



**FILATEX INDIA LIMITED**

(AN ISO 9001 : 2000 COMPANY)

**16th ANNUAL REPORT  
2005-2006**

## BOARD OF DIRECTORS

Mr. Ram Avtar Bhageria  
Chairman

Mr. Madhu Sudhan Bhageria  
Vice Chairman & Managing Director

Mr. Purrshottam Bhaggeria  
Joint Managing Director

Mr. Madhav Bhageria  
Joint Managing Director

Mr. Inderpal S. Kalra  
IDBI Nominee

Mr. S.C. Parija

Mr. S.P. Setia

## COMPANY SECRETARY

Mr. Sanjeev Gupta

## BANKERS

Oriental Bank of Commerce  
Punjab National Bank  
Union Bank of India

## AUDITORS

Amod Agrawal & Associates  
D-58, East of Kailash  
New Delhi - 110 065

## REGISTERED OFFICE

S. No. 274, Demni Road,  
Dadra - 396 191  
(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. Gautam Budh  
Nagar - 201 304 (U.P.)

S. No. 274, Demni Road,  
Dadra - 396 191  
(U.T. of Dadra & Nagar Haveli)

Pazhavor Village, Tirunelveli,  
Kathabomman District,  
Tamil Nadu

## CONTENTS

<b>Notice</b>	<b>1</b>
<b>Director's Report</b>	<b>2</b>
<b>Auditors' Report</b>	<b>15</b>
<b>Balance Sheet</b>	<b>18</b>
<b>Profit &amp; Loss Account</b>	<b>19</b>
<b>Schedules</b>	<b>20</b>
<b>Cash Flow Statement</b>	<b>32</b>



## NOTICE

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

DAY : SATURDAY  
 DATE : 30<sup>TH</sup> SEPTEMBER, 2006  
 TIME : 9.30 A.M.  
 PLACE : SURVEY NO.274, DEMNI ROAD, DADRA  
 (U.T. OF DADRA & NAGAR HAVELI) 396 191.

to transact the following business(es):

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet of the Company as at March 31, 2006 and the Profit & Loss Account 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. Ram Avtar Bhageria, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S.C.Parija, 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 the next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

By Order of the Board of Directors  
 For FILATEX INDIA LIMITED

PLACE : NEW DELHI  
 DATE : 29<sup>TH</sup> JULY, 2006

SANJEEV GUPTA  
 COMPANY SECRETARY

### REGISTERED OFFICE:

Survey No.274, Demni Road, Dadra  
 (U.T. of Dadra & Nagar Haveli) 396 191

### 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 OF THE COMPANY 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 16<sup>th</sup> September, 2006 to 30<sup>th</sup> September, 2006 (both days inclusive).
3. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
4. Members are requested to notify:
  - A) change of address, if any, with pin code, quoting reference of their folio number, to the Company.
  - B) members who are holding shares in Demat Mode are requested to notify any change in their address to their respective Depository Participants.
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.

**FILATEX INDIA LIMITED****DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the Sixteenth Annual Report along with the Audited Accounts for the year ended March 31, 2006.

**FINANCIAL RESULTS:**

Particulars	2005-2006	2004-2005
	(Rs. in Lacs)	
Sales/Income from Operations	32879	24501
Gross Profit before Interest, Depreciation & Taxation	933	1364
Financial charges	1003	797
Depreciation	749	674
Provision for Taxation		
Fringe Benefit Tax	7	—
Deferred Tax	—	(125)
Deferred Tax Assets of earlier years reversed	84	—
Prior period adjustments	5	—
Net Profit/ (Loss)	(915)	18

**DIVIDEND**

In the absence of profits, your Directors regret their inability to recommend dividend for the year under review.

**OPERATIONS & OUTLOOK**

During the year under review, your Company achieved a turnover of Rs. 32879 Lacs as against Rs. 24501 Lacs in the previous year showing an increase of 34%. However due to high raw material prices and the increased interest burden, the margins of the Company were adversely affected and the Company incurred a net loss of Rs. 915 Lacs.

Your Company is making continuous efforts to improve efficiencies and increase the level of value addition to counteract the increase in raw material prices, which are driven by global commodity prices. The recent move of the Government in reducing the Excise Duty on Polyester Chips to 8% and consequential elimination of duty anomaly in finished good vis a vis the raw material will have a positive impact on the working of the Company.

**FIXED DEPOSITS**

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

**DIRECTORS**

Mr. Ram Avtar Bhageria and Mr. S.C. Parija, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

**DIRECTORS RESPONSIBILITY STATEMENT**

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors state as under:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and the Company has not been departed materially there from;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 loss of the Company for that period;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

**CORPORATE GOVERNANCE**

A separate Report on Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed hereto as Annexure 'A' alongwith the Auditors Certificate on its compliance and Management Discussion & Analysis Report is annexed hereto as Annexure 'B' as part of the Annual Report.



## STATUTORY AUDITORS

M/s Amod Agrawal & Associates, Chartered Accountants, Statutory Auditors of the Company hold office upto the conclusion of ensuing Annual General Meeting and are recommended for re-appointment. Your Company has received a letter from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The observations of the Auditors are explained, where necessary, in the appropriate notes to the Accounts.

## STOCK EXCHANGE LISTING

The Equity Shares of your Company are listed on Bombay & Calcutta Stock Exchanges. The Annual Listing Fees for the year 2006-2007 has been paid to the aforesaid Stock Exchanges. The application for listing of Equity Shares arising pursuant to conversion of 7.5% Cumulative Convertible Preference Shares as on 30<sup>th</sup> June, 2005 is pending at Calcutta Stock Exchange.

## 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 as Annexure 'C'

## PARTICULARS OF EMPLOYEES

There are no employees in respect of whom the particulars are required to be furnished under Section 217 (2A) of the Companies Act, 1956.

## ACKNOWLEDGEMENTS

Your Directors wish to place on record their deep sense of appreciation for the committed services of the employees of the Company.

Your Directors also to place on record their sincere gratitude to the Central and State Government Departments, Banks, Dealers, Customers, Vendors and Shareholders for their valuable co-operation and assistance to the Company.

For and on behalf of the Board of Directors

Place : New Delhi  
Date : 29<sup>th</sup> July, 2006

**RAM AVTAR BHAGERIA**  
Chairman

## ANNEXURE 'A'

### REPORT ON CORPORATE GOVERNANCE

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, given below is a Report on the matters mentioned in the said Clause.

#### 1. Company's Philosophy on Code of Governance

Your Company is fully committed to conduct its business with due compliance of all applicable laws, rules and regulations. The Company's philosophy on Corporate Governance lays strong emphasis on integrity, transparency, accountability and full disclosure in all facets of operations to achieve the highest standards of Corporate Governance and to enhance the trust of the creditors, employees, suppliers, customers and the public at large. The Company believes that all its operations and actions must serve the underlying goal of enhancing shareholder values over a sustained period of time.

#### 2. Board of Directors

In compliance with the Corporate Governance requirements, presently the Board of Directors is headed by non-executive chairman and consists of 7 members comprising of 4 non-executive Directors and out of which 3 are independent Directors representing the optimum mix of professionalism, knowledge and experience in their respective fields.

**FILATEX INDIA LIMITED****i) Present Structure of Board of Directors**

S.No.	Name	Category of Director
1.	Shri Ram Avtar Bhageria Chairman	Non-Executive Director
2.	Shri Madhu Sudhan Bhageria Vice Chairman & Managing Director	Executive Director
3.	Shri Purrshottam Bhaggeria Joint Managing Director	Executive Director
4.	Shri Madhav Bhageria Joint Managing Director	Executive Director
5.	Shri Inderpal S. Kalra Nominee Director (IDBI)	Non-Executive & Independent Director
6.	Shri S.C. Parija Director	Non-Executive & Independent Director
7.	Shri S.P. Setia Director	Non-Executive & Independent Director

Details of Directors being re-appointed at the ensuing Annual General Meeting are given at the end of this Report.

**ii) Board Meetings**

During the year 2005-06, the Board met five times on 30<sup>th</sup> May, 2005, 28<sup>th</sup> June, 2005, 30<sup>th</sup> July, 2005, 28<sup>th</sup> November, 2005 & 30<sup>th</sup> January, 2006.

The following table gives attendance of Directors at the Board meetings and at the last Annual General Meeting, number of memberships held by Directors in the Board / Committees of various Companies: -

S. No.	Name	No. of Board Meetings attended	No. of Other Directorships*	Committee Memberships*	Committee Memberships*	Attendance in AGM
1.	Mr. Ram Avtar Bhageria	5	-	-	-	YES
2.	Mr. Madhu Sudhan Bhageria	4	-	-	-	YES
3.	Mr. Purrshottam Bhaggeria	5	-	-	-	NO
4.	Mr. Madhav Bhageria	1	-	-	-	YES
5.	Mr. Inderpal S. Kalra	5	1	2	-	NO
6.	Mr. S.P. Setia	4	2	2	-	YES
7.	Mr. S.C. Parija	2	-	-	-	NO

\* As on 31.03.2006. Represents Directorship & Membership/Chairmanship of Audit Committee, Shareholders Grievance Committee & Remuneration Committee of the Indian Public Companies.

**iii) Board Procedure:**

The members of the Board are provided with the requisite information mentioned in the listing agreement before the Board Meetings. The Directors actively participate in the deliberations of the Board.

All the Directors who are on various committees are within the permissible limits of the listing agreement. The Directors have intimated from time to time about their membership in the various Committees in other Companies.

**3. Audit Committee**

In terms of Section 292A of the Companies Act, 1956 and the requirement of the Listing Agreements with the Stock Exchanges, the Board has an Audit Committee of Directors comprising of four Directors namely, Shri S.P. Setia, Shri Inderpal S. Kalra, Shri S.C. Parija, all Independent Directors and Shri Ram Avtar Bhageria, Non Executive Director. Shri S.P. Setia was the Chairman of the Committee. The terms of reference of the Audit Committee are as per Section 292A of the Companies Act, 1956 and the guidelines given in the Code of



Corporate Governance which inter-alia include overview of Company's Financial Reporting Process, review of Quarterly, Half Yearly and Annual Financial Statements, adequacy of Internal Control Systems, major accounting policies & practices, compliances with Accounting Standards, related party transactions etc. The Company Secretary of the Company acts as the Secretary of the Committee.

The Internal Audit Reports are prepared by an external firm of Chartered Accountants & cover all operations of the Company and the Audit Committee of the Board of Directors reviews their findings regularly. This ensures a constant review of operations and systems and highlight the areas which needs improvement. The reports form the basis of management functions, decisions and follow up.

During the year 2005-06 the Committee met 5 times. The attendance at the meetings is as under: -

Date of Meeting	No. of Members present
30-05-2005	3
28-06-2005	3
30-07-2005	3
28-11-2005	4
30-01-2006	3

In addition to the Committee members, the Managing/Joint Managing Directors, President (F & A), Internal Auditors and Statutory Auditors were also present at the meetings to answer the queries raised by the Committee members.

#### 4. Details of Remuneration paid to the Directors during the Financial Year ended 31<sup>st</sup> March, 2006

S. No.	Name of Director	Salary & Allowances	Contribution to Provident Fund	Perquisites	Sitting Fees	Total
1.	Mr. Ram Avtar Bhageria	-	-	-	10,000	10,000
2.	Mr. Madhu Sudhan Bhageria, Managing Director	8,28,000	9,360	48,000	-	8,85,360
3.	Mr. Purshottam Bhaggeria, Joint Managing Director	6,90,000	9,360	36,000	-	7,35,360
4.	Mr. Madhav Bhageria, Joint Managing Director	6,90,000	9,360	60,000	-	7,59,360
5.	Mr. Inderpal S. Kalra	-	-	-	10,000	10,000
6.	Mr. S.P. Setia	-	-	-	8,000	8,000
7.	Mr. S.C. Parija	-	-	-	4,000	4,000

(\*) Sitting fees in respect of Mr. Inderpal S. Kalra is paid to IDBI Ltd. the institution he represents as Nominee Director.

The employment of Managing/Joint Managing Directors is on contractual basis. Except Mr. Ram Avtar Bhageria, Non Executive Director who is holding 4,62,000 Equity Shares, none of the other Non Executive Directors are holding any Equity Shares of the Company as on 31<sup>st</sup> March, 2006. No notice period and severance fee is applicable for the Executive Directors. The Company does not pay any performance-linked incentives to its Executive Directors. The Company does not have any Stock Options Scheme.

#### 5. Shareholders'/Investors' Grievances Committee

For effective and efficient Investor Service the Company has a Shareholders'/Investors' Grievances Committee. The Committee comprises of Shri S.P. Setia & Shri S.C. Parija, Independent Directors and Shri Purshottam Bhaggeria, Joint Managing Director of the Company. Shri. S.P. Setia is the Chairman of the Committee. Amongst the other functions, the Committee looks into redressal of shareholders complaints like non-transfer of Shares, non-receipt of Balance Sheet, etc as required pursuant to Clause 49 of the Listing Agreement. The Company



**FILATEX INDIA LIMITED**

attends to Investor Grievances/correspondences expeditiously and all efforts are made to reply immediately. Mr. Sanjeev Gupta, Company Secretary of the Company is the Compliance Officer. Based on its experiences in performance of its duties the Committee time to time suggests necessary measures for overall improvement in Investor Services.

During the year ended 31<sup>st</sup> March, 2006, 7 investors complaints /queries were received which were replied / resolved to the satisfaction of the investors and as on 31<sup>st</sup> March, 2006 there were no complaints / queries pending reply. There were no share transfers pending for registration for more than 30 days as on 31<sup>st</sup> March, 2006. As on 31<sup>st</sup> March, 2006, 22 requests for transfer of Shares were pending for approval, which were approved and dealt with by 1<sup>st</sup> April, 2006.

The Company has adopted a Code of Conduct for Prevention of Insider Trading in the shares of the Company pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Board has designated Mr. Sanjeev Gupta, Company Secretary as the Compliance Officer.

**6. General Body Meetings:**

The last three Annual General Meetings of the Company were held as under: -

Year	Location	Date	Time	Nos. of Special Resolution passed
2002-2003	Survey No.274 Demni Road Dadra - 396 191 (U.T. of Dadra & Nagar Haveli)	27 <sup>th</sup> September, 2003	9.30 A.M.	Five
2003-2004	Same as above	25 <sup>th</sup> September, 2004	9.30 A.M.	-
2004-2005	Same as above	30 <sup>th</sup> September, 2005	9.30 A.M.	-

None of the Special Resolutions passed at the said meetings were required to be put through postal ballot. There is no item in the Notice of the forthcoming Annual General Meeting that is proposed to be passed through Postal Ballot.

**7. Disclosures**

- None of the transactions with any of the related party were in conflict with the interests of the Company. Attention of the members is drawn to the disclosures of transactions with the related parties set out in Notes to the Accounts - Schedule 21 (III) (15) forming part of the Annual Report.
- No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

**8. Means of Communication**

The Company is not sending half-yearly report to the shareholders, as it is not a mandatory requirement. The Company publishes its quarterly/half yearly/annual results in The Indian Express and Sandesh circulating in Dadra & Nagar Haveli. The same together with any other significant development is submitted to the Stock Exchange. The Company is not making any official releases. The Financial Results, specified documents/statements are being displayed on SEBI website, [sebidifar.nic.in](http://sebidifar.nic.in), in compliance with the provisions of Clause 51 of the Listing Agreement. The Company has not made any presentation to institutional investors or to analysts. Management Discussion and Analysis Report forms part of the Annual Report, which is posted to the shareholders of the Company.

**9. Code of Conduct for Directors & Senior Management Personnel**

The Board has adopted a Code of Conduct for observance of the Directors and Senior Management Personnel to ensure ethical conduct in performance of official duties.

The Code has been circulated to all the Directors and Senior Management Personnel and they have affirmed the compliance of the same. A declaration in this regard signed by Managing Director of the Company is given at the end of this Report.

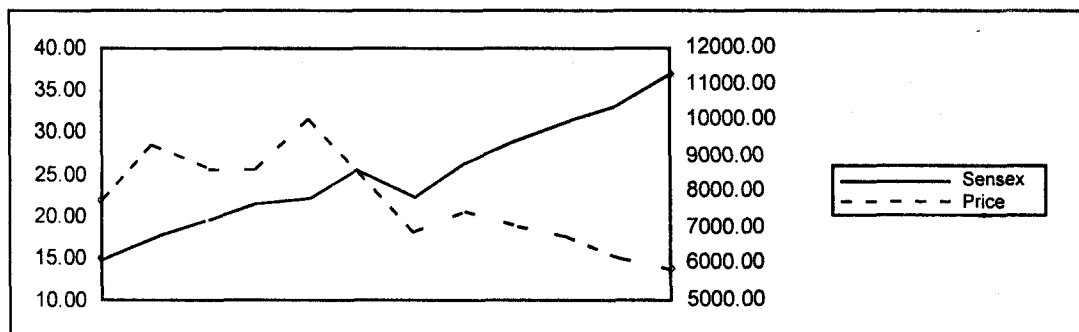




## 10. Shareholder's Referencer

- 10.1 Annual General Meeting:  
 - Date and Time : 30<sup>th</sup> September, 2006 at 9.30 A.M.  
 - Venue : Survey No. 274, Demni Road, Dadra - 396191 (U.T. of Dadra & Nagar Haveli)
- 10.2 Financial Calendar  
 Results for the quarter ending 30-06-2006 29<sup>th</sup> July, 2006  
 Results for the quarter/half year 30-09-2006 before end of October/  
 ending November, 2006  
 Results for the quarter ending 31-12-2006 before end of January, 2007  
 Results for the quarter/year ending 31-03-2007 before end of April/June, 2007
- 10.3 Book Closure Date : 16<sup>th</sup> September, 2006 to 30<sup>th</sup> September, 2006 (both days inclusive)
- 10.4 Dividend Payment Date : Not Applicable
- 10.5 Listing of Equity Shares : Mumbai and Calcutta. Annual Listing fees for the year 2006-07 has been paid to the above Stock Exchanges. The application for listing of Equity Shares arising pursuant to conversion of 7.5% Cumulative Convertible Preference Shares on 30<sup>th</sup> June, 2005 is pending at Calcutta Stock Exchange
- 10.6 Stock Code :  
 (a) Trading Symbol at The Bombay Stock Exchange Ltd. 526227  
 The Calcutta Stock Exchange Association Ltd. 10012023  
 (b) ISIN allotted to Equity Shares : INE816B01019
- 10.7 Stock Market Data :  
 Monthly High & Low of the Equity Shares of the Company for the year 2005-2006 based upon BSE price data in comparison to BSE sensex is given below:

Month	High		Low	
	Share Price	Sensex	Share Price	Sensex
April, 2005	28.25	6606	22.00	6135
May, 2005	29.45	6715	28.55	6195
June, 2005	30.45	7194	26.00	6656
July, 2005	33.00	7635	25.40	7145
August, 2005	31.60	7860	31.00	7596
September, 2005	33.45	8650	24.50	7876
October, 2005	25.35	8800	18.20	7686
November, 2005	21.70	8995	20.35	7944
December, 2005	21.05	9398	18.65	8816
January, 2006	22.65	9920	17.35	9238
February, 2006	18.00	10370	14.90	9743
March, 2006	15.78	11307	13.49	10509



**FILATEX INDIA LIMITED**

- 10.8 Registrar and Transfer Agents :** All the works relating to the share registry for the shares held in the physical forms as well as the shares held in the electronic form (Demat) are being done by MCS Limited at the following address:  
MCS Limited  
Sri Venkatesh Bhavan, W-40, Okhla Industrial Area  
Phase-II, New Delhi - 110020  
Tel: 011-41406148  
Fax: 011-41709881  
Email: mcsdel@vsnl.com  
**Note:** Shareholders holding shares in electronic mode should address all correspondence to their respective Depository Participants.
- 10.9 Share Transfer System:** The share transfers in physical form are registered and returned to the respective shareholders within a period of 15 days from the date of receipt, subject to the documents lodged for transfer being valid in all respects. The Shareholders'/ Investors Grievances Committee meets twice in a month to approve share transfers/transmissions.
- 10.10 Distribution of Shareholding according to categories of Shareholders as on 31<sup>st</sup> March, 2006:**

S.No.	Category	No. of Shares	% To Total
<b>1.</b>	<b>Promoters Holding</b>		
	Promoter Group	73, 65, 800	59.88
<b>2.</b>	<b>Institutional Investors</b>		
	Mutual Funds	64, 600	0.50
	Banks and Financial Institutions	100	-
	Foreign Institutional Investors	-	-
<b>3.</b>	<b>Others</b>		
	Private Corporate Bodies	16,29,900	13.30
	Indian Public	32,35,660	26.32
	NRIs/ OBCs	3,940	-
	<b>TOTAL</b>	<b>1,23,00,000</b>	<b>100.00</b>

Distribution of Shareholding as on 31<sup>st</sup> March, 2006

Range		Share holders		Shares	
No. of Shares		Number	% to total holders	Number	% to total Capital
Upto	500	4,280	83.84	7,19,770	5.85
501	1000	375	7.35	3,26,717	2.66
1001	2000	184	3.60	3,04,501	2.48
2001	3000	61	1.19	1,59,819	1.30
3001	4000	34	0.67	1,23,883	1.01
4001	5000	47	0.92	2,23,704	1.82
5001	10000	52	1.02	3,87,499	3.15
10001	and above	72	1.41	1,00,54,107	81.74
<b>TOTAL</b>		<b>5105</b>	<b>100</b>	<b>1,23,00,000</b>	<b>100</b>