



FILATEX INDIA LIMITED

(AN ISO 9001 : 2000 COMPANY)

**17th ANNUAL REPORT
2006-2007**



BOARD OF DIRECTORS

Ram Avtar Bhageria
Chairman

Madhu Sudhan Bhageria
Vice Chairman & Managing Director

Purrshottam Bhaggeria
Joint Managing Director

Madhav Bhageria
Joint Managing Director

Inderpal S. Kalra
IDBI Nominee

S.C. Parija

S.P. Setia

COMPANY SECRETARY

Sanjeev Gupta

BANKERS

Union Bank of India
Punjab National Bank
Oriental Bank of Commerce

AUDITORS

Amod Agrawal & Associates
D-58, East of Kailash
New Delhi - 110 025

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 - 110 025

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

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NOTICE

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

DAY : **MONDAY**
DATE : **10th SEPTEMBER, 2007**
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, 2007 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. S.P. Setia, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Purrshottam Bhaggeria, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Madhav Bhageria, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. 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 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force), 15,00,000 (Fifteen Lacs) Cumulative Convertible Preference Shares of Rs. 25 (Rupees Twenty Five) each which now comprise part of the unissued Authorized Share Capital of the Company be cancelled and the Authorized Share Capital of the Company be and is hereby increased to Rs. 40,00,00,000 (Rupees Forty Crores) divided into 2,75,00,000 (Two Crores Seventy Five Lacs) Equity Shares of Rs. 10 (Rupees Ten) each and 1,25,00,000 (One Crore Twenty Five Lacs) Redeemable Preference Shares of Rs.10 (Rupees Ten) each;

RESOLVED FURTHER THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force), the existing Clause V of the Memorandum of Association of the Company be and is hereby deleted and in its place the following new Clause V be substituted as a consequential amendment:



The Authorized Share Capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 2,75,00,000 (Two Crores Seventy Five Lacs) Equity Shares of Rs. 10 (Rupees Ten) each and 1,25,00,000 (One Crore Twenty Five Lacs) Redeemable Preference Shares of Rs.10 (Rupees Ten) each.

RESOLVED FURTHER THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force), the existing Article No. 3 of the Articles of Association of the Company be and is hereby deleted and in its place the following new Article No. 3 be substituted as a consequential amendment:

The Authorized Share Capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 2,75,00,000 (Two Crores Seventy Five Lacs) Equity Shares of Rs. 10 (Rupees Ten) each and 1,25,00,000 (One Crore Twenty Five Lacs) Redeemable Preference Shares of Rs.10 (Rupees Ten) each.

7. 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 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, the Rules, Regulations, Guidelines, if any, of the concerned authority (ies), the Listing Agreement entered into by the Company with the Stock Exchanges where the Equity Shares of the Company are listed and subject to approval(s), consent(s), permission(s) and/or sanction(s), if any, of any appropriate authority(ies) and subject to such conditions as may be prescribed by them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee of the Board to be constituted to exercise its powers including the powers conferred by this Resolution) be and is hereby authorized on behalf of the Company to issue, offer and allot 1,25,00,000 0.1% Non-Convertible Cumulative Redeemable Preference Shares of Rs. 10 each (hereinafter referred to as ‘Preference Shares’) aggregating to Rs. 12,50,00,000 to IDBI Limited on the terms and conditions mentioned in the explanatory statement annexed hereto;

RESOLVED FURTHER THAT for the purpose of giving effect to the issue or allotment of the Preference Shares, the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such acts, deeds, matters and things as it may in its discretion, deem necessary, proper and desirable for such purpose and with powers on behalf of the Company to settle any question, difficulty or doubt that may arise in the proposed issue, offer and allotment of such Preference Shares and to take such actions or give such directions as they may consider as being necessary and desirable and to obtain any approval(s), consent(s), permission(s) and/or sanction(s) which may be necessary or desirable, as they may deem fit ;

RESOLVED FURTHER THAT the Board be and is hereby authorized to make in its own accord or to accept such amendments, modifications, variations and alterations as any appropriate authority(ies) may stipulate in this regard.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors to give effect to this Resolution.”

8. 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 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, Rules, Regulations, Guidelines, if any, of the Securities and Exchange Board of India (SEBI), and/ or other concerned authority (ies) and subject to such approval(s), consent(s), permission(s) and/or sanction(s)



of SEBI, Stock Exchanges and/or any other appropriate authority(ies), institution(s) or body(ies), as may be necessary and subject to such condition(s) as may be prescribed by any of them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee of the Board to be constituted to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized on behalf of the Company to issue, offer and allot by way of Preferential Issue to IDBI Limited on account of conversion of loan 8,41,397 Equity Shares of Rs. 10 each, at a price of Rs. 23.77 per Equity Share determined in accordance with the Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as on relevant date i.e. 11th August, 2007;

RESOLVED FURTHER THAT the Equity Shares so issued shall rank pari-passu in all respects with the existing Equity Shares of the Company except that the Equity Shares so issued shall be subject to lock-in for a period of one year from the date of allotment and that the said Equity Shares be listed on the Stock Exchanges where the existing Equity Shares of the Company are listed;

RESOLVED FURTHER THAT for the purpose of giving effect to the issue or allotment of the Equity Shares, the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such acts, deeds, matters and things as it may in its discretion, deem necessary, proper and desirable for such purpose and with powers on behalf of the Company to settle any question, difficulty or doubt that may arise in the proposed issue, offer and allotment of such Equity Shares and to take such actions or give such directions as they may consider as being necessary and desirable and to obtain any approval(s), consent(s), permission(s) and/or sanction(s) which may be necessary or desirable, as they may deem fit ;

RESOLVED FURTHER THAT the Board be and is hereby authorized to make in its own accord or to accept such amendments, modifications, variations and alterations as the SEBI, Stock Exchanges and/or any other appropriate authority(ies) may stipulate in this regard.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors to give effect to this resolution."

9. 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 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, Rules, Regulations, Guidelines, if any, of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and/or other concerned authority (ies) and subject to such approval(s), consent(s), permission(s) and/or sanction(s) of RBI, SEBI, Stock Exchanges and/or any other appropriate authority(ies), institution(s) or body(ies), as may be necessary and subject to such condition(s) as may be prescribed by any of them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee of the Board to be constituted to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized on behalf of the Company to issue, offer and allot by way of Preferential Issue, upto 40,00,000 Equity Shares of Rs. 10 each at a price of Rs. 25 per Equity Share determined in accordance with the Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as on relevant date i.e. 11th August, 2007 as under:

Name	Number of Shares
Somerset India Fund	17,00,000
Dufflaghur Investments Limited	8,00,000
Mr. Ashwani Khurana	15,00,000



RESOLVED FURTHER THAT the Equity Shares so issued shall rank pari-passu in all respects with the existing Equity Shares of the Company except that the Equity Shares so issued shall be subject to lock-in for a period of one year from the date of allotment and that the said Equity Shares be listed on the Stock Exchanges where the existing Equity Shares of the Company are listed;

RESOLVED FURTHER THAT for the purpose of giving effect to the issue or allotment of the Equity Shares, the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such acts, deeds, matters and things as it may in its discretion, deem necessary, proper and desirable for such purpose and with powers on behalf of the Company to settle any question, difficulty or doubt that may arise in the proposed issue, offer and allotment of such Equity Shares including utilization of the issue proceeds and to take such actions or give such directions as they may consider as being necessary and desirable and to obtain any approval(s), consent(s), permission(s) and/or sanction(s) which may be necessary or desirable, as they may deem fit ;

RESOLVED FURTHER THAT the Board be and is hereby authorized to make in its own accord or to accept such amendments, modifications, variations and alterations as the RBI, SEBI, Stock Exchanges and/or any other appropriate authority(ies) may stipulate in this regard.

RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors to give effect to this resolution."

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

PLACE : NEW DELHI

DATE : 11th AUGUST, 2007

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 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 1st September, 2007 to 10th September, 2007 (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 Participant.



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. All Documents referred to in the Notice and Explanatory Statement are open for inspection by the members 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 the Meeting.

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

Item No. 6

The present Authorized Share Capital of the Company is Rs. 20 Crores divided into 1,62,50,000 Equity Shares of Rs. 10 each and 15,00,000 Cumulative Convertible Preference Shares of Rs. 25 each. In view of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) and consequential requirement of funds, it is proposed to cancel 15,00,000 Cumulative Convertible Preference Shares of Rs. 25 each forming part of the unissued Authorized Share Capital of the Company and to increase the Authorized Share Capital of the Company to Rs. 40 Crores divided into 2,75,00,000 Equity Shares of Rs. 10 each and 1,25,00,000 Redeemable Preference Shares of Rs.10 each. In view of the above, the existing clause V of Memorandum of Association and existing Article 3 of the Articles of Association of the Company are also proposed to be substituted by the new clauses in the manner indicated in the Resolution to give effect to the increase in the Authorized Share Capital.

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. 7

In terms of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) the Company is required, inter-alia, to allot Non-Convertible Cumulative Redeemable Preference Shares of Rs. 1250 Lacs. Pursuant to the same it is proposed to issue 1,25,00,000 0.1% Non-Convertible Cumulative Redeemable Preference Shares of Rs. 10 each (hereinafter referred to as 'Preference Shares') to IDBI Limited on following terms:

The Preference Shares shall be Non-Convertible and shall be redeemed with payment of 25% each in the 11th and 12th year and the balance 50% in the 13th year from the date of allotment. The Coupon rate of 0.1% shall be increased to 5% after sixth year in the event of improvement of Company's performance and declaring dividend of 20% or more.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by allotment of further Shares such Shares shall be offered to the persons who at the date of offer are holders of Equity Shares of the Company in proportion to the Capital paid up on the date unless the Shareholders in the general meeting decide otherwise by way of Special Resolution. The Listing Agreement executed by the Company with the Stock Exchanges also provides that the Company shall in the first instance offer all securities for subscription pro-rata to the Equity Shareholders unless the Shareholders in the general meeting decide otherwise. The consent of the Shareholders is sought to authorize the Board of Directors to issue and allot Preference Shares to IDBI Limited as set out in the Resolution.

Your Directors recommend passing of this Resolution as a SPECIAL RESOLUTION.



Except Mr. Inderpal S. Kalra, who is the Nominee Director of IDBI Limited, none of the Directors of the Company is concerned or interested in this Resolution.

Item No(s). 8 & 9

In terms of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) the Company is required, inter-alia, to pay a sum of Rs. 27.5 Crores to IDBI Limited and to issue and allot Equity Shares of Rs. 2 Crores (including premium) on account of conversion of loan to that extent to IDBI Limited. Pursuant to the same it is proposed to issue on preferential basis 8,41,397 Equity Shares of Rs. 10 each at a price of Rs. 23.77 per Equity Share to IDBI Limited and upto 40,00,000 Equity Shares of Rs. 10 each at a price of Rs. 25 per Equity Share to Somerset India Limited, Dufflaghur Investments Limited and Mr. Ashwani Khurana as set out in the said Resolutions.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the Subscribed Capital of a Company by allotment of further Shares such Shares shall be offered to the persons who at the date of offer are holders of Equity Shares of the Company in proportion to the Capital paid up on the date unless the Shareholders in the general meeting decide otherwise. The Listing Agreement executed by the Company with the Stock Exchanges also provides that the Company shall in the first instance, offer all securities for subscription pro-rata to the Equity Shareholders unless the Shareholders in the general meeting decide otherwise. The consent of the Shareholders is sought to authorize the Board of Directors to issue & allot Equity Shares by way of Preferential Issue as set out in the said Resolutions.

The Issue Price as described above has been determined in terms of Clause 13.1.1 of Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as on relevant date (11th August, 2007) being a price not less than the higher of the following:

- i) The average of weekly high and low of the closing prices of the Company's Shares quoted on the Stock Exchange (Bombay Stock Exchange Ltd.) during the six months preceding the 'relevant date';

OR

- ii) The average of weekly high and low of the closing prices of the related Shares quoted on the Stock Exchange (Bombay Stock Exchange Ltd.) during the two weeks preceding the 'relevant date'.

The Auditor's Certificate certifying that the issue of the Equity Shares is being made in accordance with the Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as in force on the date of this Notice will be open for inspection by the members 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 the Meeting.

Disclosures which are required to be given in the Explanatory Statement to the Notice of General Meeting in terms of Clause 13.1A of Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as on the date of this Notice are given below:

i) Objects of the Issue

In terms of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) the Company is required, inter-alia, to pay a sum of Rs. 27.5 Crores to IDBI Limited and to issue and allot Equity Shares of Rs. 2 Crores (including premium) on account of conversion of loan to that extent to IDBI Limited. Hence the proposed issue.

ii) Intention of Promoters/Directors/Key Managerial persons to subscribe to the Offer

The Offer is not being made to these entities.



iii) **Shareholding pattern before and after the preferential issue**

The pre and post issue Shareholding pattern based on the Subscribed Capital of the Company as on 4th August, 2007 is as follows on the assumption that the proposed allottees will subscribe the Equity Shares in terms of said Resolutions in full :

Category	Pre issue holding		Post issue holding	
	No. of Equity	% of total capital	No. of Equity	% of total capital
A. Promoters & Promoter Group	73,65,800	59.88	73,65,800	42.97
Sub Total (A)	73,65,800	59.88	73,65,800	42.97
B. Public Shareholding				
Institutions				
Mutual Funds/UTI	64,100	0.52	64,100	0.37
<u>Financial Institutions/Banks</u>				
- IDBI Limited	-	-	8,41,397	4.91
- Others FIs, Banks	100	-	100	-
<u>Foreign Institutional Investors</u>				
- Somerset India Fund	-	-	17,00,000	9.92
Non-Institutions				
<u>Bodies Corporate</u>				
- Dufflaghur Investments Limited	-	-	8,00,000	4.67
- Other Bodies Corporate	19,54,522	15.89	19,54,522	11.40
<u>Individuals</u>				
- Mr. Ashwani Khurana	-	-	15,00,000	8.75
- Other Individuals	29,14,014	23.69	29,14,014	17
Others (NRIs)	1,464	0.02	1,464	0.01
Sub Total (B)	49,34,200	40.12	97,75,597	57.03
TOTAL (A+B)	1,23,00,000	100	1,71,41,397	100

iv) **Proposed time within which the allotment shall be complete**

The Equity Shares shall be allotted within 15 days from the date of these Resolutions, provided that where the allotment on preferential basis remains pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval.



- v) **The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them**

As per (iii) above.

- vi) **Others**

The Equity Shares so allotted shall be subject to a lock-in for a period of one year from the date of allotment. There will be no consequential change in the Board of Directors or control over the Company. The Voting rights will change in accordance with the Shareholding Pattern.

Your Directors recommend passing of these Resolutions as SPECIAL RESOLUTIONS.

Except Mr. Inderpal S. Kalra, Nominee Director of IDBI Limited who is interested in Resolution No. 8 none of the Directors of the Company is concerned or interested in these Resolutions.

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

PLACE : NEW DELHI
DATE : 11th AUGUST, 2007

SANJEEV GUPTA
COMPANY SECRETARY

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