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FILATEX INDIA LIMITED

7th ANNUAL REPORT
1996 - 97

FILATEX INDIA LIMITED

BOARD OF DIRECTORS

Mr.A.C.Burman
Chairman

Mr.Artur Roschker

Mr.D.P.Gupta

Mr.L.P.Aggarwal
IDBI Nominee

Mr.Madhu Sudhan Bhageria
Managing Director

Mr.Madhav Bhageria

Mr.Purushotam Bhageria

COMPANY SECRETARY

Mr.Sanjeev Gupta

Bankers

Oriental Bank of Commerce
Punjab National Bank
Union Bank of India

AUDITORS

Arun K. Gupta & Associates.
R-7A, Green Park,
New Delhi - 110 016

REGISTERED OFFICE

S.No. 274, Demni Road,
Dadra -396191
(U.T. of Dadra & Nagar Haveli)

CORPORATE OFFICE

42, Community Centre,
New Friends Colony,
New Delhi - 110 065.

WORKS

A-2, Extension,
Phase - II, (Noida)
Distt.Ghaziabad - 201 304 (U.P.)

S.No. 274, Demni Road,
Dadra -396191
(U.T. of Dadra & Nagar Haveli)



NOTICE

NOTICE is hereby given that the 7th Annual General Meeting of the members of **FILATEX INDIA LIMITED** will be held as scheduled below:

DAY	:	SATURDAY
DATE	:	25TH OCTOBER, 1997
TIME	:	9.30 A.M.
PLACE	:	SURVEY No. 274, DEMNI ROAD
		DADRA- 396 191
		(U.T. OF DADRA & NAGAR HAVELI) .

to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at March 31, 1997 and the Profit & Loss Account of the Company for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Madhav Bhageria who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Purushotam Bhageria who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorise the Board of Directors to fix their remuneration. M/s Arun K. Gupta and Associates, Chartered Accountants are the retiring Auditors and are eligible for re-appointment.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:-

RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification or re-enactment thereof, the Articles of Association of the Company shall be amended in accordance with the provisions of Companies Bill, 1997 to the extent the said provisions are incorporated in the Companies Act, after its amendment and further subject to such approvals as may be necessary, by altering/substituting or deleting the existing Articles in the manner detailed hereunder:

- a) **Article 8** - The existing heading of Article 8 be substituted by the following new heading:-

Article 8 - Power of Company to purchase its own securities.

Subject to the provisions of the Companies Act as in force, the Board of Directors are authorised to purchase from time to time such quantities of the shares or other specified securities of the company, whether or not they are redeemable, at such rate(s) and on such terms as the Board may deem proper and make payment(s) for such purchases and to keep them alive/cancel them and/or resell from time to time such number(s) of the shares so purchased at such rate(s) and on such terms as the Board may deem proper, in accordance with the provisions of the Companies Act and any other law/rules and regulations as may be applicable from time to time.

- b). **Article 4(a)**- The following new Article 4(a) be inserted after Article 4.

Article 4(a) - Issue with disproportionate rights

The Company may issue shares and quasi equity instruments with differential rights, as to dividend, voting or otherwise in accordance with such rules as may be prescribed, or hybrids, derivatives and options as may be allowed under the Companies Act or any other regulations/enactment, from time to time.

- c). **Article 73(a)**- The following new Article 73(a) be inserted after Article 73

Article 73(a) - Nomination by Shareholder

Every holder of shares, debentures or other securities may at any time nominate in the prescribed manner, a person in whom his shares, debentures or other securities shall vest in the event of his death in accordance with the provisions of the law as may be applicable from time to time.

- d). **Article 147(a)**- The following new Article 147(a) be inserted after Article 147.

Article 147(a)- Loan to Directors

Subject to the provisions of the Companies Act, a Managing Director, Director who is in whole time employment of the Company or a Manager may be granted loans by the Company for any purpose and on the terms and conditions as may be specified under relevant provisions of the Companies Act or any rules/regulations as may be applicable from time to time. The Company may also provide guarantee or security for such loans to the third party wherever required.

6. To consider and if thought fit to pass, with or without modification(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 as amended from time to time or any re-enactment thereof permitting the Company to buy back its own shares, the Board of Directors of the Company be and are hereby authorised to purchase from time to time such quantity or quantities of the shares of the Company at such rate(s) as may be thought fit by the Board upto an amount not exceeding Rs.10 Crores (Rupees Ten Crores) on such terms and conditions as the Board may deem proper and make payments(s) for such purchases out of the funds from free reserves and share premium account or out of such funds as may be allowed under the law/rules & regulations and to keep them alive, cancel and/or resell from time to time such number(s) of the shares so purchased, at such rate(s) and on such terms as Board may deem fit and proper.

FILATEX INDIA LIMITED

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to raise funds to the extent of Rs.10 Crores in one or more tranches through issue/private placement of Debentures/Bonds or any other form of securities for the purpose of Buy Back of Company's equity Shares on such terms and conditions as may be decided by the Board of Directors and permissible under the law.

RESOLVED FURTHER THAT the Board of Directors of the Company pursuant to Section 293(1)(a) of the Companies Act, 1956 be and are hereby authorised to mortgage and/or charge and/or hypothecate all the present and/or future immovable or movable properties and the whole or substantially the whole of the undertaking of the Company in such manner as the Board of Directors may decide for the purpose of securing unto the Agents and Trustees for the holders of Non Convertible Debentures or any debt instrument(s)/securities of the aggregate nominal face value not exceeding Rs. 10 Crores to be issued, together with interest thereon, further interest, liquidated damages, remuneration or any other costs, charges and expenses of the Agents and Trustees for the holders of the said Debentures/Securities and other monies in terms of an agreement to be entered into between the Company and the said Agents and Trustees.

RESOLVED FURTHER THAT the Board of Directors of the Company shall exercise the powers conferred by this resolution only after necessary provisions for the purpose is incorporated in the Companies Act, 1956 or any statutory modification or re-enactment thereof and in such manner and after complying with the conditions prescribed in such provisions or any other law or regulations and not otherwise."

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION:

RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or to giving the power to take over the management of the business and concern of the Company in certain events (whether such power is contained in the documents creating the mortgage/charge or otherwise) to or in favour of Industrial Development Bank of India (IDBI) to secure :

- (a) (i) Rupee Term Loan not exceeding Rs.671 lakhs (Rupees six hundred seventy one lakh only) lent and advanced/agreed to be lent and advanced to the Company.
- (ii) Foreign Currency Loan US \$ 15.3 lakhs and JY 65 lakhs equivalent to Rs.754 lakhs approx. lent and advanced/agreed to be lent and advanced to the Company.
- (b) together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, premia on repayment or on redemption, costs, charges, expenses and other monies including any increase as a result of devaluation/ revaluation/fluctuation in the rates of exchange of Foreign Currencies involved payable by the Company to IDBI under the Loan agreement entered into/to be entered into by the Company in respect of the said term loans.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution

By Order of the Board of Directors
for **FILATEX INDIA LIMITED**

PLACE : NEW DELHI
DATE : 12.09.1997

SANJEEV GUPTA
COMPANY SECRETARY

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH AT THE REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and Share Transfer books of the Company shall remain closed from 21st October, 1997 to 25th October, 1997 (both days inclusive)
3. Documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on any working day during office hours from 9.30 a.m. to 5.30 p.m. upto the date of this Meeting.
4. Members/Proxyholders are requested to produce at the entrance the enclosed Admission Slip duly completed and signed for admission to the meeting hall.
5. Shareholders seeking any information with regard to accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.
6. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of the Special Business set out above is annexed hereto.



EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO.5

Your Directors propose to make certain changes in the Articles of Association of the Company in order to bring these in line with the draft Companies Bill, 1997 under consideration of the Government. It is proposed to amend certain clauses in the Articles of Association which are contrary to the proposed changes being suggested in the Draft Companies Bill, 1997. These would provide enabling authorisation to the members/the Board to implement the changes as and when Act comes into force. These proposed changes would enable the Company to avail the benefits of economic liberalisation and provide operational flexibility. Some of the provisions relating to buy-back of shares, issue of different classes of securities, facility of nomination by shareholders, loans to Directors etc. are proposed by way of amending or substituting the existing Articles of Association or by inserting new Articles in the Articles of Association of the Company. These changes would require your approval by way of Special Resolution set out at Item No. 5 of the Notice.

The above changes would become effective only from the date of enactment and enforcement of the changed provisions in law.

Your Directors recommend passing of this resolution as a Special Resolution.

None of the Directors of the Company is concerned or interested in this resolution.

ITEM NO 6

The Draft Companies Bill, 1997 allows buy back of shares or other specified securities by a Company from out of its free reserves, securities premium account or the proceeds of prior issue made specifically for the purpose of buy back subject to the following main conditions:-

1. The Company has authorised such buy back by a Special Resolution passed by shareholders.
2. The Company shall, after completion of the buy-back, have a debt equity ratio as may be prescribed under the Act.

The Company has the option to buy-back securities from the existing holders, from the open market, from odd lots or through negotiations or other arrangement.

The Company can either cancel the securities so bought back or may re-issue the securities after the expiry of 24 months period.

In view of the above provisions, it is proposed to take authorisation in the forthcoming Annual General Meeting of members in favour of the Board in respect of the following proposals:-

1. Buy Back of equity shares of the Company upto an amount of Rs. 10 Crores either from the open market or through negotiations or other arrangement or any other permissible mode with the purpose of either canceling the equity shares or re-issuing them in accordance with the rules.
2. To raise funds to the extent of Rs. 10 Crores through issue or private placement of debentures, bonds or any other form of securities for the specific purpose of Buy-back of equity.

The Company would maintain the prescribed debt equity ratio after the buy back and would comply with all other terms and conditions as applicable to buy back of securities.

The above changes would become effective only from the date of enactment of the changed provisions in law.

Your Directors recommend passing of this resolution as a Special Resolution.

None of the Directors is concerned or interested in the resolution.

ITEM NO.7

The Company had approached Industrial Development Bank of India (IDBI) for financial assistance in the form of Rupee Term Loan/Foreign Currency Loan in connection with its project for expansion of manufacturing capacities of Speciality Polyester Filament Yarn at Silvassa. The financial assistance from the above institution has to be secured by a first mortgage of all the immovable and movable properties of the Company, present and future.

Section 293 (1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a Public Company shall not, without the consent of such Public Company in general meeting, sell, lease or otherwise dispose off the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institution may be regarded as disposal of the Company's properties/undertaking it is necessary for the members to pass a resolution under Section 293 (1) (a) of the Companies Act, 1956 before creation of the said mortgage/charge.

Copy of the Letter of Intent No.1306/NDBO/IV/PFD dated September 9, 1997 received from IDBI, and copies of the relevant documents/correspondence between the said institution and the Company are open for inspection at the Registered Office of the Company between 9.30 A.M. and 5.30 P.M. on any working day upto the date of the meeting.

None of the Directors of the Company is concerned or interested in the resolution except Mr. L. P. Aggarwal who is a Director nominated by IDBI.

By Order of Board of Directors
for **FILATEX INDIA LIMITED**

PLACE : NEW DELHI
DATE : 12.09.1997

SANJEEV GUPTA
COMPANY SECRETARY

FILATEX INDIA LIMITED**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 7th Annual Report alongwith the Audited Accounts for the year ended March 31, 1997.

FINANCIAL RESULTS

Particulars	1996-97	(Rs. In lacs)	1995-96
Sales/Income from Operations	5632		3204
Gross Profit before interest,			
Depreciation & Taxation	805		471
Interest	292		85
Depreciation	189		79
Provision for Taxation	31		Nil
Net Profit carried to Balance Sheet	293		307

In terms of the means of finance approved by Industrial Development Bank of India for the expansion of Company's Speciality Synthetic Filament Yarn Project the Company has to invest its internal accruals upto the year ended March, 1998 in the said project. Your Directors, therefore, regret their inability to recommend dividend for the year under review.

OPERATIONS

During the year under review, the Company commissioned POY Spinning lines and commenced full production of Speciality Filament Yarn at its Dadra plant. The Company has been successful in penetrating & establishing itself in the market. Enthused by the encouraging market response the Company is now going for expansion of its manufacturing capacity of Polyester POY, Texturised Yarn, Polypropylene POY and Draw Twisted Yarn (DTY) for which the Company has been sanctioned financial assistance by Industrial Development Bank of India. The above expansion will lead to reduction of fixed cost per unit of production considerably thereby improving profitability immensely besides helping the Company attain economies of scale.

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposits.

DIRECTORS

During the year under review, IDBI has withdrawn Mr. R. Sathyamurthy and nominated Mr. L.P. Aggarwal, as its nominee Director on the Board. Dr. S.C. Rustagi resigned from the Board of Directors of the Company due to preoccupation. The Board of Directors place on record their appreciation for the valuable guidance and support given by Mr. R. Sathyamurthy and Dr. S.C. Rustagi during their tenure as Directors of the Company.

Mr. Purushotam Bhageria and Mr. Madhav Bhageria, Directors retire by rotation and are eligible for re-appointment.

AUDITORS

M/s Arun K Gupta & Associates, Chartered Accountants, Auditors of the Company hold office upto the conclusion of the forthcoming Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224 (I-B) of the Companies Act, 1956.

The notes referred to by the Auditors in their Report are self explanatory.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement showing the necessary information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed to this Report.

PARTICULARS OF EMPLOYEES

A statement showing the particulars of employees under Section 217 (2A) of the Companies Act, 1956 is annexed to this Report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the all round co-operation and contribution made by the employees which contributed substantially to the growth of business of the Company.

Your Directors also wish to thank and gratefully acknowledge the sustained co-operation and support received by the Company from the Central and State Government Departments, Financial Institutions, Banks, Dealers, Vendors and Shareholders of the Company.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 12.09.1997

PURUSHOTAM BHAGERIA MADHUSUDHAN BHAGERIA
Director Managing Director



ANNEXURE TO DIRECTORS' REPORT

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO IN ACCORDANCE WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988.

A. CONSERVATION OF ENERGY:

1. Energy Conservation measures taken:

- i. Reduction in power consumption and air conditioning load.
- ii. Increase in D.G. Fuel efficiency in terms of KWH/litre of fuel.

2.. Additional Investment and proposal, if any, being implemented for reduction of consumption of energy:

The Company is constantly making efforts to optimise the process conditions and increase its production thereby reducing energy consumption per unit of production.

3. Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The Company has been able to reduce power consumption per Kg of yarn and has also improved the efficiency of D.G set.

4. Total energy consumption and energy consumption per unit of production:

The details are provided in Form 'A' given below.

B. TECHNOLOGY ABSORPTION:

The details are provided in Form 'B' given below.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

a) Activities relating to exports, initiative taken to increase export, development of new export markets for product services & export plans:

The Company is exploring various possibilities to increase its exports.

b)	Foreign Exchange earned	:	Rs. 6.13 lacs
	Foreign Exchange used	:	Rs.2652.47 lacs

FORM 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

	1996-97	1995-96
A) Power and Fuel Consumption:		
1. Electricity		
a) Purchased Units KWH	1,21,975	67,252
Total amount Rs.	4,30,305.00	4,20,414.00
Rate per unit Rs.	3.50	6.25
As the process employed by the Company is very sensitive to the quality of power, the Plant & Machinery is run on captive power. As a consequence of this, the Company has to pay minimum demand charges to State Electricity Board.		
b) Own generation through DG Sets		
Units KWH	83,13,080	18,48,209
Units per Liter of Diesel oil	3.39	3.30
Cost per unit Rs.	2.13	2.22
2. Coal	Nil	Nil
3. Furnace Oil	Nil	Nil
4. Others	Nil	Nil
B) Consumption per unit of production (per Kg):		
Electricity (KWH)	1.72	1.78