

FILATEX FASHIONS LIMITED

14th
ANNUAL REPORT
2007-2008

FILATEX FASHIONS LIMITED

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

FILATEX FASHIONS LIMITED

BOARD OF DIRECTORS : Raghu Raj - Director
Subhash Kothari - Director
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 : HDFC
Banjara Hills,
Hyderabad.

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

FILATEX FASHIONS LIMITED

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of FILATEX FASHIONS LIMITED will be held on Monday the 29th day of September 2008 at 10.30 AM 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 2008, 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. Norton Bothra who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri Subhash Kothari who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. S.Suresh & Co, Chartered Accountants, 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 their remuneration.

For and on behalf of the Board of Directors

Place : Hyderabad
Dated : 02.08.2008

Sd/-

(PRABHAT SETIA)
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 2008 to 29th September 2008 (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, Safeed Pool, 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 Fourteenth Annual Report of your Company together with the Audited Annual Accounts for the year ended 31st March, 2008.

1. FINANCIAL RESULTS :

(Rupees. in Lacs)

Particulars	31.03.2008	31.03.2007
Net Sales	1011.61	398.00
Increase/ Decrease in Stock	(10.10)	(6.25)
Other Income	119.18	0.85
Manufacturing/ operating Expenses	896.16	255.19
Profit before Financial Expenses & Depreciation	224.53	141.62
Interest/ Financial Costs	37.00	72.16
Depreciation	36.07	36.07
Preliminary Expenses written off	0	2.48
Net Profit after Financial Expenses & Depreciation	151.46	12.87

2. BUSINESS REVIEW :

During the year under review Company has clocked turnover of Rs. 1011.60 lakhs with net profit of Rs. 151.46 lakhs. The sales have shown major improvement due to Company's efforts to foray into trading of garments and accessories. After the start of such trading activity in last quarter of 2007, sales have picked up considerably. The production of socks for exports continued to remain buoyant and the Company has embarked upon a modernization cum expansion plan. This is likely to be completed in the current year and the full benefits shall begin to accrue from the next financial year. The inflationary pressure on prices of raw materials for production continued to put pressure on margins while rising rupee value continued to undervalue the exports.

3. FUTURE OUTLOOK :

Your Company has been able to surrender the Export Oriented Unit status in order to offset the pressure on margins by resorting to local market sales. This has enabled the Company to undertake garments trading in local markets and also for exports. As was reported last year, the Company has started to implement the modernization and expansion plan for which work is underway. Larger production capacity coupled with ability to market products in

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domestic market will entail a huge plunge in sales and profitability for the Company in near future. The Company has been able to ink tie-ups with multiple chain stores like Provogue, Fantoosh, Park Avenue. The Company has also been registered as a approved supplier to Reliance where requirement is continuing to surge with every new store being opened.

4. DIRECTORS:

During the period, Shri Shreechand Sethia, the Chairman of the Company passed away. Shri Norton Bothra and Shri Subhash Kothari retire by rotation at the ensuing Annual General meeting and being eligible, offer themselves for reappointment. Your Director recommend their re-appointment as Directors liable to retire by rotation.

a) 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 2008-2009.

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.

5. FIXED DEPOSITS:

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

6. PREFERENTIAL ISSUE OF SHARES AND SHARE WARRANTS :

During the period under review, Company has issued 11,00,000 Equity shares of Rs. 5/- each at a premium of Rs. 17/- per share on 15th March, 2008. The same were listed on the Stock Exchange, Mumbai on 20th June, 2008. The Company also allotted 19,04,545 Equity share warrants at a subscription price of Rs. 2.20 per warrant with right to exercise an option to subscribe to One Equity share per warrant at an exercise price of Rs. 19.80. Thereby the Effective price per share will be Rs. 5 per share at a premium of Rs. 17 per share.

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.

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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.

10. SUBSIDIARY :

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 continues to be 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 Code 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.

14. ACKNOWLEDGEMENTS:

Your Directors take this opportunity to express their grateful appreciation for the cooperation and assistance by Central and State Governments, Banks, 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 : 02-08-2008

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.**

FILATÉX 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	Nil
- For Capital expenditure	Nil
Total Foreign Exchange used	Nil

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ANNEXURE-B

MANAGEMENT DISCUSSION & ANALYSIS

Industry structure and developments

The Indian Textile and Garment industry has continued to grow at brisk pace during the year with increase in disposable income amongst the households. However, the inflationary pressure has squeezed the purchasing power to certain extent. Also it has led to a rise in prices of raw materials across the board thereby giving a jolt to the margins for all textile based manufacturers. However, due to Rupee gaining in value against Dollar, there was a negative growth in revenues which have made the Exports earnings to come down.. The Government has announced a Policy for setting up of Textile Economic Zones with Tax benefits which could pave way for better profitability in future. The large scale Retail initiatives by Multinationals has opened new vistas for large scale trading business for those who can leverage on their foreign markets know how and client linkages built over several 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. During the year, the Company has surrendered the EOU status to be able to make local market supplies which have enabled the Company to undertake large scale trading of all kinds of garment products to cater to the large scale expansion of Shopping Malls all over the country and advent of large Multinationals for retail initiatives in India. On the production front, the Company faces competition from several other socks units in India but plans for expansion in capacity will provide the edge over other manufacturers. Company has raised further capital for expansion and in order to meet the working capital requirements.

Outlook

Your Company has been able to surrender the Export Oriented Unit status in order to offset the pressure on margins by resorting to local market sales. This has enabled the Company to undertake garments trading in local markets and also for exports. As was reported last year, the Company has started to implement the modernization and expansion plan for which work is underway. Larger production capacity coupled with ability to market products in domestic market will entail a huge plunge in sales and profitability for the Company in near future. The Company has been able to ink tie-ups with multiple chain stores like Reliance, Provogue, Fantoosh, Park Avenue. The Company has also been registered as a approved supplier to Reliance where requirement is continuing to surge with every new store being opened.

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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 manufacturers and traders. This could be a cause for concern as Indian markets are attracting major buyers to establish their own manufacturing bases in India. This may affect the exports front since many a buyers for the Company may be sourcing from their own manufacturing units. However, the local markets offer to bridge the gap that may be created for the sales and realizations to pick up substantially. However, the Company proposes to mitigate such risk with large scale local market sales and trading of other kinds of garment products.

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 is meeting regularly to investigate any matter relating to the internal control system and reviews the Internal Audit. The committee also reviews 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 issued 1100000 Equity shares on Preferential allotment basis @ Rs. 22 per share and also issued 19,04,545 Equity share warrants at a subscription price of Rs. 2.20 per warrant with right to exercise an option to subscribe to One Equity share per warrant at an exercise price of Rs. 19.80.

Secured Loans

The outstanding Secured Term loans from IFCI Ltd and State Bank Of Hyderabad were repaid and as at 31st March, 2008, the dues were NIL. The secured loan of Rs. 8.45 lakhs is a vehicle loan.

Fixed Assets

Fixed Assets (gross block) have depreciated from Rs.568.54 lakhs to Rs. 548.90 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.