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ASHIMA LIMITED
Transcript of the 38th Annual General Meeting
17th August, 2021
11.35 A.M. TO 12.01 P.M.

Mr. Chintan Parikh – Chairman and Managing Director:

Good Morning Ladies and Gentlemen,

I, Chintan Parikh, Chairman & Managing Director, welcome you all at this 38th virtual Annual General Meeting of the Company.

In view of the continuing COVID-19 pandemic and considering the social distancing norms and in accordance with the circulars issued by Ministry of Corporate Affairs and Securities and Exchange Board of India, this AGM is being conducted through Video Conferencing / Other Audio Visual Means (**VC/OAVM**) facility, without physical presence of the members at the common venue.

Accordingly, the Company had taken all requisite steps to enable members to participate and vote on the items being considered in the AGM. The basic instructions relating to E-voting and attending the AGM through VC / OAVM, form part of Notice of the AGM.

Quorum is present as required numbers of shareholders have already joined the AGM and so I call the meeting in order.

Now I request Mr. Hiren Mahadevia, Group Chief Financial Officer of the Company to explain important aspects of this virtual AGM.

Mr. Hiren Mahadevia- Group Chief Financial Officer:

Good Morning,

I, Hiren Mahadevia, Group CFO, now I am recording the attendance of Directors, KMPs and Auditors, who are present in this meeting.

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Mr. Chintan Parikh, Chairman and Managing Director, **Mr. Krishnachintan Parikh**, Executive Director, **Mr. Shrikant Pareek**, Director (Operations), **Dr. Bakul Dholakia** - Independent Director, **Mr. Sanjay Majmudar**, Independent Director and Chairman of Audit Committee, **Mr. Neeraj Golas**, Independent Director, **Mrs. Koushlya Melwani** - Independent Director & Chairman of Nomination and Remuneration Committee and Stakeholder Relationship Committee, and **Mr. Dipak Thaker**, Company Secretary – all are present and attending this meeting.

Mr. Mukesh Shah / Mr. Suvrat Shah, the Statutory Auditors and Mr. Tapan Shah, the Scrutinizer are also present at this virtual Annual General Meeting of the Company.”

Further,

This being the virtual AGM, I would like to draw your attention to certain statutory and other relevant aspects of the meeting:

- a) In line with the MCA circulars and SEBI Circulars, the Notice of AGM alongwith Annual Report for the year 2020-21 was sent only through electronic mode. The copy of Annual Report is also available on the Company's website as well as at web sites of Stock Exchanges (BSE and NSE) where the company's shares are listed.
- b) Members attending the AGM through VC are counted as present for the purpose of quorum.
- c) Since AGM is held through VC/OAVM, there is no requirement of appointment of proxies. Accordingly, the facility of appointment of proxies by Members is not available for this Meeting.
- d) As stated in the Notice of AGM, required Registers are also available for inspection for the members on the company's website.
- e) All Members who have joined the meeting are placed on mute mode to ensure an orderly conduct of the meeting.
- f) There will be a question answer session. Kindly note that only those Members who have previously registered as Speakers will be allowed to speak and raise questions or express their views during the AGM, as intimated in the Notice. For this purpose, I will announce the name of such member and that Member will be unmuted by the moderator to allow him to speak. Speaker may choose to participate either by audio mode or by audio-video mode. Please note that there is a restriction of 3 minutes per Member to speak to ensure an orderly conduct of the meeting. Members are requested not to ask repeated questions and be clear and concise while raising their question.

Queries /questions raised by Members will be answered once all the registered speakers complete their questions.



- g) Pursuant to SEBI Circular dated December 9, 2020, Login method for e-Voting and for joining virtual meetings for Individual shareholders holding securities in Demat mode is specifically provided in the notice of AGM.
- h) Further, the Company had tied up with Central Depository Services India Limited (CDSL) to provide facility for voting through remote e-voting, e-voting during the AGM and participation in the AGM through VC/OAVM facility.
- i) The e-voting period commenced at 9:00 a.m. (IST) on Saturday, 14th August, 2021 and ended at 5:00 p.m. (IST) on Monday, 16th August, 2021.
- j) Members who have not cast their votes through remote e-voting facility and who are attending this meeting have an additional opportunity to cast their vote during the proceedings of the AGM. Members may follow the process for e-voting as provided in the Notice of AGM.
- k) Pursuant to Section 109 of the Companies Act, 2013, the Company has appointed Mr. Tapan Shah, Practicing Company Secretary as Scrutinizer to conduct the voting process in fair and transparent manner.

As per the Secretarial Standard for General meeting, the company has provided e-voting facility. Hence, there is no need to propose and second the Resolution.

Now, I would request the Chairman to brief the Shareholders on the performance of the Company and outlook for future.

Mr. Chintan Parikh – Chairman and Managing Director:

1. Firstly let me start with my views on the state of the economy in the current pandemic situation:
 - a. The country continues to be faced with the Covid pandemic, which got more severe in the recent period, after the second wave started. Various parts of the country have been under lockdown or restrictions in varying degrees. While this has seen so many people losing their lives and many more suffering from the infection and its after effects, this phase has also affected businesses and economic activities, across sectors, including textile industry, in most parts of the country. Market closures and disruptions of logistics sector have aided to the woes of the businesses.
 - b. However, there appears to be good relief recently, with much lesser number of new infection cases since about a month or so except in few regions. This may help easing of restrictions and lead to a recovery in business.



Now I would move to the Financial Performance of the Company.

2. Financial performance:

- a. As mentioned, the businesses were completely disrupted across the industries for six to eight months and the Company also faced similar disruptions. Hence, performance for the year is not comparable with the previous year. In such an adverse business situation, though the company reported a higher loss of Rs. 1159 lacs for the year at PBT level compared to Rs. 339 lacs in the preceding year, if we consider one-time expenses of Rs.675 lacs in aggregate in form of labour rationalization costs and stamp duty expenses on merger of the group company, the performance has not deteriorated much compared to the previous year, in context of the fact that practically no operations happened during 6 to 8 months of the year. The company has successfully managed to protect the bottom-line.
- b. The company had put up a very attractive VRS scheme for workers, which many workers have accepted. The VRS cost has been fully expensed out in the accounts, and will result in long term advantage in terms of substantial savings in labour cost for years to come.
- c. The Company has managed to run the business in a significantly better way. It has proactively looked into various aspects of operations including product and customer segment development, prudent cashflow management and cost management. It took timely decisions and action, which helped in optimizing the performance in such difficult situation. The company made focused efforts for better working capital management and brought down the levels of inventories, receivables and payables by exercising tighter controls. Prudent and efficient cashflow management helped the company operate with limited resources.
- d. In order to partly mitigate the adverse impact of the changed circumstances, the company aggressively pursued tighter cost control strategies and achieved good results on that front. This includes employees cost, which was reduced by 19%, with cost going down significantly to Rs. 36.31 Crs in 2020-21 compared to Rs.44.91 Crs in 2019-20. We have taken several of initiatives in restructuring staff function by undertaking review of individual job profiles, workflow, etc. to achieve significant salary cost saving on sustainable basis.
- e. Due to continued lockdown for several months, economic activities had come to a halt across the country and the company also faced similar problems. Various divisions of the company have witnessed lower volumes during the year. At the same time raw material prices of cotton, yarns and griegge fabrics saw unprecedented increase during the year, which have continued till date.



- f. The company has faced the challenges head-on with its continued efforts on enhancing its product profile and customer segments, which have helped it improve upon the margins across all its product segments. The steps taken by the company during last few years in terms of improving the operational capabilities and targeting value-added products has helped it cater to niche customers and improve its customer profile. This has helped the company to partly off-set the adverse impact of lower volumes.
- g. A close watch on the receivables and inventories and well-managed business operations helped the company avoid any major losses in the form of bad debt or stock losses. The Company had made provisions for such possible losses in the previous year due to the harsh Covid situation. But as the Company did not make any such losses, the said provisions were not required and were therefore reversed during the year.

3. Temporary suspension of yarn dyed shirting activity:

- a. The Spinfab Division is engaged in the manufacture of yarn dyed shirting fabrics. The plant was set up in late 90's, so it has old machinery, which is still running. As a result, the Division has been facing issues in competitive market due to cost-inefficiency and low plant productivity. In such a situation, the management has considered it prudent to temporarily suspend its operations w.e.f. 1st June, 2021.

Now, I would like to touch upon the salient aspects in terms of Company's strategies for future and going forward.

4. Going Forward:

- a. Our strategy is to debottleneck our capacity, so that we can take advantage of above average incremental return on investments.
- b. We are also looking at certain products that will complement our existing product range and increase the wallet share with every customer. For future, we are looking at the following areas, where the Company would like to concentrate and specialize:
 - 1. Textiles – We are increasing our product range by adding women's wear. We are expanding our garment manufacturing capacity by adding one more line for Jeans.
 - 2. The Company has identified real estate as one of the areas of diversified growth and has soft-launched a week-end home project named "Swan Lake" near Ahmedabad, which has got very good initial response in the market. The company is on track in various aspects of project



execution. The Company is likely to start earning revenue from the project from the current financial year.

3. The company has also started treasury operations and we believe this will become a significant growth driver going forward. : This is not done with the intention of parking surplus cash, but is done with the intention to actively earn above average returns, for which funds would be specifically allocated. We are pursuing a value investing approach where we will try to buy long term securities under various instruments using fundamental analysis in companies with high entry barriers and ability to reinvest retained earnings at above average returns for long periods of time. We are also on the lookout to acquire partially or in full companies that meet our above requirement or may form part of our strategic goals through mergers and acquisitions route. We have two substantial advantages. One is that capital gains tax on public equity at 10% is substantially lower than 25% on other regular business income and is payable once when you sell it after many years vis a vis paying every year. The other advantage we have will be against other institutional managers who have to show returns quarter on quarter and can be hit by redemptions and hence can't take a long term view vis-a-vis the patient capital base Ashima enjoys. We are highly confident of our skill set and our ability to achieve these objectives.

So, this is the substance of our moving forward strategy for the Company.

Further,

- I will now take up the formal business of the Meeting.
- I am interested in Resolutions at Item No. 3 and therefore, for this item of business Mr. Sanjay Majmudar, Chairman of Audit Committee, shall preside over as Chairman.
- With the permission of members, I take the notice convening this AGM and Board's Report as read.
- The Independent Auditors' Report on Standalone and Consolidated Financial Statements and Secretarial Audit Report which are circulated as part of the Annual Report, do not contain any qualification or adverse remark and therefore the same is not required to be read. The Independent Auditors' report contains a matter of emphasis about Covid impact. It draws attention of members to the Note (No. 46) in the financials, presented by the management, on Covid impact. The management has explained the situation faced by the Company due to this pandemic and other relevant aspects. The auditors have also stated that their report on accounts of the company is not modified in respect of this matter.
- I now place the following businesses mentioned in the Notice before the meeting.



Ordinary Business:

1. Ordinary Resolution - Adoption of audited financial statements (including Audited Consolidated financial statements) along with Reports of the Board of Directors and Auditors Report thereon for the year ended on 31st March 2021.
2. Ordinary Resolution - Appointment of Mr. Shrikant Pareek, Director (Operations), who is retiring by rotation and being eligible offers himself for re-appointment.

Special Business:

3. Ordinary Resolution - Appointment of Mr. Krishnachintan Parikh as Director and as an Executive Director of the Company with remuneration.
 4. Special Resolution – Re-appointment of Mr. Neeraj Golas as an Independent Director of the Company for Second Term.
 5. Special Resolution – Revision in Remuneration of Mr. Shrikant Pareek, Whole Time Director of the Company.
 6. Ordinary Resolution – Approval of payment of remuneration to Independent Directors of the Company.
 7. Ordinary Resolution – Ratification of Remuneration of Cost Auditor.
- All the items of Special Business are explained in detail in the Explanatory Statement attached to the Notice of the meeting.

The Company will disclose the voting results of all the resolutions on the basis of scrutinizer's report within two working days of conclusion of AGM and shall place the same on its website and also on the web site of Stock Exchange and CDSL.

Now, I handover to Chief Financial Officer, to move to the question answer session.

Mr. Hiren Mahadevia- Group Chief Financial Officer:

We will now proceed to the Question and Answer session. I will announce the name of the members who have registered as Speakers and thereafter the respective speaker will be unmuted to enable him to speak, one by one.

Now, I request Mr. Bimal Agarwal, if he has any question.



Bimal Agarwal-Shareholder

Good Morning. First of all I thank the Company Secretary and his team for sending me the link. One more thing, don't keep it in CDSL, keep it in NSDL, as CDSL doesn't give any timing of the meeting since I got link from you, they just give half an hour before, unlike NSDL send full day program. Now, I will come to the question.

Please explain the reason of buoyancy in performance of textile companies in India. This is due to China factor? Reduction in cotton prices? etc. What is the trend? What trend would last for 3 to 5 years? What is the proportion of Export Sales in total revenue? What is the Company's Capex plan? Please guide about the prospects of the Company's business. Thank you very much.

Hiren Mahadevia- Group Chief Financial Officer

Thank You Mr. Agarwal. We appreciate your suggestion.

Krishnachintan Parikh- Executive Director

We will definitely consider this Mr. Agarwal. Now, the Company's strategy as the Chairman has said, as far as Capex is concerned, it is to debottleneck our current plant that gives us or allow us to earn an above average returns on incremental capex. As far as export versus domestic revenue break up is concerned, there is 15% export and rest is domestic. As far as trend is concerned, in textiles, 5 years is a very long time to give any trend, so we would not like to make any such forward statements, though I assure you is that, our Company will do its best and put in all our efforts to give the best performance possible.

Hiren Mahadevia- Group Chief Financial Officer

So Mr. Agarwal, we heard you.

Bimal Agarwal-Shareholder

I have heard about the real estate. What is the Scheme regarding that. Can we have visit over there?

Krishnachintan Parikh- Executive Director

You can write to us Mr. Bimal. We will consider it. As far as real estate is concerned, the Chairman said that we have launched a weekend home project, which has got a very good response. We expect the profitability and revenue recognition to flow through in the coming financial years.



Bimal Agarwal-Shareholder

Please arrange the visit.

Krishnachintan Parikh-Executive Director

Please write to us. We will look into the same.

Hiren Mahadevia- Group Chief Financial Officer

There were two more speakers whose request we have received i.e. Mr. Rushabh Shah and Mr. Kirti Shah. We have also sent them link, but they have not joined the meeting.

Mr. Chintan Parikh – Chairman and Managing Director:

There being no other business, I now formally conclude the meeting.

My sincere thanks to all members, directors and auditors for attending and participating in the AGM and throughout the year guiding the company and monitoring the Company as far as auditors are concerned.

And I can assure you that as management, we really have at our heart, the distinct mission that in the years to come, our shareholders must gain because of the loyalty to the Company and we will put our best efforts.

Thank you very much.
