2010-11	2009-10
Opening balance	9.75	9.75
Add: Provision made during the year	—	—
Less: Payments/Debits	—	—
Closing balance	9.75	9.75

Schedules forming part of the consolidated accounts

The provision for education cess was made @ 20% of the amount of demand for old outstanding cess raised by the Ahmedabad Municipal Corporation. The liability is contested.

(ii) **Provision for stamp duty on increase in authorised share capital:**

(Rupees in lacs)

	2010-11	2009-10
Opening balance	3.45	3.45
Add: Provision made during the year	—	—
Less: Payments/Debits	—	—
Closing balance	3.45	3.45

5 The cost of purchase is arrived at after considering effect of any settlement reached with the suppliers during the year.

6 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.

7 In view of ongoing comprehensive debt restructuring, the company has not made provision of Rs.19,989.04 lacs for unpaid interest (Previous year Rs.19,617.97 lacs). The loss for the year is understated by Rs.19,989.04 lacs (Previous year Rs.19,617.97 lacs).

8 Extraordinary items mainly includes balances written off.

9 The expenditure incurred in respect of assets damaged for which insurance claim has been received has been debited under respective heads.

10 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.

11 **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	For the year
		ended Mar. 31, 11	ended Mar. 31, 10
1	Assumptions:		
	Interest rate	8.25%	8.25%
	Estimated rate of return on plan assets	8.00%	8.00%
	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	582.53	503.02
	Add: Service cost	35.52	35.58
	Add: Interest cost	49.07	40.51
	Add: Actuarial loss	61.86	67.77
	Less: Benefits paid	46.49	64.35
	Net being present value of obligation as at end of the year	682.50	582.53
3	Changes in the fair value of plan assets		
	Fair value of plans assets at beginning of the year	560.16	355.45
	Add: Expected return on plan assets	46.95	36.34
	Add/(Less) : Actuarial gain / (loss)	(6.45)	101.72
	Add: Contributions	50.00	131.00
	Less: Benefits paid	46.49	64.35
	Net being fair value of plans assets at end of the year	604.17	560.16
4	Actuarial Loss recognised		
	Actuarial Loss for the year - Obligation	61.86	67.77
	Less/ (Add) : Actuarial Gain / (Loss) for the year - plan assets	(6.45)	101.72
	Net loss / (gain) for the year	68.32	(33.95)
	Actuarial loss / (gain) recognised in the year – (for previous year, refer note)	68.32	—
5	The amounts to be recognised in Balance sheet		
	Present value of obligations as at the end of the year	682.50	582.53
	Less: Fair value of plan assets as at the end of the year	604.17	560.16
	Net being liability to be recognised in the balance sheet as at the end of the year	78.33	22.37
	Liability recognised in the balance sheet as at the end of the year – refer note	78.33	73.69



Schedules forming part of the consolidated accounts

(Rs. In lacs)			
Sr. No.	Particulars	For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
6	Expenses Recognised in Statement of Profit and Loss		
	Current Service cost	35.52	35.58
	Add: Interest cost	49.07	40.51
	Less: Expected return on plan assets	46.95	36.34
	Add: Actuarial loss recognised in the year	68.32	—
	Net being expenses to be recognised in statement of Profit and Loss	105.96	39.75
	Net being expenses recognised in statement of Profit and Loss (for previous year, refer note)	105.96	57.12
7	Transitional obligation recognised as deferred revenue expenditure	N.A.	N.A.
8	Estimated amount of contribution to be paid to the plan within the next year	64.15	27.83

Note for the year ended Mar 31, 2010 : The company has not recognised positive impact of Rs.51.33 lacs in the profit and loss account as a measure of prudence.

12 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	21,891.86 (19,014.74)	4,044.18 (3,462.23)	25,936.04 (22,476.97)
Debtors	1,739.97 (1,877.01)	40.33 (173.17)	1,780.30 (2,050.18)

13 Related parties disclosures (Accounting Standard - 18):

(i) Relationships

(a) Key management personnel:

Mr. Chintan N. Parikh - Chairman & Managing Director

(b) Other related parties where control exists:

- Ashima Dyecot Limited
- Atrium Exports Private Limited
- Lahar Trading and Investments Limited
- N.C.P. Enterprises Limited
- Nachmo Trading Company Limited
- Elephants Enterprises Limited
- Amrakadamb Investments Private Limited
- Amrashagun Investments Private Limited

(ii) Transactions carried out with related parties referred to in (i) above are in ordinary course of business:

Nature of transactions	(Rupees in lacs)	
	Key management personnel	Other parties where control exists
Purchases	-	25.68 (416.31)
Sales	-	775.14 (2,350.43)
Expenses	-	2,032.16 (1,898.16)
Investment in associates	-	-
Directors' remuneration	77.76 (66.41)	-
Income	-	36.41 (38.69)
Other receipts	-	6.10 (6.09)
Finance	-	-
Outstandings		
Payables	-	53.40 (96.37)
Receivables	-	-
Loans payable	-	-
Loans receivable	-	-

Schedules forming part of the consolidated accounts

14 Earning per share (Accounting Standard - 20):

(Rupees in lacs)		
Particulars	2010-11	2009-10
Loss for the year	(518.72)	(4,367.79)
Add: Pref. dividend including tax thereon if any		
13% Redeemable	58.50	58.50
11% Redeemable	176.00	176.00
Loss for the year including pref. dividend	(753.22)	(4,602.29)
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.)	(2.26)	(13.79)

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.

- 15 Based on review carried out as on 31.03.2011 no impairment loss is required to be provided for as per Accounting Standard 28 on "Impairment of Assets".
- 16 The chairman & managing director has been paid the following as minimum remuneration as approved by the Central Government :

(Rupees in lacs)			
Sr. No.	Particulars	For the year ended Mar. 31, 11	For the year ended Mar. 31, 10
(i)	Salary and allowances	71.32	60.00
(ii)	Company's contribution to provident and other funds	6.04	6.04
(iii)	Perquisites	0.40	0.37
Total		77.76	66.41

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

18 Other notes forming part of accounts:

These are set out under "Notes forming part of accounts" as given in the unconsolidated financial statements of Ashima Limited.

As per our report of even date attached
For Dhirubhai Shah & Co.
 Chartered Accountants

Chintan N. Parikh
 Chairman & Managing Director

Kaushik D. Shah
 Partner

Bihari B. Shah
 Director

Hiren S. Mahadevia
 Chief Financial Officer
 and Company Secretary

Ahmedabad
 April 28, 2011

Ahmedabad
 April 28, 2011

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

(Rupees in lacs)

Sr. PARTICULARS No.	2010-11	2009-10
(A) CASH FLOW FROM OPERATING ACTIVITIES		
LOSS BEFORE TAX, EXCEPTIONAL AND EXTRAORDINARY ITEMS (NET)	(362.53)	(981.43)
Add:		
Depreciation	1,334.40	1,350.66
Amortization of expenditure	109.60	241.42
Interest expenses (Net)	89.18	94.70
(Excess)/Short provision of Income Tax/FBT	—	1.90
Provision for doubtful debts	0.03	1.04
Exchange rate fluctuation on consolidation	4.69	(4.41)
(Profit)/Loss on sale of fixed assets and investments (Net)	34.78	12.45
	1,572.68	1,697.76
	1210.15	716.33
Deduct:		
Excess provision written back	(25.91)	(25.06)
Rent income	(48.83)	(48.59)
	(74.74)	(73.65)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1135.41	642.68
Add/(Less): Decrease/(Increase) in inventories	(1,603.41)	377.03
Add/(Less): Decrease/(Increase) in sundry debtors	267.84	(227.14)
Add/(Less): Decrease/(Increase) in other trade receivables	76.39	157.63
Add/(Less): Increase/(Decrease) in current liabilities	11.00	(353.60)
	(1,248.18)	(46.08)
CASH GENERATED FROM OPERATIONS	(112.77)	596.60
Less:		
Interest paid (Net)	(87.52)	(64.80)
Deferred revenue expenditure	(6.09)	(11.65)
Tax paid	(2.22)	71.52
	(95.83)	(4.93)
NET CASH INFLOW FROM OPERATING ACTIVITIES	(208.60)	591.67

(Rupees in lacs)

Sr. PARTICULARS No.	2010-11	2009-10
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(86.75)	(88.38)
Sale of fixed assets and investments	119.48	59.71
Decrease/(Increase) in loans to companies and others	—	3.07
Decrease/(Increase) in Bank FDR	(18.59)	7.82
Rent received	48.83	48.59
	<u>62.98</u>	<u>30.81</u>
NET CASH FLOW FROM INVESTING ACTIVITIES	62.98	30.81
(C) CASH FLOW FROM FINANCING ACTIVITIES		
(Decrease)/increase in other borrowings	(5.21)	(310.44)
	<u>(5.21)</u>	<u>(310.44)</u>
NET CASH FLOW FROM FINANCING ACTIVITIES	(5.21)	(310.44)
TOTAL CASH INFLOW (A + B + C)	(150.80)	312.07
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	208.25	360.17
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	359.05	48.10
	<u>(150.80)</u>	<u>312.07</u>

As per our report of even date attached

For Dhirubhai Shah & Co.
Chartered Accountants

Kaushik D. Shah
Partner

Ahmedabad
April 28, 2011

Chintan N. Parikh
Chairman & Managing Director

Hiren S. Mahadevia
Chief Financial Officer
and Company Secretary

Bihari B. Shah
Director

Ahmedabad
April 28, 2011

**INFORMATION RELATING TO SUBSIDIARY COMPANY**

	(Rupees in lacs)
Name of subsidiary company	Ashima Textiles Inc. (ATI)*
A) Paid-up capital	—
B) Reserves and surplus (adjusted for debit balance in P & L account, where applicable)	3.53
C) Total assets (Fixed assets + current assets)	5.42
D) Total liabilities (Debts + current liabilities)	1.88
E) Investments	—
F) Turnover	13.15
G) Profit/(Loss) before tax	5.51
H) Provision for taxation	—
I) Profit/(Loss) after tax	5.51
J) Proposed Dividend	—

* The financial statements of ATI are in US \$ which are converted into Indian Rupees on the basis of appropriate exchange rate.

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 28th annual general meeting of the company at the Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380 021 on Friday, September 23, 2011 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 28th annual general meeting of the members of the company to be held at Texcellence Complex, Khokhara-Mehmedabad, Ahmedabad – 380 021 on Friday, September 23, 2011 at 10.30 a.m. and at any adjournment thereof. As witness my/our hand(s) this _____ day of _____, 2011.

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