PRIVATE & CONFIDENTIAL

ASHIMA SYNTEX LIMITED

LETTER OF OFFER

Regd.Office : 310, Ashima House, Kavi Nanalal Marg,
Ellisbridge, Ahmedabad 380 006.
Tel : 079-6575165 Fax : 079-6576090

RIGHTS ISSUE OF 77,96,797 EQUITY SHARES OF RS.10/- EACH FOR CASH AT A PREMIUM OF RS. 48/- PER SHARE AGGREGATING TO RS. 4522.14 LACS.

HIGHLIGHTS

- An existing, listed, dividend-paying company making profits since 1983. Promoters with experience in textile business.
- Expansion project for doubling capacity for manufacture of 100% Cotton Denim Fabric.
- The Company has successfully implemented its first denim project of similar capacity and technology.
- The Company is exporting high quality denim and cotton fabrics.
- Project located in the textile city of Ahmedabad.
- Listing at Ahmedabad, Bombay, Delhi, Calcutta, Madras and National Stock Exchanges.

RISK FACTORS

Internal to the Company :

- The financial requirements/project cost have not been appraised by any Financial Institution or Bank.
  Management's perception : The expansion project is not appraised as the Company does not plan to raise debt to finance the same. As the Company has recently implementad a similar project, the project cost estimetes are quite realistic.
- In the absence of term lending from the financial institutions/banks, the deployment of funds raised through this issue is left entirely to the discretion of the promoters.
- Orders for plant & machinery are yat to be placed.
  Management's perception : Orders would be placed at the appropriate time as per the implementation schedule. As the Company has recently implemented an identical project, it does not expect any delays in finalisation of plant & machinery.
- The Working capital requirements for the expansion project have not been appraised by the principal banker of the Company. Working capital tie-up is yet to be made.
- The company has not envisaged eny firm tie-up for marketing the denim fabric or for supply of raw cotton.
  Management's perception : In view of the Company being in a commodity market,it has not envisaged any firm tie-ups for denim and raw cotton in order to take advantage of market trends.
- The company proposes to avail concessional customs duty in respect of import of plant and machinery under EPCG Scheme. In case of non-fulfilment of export obligations the company is liable to pay the customs duty as may be levied by the Government at the relevent time.
  Management's perception : As the company is already exporting cotton fabrics of its 100% Export Oriented Unit and also the denim fabrics in good quantities, it does not therefore, foresee any difficulty in fulfilling export obligations.
- NOC from Gujarat Pollution Control Board is yet to be received.
  Management's perception : The Company already has an NOC for its existing denim plant and hence obtaining the NOC for expansion project would not be difficult.
- There are disputed liabilities under the labour laws of Rs.1.75 lacs.
  Management's perception : As the amount is not significant, the performance of the Company would not be affected adversely.
- There was a delay in the implementation schedule of the Company's first denim project by 3 months which resulted in lower sales and profitability than that projected in the Prospectus & Letter of Offer for the Rights-cum-Public Issue in July 1994.
  Management's perception : The delay in implementation was due to delay in civil works because of unprecedented rains in 1994. However, the Company has set up the plant in record time of 8 months which by the industry standerds is creditable.
- There was a delay in listing of the securities at the Bombey, Delhi and Madras stock exchanges by four, one end thirty days respectively offered in the Rights Issue in July 1994.
  Management's perception : The Company had completed listing formalities and submitted all relevant documents in time. Further the securities of the Company were listed on the rest of the stock exchanges including the regional stock exchange at Ahmedabad in time.

External :

- The basic raw material being raw cotton, an agricultural commodity, its price, quality and availability are dependent upon climatic conditions.
- Any unfavourable change in Government policies on textile, exports, excise end other levies can have impact on the profitability of the company.
- Changes in Government policies relating to duties/levies, inflationary pressures and exchange rate fluctuations may effect the project cost.

Note : The investors are advised to refer to the para on "Financial Performance of the Company", "Justification for premium" and "Stock Market Data" befora making an investment in this issue.

ISSUE OPENS ON 19TH AUGUST, 1996

LAST DATE FOR RECEIVING REQUEST FOR SPLIT FORMS 2ND SEPTEMBER, 1996

ISSUE CLOSES ON 18TH SEPTEMBER, 1996

LEAD MANAGER TO THE ISSUE
MVFS
M V Shah Financial Services Co. Pvt.Ltd.
1st Floor, 46-48 Bomanji Lane
Off. Sir P.M.Road
Fort, Bombay 400 001.
Tel : 022-2612013
Fax : 022-2612973

REGISTRARS TO THE ISSUE
Intech Systems Pvt.Ltd.
Bank of Baroda Bldg.
Nr.Nilima Park Society
Vijay Char Rasta, Ahmedabad.
Tel : 079-449609
Fax : 079-6423056

ASHIMA SYNTEX LIMITED

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IMPORTANT

1. Investors may note that in case of oversubscription, the basis of allotment would be finalised in consultation with the Regional Stock Exchange, Ahmedabad.
2. Please read this letter of offer and instructions given in the composite application form (CAF) carefully before taking any action. The instructions contained in the CAF are an integral part of the conditions of the offer and must be carefully followed. Applications not conforming to the instructions are liable to be rejected.
3. All communication in connection with this letter of offer or the accompanying CAF and request for Split Form should be addressed to the Registrars to the Issue, Intech Systems Pvt. Ltd. quoting the Regd.Folio Number as mentioned in the CAF.

Dear Shareholders,

Your Board of Directors are pleased to make an offer of 77,96,797 equity shares of Rs.10/- each for cash at a premium of Rs.48/- per share aggregating Rs.45,22,14,226 on Rights Basis, to Equity Shareholders (hereinafter referred to as 'Members') of 2,22,76,563 Equity Shares of the company whose names appear in the Register of Members of the Company on 12th July, 1996 (hereinafter referred to as 'Record Date') in the ratio of thirty five Equity Shares for every hundred Equity Shares held.

I. GENERAL INFORMATION

Disclaimer Clause

As required a copy of this letter of offer has been submitted to SEBI. It is to be distinctly understood that submission of offer documents to SEBI should not, in any way, deemed or construed that the same has been cleared or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the issue is proposed to be made, or for the correctness of the statements made or opinions expressed in the offer document. Lead Manager M/s. M V Shah Financial Services Company Pvt. Ltd. has certified that the disclosures made in the offer document are generally adequate and are in conformity with SEBI Guidelines for Disclosures and Investor Protection in force for the time being. This requirement is to facilitate investors to take an informed decision for making investment in the proposed issue. It should also be clearly understood that, while the issuer company is primarily responsible for the correctness, adequacy and disclosure of all relevant information in the offer document, the Lead Manager is expected to exercise due diligence to ensure that the Company discharges its responsibility adequately in this behalf and towards this purpose, the Lead Manager, M/s. M V Shah Financial Services Company Private Limited, has furnished to SEBI a due diligence certificate dated March 19,1996 in accordance with SEBI (Merchant Bankers) Regulation, 1992 which reads as follows:

i) We have examined various documents including those relating to litigations like commercial disputes, patent disputes, disputes with collaborators, etc. and other materials in connection with the finalisation of the Letter of Offer pertaining to the said issue;

ii) On the basis of such examination and the discussion with the Company, its Directors and other officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the Company.

WE CONFIRM THAT :

a) the Letter of Offer forwarded to SEBI is in conformity with the documents, materials and papers relevant to the issue;

b) all the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by SEBI, the Government and any other competent authority in this behalf have been duly complied with; and

c) the disclosures made in the Letter of Offer are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue.

iii) We confirm that besides ourselves, all the intermediaries named in the Letter of Offer are registered with SEBI and till date such registration is valid.

iv) The issue is not being underwritten.

The filing of offer document does not, however, absolve the company from any liabilities under Section 63 of the Companies Act, 1956 or from the requirement of obtaining such statutory or other clearances as may be required for the purpose of the proposed issue. SEBI, further reserves the right to take up, at any point of time, with the lead managers (Merchant Bankers) any irregularities or lapses in the offer document.

The promoters/directors declare and confirm that no information/material likely to have bearing on the decision of investors in respect of the shares/debentures/securities offered in terms of this letter of offer has been suppressed/withheld and/or incorporated in the manner that would amount to mis-statement/mis-representation and in the event of it transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed/ withheld and/or amounts to a mis-statement/mis-representation, the promoters/directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter, without prejudice to the provisions of section 63 of the Companies Act.

It may be noted that the issuer accepts no responsibility for statements made otherwise than in the offer document or in the advertisement or any other material issued by or at the instance of the issuer and that anyone placing reliance on any other source of information would be doing so at his own risk.

Name & Address

ASHIMA SYNTEX LIMITED

(Incorporated on the 17th June,1982 under the Companies Act, 1956 as a Private Limited Company & subsequently converted into a Public Limited Company by a special resolution passed on 5th August,1988 and Certificate to this effect was obtained from the office of Registrar of Companies, Gujarat on 26th August, 1988).

Regd.Office: 310, Ashima House, Kavi Nanalal Marg, Ellisbridge, Ahmedabad 380 006

Listing arrangements

The Equity Shares of the Company are listed on the stock exchanges at Ahmedabad, Bombay, Delhi, Calcutta, Madras and National Stock Exchange. Applications will be made within six weeks from the date of closure of the issue to these stock exchanges, for permission to deal in, and for an official quotation of the Equity Shares offered through this Letter of Offer.

ISSUE OPENS ON	**:**	**MONDAY,**	**19TH AUGUST,**	**1996**
LAST DATE FOR RECEIVING REQUESTS FOR SPLIT FORMS	**:**	**MONDAY,**	**2ND SEPTEMBER,**	**1996**
ISSUE CLOSES ON	**:**	**WEDNESDAY,**	**18TH SEPTEMBER,**	**1996**

LEAD MANAGER TO THE ISSUE
M V Shah Financial Services
Co. Pvt.Ltd.
1st Floor, 46/48 Bomanji Lane
Off. Sir P.M.Road
Fort, Bombay 400 001

DEBENTURE TRUSTEES & CREDIT RATING

Since the issue is for equity shares, appointment of debenture trustees and credit rating is not required.

II. CAPITAL STRUCTURE OF THE COMPANY

	Share capital		Nominal value (Rs.)	Issue Price including premium (Rs.)
A.	Authorised			
	4,00,00,000	Equity shares of Rs.10/- each	40,00,00,000	-
	25,00,000	Preference Shares of Rs.100/- each	25,00,00,000	-
			65,00,00,000	
B.	Issued,Subscribed & Paid up			
	2,22,76,563	Equity shares of Rs.10/- each	22,27,65,630	-
C.	Present Issue on Rights basis			
	77,96,797	Equity Shares of Rs.10/- each for cash at a premium of Rs.48/- per share to the existing members of the company (hereinafter referred to as 'the shares')	7,79,67,970	45,22,14,226
D.	Proposed issue on private placement basis (see Note 7 below)			
	40,00,000	Equity Shares of Rs.10/- each for cash at a premium of Rs.48/- per share to Foreign Direct Investors	4,00,00,000	23,20,00,000
E.	After the present Rights Issue			
	Equity Capital		30,07,33,600	
	Share Premium		108,71,91,122	
F.	After the present Rights Issue and proposed private placement			
	Equity Capital		34,07,33,600	
	Share Premium		127,91,91,122	

Notes :

1. The present shareholding of promoters, directors, friends, relatives and associates forming promoters' group and lock-in period is as under:

Sr. No.	No.of Shares	% of B above	Date of Allotment/ Transfer	Face Value (Rs.)	Issue/ Purchase Price (Rs.)	Type of acquisition	Consideration	Lock-in Period
	1326700		upto					
1.	1768850	7.94	22/05/91	10/-*	See Note 1 below		Cash	Nil
2.	1064128	4.77	22/05/91	10/-*	See Note 1 below		Cash	31/08/1996
3.	262572	1.18	22/05/91	10/-*	See Note 1 below		Cash	31/08/1996 2/10/98
4.	534000	2.40	07/08/93	10/-	75/-	FCD issue '93	Cash	06/08/1998 2/10/98
5.	325400	1.46	07/08/93	10/-	75/-	FCD issue '93	Cash	Nil
6.	2760000	12.39	17/09/94	10/-	50/-	Pub. issue '94	Cash	30/09/1999 2/10/98
7.	600	0.00	17/09/94	10/-	50/-	Pub. issue '94	Cash	Nil
8.	494000	2.22	24/09/94	10/-	40/-	Rts. issue '94	Cash	30/09/1997 2/10/98
9.	138351	0.62	24/09/94	10/-	40/-	Rts. issue '94	Cash	Nil
10.	333100	1.49	24/09/94	10/-	40/-	Rts. issue '94	Cash	30/09/1999 2/10/98
11.	1200000	5.39	02/10/95	10/-	55/-	Warrant exercise	Cash	25/03/1997
12.	1231000	5.53	20/01/96	10/-	65/-	Private placement	Cash	19/01/2001 2/10/98
13.	818850	3.68	Various	10/-	Net acquisition by way of transfer & reissue of shares against forfeiture (See Note 2 below)		Cash	Nil
	10930851	49.07						

Note 1 : 82760 shares of Rs. 100/- each were allotted at par directly/by way of rights/bonus issues. 226795 Equity shares of Rs. 100/- each were allotted against conversion of FCDs (issued in April 1990) at a premium of Rs. 50/- per share.

Note 2 : These shares were acquired on various dates from Sept.,1993 to July, 1995 at various prices between Rs. 41/- and Rs. 100/-.

* These equity shares were of Rs.100/- each fully paid up and were sub-divided into equity shares of Rs.10/- each fully paid up on 24th January, 1993.

2. The promoters, directors, friends, relatives and associates forming promoters' group hold 10930851 equity shares representing 49.07% of paid-up capital of the company. In the event the promoters subscribe to their rights in full, their holding shall be 49.07 % of the equity capital after the rights issue and 43.31 % of the equity capital after the rights issue & private placement.The promoters may renounce their rights partly or wholly in favour of Institutions/Banks/ Mutual Funds/Others. In case of full renunciation, the promoters' holding shall be 36.35 % of the equity capital after the rights issue and 32.08 % of the equity capital after the rights issue & private placement. In the event of the renunciation not being carried out in full or part, the promoters shall subscribe to their rights in full or the balance, as the case may be.
3. 68,14,672 Equity Shares (shown above against Sr. Nos 3,4,6,8, 10,11 & 12) representing 20 % of the post rights issue and private placement equity capital shall be locked in for a period of two years from the date of allotment in this rights issue or upto the date already locked in, whichever is later.
4. Shareholding Pattern of the company as on June 4, 1996 is as follows :

		% of capital
- Promoter group - Residents	42.79	
- OCBs	6.28	
	——	49.07
- Financial Institutions		7.23
- Mutual Funds		5.64
- Banks		1.79
- NRIs/OCBs/Foreign Direct Investors/FIIs		11.18
- Public		25.09
TOTAL		100.00

After the proposed private placement to Foreign Direct Investors(FDIs) and assuming that shareholders apply for their rights entitlement in full, the post issue shareholding pattern is expected to be as follows :

		% of capital
- Promoter group - Residents	37.76	
- OCBs	5.55	
	——	43.31
- Financial Institutions		6.39
- Mutual Funds		4.98
- Banks		1.54
- NRIs/OCBs/FDIs/FIIs		21.62
- Public		22.16
TOTAL		100.00

5. The promoters had been allotted on 26th March, 1994, 15,00,000 Non-convertible Debentures (NCDs) of Rs.100 each aggregating to Rs.15 crores. Every five NCDs carried four detachable equity warrants. Each warrant entitled the holder to obtain one equity share of Rs.10/- each at a price of Rs.55/- per share within a period of eighteen months from date of allotment of the warrants. Promoters have exercised their warrants to subscribe equity shares within the stipulated time. Accordingly 12,00,000 Equity Shares were allotted to promoters on 2.10.95. The shares so allotted have a lock in period of 3 years from 26.3.1994.
6. The company has allotted on 20.1.96, 24,62,000 Equity Shares of Rs.10/- each at a premium of Rs.55/- per share aggregating Rs. 1600.30 lacs on private placement basis to promoters of the company (12,31,000 shares) and to FDIs (12,31,000 shares). The said shares are subject to lock-in period of five years from the date of allotment.
7. The Company intends to privately place 40,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 48.00 per share aggregating Rs. 2320 lacs to FDIs in terms of the Resolution passed by the Board of Directors in their meeting held on Feb. 20, 1996, subject to approval of the shareholders and other statutory authorities. In terms of the Special Resolution passed by the members of the Company at the Extra-Ordinary General Meeting held on March 9, 1996, the shareholders have authorised the Board of Directors to privately place Equity Shares with FDIs. These shares would not be eligible for rights entitlement.
8. The Company has received in principle approval form Reserve Bank of India vide letter No. EC.CO.FID(II) 15486/ 10.02.40 (4056) 95/96 dated 17th May, 1996 for issue of shares to the existing Non-Resident Indians/Overseas Corporate Bodies on repatriation basis.
9. The company has made two issues of bonus shares, the details of which are as under :

Period	Ratio	No.of shares	Amount Rs.	Date of Allotment
1987-88	1:1	22,500*	22,50,000	30/8/1988
1989-91	7:10	31,500*	31,50,000	8/09/1990

* The equity shares of Rs.100/- each fully paid up were sub-divided into equity shares of Rs.10/- each fully paid up on 24th January,1993.

III. TERMS OF PRESENT ISSUE

1. Authority for the Issue

The authority for this issue of Equity Shares has been given vide a special resolution passed unanimously by the Members of the Company at the Extraordinary General Meeting held on 6.11.1995. The terms of this issue have been approved by the Board of Directors at its meeting held on 20.1.96 and revised thereafter at its meeting held on 20.2.96.

2. Basis of Offer

77,96,797 Equity Shares of the face value of Rs.10/- each are being offered on a Rights basis to the Company's Equity Shareholders for 2,22,76,563 equity shares whose names appear on the Register of Members of the Company as on 12th July, 1996 (referred to as 'Record Date') being the date fixed in consultation with the Ahmedabad Stock Exchange, in the ratio of thirty five equity shares for every one hundred equity shares held by them as on the record date. In cases where the ratio of offer results in fractional entitlement, the fractional entitlement would be rounded off to the next higher integer.

3. Entitlement

As a member of the company on the record date you are entitled to this right offer. The number of equity shares to which you are entitled is shown in Part A of the enclosed CAF.

4. Acceptance of Offer

You may accept and apply for the equity shares hereby offered wholly or in part, by filling in Part **A** of the enclosed CAF and submitting the same alongwith the payment of application money to the bankers to the issue specified on the back of the CAF before the close of banking hours on or before 18-9-96.

Please do not add a new jointholder's name while filling up Part **A** of CAF.

5. Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided, you have applied for all the Equity Shares offered to you without renouncing them in whole or in part in favour of any other person(s). If you desire to apply for additional Equity Shares, please indicate your requirement in Part-A of the CAF. **Renouncees are also eligible to apply for additional Equity Shares.**

Members/renouncees applying for additional shares over and above their entitlement, may make an application for additional shares in such a manner that the shares offered to them/ renounced in their favour and accepted plus the additional shares applied may in total constitute a market lot. The company would endeavour as far as possible to make allotment of additional shares in such lots so as to facilitate market lots.

Allotment of additional shares shall be at the absolute discretion of the Board of Directors of the company and in the event of oversubscription, will be considered on an equitable basis with reference to the equity shares held in the company as on record date and if necessary, in consultation with the Stock Exchange, Ahmedabad.

However, in case of requests for additional shares by Non-Resident Shareholders, the allotment will be subject to the approval of the Reserve Bank of India.

6. Renunciation

The Equity Shareholders may renounce all or any of the Equity Shares they are entitled to in favour of any other person(s), subject to such person(s) being approved by the Board. Such renunciation of entitlement can be only in favour of individuals, Limited Companies, Statutory Corporations or Institutions.

However, renunciation from non-residents investors to residents investors or from non-residents investors to other non-residents investors is subject to the necessary approval of Reserve Bank of India (RBI).

Allotment of equity shares to renouncee(s) of non-resident shareholders shall also be subject to the approval of RBI under the Foreign Exchange Regulation Act,1973.

Submission of the enclosed composite application form with the "Form(s) of Renunciation" duly completed and purporting to have been signed by you, shall be conclusive evidence of the title of the person(s) applying for the Equity Shares in Part 'C' of CAF(s) and to receive the Letter of Allotment/ Equity Share certificates. If the shareholders wish to apply for Equity Shares jointly with any person or persons who is/are not already joint holder/s with them, then it will amount to renunciation. Further, the right of renunciation is subject to the express condition that the Board shall be entitled in their absolute discretion to reject the request for allotment from renouncee(s) without assigning any reason thereto.

Please note that the Company will not accept renunciation and/or register any Equity Shares in favour of :

a) more than 3 persons as joint holders; or

b) any trust unless the trust is registered under the Societies Registration Act, 1860 or similar law and is authorised under its constitution to hold Shares/Equity Shares of a Company.

c) Minor(s) (except through natural guardian), Partnership Firms, Hindu Undivided Families or their nominees.

Please also note the following :

1) Part 'A' of the CAF must not be used by any person(s) in whose favour this offer has been renounced. This will render the application(s) invalid.

2) Only the person or persons to whom this letter of offer was originally addressed and not a renouncee shall be entitled to renounce and/or obtain split application forms.

3) A person in whose favour the Equity Shares are renounced has no right to further renounce the Equity Shares.

4) All requests for splits should be forwarded to the Registrar to the issue. Split forms will be issued only for a minimum of 5 Equity Shares or in multiples thereof and one split form for the balance of the equity shares.

7. Terms of Payment

The Equity Shares of Rs.10/- each is being offered in terms of this letter of offer at a premium of Rs. 48/- per share. The terms of payment and appropriation are as under :

	Nominal value	Premium	Total
For NRIs/OCBs/FIIs/FDIs			
On Application	10/-	48/-	58/-
For Others			
On Application	5/-	24/-	29/-
On Allotment	5/-	24/-	29/-
Total	10/-	48/-	58/-

8. **How to apply for Equity Shares**

Applications should be made only on the CAF provided by the Company. In case of non-receipt of CAF, your attention is drawn to the advertisement published asking you to apply on a plain paper giving your name, (in case of joint applicants all the applicants' name should be mentioned), Ledger Folio, number of shares held and eligibility of rights. However, renouncees cannot apply on a plain paper. The CAF must not be torn under any circumstances. The CAF should be complete in all respects as explained in the instructions contained in this Letter of Offer and the enclosed CAF. You are allowed to exercise the following options for CAF:

	Option		Action required
i.	Accept all the Equity Shares offered to you or a part thereof.		Fill and sign Part 'A' of the respective CAF.
ii.	Accept all the Equity Shares offered to you.		Fill in and sign Part 'A' of the CAF and also apply for additional Equity Shares.
iii.	Renounce all the Equity Shares in favour of one person (Joint Renouncees are considered as one)		Fill in and sign Part 'B' of CAF and handover the same to the renouncee. The renouncee(s) shall fill in and sign Part 'C' of the CAF.
iv.	Accept the offer of Equity Shares in Part and renounce the balance to one person or more than one person jointly (not exceeding three joint Renouncees)		Fill in & sign Part 'D' of CAF for required number of Split Application Forms and send entire CAF to the Registrar. On receipt of Split Application Forms take the action as indicated below:
	or	a)	For the Equity Shares you wish to take fill in and sign Part "A" of split Application Form.
	Renounce the offer of Equity Shares to more than one person (renouncees)	b)	For the Equity Shares you wish to renounce,fill in sign Part 'B' in the required number of Split Application Forms indicating the no. of Equity Shares renounced to each Renouncee.
		c)	Each of the Renouncees should then fill in and sign Part 'C' of the Split Application Forms for the Equity Shares accepted by him/her.

9. **Payments - How to be made :**

a) **Mode of payment**

For Resident Shareholders :

Payment for the requisite amount should be made in by cash/cheque/draft/stockinvest drawn on any bank (including a Co-operative Bank) which is situated at and is a member or a sub-member of the Bankers' Clearing House located at the place where the Application Forms are accepted. If any cheque or bank draft is drawn on a bank, which at the time of making the application, is not participating in clearing or has sent notice of the intention not to participate in clearing, the Composite Application Form accompanied by such cheque or bank draft is liable to be rejected. A separate cheque/draft/stockinvest must accompany each CAF. MONEY ORDERS/POSTAL ORDERS/OUTSTATION CHEQUES/POST DATED CHEQUES will not be accepted and applications accompanied by such instruments will be rejected. However, outstation stockinvest instruments, payable at par at the branches of the issuing Bank can be attached to the application form. All cheques or drafts or Stockinvests accompanying the Applications must be lodged with any of the Bankers to the Issue and should be drawn in favour of **"Bank of India ASL- Rights Issue"** and should be crossed **"A/c payee only"**.

For Non Resident Shareholders (including OCBs/ FIIs/FDIs):

Applications by Non Resident Indians (NRIs) Overseas Corporate Bodies (OCBs) , Foreign institutional investors (FIIs) (Registered with SEBI) and FDIs should be made by cheques or demand drafts for an amount payable on application at the rate equivalent to Rs. 58/- per share remitted through normal banking channels or through cheques drawn on Non- Resident External (NRE) Accounts, Foreign Currency Non- Resident (FCNR) Accounts maintained with banks authorised to deal in foreign exchange in India alongwith documentary evidence in support of remittance. Separate cheque/drafts must accompany each CAF and should be marked **"Bank of India ASL- Rights Issue"** and must be crossed "A/c Payee Only".

No separate receipt will be issued for the application received. However, the banker to the issue receiving the application will acknowledge receipt of the application form by stamping and returning to the applicant the Acknowledgement Slip at the bottom of each CAF(s).

b) **Applications by Mail**

Applicants located at all other places where bank collection centres have not been appointed can make applications by way of demand draft, net of Bank charges on demand draft and postal expenses, payable at Ahmedabad only and marked **"Bank of India ASL - Rights Issue"**.

Such applicants should send their applications by mail directly to the Registrars to the Issue with the envelope duly marked **"ASL - Rights Issue"**. In the interest of the members, it is advised that such applications be sent by Registered Post. The Company will not be liable for any postal delays and applications received through mail after closure of the offer will be returned to the applicants. The applications forwarded through mail must reach the Company before the last date stipulated for acceptance of the offer and the date of mailing by the applicant will not be the criterion for acceptance of such applications.

c) **Where to make payments**

After completing the enclosed CAF in the manner aforesaid, please submit/forward the Application Form together with the remittance for the requisite amount to any of the Bankers to the Issue or their branches as mentioned in the CAF.

10. **Payment by Stockinvest**

1. Any person ("the investor") may approach the issuing bank with whom he maintains an account, for issue of stockinvest of required denominations for payment of application money while making an application for issue of shares. **Only individuals and mutual funds may apply using stockinvest.**
2. The investor shall give irrevocable authority to the issuer bank to mark a lien to the extent of the face value of stockinvest on his deposit account with the issuer bank.
3. Investors, in their own interest, should use stockinvest within ten days from the date of issue to ensure that it remains valid till the time of collection.
4. The investor shall provide necessary details, such as payee's name, amount, number of Equity Shares applied for, application form, number, etc., in the left hand portion of the stockinvest and his name and address in a box on the reverse of the stockinvest before depositing it with the Collection Centre.

   In case a box is not provided on the reverse of the stockinvest for writing the name and address of the investor, an allonge may be obtained for the purpose and attached with the stockinvest. The allonge should be used to write the investor's name(s) and full address to enable the Registrars to return the cancelled stockinvest directly to the investors.
5. The investors should use only one stockinvest along with each application for subscription to the issue. If stockinvest of an odd amount is required and the same is not available in the printed from with the issuing bank, the investor can use stockinvest of a higher denomination by filling the required application amount manually.
6. The investors should not hand over stockinvest taken against their own account to any third party. The stockinvest is intended to be utilised only by the account-holder applicants.
7. In case of the partial/full allotment, stockinvest will be sent to the Issuing branch through the controlling branch of the stockinvest issuing bank after collection.
8. In case of non-allottees/partially successful allottees with more than one stockinvest, the cancelled stockinvest shall be returned to the applicants alongwith the relative advice. Stockinvest shall bear stamps such as "CANCELLED" and " NOT ALLOTTED" across the face of the instrument.
9. In case of full or partial allotment, the right hand portion of the stockinvest shall be filled in for the amount payable on the Equity Shares allotted and the stockinvest shall be discharged on behalf of the issuer company for collection of proceeds.
10. i) Investors may please note that in case of partial or non-allotment, lien shall be lifted in the following manner :

    (a) In case of non -allotment, on presentation by the applicant to the issuing bank branch of the stockinvest duly cancelled by the Registrar.

    (b) In case of partial allotment (for the unutilised amount), on receipt of advice from the controlling branch of the issuing bank as to the amount collected or surrender of unutilised cancelled stockinvests received by the investors directly from the Registrar.

    ii) In case the cancelled/partially utilised stockinvest is not received by an investor from the Registrar, lien will be lifted by the issuing branch on expiry of four months from the date of issue against an indemnity bond from the investor.
11. Multiple applications under a single stockinvest will be rejected as each application is required to be accompanied by a separate instrument.
12. Inquiries relating to stockinvest may be addressed only to the Registrars and not to the issuing bank.

    Stockinvests should be utilised by the purchaser(s) and the purchaser's name/name of one of the purchasers should be invariably indicated as the first applicant in the composite application form. Thus, if the signature of the purchaser on the stockinvest and the signature of the first applicant on the application form does not tally, the application would be treated as having been accompanied by a third party stockinvest.

Stockinvest(s) are to be used by the purchaser(s) within 10 days of issue and for the purpose, the last day for use of the Stockinvest for submitting Share applications to the bank is indicated on the face of the same with a Notation "To be used before ____________________".

STOCKINVESTS ISSUED PRIOR TO 10.8.1996 ARE LIABLE TO BE REJECTED.

Registrars to the Issue have been authorised by the Company (through resolution of the Board passed on Jan.20, 1996) to sign on behalf of the company to realise the proceeds of the stockinvest from the issuing bank or to affix non allotment advice on the instrument or cancel the stockinvest of the non-allottees or partially successful allottees who have enclosed more than one stock invest. Such cancelled stockinvests shall be sent by the Registrars directly to the Investors.

The stockinvests should be crossed **"Account Payee"** and should be made payable to company in the name of **"Ashima Syntex Limited"**.

Applicants should indicate the application number on the reverse of the stockinvest.

11. **Last date for submission of Forms.**

The last date for receipt of CAF by the Bankers to the Issue together with the amount payable on application is 18th September, 1996. The last date for submission of request for split form is 2nd September, 1996. The Board will have the right from time to time to extend the last date for submission of CAF in consultation with the Ahmedabad Stock Exchange, but such date cannot be extended beyond 60 days from the date of opening of the issue.

If the CAF together with the amount payable thereunder is not received by the Bankers to the Issue on or before the close of banking hours on 18th September, 1996 or such extended date as may be announced by the Board, the offer contained in this letter shall be deemed to have been declined by you.

12. **Unsubscribed Equity Shares**

If any portion of the Rights Offer remains unsubscribed after considering the applications for Rights renunciation and additional Equity Shares, the same will be offered and allotted by the Board at its absolute discretion in such manner as it may in the best interest of the Company, deem fit.

13. **Basis of Allotment**

The Board of Directors in consultation with the Ahmedabad Stock Exchange shall proceed to allot Equity Shares in the following order of priority :-

(i) Full allotment to the shareholders who have applied for their Rights either in full or part and also to Renouncees who have applied for Equity Shares renounced in their favour either in full or part (subject to other provisions contained in this Letter of Offer).

(ii) To the shareholders who having applied for all Equity Shares have also applied for additional Equity Shares, the allotment of such additional Equity Shares will be made on an equitable basis having regard to the number of Equity Shares held on the Record date and in consultation with the Ahmedabad Stock Exchange, provided there is a surplus after making full allotment under (i) above and shall be at the absolute discretion of the Board.

(iii) Allotment to renouncees who, having applied for all the Equity Shares renounced in their favour have applied for additional Equity Shares provided there is a surplus after making full allotment in (i) and (ii) above and shall be at the absolute discretion of the Board.

(iv) To any other person(s) as the Board may in its absolute discretion deem fit; provided there is any unsubscribed portion after making full allotment under (i), (ii) and (iii) above. In the event of oversubscription, the basis of allotment as given above, would be decided in consultation with the Ahmedabad Stock Exchange. In the event of oversubscription of more than two times a SEBI nominated representative will be associated with process of finalisation of the basis of the allotment.

14. **Refunds**

The excess application money in respect of any of the Equity Shares for which an application has been received but not allotted in full, if any, will be refunded to the sole/ first named applicant within six weeks from the closure of the Offer. Refund Orders will be payable at par at all the Centres where the applications were originally accepted and will be marked "Account Payee Only". No Refund Orders will be issued to those applicants using Stockinvests for payment of application money. In case of delay in refunds, interest, if any, will be payable in accordance with the provisions of Section 73 of the Act.

In the event of the company at any time finding any applicant to have contravened the conditions mentioned in this letter of offer, the company will refund the application money without payment of any interest whatsoever.

In case of NRIs who remit their application money from funds held in NRE/FCNR Account/Direct remittance, refunds and other disbursements, if any, will be made by way of Indian rupees cheques payable to the credit of NRE Accounts or Foreign Currency Drafts in US Dollars (as the case may be) at the rates of the Reserve Bank of India.

The allotment of Equity Shares to Non-Resident Shareholders (including additional shares, if any) is subject to the approval of the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973.

Adequate funds for the purpose of ensuring despatch of the refund orders/allotment letters/certificates by Registered Post will be made available to the Registrars to the Issue.

Members are requested to mention the application form number on the reverse of the Cheque/Demand draft. Provision in the application form for inserting particulars relating to savings/current account number and name of the bank with whom such account is held has been made to enable the Registrar to print the said details in the Refund Order after the names of the payees.

15. **Letters of Allotment/Certificates**

Letters of Allotment/Share Certificates together with refund order, if any, will be despatched to the Registered Address of the first/sole allottee by Registered Post within 6 weeks from the date of closing of the subscription list.

The Company will exchange/send by Registered Post Equity Certificates to be issued in respect of allotments made within three months from the date of allotment as per the provisions of Section 113 of the Companies Act, 1956 in exchange of the allotment letters issued, if any.

Non-Resident Applications:

Subject to the approval of Reserve Bank of India under Foreign Exchange Regulation Act,1973, the Company would-

a) allot Equity Shares against subscription of application money.

b) export the letters of allotment/share certificates to NRIs, with repatriation rights.

16. **Standby/Underwriting arrangements**

The Company does not propose to make any standby arrangements. However, this is without prejudice to the powers vested in the Board to dispose of the unsubscribed portion in its absolute discretion as mentioned in 12 above.

17. **Rights of new Equity Shareholders**

The new equity shares to be issued to the Shareholders shall rank pari passu in all respects with the existing equity shares of the company save and except that they will not be entitled to any dividend which may be declared or paid by the Company for any period prior to the date of allotment of Shares and that such shares will be entitled to pro-rata dividend from the date of allotment for the financial year in which they are so allotted. In terms of section 206A of the Act, wherein any instrument of transfer of shares has been delivered to the company for registration and the transfer of such shares has not been registered by the company, it shall, notwithstanding anything contained in any other provision of this Act.

(a) transfer the dividend in relation to such shares to the special account referred to in section 205A unless the company is authorised by the registered holder of such share in writing to pay such dividend to the transferee specified in such instrument of transfer and;

(b) keep in abeyance in relation to such shares any offer of rights shares under clause (a) of sub-section (1) of section 81 and any issue of fully paid-up bonus shares in pursuance of sub-section (3) of section 205.

18. **General Information and Instructions**

i) Application should be made on the prescribed Application Form provided by the Company and should be completed in full (in BLOCK LETTERS) in English, in accordance with the instructions contained herein and in the said CAF.

ii) In case of joint holders the number of Joint Applicants should not exceed three. All joint holders must sign the relevant parts of the Application Form in the same order and as per the specimen signatures registered with the Company.

iii) Thumb Impressions or signatures other than in English, Gujarati and Hindi must be attested by a Magistrate or a Notary or a Special Executive Magistrate under his/her official seal.

iv) In case of applications made under Power of Attorney or by limited Companies or Corporate Bodies, the relevant Power of Attorney or the authority, as case may be or a duly certified copy thereof must be lodged alongwith a copy of Memorandum and Articles of Association/bye laws for scrutiny separately at the office of the Registrar to the Issue quoting the reference number of CAF and registered folio No. failing which the application is liable to be rejected. In case the Power of Attorney is already registered with the Company, then the same need not be furnished again. However, the serial number and the date of registration with the Company should be mentioned below the signature of the applicant.

v) All communications in connection with the applications should be addressed to the Registrars to the Issue giving details of the application.

vi) Please communicate any change in your registered address to the Registrars to the Issue quoting the registered folio number.

vii) Applications which are not accompanied by the remittance of proper amount and/or found incomplete with regard to any of the particulars required to be given therein or which are not completed in conformity with the terms of the offer or instructions contained herein and in the CAF, will be liable for rejection and the application money received in respect thereof will be refunded in due course without interest.

viii) If any of the application is detached or separated, the application shall be rejected.

ix) Where an application is for allotment of securities for a total value of Rs.50,000/- or more, i.e. the total number of securities applied for multiplied by the issue price, is Rs.50,000/- or more the applicant or in the case of applications in joint names, each of the applicants, should mention his/her permanent account number allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR number and the Income Tax Circle/Ward/ District. In case where neither the permanent account number nor the GIR number has been allotted, the fact of non-allotment should be mentioned in the application forms. Application forms without this information will be considered incomplete and will be liable to be rejected.

x) The applicants are required to fill in the relevant column in the CAF giving particulars of saving bank/ current account no. and the name of the bank with whom such account is held, to enable the Registrar to print the above details on the refund orders, after the names of the payees. CAFs without this information are liable to be rejected.

NO APPLICATION WILL BE ACCEPTED DIRECTLY BY THE LEAD MANAGER / REGISTRARS TO THE ISSUE.

TAX BENEFITS

The Company has been advised by M/s. Dhirubhai Shah & Associates, Chartered Accountants, Auditors of the Company vide their Tax benefit certificate dated 30th January 1996 and 1st March, 1996 that the following tax benefits and deductions are available to the Company, its members, resident and non-resident, Foreign Institutional Investors and Overseas Corporate bodies/Foreign Companies under the provisions of the Income-tax Act,1961 and other applicable Direct Tax Laws for the time being in force.

A. TO THE COMPANY

1. Under Section 35-D the company shall be allowed to carry forward certain preliminary expenses up to certain limits and amortise the same over a period of 10 years.

2. Under section 80-M of the Income Tax Act 1961, the company will be entitled to a deduction of so much of the income by way of dividend received by it from another domestic company and distributed to its shareholders on or before due date of filing the return of income.

3. In accordance with and subject to the conditions specified in section 80-HHC of the Income Tax Act, 1961 the company will be entitled to a deduction in respect of profit as determined under the said section, attributable to export of goods and merchandise, to which the section applies.

4. In terms of and subject to the provisions of section 35 (1) (iv) of the Income Tax Act, 1961 the company will be entitled to a deduction of an amount equal to 100% in respect of capital expenditure (other than Acquisition of land) incurred in connection with scientific research related to the bussiness carried on by the company in the year in which such expenditure is incurred.

B. TO THE RESIDENT MEMBERS OF THE COMPANY

1. An individual or Hindu Undivided Family (HUF) as are referred to in section 80-L of the Income Tax Act, 1961 will be entitled to a deduction from the total income upto a maximum of Rs. 13,000 in the aggregate per year in respect of any income specified in the said section which includes dividends received from the company.

2. Members being domestic companies will be entitled to a deduction u/s 80-M of the Income Tax Act, 1961 of an amount equal to :
   i) In case of Scheduled Banks or Public Financial Institutions or State Financial Corporation or State Industrial Investments Corporation or Companies registered u/s 25 of the Companies Act, 1956, would be entitled to a deduction u/s 80M of 60% of the income by way of dividends received from the company included in their gross total income.
   ii) In case of any other domestic companies other than those referred to in (i) would be entitled to a deduction u/s 80-M for an amount equal to so much of the income by way of dividends received from the company as does not exceed the amount of dividend distributed by such domestic companies on or before the due date of filing of Return of Income.
3. In terms of the provision of section 112 of the Income Tax Act, 1961, members of the Company shall be liable to pay Income Tax at the following rates on long term capital gains on sale of shares if held for a period of more than 12 months after adjusting the indexed cost of acquisition.

i)	In the case of individual, Hindu Undivided Families	:	20%
ii)	In the case of domestic companies	:	30%
iii)	In the case of any other assessee	:	30%

   Plus surcharge wherever applicable

   Further, in accordance with and subject to the provision of section 54-F of the Income Tax Act, 1961 exemption would also be available to members being individuals, Hindu Undivided Families in the event of the sale proceeds being invested in a residential house.
4. Members being individuals, resident of India, will be entitled to receive dividends without deduction of income tax at source provided either:
   (a) Pursuant to section 194 of the Income Tax Act, 1961 amount of such dividend paid during the financial year by the company to the member by an account payee cheque does not exceed Rs. 2,500/- or
   (b) Pursuant to section 197-A of the Income Tax Act, 1961 the member furnishes to the company a declaration in writing in duplicate in the prescribed manner to the effect that his estimated total income of the previous year in which such dividend is to be included, will be less than the minimum liable to income tax computed under the provisions of the Income Tax Act, 1961.
5. In accordance with the amendment made to Wealth Tax Act, 1957, vide the Finance Act, 1992, whereby the term "assets" has been redefined, productive assets including shares are now totally free from wealth tax. In case of all the assessees, irrespective of their residential status the value of shares is totally exempt from Wealth Tax.
6. Members which are mutual funds set up by public sector banks or Financial Institutions or mutual funds authorised by Securities and Exchange Board of India or the Reserve Bank of India will subject to the conditions prescribed by the Government be exempt from Income tax on all of their income including from investment in shares of the company u/s 10(23D) of the Income Tax Act.

C. TO THE NON-RESIDENT MEMBERS OF THE COMPANY

1. In accordance with the provisions of the Wealth Tax Act, 1957, shares held by non-resident members of the Company would be totally excluded from levy of wealth tax.
2. A member of the company being citizen of India or a person of Indian origin, who is not a resident in India will be entitled to exemption under section 5(1) (ii) (d) of the Gift Tax Act, 1958, in respect of gifts made to any of his relative in India in the form of equity shares of the company if such shares have been acquired by him out of convertible foreign exchange.
3. Under section 115-K, 115-F, 115-I of the Act, an Indian citizen or any person of Indian origin who is a non-resident and who has investment income including dividend or income by way of long term capital gains or both on shares of the company shall be charged to income tax at a flat rate of 20% if he so opts. The investment income and long term capital gains accruing on the sale of shares would constitute a separate block of income chargeable to tax as above and will not be added to any other taxable income of the non-resident person. The long term capital gains referred above shall be exempt from income tax entirely/ proportionately if he invests all or a portion of the net consideration in specified assets within six months of the date of transfer. The amount so exempted shall be chargeable to tax if the new assets are transferred within three years.
4. Under section 115-G of the Act it shall not be necessary for a non-resident Indian to furnish his return of income if his total income consists only of "Investment Income" or income by way of long term capital gains or both provided the tax at source has been deducted from such income.
5. Under Section 115-H of the Act, where the Non-resident Indians in any previous year becomes assessable as resident of India in respect of the total income of any subsequent year he may furnish to the Assessing Officer a declaration in writing alongwith his return of income under Section 139 for the Assessment year for which he is so assessable to the effect that the provisions of Chapter XII-A of the Act, shall continue to apply to him in relation to the investment income derived from any foreign exchange asset being an asset of the nature referred to in Clause (ii) to (v) of Section 115C and if he does so, the provisions of the said Chapter shall continue to apply to him in relation to such income from that assessment year and for every subsequent assessment year until the transfer or conversion (Otherwise than by transfer) into money of such assets.
6. Under Section 115-I a Non-resident Indian, if he elects not to be governed by the provisions of Chapter XII-A, shall be entitled to tax benefits as mentioned in B1 above and 7 below.
7. In accordance with Section 48 of the Act, Capital gains arising from the transfer of capital asset being shares of the company shall be computed by converting the cost of acquisition and the full value of the consideration into the same foreign currency as was initially utilised in the purchase of the shares and the gain so computed in foreign currency shall be reconverted into rupees.

D. TO FOREIGN INSTITUTIONAL INVESTORS

1. Under Section 115-AD (1) (b) (i) income received in respect of shares will be taxable @ 20%.
2. Under Section 115-AD (1) (b) (ii), income by way of Short Term Capital Gain arising from the transfer of shares will be taxable @ 30%.
3. Under Section 115-AD (1) (b) (iii), income by way of Long Term Capital Gains arising from the transfer of shares will be taxable @ 10%.

E. TO OVERSEAS CORPORATE BODIES

In the case of Overseas Corporate Bodies, Income tax would be levied on the interest and dividends received by it at the rates, as indicated against such income, under the provisions of section 115A of the Income Tax Act, 1961:

I. Dividends at the rate of 20%.
II. Interest received on monies borrowed by Government or an Indian concern in foreign currency at the rate of 20%.
III. Under Sub-clause (ii) of Clause (b) of Sub-section (1) of section 112 of the Income Tax Act, Income Tax payable on long term capital gains would be at the rate of 20%.

IV. PARTICULARS OF THE ISSUE

Objects of the Issue

The present Rights Issue of Equity Shares is being made :

1. To finance the Company's expansion project for manufacture of indigo dyed, Pre-shrunk Denim Fabrics with an installed capacity of 106 lac meters per annum.
2. To meet the expenses of the Present Rights Issue of Equity Shares.

Cost of Project

The cost of the Project estimated by the company is as follows:		(Rs.in lacs)
- Buildings		102.50
- Plant & Machinery		
- Imported	3815.19	
- Indigenous	414.58	
		4229.77
- Misc. Fixed Assets		70.00
- Preliminary & capital issue expenses		25.50
- Preoperative expenses		108.62
- Contingencies (@ 10% of non-firm costs)		437.89
- Margin Money for working capital		485.92
		5460.20

Sources of Finance

- Present Rights Issue of Equity Shares	4522.14
- From proposed private placement of equity shares to the extent of	938.06
	5460.20

Note :

The Company intends to privately place 40,00,000 Equity Shares of Rs. 10/- each at a premium of Rs. 48.00 per share aggregating Rs. 2320 lacs to FDIs. The Company has received consents for the same from FDIs to invest into the equity of the Company through the following companies:

1. Indocean Fund Co-Investment (M) Limited and
   [Date of Incorporation : 22/3/95; Place of Incorporation: Mauritius]
2. Oldfields Holdings Limited.
   [Date of Incorporation : 11/12/95; Place of Incorporation: Mauritius]

Out of the proceeds of this placement, the Company plans to utilise Rs. 938.06 lacs towards the Denims Expansion project and the balance would be utilised towards meeting its contribution as promoter of Ashima Dyecot Ltd., details of which are covered later in this Letter of Offer.

Working Capital requirements

The Company presently enjoys fund based facilities of Rs. 3518 lacs and non-fund based facilities of Rs.754 lacs from its bankers for its existing activities. The present limits are adequate. The working capital requirements for the expansion project @ 85 % capacity utilisation have been estimated by the Company as under:

	No. of days	Amount (Rs. in lacs)
Raw Material	45	558.06
Sizing & Dyeing material	30	49.71
Work-in-process	15	260.36
Finished Goods	15	372.50
Receivables - export	30	392.58
- local	15	176.21
Cash Expenses	30	134.21
		1943.63

Of the above working capital requirement of Rs.1943.63 lacs, the margin money requirement @ 25 % thereof amounting to Rs. 485.92 lacs has been provided in the project cost.

Details of actual expenditure incurred on the project upto June 4,1996 and their means of finance is as under :-

The Company has incurred an expenditure of Rs.120 lacs towards acquisition of indigenous plant & machinery which has been sourced out of internal accruals.

The yearwise break-up of expenditure proposed to be incurred on the project is as under :- (Rs.in Lacs)

Head of Expenditure	Incurred upto 4/6/96	To be incurred during 5/6/96-30/6/96	7/96-6/97	7/97-9/97
- Buildings		2.50	100.00	
- Plant & Machinery				
- Imported			3815.19	
- Indigenous	120.00		294.58	
- Misc. Fixed Assets			70.00	
- Preliminary & capital issue expense		25.50		
- Preoperative expenses				108.62
- Contingencies			437.89	
- Margin Money for working capital				485.92
Total	120.00	28.00	4717.66	594.54

V. COMPANY, MANAGEMENT AND PROJECT

History & Business of the Company

Ashima Syntex Limited (hereinafter referred to as ASL) was incorporated as a Private Limited Company on the 17th June, 1982 in Gujarat and was subsequently converted into a Public Limited Company on 26th August, 1988.

Polyester Division

The company started operations with a Polyester Division for the Texturising of Semi-dull Partially Oriented Yarn (POY) in 1982. ASL installed facilities for Draw Twisting of Bright POY in 1989. The capacity for Draw Twisting was doubled in February,1991.

On 30th June,1992, as a part of a package deal, ASL acquired three separate divisions consisting of PFY Sizing, an engineering division for the manufacture of High Tensile Fasteners (HTF) and automobile components and also an Agency division for the dealership of polyester Yarn manufactured by J.K.Synthetics Limited, from Anagram Finance Ltd. (AFL), then a group company. First two activities, not being financially remunerative have been discontinued since December,1994 and November,1993 respectively.

Fabrics Division

In March 1993, ASL set up a 100% Export Oriented Unit (EOU) to manufacture Grey Cotton Fabrics with an installed capacity of 32 Tsudakoma Airjet Looms at a cost of Rs.1240 lacs. The project was part financed by an Issue of 20,00,000 - 14% Fully Convertible Debentures (FCDs) of Rs.75 each for cash at par aggregating to Rs.1500 lacs in June,1993. The project was implemented and commissioned successfully. Commercial production was started in June '93. This division has been granted the ISO 9002 accreditation. The capacity of this division was expanded to an installed capacity of 76 Tsudakoma Airjet Looms.

Denims Division

As a diversification programme, the company has put up a project in 1994 to manufacture denim fabrics at a total project cost of Rs.68.50 crores with an installed capacity of 106 lac meters per annum. The project was financed by Rights-cum- Public issue in July '94 of equity shares of Rs.10/- each for cash at premium aggregating to Rs.54 crores, privately placed NCDs with promoters and internal accruals. The commercial production of denim fabrics was started on 1.1.1995. This plant is implemented on the site & facilities acquired in the Phase-I acquisition from Mihir Textiles Ltd. at Khokhara Mehmedabad in Ahmedabad city.

Construction Division

The company started its construction division activity in 1991-92 for taking up construction work of commercial and residential premises. It undertakes the building contracts on a turn-key basis and gets them executed through civil contractors.

Spinfab Division

The company is presently diversifying by putting up a project to manufacture yarn dyed, high value cotton fabrics at a total project cost as estimated by IFCI of Rs.62.20 Crores with an installed capacity of 64 looms and 26400 spindles for an expected annual production of 7 million meters of fabrics. The project is proposed to be financed by way of rupee term loans from IFCI of Rs.22.50 crores, privately placed non-convertible debentures with IFCI of Rs. 24.00 crores and Rs. 15.70 crores from internal accruals. Sanction from IFCI for rupee term loans and NCDs has already been received. The Company has already commenced commercial production of a part of the spinning section of the project and is to start commercial production of the rest of the project by first week of August,1996.

This project is being implemented at the site & facilities acquired in the Phase-II acquisition from Mihir Textiles Ltd. (MTL). This site is located adjacent to the existing site & facilities at Khokhra Mehmedabad, acquired in Phase - I from MTL in 1993/1994.

Acquisition (Phase-I) from Mihir Textiles Ltd.

The existing denim plant of ASL has been set-up on the site acquired in 1994 from Mihir Textiles Ltd. (MTL) at Khokhra Mehmedabad in Ahmedabad city. MTL had a composite textile mill on a land spread over 1,74,647.27 sq.mtrs. with a built-up area of 59,695.30 sq.mts in the Khokhara industrial zone in Ahmedabad City. In 1994, ASL had acquired (Phase I acquisition) 1,02,821 sq.mtrs. of land, including 33,974 sq.mtrs of built up area, 20240 spindles and utilities like boilers, humidification plants, air-compressors, transformers, airconditioning plants, electrical equipments etc., including power sub-station for a lump-sum consideration of Rs. 720 lacs (including long-term liabilities of Rs. 170.30 lacs). The company had also acquired vide deed of assignment dated 06-08-1994, 19077.89 Sq.Mtrs. of land the consideration for which is included in said lump sum of Rs. 720 Lacs.

Acquisition (Phase-II) from Mihir Textiles Ltd.

The company has acquired from Mihir Textiles Ltd. in the second-phase of acquisition vide conveyance deed dated 9.10.1995, 52,748.38 sq.mtrs of land with 25721.30 sq.mtrs of built up area and other infrastructural facilities and utilities like 636 looms, 42875 spindles, boilers, humidification plants, air- compressors, transformers, air-conditioning plants, electrical equipment etc., for a lump sum consideration of Rs.1293 lacs (including long term liabilities). The necessary consents from Banks/Financial Institutions having been received and also documentation having been completed, the possession of the same has already been obtained by the Company. Out of these facilities acquired in Phase-II acquisition, certain utilities aggregating Rs. 120 lacs are proposed to be used for the denims expansion project. These utilities are described later in this Letter of Offer under 'Plant & Machinery'.

Capacity Utilisation

The division-wise installed capacities and annualised capacity utilisation thereof in the previous three years is shown below:

Particulars	1992-93	1993-94	1994-95
Polyester Division			
Installed capacity (tons)	1886	1886	1886
Capacity Utilisation	79.05%	44.34%	29.98%
Fabric Division			
Installed capacity (looms)	32	68	76
Capacity Utilisation	85.00%	70.95%	90.43%
Denim Division			
Installed capacity (looms)	—	—	56
Capacity Utilisation	—	—	64.40%

Main Objects of the Company

The main objects of the company as set out in the Memorandum of Association are as under :

1. To carry on business as manufacturers, traders, exporters, importers, dealers and processors of cotton, woollen, silk, polyester, polynosic or any other man made fibre, yarn or filament or any kind of yarn, flatyarn, texturised yarn and yarn of any other varieties and of any other fibrous substance and to carry on the business of manufacturing, processing and dealing in the same and twisting, texturising, crimping, combing, doubling, spinning winding, beaming, mercerising bleaching, dyeing, carbonising singeing and such other processing of fibres and yarns of filaments and manufacturing, processing and dealing in fabrics manufactured therefrom.
2. To carry on all or any of the following business, namely cotton spinners and doublers, spinners of yarn from various kinds of natural or synthetic fibre waste, lint or any fibrous substance natural or synthetic, like cotton flax, hemp, jute, viscose, nylon, polyester, linen manufacturers, blanket or carpet manufacturers, flax, hemp, jute and wool merchants, wool combers, worsted spinners, wollen spinners, yarn merchants, cotton and other fibrous substance, waste merchants, worsted stuff manufacturers, bleachers and dyers, printers and finishers of fabric and other textile products and makers of vitriol, bleaching and dyeing materials, chemicals and auxiliaries and to purchase, comb, prepare, spin, dye, process and deal in flax, hemp, jute, wool, cotton, silk and all other kinds of fibrous substances and their products and to weave or otherwise manufacture, buy and sell import and export and deal in linen cloth and fabrics whether textile, felted, netted or looped and to carry on the business of spinning, weaving and / or manufacturing and/or dealing in cotton or other fibrous substances and the preparation, dyeing or colouring of any of the said substances and the sale and purchase of yarn, cloth or other manufacturing fibrous products, and to carry on all other types of incidental which can be carried on so as to directly or indirectly benefit the company.

Apart from the above Main objects, the company by virtue of its other objects and by its Shareholders' authorisation is also engaged in the business of construction.

Promoters

Ashima Syntex Limited (ASL), alongwith Anagram Finance Ltd. (AFL) was originally co-promoted by Shri Chintan N. Parikh and Shri Sanjay S. Lalbhai. In view of the growth plans envisaged for both the companies, in diversified fields, the two promoters decided to divide the two companies among them giving control of any one company to each. Subsequent to the settlement, Shri Sanjay Lalbhai and his associates divested their interest in ASL in favour of Shri Chintan Parikh and his associates in June 1992. Shri Chintan Parikh is presently the Chairman & Managing Director of the Company.

Shri Chintan Parikh (39) is a Management Graduate. He was a Doctoral student at IIM, Ahmedabad, in the area of Finance and Accounting. He has over 14 years of industrial experience mainly in textiles. He has been associated with various companies engaged in processing of PFY, melamine tableware, humidification plants, air ventilation systems.

Details of Group Companies

NACHMO KNITEX LIMITED (NKL) - erstwhile Nachmo Polyplast Ltd.

ASL has a group company, Nachmo Knitex Limited (NKL) of which Shri Chintan Parikh is the Chairman. NKL is engaged in the business of dealing in air conditioning and humidification plants, melamine tableware, PFY processing and manufacture of cotton knitted fabrics for exports. NKL went public in December,1993 with an equity issue of Rs.316.5 lacs at a premium of Rs.5 per share.

The financial highlights of NKL for the past three years are furnished below:

Financial Highlights (Rs.in lacs)

Year ended June 30th,	12 months 1995	12 months 1994	15 months 1993
Share Capital	422.00	422.00	104.00
Reserves	532.32	316.25	76.19
Net Worth	954.32	738.25	180.19
Secured Loans	237.93	121.74	89.93
Unsecured Loans	277.98	102.36	169.00
Borrowings	515.91	224.10	258.93
Sales and Other Income	1544.06	1186.77	1155.64
Gross Profit	380.36	185.37	103.64
Profit After Tax	300.47	125.48	54.80
Dividend	84.40	44.42	14.80
E.P.S (Rs.)	7.12	2.97	5.27
Annualized E.P.S. (Rs.)	7.12	5.08	6.67
Book Value (Rs.)	22.61	17.49	17.33

ASHIMA DYECOT LIMITED

Ashima Syntex Limited has promoted Ashima Dyecot Limited (ADL) to put up an ultra modern dye-house for processing of cotton fabrics at a total estimated cost of Rs.134.5 crores. This plant of capacity of 1.2 lac metres per day of processed fabrics is coming up at the existing site of the Company at Khokhra Mehmedabad. The project is being funded by way of rupee term loans of Rs. 30 crores from IDBI (sanction received), Rs. 19.5 crores of NCDs from other sources which is in the process of being tied-up and Rs. 85 crores of equity, out of which the Company will be investing Rs. 30 crores. The project is slated to go on stream by August, 1996.

Apart from the above two companies, the promoters have promoted the following companies :

Name	Date of Incorporation	Nature of activities
Ashima Finance Ltd.	24.10.1994	Not yet commenced activities
Lahar Investments Pvt.Ltd.	29.11.1980	Holding Company
Nachmo Investments Pvt.Ltd.	03.07.1983	Holding Company

There are no pending litigations, disputes, defaults, overdues to the financial institutions and banks or any proceedings initiated for economic offences against the promoter/promoters' companies.

Management

The company is managed by a Board of Directors at present consisting of Shri Chintan Parikh, Chairman and Managing Director, Shri V.M.P.Shah, Chairman of Meghraj Group, London, Shri Pradip Shah, Chairman and Managing partner of Indocean Venture Advisors Private Limited and Ex-Managing Director of Crisil, Shri Bharat Kewalramani (alternate director to Shri Pradip Shah), Managing Director of Indocean Venture Advisors Private Limited, Shri Sunil Chandiramani, Partner of Schroder Capital Partners (Asia) Limited, Hongkong, Shri Deepak Vaidya (alternate director to Shri Sunil Chandiramani), Country head (India) of Schroder Capital Partner (Asia) Ltd., Dr.Lavkumar Kantilal, eminent industrialist from Ahmedabad, Shri Jayendra N. Shah (an alternate Director to Shri V.M.P Shah) Chartered Accountant based at Bombay, Shri M M Singhi,Advocate, Shri S.Ramasubramanian, a nominee director of SCICI Limited, Shri Nitin Parekh, Executive Director and Shri Deepak Parulekar, Whole time Director based at Ahmedabad. The Board is broadbased and the affairs of the company are professionally managed.

The day-to-day affairs of the company are managed by Shri Chintan Parikh with assistance from a team of professionals headed by Shri Nitin D.Parekh, Executive Director and Shri Deepak Parulekar, Whole time Director. Shri Parulekar is a textile engineer with over 17 years of experience in various textile units. He was formerly with Arvind Cotspin Limited and has vast knowledge about denim manufacture. Shri Nitin D.Parekh is a Chartered Accountant, a Chartered Financial Analyst and a Management Graduate from IIM, Ahmedabad. He has been with the company for the last 10 years. ASL has appointed professionals in various fields to handle the operations at different levels. Each division of the company is accountable as a profit centre.

There are no outstanding defaults/disputes/litigations of any of the Directors of the company. No prosecutions have been launched against any of the Directors for any alleged offences under the enactments specified under para (1) of Part 1 of Schedule XIII of the Companies Act, 1956.

BOARD OF DIRECTORS

Name, Description, Address & Occupation	Other Directorship(s)
SHRI CHINTAN N.PARIKH Chairman & Managing Director (S/o Shri Navnitlal Parikh) "Shakuntai" Dr.V.S.Road Ambavadi Ahmedabad 380 015 INDUSTRIALIST	Alpha Beta Bio-Medicals Pvt.Ltd. Anang Polyfil Pvt.Ltd. Housing Finance & Invest. Co.of India Ltd. Lahar Investments P. Ltd. Meghraj Financial Services (India) Pvt.Ltd. Nachmo Knitex Ltd. Nachmo Investments P.Ltd. Nischint Properties Ltd. Meghraj Forex Consultancy Pvt.Ltd. Meghraj Stock Broking Pvt. Ltd. Ashima Finance Ltd. Ashima Dyecot Ltd.
SHRI V.M.P.SHAH Director (S/o Shri Meghji Pethraj Shah) Meghraj House, P.O. Box No. 481 La Motte Street,St.Helier Jersey JE4 8wz British Channel Island,U.K BANKER	M.Manifold Pvt.Ltd. Indus Capital Market Services (India) Pvt.Ltd. Air Infinity Pvt.Ltd. Ashima Dyecot Limited Meghraj Financial Services (India) Pvt.Ltd.
SHRI PRADIP SHAH Director (S/o DR. Pannalal Shah) 72-A Embassy Apts. 46 Nepeansea Road Bombay 400 026 VENTURE CAPITALIST	Shah Foods Ltd. Indocean Venture Advisors Pvt.Ltd. Afcons Pauling India Ltd. Daikaffil Chemicals Ltd. Usha Beltron Ltd. Hindustan Oil Exploration Company Ltd. Lakhanpal National Ltd. IS Himalayan Fund NV Sparta Management Inc. Reserve Bank of India (Member of the Local Board [Western Region]) Indian Merchants' Chamber (Member of Management committee) Vasante J. Sheth Memorial Foundation - Trustee Sree Rayalseema Paper & Pulp Mills Ltd. RR Donnelley (India) Pvt. Ltd. (Asia Operations) Tata Press Ltd.
SHRI SUNIL BHAGWAN CHANDIRAMANI Director (S/o Shri B. S. Chandiramani) 8B Peace Mansion 152 Tai Hang Road Hong Kong BANKER	International Components Corporation Schroder Capital Partners Ltd. Ashima Dyecot Ltd.
DR. LAVKUMAR KANTILAL Director (S/o Shri Kantilal Shah) "Kantam", B/H Law College C.G.Road, Ahmedabad 380 006 INDUSTRIALIST	The Ahmedabad Kaiser-I- Hind Mills Ltd. Kantam Holding Pvt.Ltd. Amar Polyesters Ltd. United Esters & Nitrochem Ltd. Unipon India Ltd.
SHRI MOHANRAJ M. SINGHI Director (S/o Shri Mishrimal Singhi) "Namaskar" 14 Navyug Society Ambavadi, Ahmedabad 380 015 ADVOCATE	Maradia Chemicals Ltd. Panchmahal Steels Ltd. Nakoda Textiles Industries Ltd. Ishita Drugs & Industries Ltd. Gujarat Raffia Industries Ltd. Rapport Lease & Finance Pvt.Ltd. Goldown Textiles Ltd. Mahendra Polycot Ltd. Forge & Blower Industries Ltd. Mahalaxmi Rubtech Ltd. Vadilal Financial Services Ltd. ABC Cements & Constructions Ltd. Sirhind Steels Ltd.

Shree Ganesh Filaments Ltd.
Shree Rang Fincap Ltd.
Marwar Hotels Ltd.
Arpit Diamonds Pvt.Ltd.
Malhotra Steel Industries Ltd.

SHRI JAYENDRA N SHAH Alternate Director to Shri V.M.P Shah (S/o Shri Natwarlal Shah) 52, Apurva Building Napean Sea Road Bombay 400 006 CHARTERED ACCOUNTANT	N.A.Shah Associates (Consultants) Pvt.Ltd. Meghraj Financial Services (India) Pvt.Ltd. Minerva Imports Pvt.Ltd. Minerva Mercantile Pvt.Ltd. UNI Top Remedies Pvt.Ltd. UNI Distributors Pvt.Ltd. Gladiola Finvest Pvt.Ltd. Beaver Investment & Finance Pvt.Ltd. Polder Finvest Pvt.Ltd. Erhardt And Leimer (India) Ltd. Mega Custodian Services Ltd. Mogra Finvest Pvt.Ltd. Darda Printocrafts Pvt. Ltd. Flawless Finvest Pvt.Ltd. Meghraj Realty Services Pvt.Ltd. Microtech Software & Consultants Pvt.Ltd. Ashima Dyecot Ltd. Gravure Art & Healthcare Products Ltd. Unisearch Ltd. Meghraj Stockbroking Pvt.Ltd. Fairview Finvest Pvt.Ltd. Credible Trading & Investments Ltd.
SHRI BHARAT KEWALRAMANI Alternate Director to Shri Pradip Shah (S/o. Shri Bhagwandas F. Kewalramani) 252 A, Maker Towers, Cuffe Parade, Bombay 400 005. VENTURE CAPITALIST	CMM Limited Delta Corporation Limited Hindustan Syringes and Medical Devices Limited Indocean Venture Advisors Private Limited Lacto Protein Limited Nationwide Pharmassist Distribution Pvt. Ltd. Sree Rayalaseema Paper and Pulp Mills Limited
SHRI DEEPAK VAIDYA Alternate Director to Shri Sunil Bhagwan Chandiramani (S/o Shri Calayan Vaidya) 493/251 Swaraj Apts. Walkeshwar Road Bombay 400 006 BANKER	Universal Express Tours & Travels Pvt. Ltd. Indian Hospital Corporation Ltd. Ashima Dyecot Ltd.
SHRI S. RAMASUBRAMANIAN Nominee Director of SCICI LTD. (S/o Shri A.R. Subbaraman) D-107 New Poornima Apts., 23 Pedder Road Bombay 400 026 SERVICE	Chowgule Steamships Ltd.
SHRI NITIN D.PAREKH Executive Director (S/o Shri Dalsukhray Parekh) E-3 Devprayag Apt. 3rd floor, B/H Doctor House, Ambawadi Ahmedabad 380 006 BUSINESS EXECUTIVE	Ashima Dyecot Ltd. Abhikram Holdings (P) Ltd. Housing Finance & Investment Co.of India Ltd. Ashima Polyesters Ltd.
SHRI DEEPAK P.PARULEKAR Whole Time Director (S/o Shri Padmakar Parulekar) 30 Amaltas Bunglow Nr. Sunrise Park Vastrapur Road, Ahmedabad 380 054 BUSINESS EXECUTIVE	Ashima Dyecot Ltd.

Denim Expansion Project

The Company has a denim manufacturing setup (Ashima Denims-I) with an installed capacity of 10.6 million metres p.a. at Khokhra Industrial Zone in Ahmedabad City. The Company now proposes, as a part of its expansion programme, to double its denim manufacturing capacity of indigo dyed, pre-shrunk, 100% cotton Denim fabric by an additional installed capacity of 10.6 million metres per annum (mmpa) - (Ashima Denims - II). The expansion programme is proposed to be set up under the 0% Export Promotion Capital Goods (EPCG) Scheme which entails an export obligation of six times the CIF value of imports of capital goods in a period of first eight years. ASL proposes to sell 50% of its annual production of denim fabrics in the export market by which the export obligation would be met.

Location, land and Buildings

The existing denim plant of ASL is situated on the site acquired in 1994 from Mihir Textiles Ltd. (MTL) at Khokhara Mehmedabad in Ahmedabad city. MTL had a composite textile mill on a land spread over 1,74,647.27 sq.mts. with a built-up area of 59,695.30 sq.mts in the Khokhara industrial zone in Ahmedabad City. In 1994, ASL had acquired (Phase I acquisition) 1,02,821 sq.mtrs. of land, including 33,974 sq.mtrs of built up area, 20240 spindles and utilities like boilers, humidification plants, air-compressors, transformers, airconditioning plants, electrical equipments etc., including power sub-station for setting up the denim plant. As per certificate dated Feb.9, 1996 from Mr.Mukesh M.Shah, Chartered Engineer & Approved Valuer, the existing land & buildings are sufficient to meet the additional requirements of the proposed expansion project. The civil works which are required for the expansion project comprises 7500 sq.mts. of factory bldgs.,3500 sq.mts. of utilities building and 2500 sq.mts. of non-factory buildings. Modifications are required in the factory building for flooring and parts of the roofing which is estimated to cost Rs. 102.5 lacs and is included in the project cost. No amount has yet been incurred on the modifications.

This location has several advantages. Firstly, it is situated in the heart of Ahmedabad city which is a major textile centre. The city is well connected by rail and road and also has an international airport. This entails cost-benefits in procurement of raw material as well as in marketing of denim. Secondly, Ahmedabad is a centre with trained labour force in the textile industry. Thirdly, the Company's existing denim facilities are also in the same location which would result in cost advantages.

Plant and Machinery

The denim plant mainly comprises of three main sections i.e Yarn Spinning Section, Preparatory section and the Weaving Section.

Yarn Spinning Section

The spinning section consists of blow rooms (2 nos.) each with a Unifloc blender, cards (16 nos.) with chute feeds, draw frames (8 nos.) and Open-end spinning machines (6 nos.) with 1296 rotors. ASL plans to procure a second hand spinning unit in running condition from overseas for which it is negotiating with various European textile plants. ASL would acquire additional cards and draw frames from reputed supplier(s).

Preparatory Section

The preparatory section would consist of a beam warper, an indigo dyeing and sizing machine and a denim shrinking and finishing machine. These would be new machines to be imported from Germany through authorised agents in India. The company would also acquire warping beams and a brushing cum singeing machine from indigenous sources.

Weaving Section

ASL proposes to import latest type airjet looms. The indigo dyed denim produced on these looms would be capable of meeting international quality standards. These looms have been used successfully in the Company's existing denim plant.

Utilities

Out of the Phase-II acquisition of infrastructure from Mihir Textiles Ltd., details of which are covered earlier, utilities comprising D.G.Sets, Humidification plant, Boilers, Borewell, Transformers, Water Softening Plant and various electrical installations of a value of Rs. 120 lacs would be utilised for the Denim Expansion project. As per certificate dated Feb.9, 1996 from Mr. Mukesh M. Shah, Chartered Engineer & Approved valuer, the utilities acquired in Phase-II acquisition from Mihir Textiles Ltd. and certain existing utilities are available for the Denims expansion project. Out of the lump-sum payment made for this Phase-II acquisition, details of which are covered earlier, the management has valued the utilities to be used for the Denims expansion project at Rs. 120 lacs. Additionally, other utilities are required to be purchased, details of which are given hereunder.

List of Plant & Machinery : **(Rs.in lacs)**

A. Imported

Sr. No.	Details of Machinery	Cost of Machinery (with 0% duty under EPCG scheme)	Date of Placement of Order	Likely Suppliers	Expected date of delivery.
1.	Spinning Plant (second hand)	1330.21	Yet to be placed	Lorze make Yet to be decided	April 97
2.	•Direct Beam Warper & Dyeing Sizing Machine	969.20	-do-	Hakoba, Sucker-Muller	-do-
3.	Shrinking & Finishing Machine	259.26	-do-	Monforsts	-do-

4.	Airjet Looms (56 nos)	1010.55	-do-	Tsudakoma	-do-
5.	Miscellaneous	90.44	-do-	Todo, Juki, etc.	-do-
		3659.66			
	Clearing, forwarding, octroi, foundation, etc.	155.53			
		3815.19			

B. Indigenous

Sr. No.	Details of Machinery	Cost of Machinery	Date of Placement of Order	Likely Suppliers	Expected date of delivery.
1.	Warper Beams(38 nos)	28.50	Yet to be placed	Bharat Bobbins	April 97
2.	Weaver Beams(84 nos)	25.20	-do-	-do-	-do-
3.	Brushing cum Singeing	24.00	-do-	Calico	-do-
4.	Adaptors (168 nos)	8.43	-do-		-do-
5.	D.G.sets		Already acquired from MTL.		-
6.	Humidification Plant				
7.	Boiler	120.00			
8.	Effluent Treatment Plant				
9.	Transformers & Electrical installation				
10.	Borewell & Water Softening plant				
11.	Humidification (Additional balance)	35.50	Yet to be placed	Nachmo Knitex Ltd.	April 97
12.	Air Compressors	46.80	-do-	Ingersoll -Rand	-do-
13.	Purifier for Effluent Treatment	33.87	-do-	Ion Exchange India Ltd.	-do-
14.	Miscellaneous	27.60			
		349.90			
	Excise, Sales tax, octroi, etc.	64.68			
		414.58			

Miscellaneous Fixed Assets

These comprise piping for water, steam, etc. (Rs. 35 lacs), office automation machinery (Rs. 25 lacs), tools & equipments (Rs. 5 lacs) and other miscellaneous assets (Rs. 5 lacs) aggregating to an estimated cost of Rs. 70 lacs. No orders for these equipments have yet been placed.

Technology

ASL proposes to use proven process technology of open-end spinning, indigo dyeing and sizing and the latest advanced air-jet looms for the manufacture of denim. The same range of machineries are used in existing operations of denim manufacturing. The machineries are being imported from leading textile machinery manufacturers who would be deputing their technicians for installation. The manufacturers would give guarantees for the minimum efficiency levels to be attained by the machines. Since the technology is proven, ASL does not propose to enter into any technical collaboration. It has persons having required skills and experience for denim manufacturing. ASL proposes to erect and commission the plant through its in-house technicians who have experience of erection of the same type of plant.

Capacity Build-up

The Company expects to commence commercial production in Sept. 1997. The Company expects to have a capacity utilisation of 85 % (for the period of 10 months ending June 1998), 90 % (1998-99) and 95 % thereafter. The Company's existing denim project was commissioned on Jan. 1, 1995 and for the six months ended June 30, 1995, it operated at 64.40% of its capacity. In the current financial year i.e. 1995-96, the plant is expected to achieve 90 % capacity utilisation. In view of this, the Company does not expect difficulties in achieving the projected capacity utilisation for the Denims expansion project.

Managerial Competence

The Company has the managerial competence to undertake the project. The Company is already operating in the textile industry for over a decade and has successfully undertaken various expansion and diversification schemes in the past. It is already engaged in the manufacture of denim in a plant which would be very similar to the proposed one. The Company also has the benefit of existing infrastructure in terms of qualified and experienced technical & commercial personnel, marketing set up, established domestic and international market, etc.

Description of the Process

The process for denim production consists of basically three stages viz., spinning, preparatory and weaving & finishing.

The Spinning process consists of the Blow room, Chute feeding and Carding, Draw Frame and Open-end Spinning. At the Blow Room stage, the raw cotton, which is in the hard- pressed bale form is opened into small lumps automatically by the Unifloc Bale Opener. It is fed into the Monocylinder Cleaner which removes impurities such as trash, sand, leaves and seeds. The cleaned cotton of different varieties is homogeneously mixed into a web of tangled fibres which is rolled into sheet form called Lap. The Lap is directly fed into the Cards through the Chute Feeder. At this stage, the sheet cotton is rolled into sliver form and fed to the Draw Frames. In the Draw Frame, several slivers are reduced to the thickness of one sliver by means of drafting. This process causes parallelisation and improved blending of fibre. The slivers are then ready for the open-end spinning. At this stage, from the slivers, individual fibres are separated, drawn and twisted by the rotors into Yarn form which is then directly wound on the cones.

In the Preparatory process, Warping and Dyeing and sizing of yarn is done before it enters the weaving stage. Warping consists of winding together a specified number of warp ends on the beam to form a yarn sheet. The yarn sheet is then dyed with indigo in the required shade. It is then sized with a coating of sizing chemicals to strengthen its resistance while weaving. The sized yarn in sheet form is rolled on weaving beams.

The weaving beams are mounted on the looms where interlacing of the warp and weft threads are done to produce denim cloth. The weft threads are used directly from the cones obtained from the spinning stage. The denim cloth is then wound on a beam in roll form.

At the finishing stage, the cloth rolls are opened and passed through flames of the singeing machine for smoothening its surface. The cloth is then de-sized to remove the coating of sizing chemicals over it. Thereafter dressing and compressive shrinking is done to regulate the fabric's rigidity and dimensional stability. The finished fabric is inspected for defects and packed as per market requirements.

Utilities

Power

The total power requirement for the denim expansion project is estimated at 2700 KVA with a load of 24433 KWH per day. Under the Phase II acquisition from MTL, the Company has acquired a sub-station with three transformers of 1500 KVA each with a total connected load of 4500 KVA. Hence the company does not foresee any shortfall in power supply. However, the company has made stand by arrangement by way of 3 D.G sets of 860 KVA each, as acquired from MTL.

Water

The total water requirement for all the operations of the denim expansion project is estimated at 12 lacs litres per day. Under the Phase II acquisition from MTL, the Company has acquired one borewell with capacity of 60000 litres per hour which would take care of the total water requirement. A reservoir capacity of 4,00,000 litres is available to ASL on the site.

Compressed Air

The requirement of compressed air at the blow room is estimated at 600 cfm. and at the air-jet is estimated at 2,200 cfm. The Company has a spare compressor of 600 cfm acquired from MTL in Phase I acquisition. The same will take care of the blow room requirements. For the balance requirements, the Company proposes to purchase three compressors of 1200 cfm each out of which two compressors would meet the requirement and the third would be used as a standby. No orders have yet been placed for the compressors.

Steam

The requirement of steam for the dyeing and sizing plant would be 40 tonnes per day. Under the Phase II acquisition from MTL, the Company has acquired two boilers of Lancashire make with a combined capacity of 6 tonnes per hour i.e 144 tonnes per day.

Coal

The requirement of coal for the boiler would approximately be 10 tpd. The transferred quota from MTL will be used to procure this coal requirement from Coal India Limited.

Effluent Treatment Plant

The effluents for the denim plant would consist of a sludge of excess particles from dyeing and size washed during drying. The effluent system for the denim plant consists of the Primary Treatment Plant and a Secondary Treatment Plant which is already existing. The Primary Plant is used basically to separate the size lumps from the indigo. The liquid effluent coming from below the machine is forced through a series of sieves into progressively finer mesh. While the indigo is further treated in the primary plant, the size lumps after being broken down are directly sent to the secondary treatment plant. The indigo is further broken down in the primary plant into manageable particles through the Reverse Osmosis process and the liquid effluent containing permissible levels of minimum PPM is sent to the secondary treatment plant.

In the secondary plant consisting of gypsum bed ultra-filters, the liquid is further forced down through various levels of filters for sedimentation to take place. The particles absorbed in the gypsum-bed are removed on a regular basis and the liquid effluent after due testing for PH levels is disposed of through the regular drainage system.

The existing effluent treatment plant which has a capacity of 30 M3/hr. is sufficient to treat the effluent of the expansion project except that one purifier is needed to be added to make the full utilisation of the capacity for denim expansion.

Humidification Plant

The total requirement of humidification for the expansion project is 7,20,000 CFM based on an area of 9,980 sq.mts. with height of 4.5 mts. Under Phase II acquisition from MTL, the company has procured 7 humidification plants with a combined capacity of 4,50,000 cfm. For the balance requirements, the Company proposes to acquire additional humidification plant at a cost of Rs.35.50 lacs which would be supplied by Nachmo Knitex Limited, a group company.

Manpower requirement

The total manpower requirement for the project is estimated at 322 persons consisting of 18 managerial staff, 17 technical staff, 23 administrative staff, 100 skilled, 144 semi-skilled and 20 unskilled labourers. Out of these, ASL proposes to employ 200 persons working with MTL. The balance personnel would be recruited from Ahmedabad and adjoining areas. The company has envisaged to employ suitable administrative, sales and management personnel at various levels for the new project.

Raw Materials

Cotton

The basic raw materials for the manufacture of denim is coarser varieties of cotton which would be of short staple. ASL's cotton requirement for the expansion project would be 60,500 bales per annum which would be procured from the wholesale markets in Ahmedabad and adjoining areas in Gujarat, as also from Punjab and Tamilnadu. The company would be using a mix of different varieties of coarser cotton like Kalyan, J34 and Y1. Cotton market being a commodity market, ASL would procure cotton by negotiation on the prevailing market prices and therefore does not envisage any tie-up for regular supply.

Indigo

ASL would require 117 tpa of Indigo Dye, which would be imported from BASF, Germany and ICI plc, UK or through their authorised agents in India. Since indigo is freely available in the international markets, the company does not foresee any difficulty in its availability.

Chemicals

The company would require small quantities of Polyvinyl Alcohol (PVA), Acrylic, Caustic Soda and Sodium Hydro Sulphide which are used in the dyeing and sizing processes. PVA would be imported from overseas suppliers while the rest are available from local sources in Ahmedabad.

Schedule Of Implementation

Particulars	Commencement	Completion
Acquisition of Land & Buildings	——— Already existing ———	
Civil Works for modification of Factory Building/Auxiliary building/ Machinery Foundation.	June, 1996	Oct.,1996
Plant & Machinery		
- Imported		
- placement of orders	Oct., 1996	Oct.,1996
- delivery	Feb., 1997	April,1997
- Indigenous		
- placement of orders	Oct.,1996	Oct.,1996
- delivery	Feb.,1997	April,1997
Erection/Installation/Commissioning	May, 1997	June,1997
Trial runs	July,1997	Aug.,1997
Commercial Production	Sept.1997	

Market & Competition

The World Scenario

Denim fabric has so far found application in casual wear and fashion apparel. The bulk of the world consumption of denim has been of the heavy variety (13 oz/yd and above) with the major segment being denim trousers. USA and Europe are the major markets. Some of the largest producers of Denim in the world are Dominion Mills (with a capacity of over 109 million metres p.a (mmpa)), Swift Textiles (110 mmpa), Cone Mills (105 mmpa), and Burlingtons (100 mmpa). The world consumption of denim currently estimated at more than 2400 mmpa is growing at the rate of 6% - 8% p.a. (Source - Express Investment Week, 17-23 April, 1995). As per Company's estimates the per capita consumption of denim fabric in the USA is 1.60 metres, in EEC - 1.20 metres and in India it is 0.30 metres.

Domestic Market

The domestic market for denim has vast scope for growth with denim awareness being spread by the efforts of leading domestic manufacturers. The domestic market has been growing at a phenomenal rate of 25% (Source - Express Investment Week, 17-23 April, 1995). The Company expects the domestic demand to cross 45 mmpa by 1996-97.

The total installed capacity for maufacture of denim in India is currently around 86 mmpa (Source - Express Investment Week, 17-23 April, 1995) out of which the Company estimates the capacity presently available for domestic consumption to be around 46 mmpa. At 85% capacity utilisation this would amount to production of around 39 mmpa.

As per Company's estimates, at a conservative growth rate of 18% p.a. the domestic consumption of denim would touch 45 million metres in 1996-97. At 85% capacity utilisation, the capacity required would work out to about 53 million metres as against the expected installed capacity of 46 mmpa. The proposed expansions in the existing units is being aimed at the export market. ASL, with expanded capacity of 10.6 million metres will have about 5 million meters additionally available for catering to the domestic market. Looking at the anticipated demand supply gap, ASL with its superior quality product, may not face any difficulty to sell in the domestic market.

Indian Exports

Exports quality denim has to meet the "Levi Strauss Standards" wherein the faults in the fabric are quantified by points reflecting the nature, scale and frequency of such faults. Indian exports account only for about 0.5-1% of the world trade in denim with the heavy denim (14.5 oz) taking up the entire exports. The export share is expected by the Company to grow to more than 2% by 1997-98. The Export advantage of Indian denim lies in its internationally acceptable quality at prices lower than the ruling international prices. Though the denim from Hongkong, China, Indonesia and Taiwan is cheaper, Indian denim is perceived to be of superior quality. Indian exports in 1993-94 was 27 mmpa (Rs. 7435 million - Source DGCIS) which grew to 50 mmpa in 1994-95, expected to cross 60 mmpa in 1996-97 (Source - Express Investment Week, 17-23 April, 1995)

Marketing Strategy

Denim being a commodity market, ASL has not envisaged firm tie-ups for its exports as well as domestic sales in order to take advantage of the market trends. The company is already selling its denims both in the local market and the export market quite successfully. The denim fabrics manufactured by company is well accepted in Indian as well as international market. The company has already developed close contacts with international trading companies and export houses in India.

Justification of Premium

The Company has fixed the premium of Rs. 48 per share in consultation with the lead manager to the issue which is based on the following factors :

Quantitative factors

1. The Company reported an annualized earning per share of Rs.10.11 for the year ended 30.06.95. The issue price of Rs. 58 per share is at a price earning multiple of 5.73 as compared to the industry ratio of 18.4 (Source - Capital Market - March 24, 1996).
2. In last three years the Company has registered a Compounded Annual Growth in sales of 30% (per annum) and has multiplied its net profits by over 5 times.
3. The Company has a consistent dividend track record and has paid a dividend of 27 % for the year ended 30.06.95.
4. The Company has privately placed Equity Shares @ Rs. 65/- per share in January 1996 with Foreign Direct Investors and with promoters. These Foreign Direct Investors have again agreed to subscribe to the proposed private placement of Equity Shares @ Rs. 58/- per share.

Qualitative factors

1. The company is already manufacturing high quality denim fabrics and has established a market for its products in the international & domestic markets.
2. The company is engaged in various segments of the textile industry. Therefore, it is in a stronger position to withstand adverse fluctuations in any particular segment of the industry.
3. The company is in the high-thrust area of exports entitling it to various benefits.

Promises VS.Performance of the Company

A) The company made its first public issue of Fully Convertible Debentures in June,1993 by Prospectus dated April 30, 1993. The actual performance vis-vis the promises as made in the above said prospectus is furnished below :

S.N.	Particulars	Promises made	Actual Performance
1.	Objects of the Issue	Out of total issue size of Rs.1299.75, Rs.775 lacs was for financing the 100% EOU for grey cotton fabrics & Rs.524.75 lacs was towards funding existing operations	The company used Rs.775 lacs for financing the 100% EOU for grey cotton fabrics & balance amount of issue is used for funding existing operations.
2.	Listing	Listing at Ahmedabad and Bombay Stock Exchange	Listed as Envisaged. Additional Listing also made at Calcutta, New Delhi and Madras
3.	Date of commercial Production	31st May,1993	15th June,1993
4.	Financial Performance		(Rs.in lacs)

	For the year ended June,1993	For the year ended June,1994	For the year ended June,1993	For the year ended June,1994
Profit after tax	272.00	416.00	302.51	538.16
Dividend:				
- Amount	68.00	86.00	75.73	124.12
- Rate	20%	25%	22%	25%
EPS	5.00	7.65	8.79	10.27
Book Value	29.03	35.09	30.57*	37.20

* Includes first conversion of FCDs made on 7 August,1993.

B) The company made its Rights-cum- public issue of Equity shares in 1994 by Letter of Offer and prospectus both dated 10.6.1994. The actual performance vis-vis the promises as made in the above said prospectus is furnished below :

S.N.	Particulars	Promises made	Actual Performance
1.	Objects of the Issue	The total issue size of Rs.5400 lacs was for financing the denim project of the company and meet Public issue expenses.	The funds were used for financing the denim project of the company & also meet Right-cum--Public Issue expenses as envisaged.
2.	Listing	Listing at Ahmedabad, Bombay, Delhi, Calcutta and Madras.	Listed as Envisaged. Additional Listing also made at National Stock Exchange.
3.	Date of commercial Production	October,1994	January,1995

4. Financial Performance (Rs.in lacs)

	For the year ended June,1994	For the year ended June,1995	For the year ended June,1994	For the year ended June,1995
Profit after tax	461	1972	538.16	1566.07
Dividend (Amount)	131	448	124.12	415.55
Dividend (%)	25%	25%	25%	27%
EPS (Annualized)	8.80	11.02	10.27	10.11
EPS (Flat)	8.47	10.60	9.89	8.42
Book Value	34.63	49.36	37.20	49.43

5. Reasons, if any, for non achievement of promises: The Denim Project was scheduled to commence production on October 1, 1994. However due to unprecedented rains, civil work was delayed resulting in a delay in the commencement of production by three months. This delay also affected the sales and profitability for the year ended June, 95.

VI. FINANCIAL PERFORMANCE OF THE COMPANY FOR THE PAST FIVE YEARS **(Rs. in lacs)**

The financial highlights of the company as per the audited accounts for past five accounting periods are as follows:

Period Ended	**30.06.95 (12months)**	**30.06.94 (12months)**	**30.06.93 (12months)**	**30.06.92 (15months)**	**31.03.91 (18months)**
Turnover :					
Manufacturing	4915.48	2478.28	2751.77	1850.10	1969.36
Trading	2932.24	980.19	653.86	1843.82	2062.93
Construction	361.16	167.46	171.35	119.90	4.69
Commissions	77.90	100.56	96.01	-	-
Others	-	-	-	-	-
Increase in stocks	2280.79	70.86	-	-	40.20
Total Turnover	10567.57	3797.35	3672.99	3813.82	4077.18
Other Income	800.20	604.68	151.12	161.46	105.11
Total Income	11367.77	4402.03	3824.11	3975.28	4182.29
Gross Profit	2346.02	1109.87	629.32	466.50	349.98
Interest	240.85	330.22	175.78	130.85	235.72
Depreciation	539.10	177.49	101.04	77.72	62.70
Tax	-	64.00	50.00	8.50	-
Net Profit	1566.07	538.16	302.51	249.43	51.56
Dividends	415.55	124.12	75.73	80.07	21.87
	(27%)	(25%)	(22%)	(20%)	(15%)
Paid up share capital					
-Equity	1860.60	544.24	344.25	344.25	117.45
-Preference	-	-	-	1.50	1.50
Reserves & Surplus	7338.01	1480.39	619.69	392.92	110.16
Loan Funds	11374.39	6589.43	2930.85	1256.10	952.24
EPS (Flat) (Rs.)	8.42	9.89	8.79	7.25	4.39
EPS (Annualized) (Rs.)	10.11	10.27	8.79	7.30	4.74
Book Value Per Share (Rs.)	48.69	36.76	26.48	21.17	18.50

Significant Accounting Policies and changes therein

1. DEPRECIATION

Depreciation on all assets have been provided on straight line basis as per the rates prescribed in Schedule XIV to The Companies Act, 1956, as ammended by Notification No. GSR(E) dated 16/12/93 together with Circular No.14 dated 20/12/93, issued by the Department of Company Affairs.

Further, company has recalculated depreciation on all the assets on the above referred basis. The excess depreciation of Rs.13,19,934/- has been transferred to General Reserve, on the basis of the recommendation of 'The Institute of Chartered Accontants of India', in Accounting Standard on "Depreciation Accounting".

The change in the method has resulted in lower charge of depreciation in the current year by Rs.13,19,934/- and consequent increase in the profit for the year by the same amount and increase in the net value of fixed assets by an aggregate sum of Rs.13,19,934/-.

2. EXPENDITURE DURING CONSTRUCTION PERIOD

In case of New Project, expenditure incurred during construction period, including interest and finance cost on specific loans, prior to commencement of commercial production is capitalised.

3. ALLOCATION OF PRE-OPERATIVE EXPENSES

Pre-operative expenses relating to Denim project of the company till the date of commercial production have been allocated to fixed assets of the Denim Division in proportion to the value of fixed assets.

4. PUBLIC ISSUE EXPENSES

Expenses in respect of Public-Cum-Right issue of equity shares have been written off against share premium account in accordance with section 78 of the Companies Act, 1956.

5. INVESTMENTS

Investments are accounted at cost of acquisition. Dividend on investments is accounted as and when received, except for the dividend from Unit Trust of India, which is accounted on accrual basis.

6. GRATUITY

Year end liabilities on account of gratuity are provided and funded to Gratuity Fund. The income-tax authorities' approval to the Gratuity Fund created by the company in accordance with the requirements of tax law is awaited. The trustees of gratuity fund have taken Death-Cum-Retirement policy from Life Insurance Corporation of India and premium paid/accrued is accounted as gratuity in the year of accrual.

7. FOREIGN CURRENCY TRANSACTIONS

a) Transactions covered under forward contracts, are accounted at the contracted rate.

b) 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 accounts, and in respect of export proceeds not realised at the year end, are restated at the rate prevailing at the year end.

8. CONSTRUCTION INCOME

The income from construction activities is accounted for on the basis of percentage completion method of accounting for construction contracts.

Important notes forming part of accounts for the past five years

1. Figures of Balance Sheet and Profit and Loss Account for the year ended 31.3.91 include figures of sole proprietary business in the name of M/s. ASHIMA CONSTRUCTION for the period from 1.10.1989 to 31.3.1991.
2. No provision for taxation has been made for the income of the period from 1st April to 30th June for years 1992, 1993 and 1994 since these periods are assessed in the next assessment year.
3. Manufacturing expenses incurred by Draw-Twisting Division of the company till 31st July, 1989 for setting up various processes and achieving the marketable results with desired quality amounting to Rs.17.69 lacs, were amortized/deferred and expenses charged to the Profit and Loss account are as follows :

(Rs. in lacs)

30.6.95	30.6.94	30.6.93	30.6.92	31.3.91	30.9.89
0.29	3.54	3.54	4.42	5.31	0.59

4. Interest of Rs.13,40,220/- for the entire contracted period of the deferred payment arrangement for procurement of plant and machinery has been capitalised in the year of acquisition of plant and machinery and accordingly depreciation has been charged on such enhanced value of plant and machinery. As a result of this capitalisation, provision for depreciation is more and profit less by the following amounts in the respective years:

(Rs. in lacs)

Year ended	Increase in Depreciations provision	Reduction in profit
31.3.91	2.12	2.12
30.6.92	1.77	1.77
30.6.93	1.42	1.42

Interest of Rs.20,13,480/- for the entire contracted period of the ICICI deferred payment arrangement for procurement of plant and machinery has been capitalised in the year of acquisition of plant and machinery and accordingly depreciation has been charged on such enhanced value of plant and machinery. As a result of this capitalisation, interest charged to the profit is lower, provision for depreciation is more and profit is less by the following amounts in the respective years.

(Rs. in lacs)

Year ended	**Lower interest charged to profit**	**Increase in Depreciations provision**	**Reduction in profit**
31.3.91	0.79	3.19	2.40
30.6.92	—	2.65	2.65
30.6.93	—	2.13	2.13
30.6.94	—	2.13	2.13
30.6.95	—	2.13	2.13

Management Discussion and Analysis of Financial condition and Results of the Operations

(A) Comparison between significant items of income & expenditure for the last three years : **(Rs. in lacs)**

	1994-95	1993-94	1992-93
Income:			
Turnover	10567.57	3797.35	3672.99
Other Income	800.20	604.68	151.12
Total Income	11367.77	4402.03	3824.11
Expenditure :			
Manufacturing & other expns.	8421.27	2969.34	2905.01
Employees remuneration	205.51	80.45	84.46
Administrative & other expns.	366.60	235.99	117.88
Interest	240.85	330.22	175.78
Depreciation	539.10	177.49	101.04
Tax	-	64.00	50.00
Total Expenditure	9773.33	3857.49	3434.17

With an eye on the global market from the year 1993-94 the company had decided to concentrate more on exports and started reducing domestic sales which was mainly from the Polyester division. Consequently, the total turnover for the year 1993-94 showed only a marginal increase over that of 1992-93.

With accreditation of ISO 9002, Cotton Grey Fabrics manufactured by the 100% EOU division of the company received excellent response in the international market. In order to cope up with this acceptance and demand for the company's Cotton Grey Fabrics in the global market, the capacity of the 100% EOU project had been increased. This has more than doubled the turnover of the 100% EOU division in the year 1994-95 as compared to 1993-94. Also, during the year 1994-95, as a part of its diversification and expansion programme the company had set up a new project for manufacture of world class indigo classical denim fabrics, commercial production of which started from 1st January, 1995. The share of this new division in the turnover of the company for the year 1994-95 has been almost 31%. As a result of these two divisions, the turnover of 1994-95 more than doubled over that of 1993-94.

Other income in 1993-94 has increased substantially over that of 1992-93 mainly on account of profit on sale of investments & fixed assets, increases in dividends and in cash & quantity discounts. Manufacturing expenses, employee remunerations and administrative expenses have increased in line with the increase in turnover and scale of operations. Interest for the year 1993-94 has increased due to Debentures issued for funding the 100% EOU for manufacture of cotton fabrics. On account of the commissioning of the Company's first denim project in 1994-95, there was an increase in depreciation charge. This also resulted in no tax liability on the Company.

(B) Unusual or infrequent events or transactions :

Profit on sale of fixed assets :

During the year 1993-94 operation of the Engineering division was closed down. Plant and Machineries which were not contemplated to be used in new production planning were sold out during the year resulting in profit to the tune of Rs. 13.55 lacs. Further, one of the Texturizing machine of the Polyester division had become very old and obsolete. It was decided to sell off the old machine thereby making a profit of Rs.7.07 lacs.

During the year 1993-94 and 1994-95 the company had acquired substantial manufacturing capacities alongwith land and building of Mihir Textiles Ltd., Ahmedabad. The acquisition package consisted of certain machineries which were old and were of no use under the diversification programme that the company had planned for. Considering the fact that the company had undertaken to manufacture world class indigo classical denim fabric with the help of imported modern spinning mill and new generation equipments from abroad, the company decided to dispose off the second hand and obsolete machineries acquired from Mihir Textiles Ltd. The profit from sale of the said machineries was of Rs.99.53 lacs.

(C) Significant economic changes that materially affected or are likely to affect income from continuing operations :

Due to recession in the automobile industry it was not practically feasible for the company to undertake any operation in the Engineering division during the year 1993-94. As such, contribution of Engineering division to the total turnover of the company was very low as compared to the 1992-93. Hence, the company decided to close down this unit.

A recent excise notification has imposed a duty of 10 % on denim. This could affect the profitability of the Company in case it is not able to pass on the increase to the consumers. As the excise notification has affected the players in the denim industry, it is expected that the duty could be passed on.

As the Company is engaged in exports, exchange rate fluctuations may have some bearing on the profitability of the Company.

(D) Known trends or uncertainities which may have a bearing on the operations of the Company :

These are mainly regarding the raw material supply and its prices. Since cotton, the main raw material, is an agricultural product, there have been fluctuations in its supply position as well as in its price. During the current year, however, cotton prices have remained low and the Company expects this position to continue for sometime.

(E) Future changes in cost & revenues such as labour, material, etc :

Prices of cotton and cotton yarn (raw materials for the company's operations) fluctuate frequently. However, since it is coupled with an increase or decrease in the sale price also, any material or adverse impact on the profitability from continuing operations is not anticipated in the near future. The labour cost is not likely to change significantly in the coming year considering the ample availability of labour in Ahmedabad. A recent excise notification has imposed a duty of 10 % on denim. This could affect the profitability of the Company in case it is not able to pass on the increase to the consumers.

(F) Causes of material increases in net sales :

The manufacturing turnover of the Company more than doubled in the year 1994-95 over 1993-94 mainly due to (a) capacity increase and doubling of production of the Company's fabrics division, and (b) commencement of production from Jan.1,1995 of the Company's first denim project.

(G) Total turnover of each major segment in the textile industry in which the Company operates :

The turnover during 1994-95 of the denim segment was Rs. 845.16 crores, of the Texturising segment was Rs. 2227.03 crores and of the Weaving segment was Rs. 1789.41 crores (Source - Capital Market - March 24,1996)

(H) There are no publicly announced new products or business segment.

(I) The Company's business is not seasonal.

(J) There is no significant dependence on a single or few suppliers or customers.

(K) Competitive conditions :

Exports are a thrust area for the country. As Indian denim has cost advantages in procurement of raw material (cotton) and cheap labour, it is finding acceptability in the international markets. The denim segment, is therefore witnessing a large increase in capacities and competition. Within the country, there are four large players in the denim market. Arvind Mills is the largest with about 50% of the capacity with the rest being shared by the Company, K.G.Denim, Modern Denim and a few other small players.

Material Developments after the date of the latest Balance-Sheet

A recent Excise notification has imposed a duty of 10 % on denim fabrics. This could affect the Company's profitability in case it is not able to pass on the increase to the consumers. As the excise notification has affected the players in the denim industry, it is expected that the duty could be passed on.

Apart from the above, there are no other circumstances that have arisen since the date of the last financial statements that materially and adversely affects or is likely to affect the trading or profitability of the Company, or the value of its assets or its ability to pay its liabilities within the next twelve months.

Stock Market Data

(i) The following is the share price data of the Company's shares on the Ahmedabad Stock Exchange (regional exchange) :

Year	Periods with change, if any, in capital structure	High Price (Rs.)	High No.of Shares	Low Price (Rs.)	Low No.of Shares	Avg. (Rs.)
6.08.93 (listing date) - March 94	-	90.00	43700	37.50	52600	63.75
April 94- March 95	1/4/94 - 22/6/94	100.00	2800	95.00	2800	97.50
	23/6/94 - 27/9/94 (XR w.e.f.23/6/94 due to Rights issue of Equity Shares)	100.00	3100	85.00	14900	92.50
	28/9/94 - 21/11/94 (Listing w.e.f 28/9/94 of shares issued to Public)	85.00	200	60.00	5000	72.50
	22/11/94 - 31/3/95 (Listing w.e.f.22/11/94 of shares issued on final conversion of FCDs issued to public in June 93)	85.00	2200	51.00	1200	68.00
April 95- February 96	1/4/95 - 19/11/95	62.00	6000	45.00	200	53.50
	20/11/95 - 14/2/96 (Listing w.e.f. 20/11/95 of shares issued on exercise of warrants issued alongwith NCDs to promoters on private placement basis in March 94)	52.50	3800	43.00	300	47.75
	15/2/96 - 29/2/96 (Listing w.e.f. 15/2/96 of shares issued on private placement basis in January 1996)	44.00	200	44.00	200	44.00
	1/3/96 31/3/96 (On National Stock Exchange)	44.50	800	36.00	400	40.25

(ii) Monthly high & low prices and volumes for the last six months of the Company's share on the Ahmedabad Stock Exchange (regional exchange):

Month	Periods with change, if any, in capital structure	High		Low		Total
Volume		Price (Rs.)	No.of Shares	Price (Rs.)	No.of Shares	in the month
Dec. 95	-	52.50	3800	46.00	3800	4200
Jan. 96	-	48.00	300	43.00	300	1100
Feb. 96	1/2/96 - 14/2/96	44.00	100	43.00	100	
	15/2/96 - 29/2/96 (Listing w.e.f. 15/2/96 of shares issued on private placement basis in January 1996)	44.00	200	44.00	200	300
March 96	(On National Stock Exchange)	44.50	800	36.00	400	20800
April 96	--do--	41.00	1200	34.00	2800	24700
May 96	--do--	42.00	4700	37.00	1000	31800

(iii) The present rights issue of shares was approved by the Board of Directors on Jan. 20,1996. The share price on Jan. 22, 1996 was Rs. 47/- on the Ahmedabad Stock Exchange.

Transactions in the Shares by Promoters

The Promoter group sold and purchased no Equity Shares of the Company during the last six months preceeding 4th June, 1996.

Details in respect of 10 largest Shareholders of the Company

Name of Shareholder	No.of shares held as on date of filing of draft Offer Document with SEBI	No.of shares held on date of Letter of Offer	No. of shares held as on 10 days before date of Letter of Offer	No. of shares held 2 years before date of Letter of Offer
Elephants Investments Pvt. Ltd.	3135124	3135124	3135124	1117950
M P Investments India Ltd.	2200000	2200000	2200000	-
Nachmo Investments Pvt. Ltd.	1578300	1578300	1578300	640600
N C P Investments Pvt. Ltd.	1520625	1520625	1520625	615100
Lahar Investments Pvt. Ltd.	1489626	1489626	1489626	626700
Unit Trust Of India	1317132	1317132	1317132	392400
Indocean Fund Co-Investment (Maurituis) Ltd.	615500	615500	615500	-
Oldfields Holdings Ltd.	615500	615500	615500	-
Amola Holdings Pvt.Ltd.	611425	611525	611525	-
Anang Polyfil P.Ltd.	580000	580000	580000	464000
Nachmo Knitex Ltd.	-	-	-	272000
Taurus Mutual Fund (TTS Scheme)	-	-	-	170000
Abhikram Holdings P.Ltd.	-	-	-	136000
Hiren K. Patel	-	-	-	133200

Current Financial Information

Information required vide circular No.F.2/5/SE/76 dated 5th February,1977 read with guidelines dated March 8,1977 issued by the Ministry Of Finance, Government of India.

A. Unaudited Financial Results for the 11 months period ended 31st May, 1996		Rs.in lacs
a)	Total Income	14993.00
b)	Gross Profit before depreciation and tax	2968.61
c)	(i) Provision for Depreciation	892.42
	(ii) Provision for Taxation	175.00
d)	Estimated Net Profit after Tax	1901.19

B. There are no material changes and commitments affecting the financial position of the Company since the last accounting year ended 30.6.1995.

C. (i) Week-end prices of the Equity Shares for the last four weeks during the period on National Stock Exchange.

Week Ended Closing	Rate (Rs.)
10.5.96	39.85
17.5.96	40.65
24.5.96	39.25
31.5.96	40.50

(ii) Current Market Price as on 4/6/96 of the Equity Shares of the Company on the National Stock Exchange is Rs. 42.

(iii) The highest and lowest price of the Equity Shares for the period between December 1995 to May, 1996 was Rs. 52.50 (on Ahmedabad Stock Exchange) and Rs. 34.00 (on National Stock Exchange) respectively.

Note : As the Company's shares have not been actively traded on the Ahmedabad Stock Exchange (the Regional Stock Exchange) during the period concerned, details are given of prices on the National Stock Exchange where the shares are actively traded.

Details of pending litigations, defaults against the Company and group companies

There are no outstanding litigations that are likely to affect the operations and finances of the company including tax liabilities of any nature except disputed liabilities under the labour laws which aggregates Rs. 1.75 lakhs and Rs.34.30 lakhs for unpaid creditors of Reliance Industries Ltd., (RIL). The above amount of Rs.34.30 lakhs has in fact been paid to RIL's agent through whom the company dealt for all purchase from RIL. The agent in turn has not passed on this amount to RIL. This aspect has been brought out in the plaint filed by RIL. In terms of an opinion received by the company, the liability is not expected to arise as the payments are already made.

There are no outstanding litigations, defaults against any group company.

Business relationships with other group companies

The Company has purchased humidification systems for its projects from Nachmo Knitex Ltd., a group company, which deals in such systems. Such purchases are made at market related prices and terms. The Company proposes to purchase such a system for its Denims expansion project. Apart from this, there are no other business relationships with other group companies.

Promise VS Performance of Group Company

Nachmo Knitex Ltd.(earlier Nachmo Polyplast Ltd.) made its public issue of Equity shares in Dec. 1993. The actual performance vis-a-vis the promises as made in the prospectus is furnished below:

S.N.	Particulars	Promises made		Actual Performance	
1.	Objects of the Issue	Out of the total issue size of Rs.316.50 lacs, Rs. 180 lacs was for financing 100% EOU Grey Cotton Knitted Fabrics i.e Rs. 136.50 lacs for existing operations as envisaged.		As per prospectus	
2.	Listing	Ahmedabad & Bombay		As per prospectus	
3.	Date of commercial Production	August 1993		October,1993	
4.	Financial Performance				(Rs.in lacs)
		For the year ended June,1994	**For the year ended June,1995**	**For the year ended June,1994**	**For the year ended June,1995**
	Profit after tax	136.39	208.82	125.48	300.47
	Dividend: (Amount)	37.46	84.40	44.42	84.40
	(%)	(15%)	(20%)	(18%)	(20%)
	EPS (Flat) (Rs.)	3.23	4.95	2.97	7.12
	EPS (Annualized) (Rs.)	5.49	4.95	5.08	7.12
	Book Value (Rs.)	17.73	20.66	17.49	22.61

5. Reasons, if any, for non achievement of promises:

Due to squeezing of margins, production of grey knitted fabrics was affected which in turn affected the profitability for the year ended June 1994.

Subsidiary Company

The Company does not have any subsidiary company.

VII. STATUTORY/INSTITUTIONAL DUES

All payments/refunds, Debenture, Fixed Deposits, Interest on fixed Deposits, Debenture Interest, Institution dues to the extent applicable have been paid upto date.

VIII.PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS.

The particulars of Capital Issues made by the Company in the last 3 years are given below :

		A.	B.
1.	Year of Issue	1993	1994
2.	Type of Issue	Public Issue of Fully Convertible Debentures of Rs.75/- each.	Rights-cum-Public Issue of equity shares of Rs.10/- each at premium
3.	Size of the Issue	Rs.1299.75 lacs excluding offer to promoters.	Rs.4020 lacs excluding offer to promoters.
4.	Issue opening	7th June,1993	Public & Rights Issue: 19th July, 1994

5.	Issue closed	10th June,1993		Public Issue:22.7.1994 Rights Issue:18.8.1994
6.	Date of Despatch of Allotment Letters/Share Certificate/ Refund Orders	18th Aug.,1993		Public Issue:24.9.1994 Rights Issue:28.9.1994
7.	Delay in despatch of certificates	None		None
8.	Month of completion of project	June,1993		January, 1995
9.	Dividend paid for the year	1993 22%	1994 25%	1995 27%
10.	No.of complaints and the nature thereof	72 complaints are received till date and same are of the procedural nature like non-receipt of Share Certificates and Letter of Allotment.		472 complaints are received during the period and same are of the procedural nature like non-receipt of share certificates or refund order.
11.	No.of complaints pending	NIL		NIL
12.	Average time taken in redressal	10 to 15 days		10 to 15 days
13.	Listing on each Stock Exchange and dates			

	F.C.Ds	Rights	Public
Ahmedabad	16/08/93	28/09/94	22/09/94
Bombay	15/10/93	03/10/94	28/09/94
Delhi	18/11/93	30/09/94	30/09/94
Calcutta	15/01/94	28/09/94	28/09/94
Madras	09/05/94	28/10/94	28/10/94
National Stock Exchange	26/07/95	26/07/95	26/07/95

14. Reasons for delay in listing in FCD and Rights issue:

    The Company had completed its listing formalities and submitted the relevant documents in time. Further securities were listed on the regional stock exchange at Ahmedabad within the stipulated time period.

15. No. of times the Company's name has figured in Press releases by SEBI regarding investor complaints during prior three months - **None.**

Investors Grievance Redressal

The company has a full fledged department dealing in secretarial matters headed by the Vice President (Corporate Finance) & Company Secretary. He is assisted by the Deputy Company Secretary and a set of officers and assistants. The responsibility of Deputy Company Secretary, among other things, include interaction with investors. The operations of the Secretarial department are fully computerised. Any grievancance or query from the investor is quickly dealt with. The management of ASL is seriously concerned about the investors' interest and takes all the necessary care to redress the grievances of the investors.

IX. RISK FACTORS AND MANAGEMENT'S PERCEPTION THEREOF

Internal to the Company :

* The financial requirements/project cost have not been appraised by any Financial Institution or Bank.

  Management's perception : The expansion project is not appraised as the Company does not plan to raise debt to finance the same. As the Company has recently implemented a similar project, the project cost estimates are quite realistic.

* In the absence of term lending from the financial institutions/banks, the deployment of funds raised through this issue is left entirely to the discretion of the promoters.

* Orders for plant & machinery are yet to be placed.

  Management's perception : Orders would be placed at the appropriate time as per the implementation schedule. As the Company has recently implemented an identical project, it does not expect any delays in finalisation of plant & machinery.

* The Working capital requirements for the expansion project have not been appraised by the principal banker of the Company. Working capital tie-up is yet to be made.

* The company has not envisaged any firm tie-up for marketing the denim fabric or for supply of raw cotton.

  Management's perception : In view of the Company being in a commodity market, it has not envisaged any firm tie-ups for denim and raw cotton in order to take advantage of market trends.

* The company proposes to avail concessional customs duty in respect of import of plant and machinery under EPCG Scheme. In case of non-fulfilment of export obligations the company is liable to pay the customs duty as may be levied by

the Government at the relevant time.

Management's perception : As the company is already exporting cotton fabrics of its 100% Export Oriented Unit and also the denim fabrics in good quantities, it does not therefore, foresee any difficulty in fulfilling export obligations.

* NOC from Gujarat Pollution Control Board is yet to be received.

  Management's perception : The Company already has an NOC for its existing denim plant and hence obtaining the NOC for expansion project would not be difficult.

* There are disputed liabilities under the labour laws of Rs.1.75 lacs.

  Management's perception : As the amount is not significant, the performance of the Company would not be affected adversely.

* There was a delay in the implementation schedule of the Company's first denim project by 3 months which resulted in lower sales and profitability than that projected in the Prospectus & Letter of Offer for the Rights-cum-Public Issue in July 1994.

  Management's perception : The delay in implementation was due to delay in civil works because of unprecedented rains in 1994. However, the Company has set up the plant in record time of 8 months which by the industry standards is creditable.

* There was a delay in listing of the securities at the Bombay, Delhi and Madras stock exchanges by four, one and thirty days respectively offered in the Rights Issue in July 1994.

  Management's perception : The Company had completed listing formalities and submitted all relevant documents in time. Further the securities of the Company were listed on the rest of the stock exchanges including the regional stock exchange at Ahmedabad in time.

·ternal :

* The basic raw material being raw cotton, an agricultural commodity, its price, quality and availability are dependent upon climatic conditions.

* Any unfavourable change in Government policies on textile, exports, excise and other levies can have impact on the profitability of the company.

* Changes in Government policies relating to duties/levies, inflationary pressures and exchange rate fluctuations may affect the project cost.

If the Company does not receive application money for atleast 90% of the issued amount, the entire subscription will be refunded to the applicants within forty-two days from the date of closure of the issue. If there is delay in the refund of application money by more than eight days after the Company becomes liable to pay the amount (i.e. forty two days after closure of the issue), the Company will pay interest for the delayed period at prescribed rates in sub-sections (2) and (2A) of Section 73 of the Companies Act, 1956.

No statement made in this Form contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by SEBI, Government and other competent authority in this behalf have been duly complied with.

Your attention is drawn to the provisions of the sub-section (1) of Section 68-A of the Companies Act, 1956 which reads as under:-

"Any Person who :-

a) Makes in a fictitious name an application to a Company for acquiring or subscribing for any shares therein or

b) Otherwise induces a Company to allot or register any transfer of, shares therein to him, or any other person in a fictitious name

.nall be punishable with imprisonment for a term which may extend upto five years".

Yours truly,

By Order of the Board

FOR ASHIMA SYNTEX LIMITED

Nitin D. Parekh

EXECUTIVE DIRECTOR

Place : AHMEDABAD

Date : 4th June, 1996