

13th
ANNUAL REPORT
2006-2007

FILATEX FASHIONS LIMITED

**Flat No. 202, Patels Avenue, Road No. 11,
Banjara Hills, Hyderabad - 500 034.**

FILATEX FASHIONS LIMITED

BOARD OF DIRECTORS : Shreechand Sethia - Chairman

Raghu Raj - Director

Subhash Kothari - Director

Om Joshi - Director
(IFCI Venture Fund Nominee)

Sunil Kapoor - IFCI Nominee

D.P. Kelkar - Director

Nortan Bothra - Director

Prabhat Sethia - Managing Director

REGISTERED OFFICE : 202, Patel Avenue Road,
8-2-618/2/1/1, Road No. 11,
Banjara Hills, Hyderabad - 500 034.

WORKS : Alinagar, Chetla,
Potharam Village,
Jeenaram Mandal,
Medak Dist.

BANKERS : State Bank of Hyderabad
Bellavista Branch,
Somajiguda, Hyderabad.

AUDITORS : M/s Suresh & Co.,
Chartered Accountants
Hyderabad.

FILATEX FASHIONS LIMITED**NOTICE**

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of Filatex Fashions Limited will be held on Saturday the 29th day of Sept. 2007 at 11.30 A.M. at Flat No. 202, Patels Avenue, Road No. 11, Banjara Hills, Hyderabad-500 034 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2007, the Profit & Loss Account for the year ended as on that date and the Reports of the Directors' and the Auditor's thereon.
2. To appoint a Director in place of Shri. Shreechand Sethia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Raghu Raj who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. S. Suresh & Co, Chartered Accounts, Hyderabad the retiring Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorize the Board to fix remuneration.

For and on behalf of the Board of Directors

Place : Hyderabad
Dated : 01.09.2007

Sd/-

(PRABHAT SETHIA)
Managing Director

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his behalf and the proxy need not be a member of the Company. The instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 25th September 2007 to 29th September 2007 (both days inclusive).
3. Members / Proxies are requested to bring their copy of Annual Report to the meeting and attendance slip should be duly filled in for attending the Meeting.
4. Members are requested to send all correspondence relating to the shares to the Share Transfer Registrars M/s Sharex Dynamic (India) Private Limited, Unit No. 1, Luthra Ind. Premises, Andheri - Kurla Road, Safed Road, Andheri (E), Mumbai - 400 072. Phone : 022-28515606, Fax : 022-28512885.

FILATEX FASHIONS LIMITED**DIRECTOR REPORT**

The Members

FILATEX FASHIONS LIMITED

Hyderabad

Your Directors have pleasure in presenting the Thirteenth Annual Report of your Company together with the Audited Annual Accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS :

(Rupees. in Lacs)

Particulars	31.03.2007	31.03.2006
Net Sales	398.00	401.07
Increase/ Decrease in Stock	(6.25)	(5.5)
Other Income	0.85	1.24
Manufacturing/ operating Expenses	255.19	255.19
Profit before Financial Expenses & Depreciation	141.62	141.62
Interest/ Financial Costs	72.16	74.09
Depreciation	36.07	36.07
Preliminary Expenses written off	2.48	2.48
Net Profit after Financial Expenses & Depreciation	12.87	28.98
Depreciation		

2. BUSINESS REVIEW :

During the year under review Company has clocked turnover of Rs. 398.00 lakhs with net profit of Rs.12.87 lakhs. The sales have not shown improvement due to lower capacity utilization during the year though the order position continued to remain buoyant. The inadequate working capital led to lower off-take of increasingly pricey raw materials while rising rupee value continued to undervalue the exports which has resulted in lower realizations thereby beating the profitability to lower than previous year mark. Due to inadequate profits and in order to prepare for good times ahead, Your Directors have not recommended any Dividend.

3. FUTURE OUTLOOK :

Your Company has embarked upon an effort to surrender the Export Oriented Unit status in order to offset the pressure on margins by resorting to local market sales. Once the Company is not an EOU, it will be possible for the Company to tap the local market which offers huge potential with upcoming shopping Malls across the country. The company is also planning for expansion of its project and is planning to double its existing capacity very shortly as the domestic market is also opening up in big way. Stores like Reliance, Shopper's Stop, Pantaloons and various other malls are planning to open large number of stores / malls all over India. The company has also been registered as a approved supplier to Reliance where requirement will be very huge.

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4. DIRECTORS :

Shri Shreechand Sethia and Shri Raghuraj retire by rotation at the ensuring Annual General meeting and being eligible, offer themselves for reappointment. Your Director recommend their re-appointment as Directors liable to retire by rotation. During the year, IFCI has withdrawn the nomination of Shri Om Joshi from the Board. The Board places on record its appreciation for his services during his tenure.

5. AUDITORS :

The Auditors M/s S Suresh & Co., Chartered Accountants, Hyderabad hold office upto conclusion of the ensuing Annual General Meeting. Being eligible, the Board recommends their reappointment for the year 2007-2008.

The observations made by the Auditors in their report read with the Notes on Accounts are self explanatory and do not require any comments from Directors.

6. FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits from the Public or its shareholders during the year under review.

7. DIRECTORS RESPONSIBILITY STATEMENT: In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, your Directors state:

- (i) That in the preparation of the Annual accounts, the applicable accounting standards have been followed.
- (ii) That your Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit & loss of the Company for that period.
- (iii) That your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities.
- (iv) That your Directors have prepared the Annual Accounts on a going concern concept.

8. PARTICULARS OF EMPLOYEES: During the year under review, there were no employees drawing salaries equal or more than the limits laid under Section 217(2A) read with the Companies(Particulars of Employees) Rules, 1975.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO:

The details of energy conservation, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are given in the Annexure forming part of this report.

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10. SUBSIDAIRY :

There are no subsidiaries to the Company as on date of the report.

11. CORPORATE GOVERNANCE CODE : The Code of Corporate Governance promulgated by Securities & Exchange Board of India has been implemented by your Company The Report on Corporate Governance and other related information is annexed hereto. The Compliance Certificate on Corporate Governance received from the Statutory Auditors is given as Annexure-C to this report.

12. CODE OF CONDUCT : The Company has adopted a uniform of Conduct for Directors and Senior Management and above Officers level to ensure ethical standards and ensure compliance to the laid down standards.

13. DEMATERIALISATION OF SHARES: M/s. Sharex Dynamic (India) Private Limited, Mumbai were appointed as Depository Registrars for dematerialization of shares and for physical shares also the transfer work was entrusted to them.

The Company has been allotted ISIN- **INE185E01013** by NSDL and CDSL for demat of shares during the year.

14. ACKNOWLEDGEMENTS : Your Directors take this opportunity to express their grateful appreciation for the cooperation and assistance by Central and State Governments, IFCI, State Bank of Hyderabad, Raw material suppliers and business associates as well as shareholders. Your Directors also place on record their appreciation for the devoted services rendered by all employees.

for and on behalf of the Board of Directors

Place: Hyderabad

(Prabhat Sethia)

(Norton Bothra)

Date : 01.09.2007

Managing Director

Director

FILATEX FASHIONS LIMITED

ANNEXURE- A TO DIRECTOR'S REPORT

A. Conservation of Energy :

The thrust on energy conservation continued during the year across all manufacturing processes and it has resulted into considerable savings on the energy bill. Adequate training to staff has also contributed to effective utilization of devices resulting in same output in shorter running time. The installation of power capacitor is also bringing the desired results in power and fuel consumption.

B. Technology Absorption :

a) Research & Development

1. Specific areas in which R & D carried out by the Company :

The Company does not have a specific R & D Department. However it is constantly trying to improve quality of its products by adhering to strict international quality procedures as per buyers specifications.

2. Benefits as a result of above R & D

Reduction of cost in output, marked improvement in quality resulting in better marketability.

3. Future plan of action

The above activities shall continue with capacity being raised to double. The Company proposes to concentrate in the use of developing process know how which will eliminate/ reduce wastage.

b) Technology absorption, adaptation & innovation

1. The efforts in brief towards technology absorption, adaptation and innovation The Company has fully absorbed the technology for manufacture of socks.

2. Benefits to be derived as a result of above efforts e.g output improvement, cost reduction, product development, import substitution etc are reflected in the working.

FILATEX FASHIONS LIMITED**Disclosure of Particulars with respect to the conservation of energy:****FORM A****A. Power & Fuel onsumption**

Current Year

Electricity

a) Purchased Units (Kwh)	236519
Total amount (Rs.)	1397830
Rate/ unit(Rs.)	5.91
b) Own Generation	
Through Diesel Generator Units (Kwh)	43922
Total Amount (Rs.)	361920
Cost/unit (Rs)	8.24

FORM B**RESEARCH & DEVELOPMENT (R&D)**

The Company is operating in the area of manufacture where R& D is for designing only. However Company has always made efforts to absorb the latest technological developments in machinery etc.

TECHNOLOGY ABSORPTION

The company has fully absorbed the imported technology for usage and running of machines, their maintenance etc.

FOREIGN EXCHANGE EARNINGS & OUTGO

	(Rs. in lacs)
a. Total Foreign Exchange earned through direct exports	401.07
b. Others	-
Total Foreign Exchange Earned	401.07
c. Foreign Exchange Used	
- For import of raw materials	
- For import of spares etc	2.14
- For Capital expenditure	Nil
Total Foreign Exchange used	5.10

FILATEX FASHIONS LIMITED**ANNEXURE-B****MANAGEMENT DISCUSSION & ANALYSIS****Industry structure and developments**

The Indian Textile and Garment industry has continued to be buoyant during the year with all round improvement in demand with promising export pick up. However, due to Rupee gaining in value against Dollar, there was a negative growth in revenues which have left the Exports less profitable. With increasing Government support to set up Textile Economic Zones with Tax benefits could pave way for better profitability in future. The large scale Retail initiatives by Multinationals setting up their sourcing outfits in India and local players could open new vistas for the entire Industry incoming years.

Opportunities and Threats

The Company has been a 100% Export Oriented Unit and continued to enjoy confidence of buyers in European countries for quality supplies. However, with Exports loosing the shine, the Company has conceived plans to surrender the EOU status to be able to make local market supplies which are bound to pick up on account of large scale expansion of Shopping Malls all over the country and advent of large Multinationals for retail initiatives in India. The Company faces competition from several other socks units in India. Indian Banking system has not been able to keep pace with the fast changing scenario and Company is making best efforts to fuel its working capital requirements from alternative sources.

Outlook

The future of the Indian Textile Industry looks good. The Company is considering to enter into some other field of business including backward integration for manufacture of covered cotton yarn and also expansion of capacity to be able to meet rising demand and gear up to make supplies in local markets after surrender of the EOU status. The expansion once completed and operational, the Sales are likely to increase considerable and Company would stand to reap the benefits of large scale of operations.

Risks and concerns

The opening of Indian economy for retailing giants like Wal- Mart and others into the country would open flood gates for many other Multinational brands descending into Indian markets thereby posing heavy competition to Indian operators. This could be a cause for concern as Indian markets are attracting major buyers to establish their own manufacturing bases in India. This may result into lower orders from some of the international buyers of the Company. However, the Company proposes to mitigate such risk with large scale local market sales.

FILATEX FASHIONS LIMITED**Internal control systems and their adequacy**

The internal control systems are aimed at promoting operational efficiencies. Since the operations have continued at same scale with plans to diversify, the new guidelines for control will be implemented according to the Industry specific requirement at appropriate time.

The internal audit is conducted as per the requirement of the Company and the report is submitted to the Audit committee and to the Management. It reviews the policies and procedures followed.

The Audit committee with three directors will be meeting regularly to investigate any matter relating to the internal control system and reviews the Internal Audit. The committee will review the quarterly and half yearly financials before they are submitted to the Board of Directors.

Financial Condition**Share Capital**

During the year under review Company has received Allotment Money dues to the extent of Rs. 1,31,45,500 on equity shares which have been made fully paid up.

Secured Loans

The outstanding Secured Term loan of Rs 697.58 lakhs as on 31st March 2007 could not be serviced during the year. Under the One Time Settlement the Company has repaid part of the amount due to IFCI. Balance to be paid over a period which is overdue. The Company has worked out an OTS with the Sate Bank of Hyderabad and the outstanding amounts will be paid during current year.

Fixed Assets

Fixed Assets (gross block) have depreciated from Rs. 604.61 lakhs to 568.54 lakhs during the financial year. The company proposes to continue the operations with existing assets during the current year till the expansion plans are completed.

Human Resources

The Company has reviewed the entire work force and most of redundant positions have been abolished to cut down on cost. There has been no substantial increase in human cost for the year.