



FILATEX INDIA LIMITED

(AN ISO 9001 : 2000 COMPANY)

**18TH ANNUAL REPORT
2007-2008**

BOARD OF DIRECTORS

Ram Avtar Bhageria
Chairman

Madhu Sudhan Bhageria
Vice Chairman & Managing Director

Purshottam Bhaggeria
Joint Managing Director

Madhav Bhageria
Joint Managing Director

B.B. Tandon

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 Eighteenth Annual General Meeting of the Members of FILATEX INDIA LIMITED will be held as scheduled below:

DAY : TUESDAY
DATE : 30TH SEPTEMBER, 2008
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, 2008 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 declare arrears of dividend on 7.5% Preference Shares for the period 01.04.2004 to 30.06.2005 and 0.1% Preference Shares for the financial year ended 31st March, 2008.
3. To appoint a Director in place of Shri Ram Avtar Bhageria, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri S. C. Parija, 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 the 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 an ORDINARY RESOLUTION: -

“RESOLVED THAT Shri B. B. Tandon who was appointed as an Additional Director of the Company and who holds such office upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing pursuant to Section 257 of the Companies Act, 1956 proposing his candidature to the office of Director be and is hereby appointed as Director of the Company”.

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

RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 read with Schedule XIII of the Companies Act, 1956, and all other applicable provisions, if any, of the said Act including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such other approvals as may be necessary in this regard, the reappointment of Shri Madhu Sudhan Bhageria as Managing Director of the Company for a period of 5 years w.e.f. 30.07.2008 on the following terms and conditions:-

Consolidated Salary: Rs. 1,50,000 - 22,500 - 2,40,000 per month

Commission: One per cent of the net profits of the Company

Perquisites and Allowances: In addition to the aforesaid consolidated salary and commission, Shri Madhu Sudhan Bhageria shall also be entitled to perquisites like furnished accommodation or housing allowance in lieu thereof, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance and any other perquisites in accordance with the Rules of the Company, the monetary value of such perquisites being limited to 100% of consolidated salary for the purposes of which limit:

- (a) Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost;
- (b) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included;



- (c) Company's contribution of Provident Fund and Superannuation Funds not exceeding 10% of the consolidated salary shall not be included;
- (d) Gratuity payable not exceeding half months salary for each completed year of service shall not be included; and
- (e) Earned Leave: Encashment of unavailed Earned Leaves at the end of his tenure

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

RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 read with Schedule XIII of the Companies Act, 1956, and all other applicable provisions, if any, of the said Act including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such other approvals as may be necessary in this regard, Shri Purshottam Bhaggeria be and is hereby reappointed as Wholtime Director of the Company designated as Joint Managing Director for a period of 5 years w.e.f. 30.07.2008 on the following terms and conditions:

Consolidated Salary: Rs. 1,20,000 - 18,000 - 1,92,000 per month

Commission: One per cent of the net profits of the Company

Perquisites and Allowances: In addition to the aforesaid consolidated salary and commission, Shri Purshottam Bhaggeria shall also be entitled to perquisites like furnished accommodation or housing allowance in lieu thereof, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance and any other perquisites in accordance with the Rules of the Company, the monetary value of such perquisites being limited to 100% of consolidated salary for the purposes of which limit:-

- (a) Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost;
- (b) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included;
- (c) Company's contribution of Provident Fund and Superannuation Funds not exceeding 10% of the consolidated salary shall not be included;
- (d) Gratuity payable not exceeding half months salary for each completed year of service shall not be included; and
- (e) Earned Leave: Encashment of unavailed Earned Leaves at the end of his tenure.

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

RESOLVED THAT in accordance with the provisions of Section 198, 269, 309, 310 read with Schedule XIII of the Companies Act, 1956, and all other applicable provisions, if any, of the said Act including any statutory modification(s) or re-enactment thereof for the time being in force and subject to such other approvals as may be necessary in this regard, Shri Madhav Bhageria be and is hereby reappointed as Wholtime Director of the Company designated as Joint Managing Director for a period of 5 years w.e.f. 30.07.2008 on the following terms and conditions:

Consolidated Salary: Rs. 1,20,000 - 18,000 - 1,92,000 per month

Commission: One per cent of the net profits of the Company

Perquisites and Allowances: In addition to the aforesaid consolidated salary and commission, Shri Madhav Bhageria shall also be entitled to perquisites like furnished accommodation or housing allowance in lieu thereof, gas, electricity, water and furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance and any other perquisites in accordance with the Rules of the Company, the monetary value of such perquisites being limited to 100% of consolidated salary for the purposes of which limit:-



- (a) Perquisites shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such Rules, perquisites shall be evaluated at actual cost;
- (b) Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls) shall not be included;
- (c) Company's contribution of Provident Fund and Superannuation Funds not exceeding 10% of the consolidated salary shall not be included;
- (d) Gratuity payable not exceeding half months salary for each completed year of service shall not be included; and
- (e) Earned Leave: Encashment of unavailed Earned Leaves at the end of his tenure.

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

PLACE : NEW DELHI
DATE : 29th July, 2008

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 16th September, 2008 to 30th September, 2008 (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

Shri B. B. Tandon was co-opted as Additional Director of the Company on 12.04.2008 and holds office upto the date of this Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 has been received from a member of the Company signifying his intention to propose the candidature of Shri B. B. Tandon to the office of Director of the Company. The Board of Directors consider that the continuance of Shri B. B. Tandon on the Board will be beneficial to the Company and recommend the resolution of his appointment for your approval.

Shri B. B. Tandon is an IAS and has worked in various senior positions with the Central and State Governments and retired as Chief Election Commissioner.

Shri B. B. Tandon is presently Director of Nagarjuna Fertilizers & Chemicals Limited, Cosmo Ferrites Limited, Birla Corporation Limited, Oriental Carbon & Chemical Limited, Jaiprakash Hydro Power Limited, Dhampur Sugar Mills Limited, Ambuja Cement Foundation, Sagar Sugars & Allied Products Limited, Adani Power Limited, Precision Pipes & Profile Company Limited, Abhishek Global Ventures Limited & Jaiprakash Power Ventures Limited. Shri B. B. Tandon, is member of Audit Committee of Precision Pipes & Profile Company Limited, Cosmo Ferrites Limited and Oriental Carbon & Chemical Limited and Member of Shareholders/Investors Grievance Committee of Precision Pipes & Profile Company Limited, is also Chairman of Shareholders/Investors Grievance Committee of Cosmo Ferrites Limited

None of the Directors of the Company except Shri B. B. Tandon is concerned or interested in this resolution.

Item No(s). 7 to 9

The Board of Directors of the Company in their meeting held on 25.06.2008 re-appointed Shri Madhu Sudhan Bhageria as Managing Director, Shri Purshottam Bhaggeria and Shri Madhav Bhageria as Wholetime Directors designated as Joint Managing Directors on the terms and conditions and remuneration as stated in the respective resolutions. An abstract and Memorandum containing the terms and conditions of the re-appointment under Section 302 of the Companies Act, 1956 has been circulated to the shareholders of the Company. The profile(s) of the aforesaid appointees have been set out in the Report on Corporate Governance annexed with the Directors' Report.

Your Directors recommend passing of these resolutions as Ordinary Resolutions.

None of the Directors of the Company except Shri Madhu Sudhan Bhageria, Shri Purshottam Bhaggeria, Shri Madhav Bhageria and Shri Ram Avtar Bhageria, being related to the appointees, is concerned or interested in these resolutions.

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

PLACE : NEW DELHI
DATE : 29th July, 2008

SANJEEV GUPTA
COMPANY SECRETARY

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



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eighteenth Annual Report along with the Audited Accounts for the year ended March 31, 2008.

FINANCIAL RESULTS:

Particulars	2007-2008	2006-2007
	(Rs. in Lacs)	
Sales/Income from Operations	37659	32694
Gross Profit before Interest, Depreciation & Taxation	2627	893
Financial charges	575	525
Depreciation	757	745
Profit/(Loss) before exceptional items, prior period expenses and tax	1295	(377)
Exceptional items		
- Interest waiver for previous period	5	800
- Expenses on repairs due to fire	—	104
Prior period adjustments	3	2
Profit before tax	1297	317
Provision for Taxation		
- Current MAT	146	15
- Deferred	251	—
- Fringe Benefit	9	7
- MAT Credit Entitlement	(161)	—
Net Profit/ (Loss)	1052	295
Balance brought forward from previous year	—	(713)
Profit / (Loss) available for appropriation	1052	(418)
Balance appropriated from Capital Reserve	—	418
Proposed Dividend on Preference Shares inclusive of tax on Proposed Dividend	25	—
Balance carried forward to Balance Sheet	1027	—

DIVIDEND

In order to conserve the resources for future requirements, your Directors regret their inability to recommend dividend on Equity Shares for the year under review. Your Directors have recommended arrears of dividend of 7.5% Preference Shares for the period 01.04.2004 to 30.06.2005 and dividend of 0.1% on Preference Shares for the year under review. The total outflow for this purpose would be Rs. 25.46 lacs inclusive of tax on dividend of Rs. 3.70 lacs.

OPERATIONS & OUTLOOK

Despite increase in prices of raw material due to volatile crude oil prices, your Company has been able to achieve improved results due to improvement in product mix leading to increased value addition and reduction in cost of production.

In order to increase value addition, your Company has, during the year under review, initiated modification of two of its POY spinning lines for the manufacture of Fully Drawn Yarn, which shall commence operations by 15th September, 2008. Fully Drawn Yarn is directly used for manufacture of fabric which will result in better value addition.

Your Company, during the year under review, in terms of the Negotiated Settlement of dues with IDBI Bank Limited and ICICI Limited made payments to them and also issued 8,41,397 Equity shares of Rs.10 each at a price of Rs.23.77 per Equity Share as per SEBI Guidelines on Preferential Issue and 1,25,00,000 0.1% Non Convertible Cumulative Redeemable Preference Shares of Rs.10 each to IDBI Bank Limited. During the year under review, 40,00,000 Equity Shares of Rs. 10 each at a price of Rs. 25 per Equity Share as per SEBI Guidelines on Preferential Issue were also issued to investors to repay IDBI Bank Limited in terms of the Negotiated Settlement of dues. This has improved the Debt Equity Ratio to 0.37:1 as on March 31, 2008 as compared to 1.73:1 as on March 31, 2007.

The outlook for the Current Year appears to be positive due to continuous increase in cotton prices and increase in value addition in view of easy availability of raw material. Though the rising crude oil prices still remains a concern, your Company expects to overcome the same.

**FIXED DEPOSITS**

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

DIRECTORS

Mr. B. B. Tandon was co-opted as Additional Director on 12th April 2008 and holds office upto the date of the forthcoming Annual General Meeting. Requisite Notice has been received under Section 257 of the Companies Act, 1956 from a member of the Company signifying his intention to propose Shri B. B. Tandon as a Director of the Company.

IDBI Bank Limited has withdrawn the nomination of Shri Inderpal S. Kalra as Director of the Company with effect from 15th April, 2008. Your Directors place on record their appreciation for the valuable guidance and support given by Mr. Inderpal S. Kalra during his tenure as Director of the Company.

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:

- i. 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;
- ii. 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 profit of the Company for that period;
- iii. 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;
- iv. 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 is annexed hereto as Annexure 'B' as part of the Annual Report.

AUDITORS & AUDITORS' REPORT

M/s Amod Agrawal & Associates, Chartered Accountants, Statutory Auditors of the Company hold office upto the conclusion of the 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.

STOCK EXCHANGE LISTING

The Equity Shares of your Company are listed on Bombay & Calcutta Stock Exchanges. The Annual Listing Fees has been paid to the aforesaid Stock Exchanges for the year 2008-2009.

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

A Statement showing the particulars of employees under Section 217(2A) of the Companies Act, 1956 is annexed to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholders interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.



ACKNOWLEDGEMENTS

Your Directors are pleased to place on record their sincere appreciation for the support, which the Company has received from its Bankers, Government Organizations, Dealers, Customers, Vendors, Staff and Employees. Your Directors also place on record their sincere appreciation for the confidence reposed by the Shareholders in the Company and its Management.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 29th July, 2008

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 its operations to achieve the highest standards of Corporate Governance and to enhance the trust of the creditors, employees, suppliers, customers and public at large. The Company believes that all its operations and actions must serve the underlying goal of enhancing shareholder value, 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 total 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.

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 Purshottam Bhaggeria Joint Managing Director	Executive Director
4.	Shri Madhav Bhageria Joint Managing Director	Executive Director
5.	Shri B. B. Tandon* Director	Non-Executive & Independent Director
6.	Shri Inderpal S. Kalra** Nominee Director (IDBI Bank Limited)	Non-Executive & Independent Director
7.	Shri S.C. Parija Director	Non-Executive & Independent Director
8.	Shri S.P. Setia Director	Non-Executive & Independent Director

* Appointed as Additional Director w.e.f. April 12, 2008

**Nomination withdrawn w.e.f. April 15, 2008

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 2007-08, the Board met seven times on 28th May, 2007, 23rd June, 2007, 24th July, 2007, 11th August, 2007, 18th September, 2007, 25th October, 2007 & 28th January, 2008.

The following table gives details of Directors, attendance of Directors at the Board meetings and at the last Annual General Meeting, Extra Ordinary General Meeting, number of membership 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 Chairmanships*	Attendance in AGM
1.	Shri Ram Avtar Bhageria	7	-	-	-	YES
2.	Shri Madhu Sudhan Bhageria	6	3	-	-	YES
3.	Shri Purshottam Bhaggeria	7	3	-	-	YES
4.	Shri Madhav Bhageria	-	1	-	-	YES
5.	Shri B. B. Tandon**	N.A.	12	4	1	NA
6.	Shri Inderpal S. Kalra	3	1	1	-	NO
7.	Shri S.P. Setia	5	1	3	-	NO
8.	Shri S.C. Parija	6	1	-	1	YES

* As on 31.03.2008. Represents Directorship & Membership/Chairmanship of Audit Committee & Shareholders Grievance Committee of the Indian Public Companies.

** Appointed as Additional Director w.e.f. April 12, 2008

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 Agreement with the Stock Exchanges, the Board has an Audit Committee comprising of four Directors namely, Shri S.P. Setia, Shri Inderpal S. Kalra (nomination withdrawn w.e.f. April 15, 2008), Shri S.C. Parija, all Independent Directors and Shri Ram Avtar Bhageria, Non Executive Director. Shri S.C. Parija is 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 the over view 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 various 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 highlights the areas, which need improvement. The reports form the basis of management functions, decisions and follow up.

During the year 2007-08 the Committee met 5 times. The attendance at the meetings is as under: -

Date of Meeting	No. of Members present
28-05-2007	3
23-06-2007	4
24-07-2007	4
25-10-2007	3
28-01-2008	3