

The background of the entire page is composed of numerous thin, blue lines that originate from the top left and fan out towards the bottom right, creating a sense of movement and depth.

# **RISING TO THE CHALLENGES**

Filatex India  
Limited

---

Annual Report  
2019-20



# Inside the Report

## STRATEGIC OVERVIEW

Corporate Portrait	01
Our Journey	03
Letter to Shareholders	05
Awards and Accolades	08
Board of Directors	09
Key Performance Indicators	11
Global Footprint	13
Our Products and More	15
Corporate Social Responsibility	17
Management Discussion and Analysis	19

## STATUTORY REPORT

Corporate Information	28
Notice	29
Director's Report	43
Business Responsibility Report (BRR)	75

## FINANCIAL STATEMENTS

Independent Auditor's Report	85
Balance Sheet	94
Statement of Profit and Loss	96
Statement of Change in Equity	97
Cash Flow Statement	99
Notes	101

**₹2,782.1** CRORES

Revenue from Operations  
in FY20

**18.80%**

GROWTH IN VOLUMES  
in FY20

**₹222.1** CRORES

EBITDA in FY20

**₹121.5** CRORES

PAT in FY20



Late Sh. Ram Avtar Bhageria  
*Founder Chairman*

His **ethics and principles**  
continue to inspire us.

# Diligent planning and perseverance in execution

## CORPORATE PORTRAIT

Filatex India Limited is today among the country's leading manufacturers of Polyester Filament Yarn. With a foray into manufacturing in 1994 with monofilament yarn, today the company fulfils emerging garment needs of millions and adds extra mileage to India's developing textile industry. We manufacture polyester and polypropylene multifilament yarn and polyester chips at our two production facilities. One at Dadra & Nagar Haveli and the second one at Dahej, equipped with state-of-the-art modern German machines.

We remain focused on capitalising synergies created through our integrated business model. Our business canvas has been carefully curated, keeping in mind the competitive business environment. Inhouse production of Partially Oriented Yarns (POY) helps us in low-cost manufacturing of Drawn Textured Yarn (DTY). This helps us enable operational efficiencies while maintaining high-quality standards.

Driven by strong leadership, we are focused on increasing capacities, widening our reach, maximizing our

efficiency, allocating capital effectively, and ensuring sustainability. We firmly believe that our diligent planning and strong execution capabilities set us apart. From our day to day operation to our long-term strategic vision, our differentiator has always been our focus on better execution. These execution capabilities manifest in numerous forms, including quality enhancements that we undertake, sustainability practices that we implement, and the social activities that we contribute to.

Challenges and changes are inevitable and unpredictable. What can be controlled is how we react to, manage and overcome them.

# 1,050

TONNES PER DAY  
production capacity

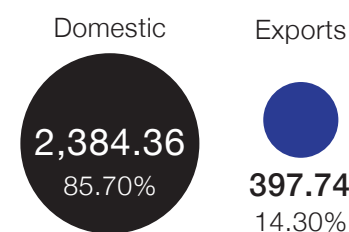
# 30+

YEARS OF EXPERIENCE  
in manufacturing yarn

# 3,83,000

TONNES PER ANNUM  
production capacity

## REVENUE SPLIT



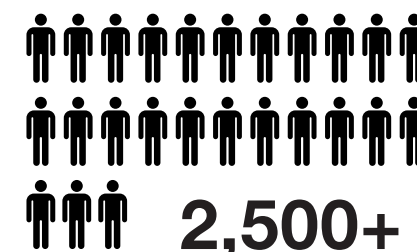
Total Revenue ₹ 2,782.1 cr  
(₹ in Crores)

# 21.51%

3 year standalone revenue  
CAGR

# 2

STATE OF THE ART  
MANUFACTURING UNITS



TEAM MEMBERS  
embracing culture of  
integrity and delivering  
value

Exporting to

# 45+

COUNTRIES ACROSS

# 5

CONTINENTS

Integrated  
manufacturing operations

## Our Vision

To be one of the leading polyester yarn manufacturers, producing products meeting international standards and being customer focused through stringent quality assurance and continuous innovation.

## Our Mission

1. To attain the highest level of trust, integrity and honesty in business.
2. To encourage people's ownership, empowerment and working under team structure.
3. To manufacture at an affordable cost that provides our customers with a competitive advantage.
4. Strive to maintain an edge over our competitors due to consistent product quality and low operating costs.

## Our Values

1. Integrity and honesty in business
2. Customer satisfaction and delight
3. Encourage creativity and innovation to drive people, product and processes
4. To promote safe work practices
5. To protect the environment and community

# 18.69%

3 year standalone Operating  
profits (EBITDA) CAGR

# 43.40%

3 year standalone PAT CAGR

# A-

Latest credit rating

# From 500 to 383,000 Tonnes Per Annum

## OUR JOURNEY

1990

Incorporated  
in August 1990

1994

Commenced Production of **Mono  
Filament yarns** at Noida

1996

Diversified into Speciality **Polyester Filaments Yarn** at Dadra (U.T. Dadra and Nagar Haveli) with the production of **POY and Textured Yarns**

1998

Started production of **Polypropylene (PP), Multi-filaments Dope Dyed Yarn** and added **more Polyester POY** at Dadra

2008

Commenced production of **Fully Drwan Yarn (FDY)** in Dadra using **latest machine** from World leader **Barmag, Germany**

2012

**Setup a green field continuous polymerization plant** with state of the art technology and a capacity of 600 TPD - 250 TPD of POY and 250 TPD of Polyester Chips at **Dahej, Gujarat**

2016

**Added spinning of 115 TPD of Fully Drawn Yarn (FDY)** in March and 200 TPD of **Draw Textured Yarn (DTY)** at Dahej, Gujarat

2018

Commissioned **Bright Polymerization Plant** with a capacity of 300 TPD for spinning, 190 TPD of **FDY**, 25 TPD of **POY** and 85 TPD of **Bright chips** at Dahej, Gujarat

2019

**Total Polymerization capacity** enhanced to **1,050 TPD** from 900 TPD in Q4 FY19 at Dahej. POY expansion commenced in Q2FY20

2020

Commencement of **DTY expansion expected in Q2FY21**. Work towards power plant project started in Dahej



# From the chairman's desk

## LETTER TO SHAREHOLDERS

“ The year under review had a decent volume and profit growth despite the macro-environment headwinds and general slowdown of the economy, not just in India but across the globe. ”

”



### DEAR SHAREHOLDERS,

It gives me immense pleasure to present to you the Annual Report for 2019-20. To begin with, I hope every one of you and your family is well and healthy. In these challenging times, it is more important than ever before to remain vigilant in safeguarding the health and well-being of the team while reliably supplying products to our customers. The year under review had a decent volume and profit growth despite the macro-environment headwinds and general slowdown of the economy, not just in India but across the globe.

### The Year That Was

Amidst a tough operating environment, we reported revenues of Rs.2,782 crores as compared to 2,874 crores in the previous year. EBITDA for the year stood at Rs. 222.13 crores as compared to 216.51 crores in FY 2018-19. The net profit in FY 2019-20 stands at Rs. 121.48 crores as compared to Rs. 84.85 crores in the previous year, a growth of 43.2%. During this financial year we touched a volume of 3,32,185 tons as compared to last year at 2,79,595 tons. The production volumes would have been higher but for loss of 8 days production due to the sudden national lockdown. In our yarn production, we achieved a capacity utilization factor of 95%.

During this financial year, we have managed to keep our capacity utilization high and have registered growth in volumes (YoY). There is a slight drop in the top line which is not a cause of worry as product prices, which have a direct linkage to crude prices, have been falling every quarter

### COVID-19



FOCUS ON  
**survival**



FOLLOWING  
**stringent hygiene measures**



STRIVING FOR MAXIMUM  
**capacity utilisation**

in line with drop in raw material prices. Though generally the delta margins are protected, the sluggishness of the market's response leads to squeezed margins and inventory piles up in downward price trends of raw materials. The value addition has a small decline due to subdued demand amongst downstream users.

During the last financial year in India, the slow down effect prevailed across most of the industry segments. The unemployment numbers continued to rise. Growth in domestic consumption was down. Every company responded to this slow down in a different manner. Our strategy has been increasing our production volumes with consistent quality. In the textile segment, the upheaval, for several quarters, has been quite strong and highly visible in numbers, especially exports which continue to decline. Trade imbalance between US & China continues to affect domestic markets in India as it has led to a lot of import of Chinese yarn, fabric, & apparels. Duty free access of garments from Bangladesh & Sri Lanka has also paved

### GOVERNMENT POLICIES



Abolishment of anti dumping duty on PTA



Government's vision of Aatma Nirbhar Bharat



Industry's long-pending plea for correction of inverted duty

the path for Chinese fabrics entering the domestic market.

### Coping Up with COVID-19

While the economy as a whole and the textile sector specifically, was trying to cope up with the sluggishness, a major catastrophic event was witnessed all over the world in the form of the coronavirus pandemic which spread rapidly across the globe. The Government of India, after having witnessed the havoc caused in Europe and USA, ordered a complete lockdown of all activities except bare essential services from 24th March onwards. India was not alone in taking such a drastic decision. Due to this, we lost around 8 days of production in the financial year under consideration.

Almost all countries responded to the Covid-19 pandemic by way of complete lockdown preventing movement of people, goods and services except bare essentials. Complying with the government's order, we had to shut down our plants for around nine weeks.

### ROAD AHEAD



Focus on products with niche properties

### 30 MW

Setting up 30 MW captive power plant



FOCUSING ON  
**recycling of polyester**

We restarted partial operations in our process plant from 21st of May 2020, however, continuation of lockdown, containment zones, withdrawal of public transport and sealing of interstate borders presented major challenges. We strongly believe that there is no unique strategy in tough times except for hard work and perseverance. Our primary focus during these difficult times was on 'survival'. The first step was to ensure the well-being of our employees and their families. Returning to work was the second major step which involved "Work from home" as well as flexible timings for those whose presence was necessary for a few hours. Strict hygiene regulations have been implemented at the workplace along with social distancing measures. Our next aim is to reach optimum capacity utilization levels.

### Government Policies

The Indian polyester industry, for last six years, has been at a distinct cost disadvantage in global competitiveness on account of Anti-Dumping Duty on key raw material

**“ All equipment and auxiliaries have been ordered after completing basic engineering and design, and we expect the power project to come on stream by April 2021. Upon completion of this project the company estimates 45-50 crores of annual savings in its operating costs. ”**

i.e. PTA. Through tireless efforts of Industry representatives and some vigorous initiative by the Textile ministry, the additional anti-dumping duty on PTA was abolished by the Ministry of Finance in the budget announced on 1st February 2020 .

The polyester industry still continues to suffer on account of an inverted GST structure – higher rate of 18% on raw material & 12% on finished products like yarn & fibre and going forward 5% on fabrics and garments. We understand that the Govt. of India is in the process of correcting the inverted duty structure. This will ease out the financial stress of the polyester manufacturers at no loss of revenue to the Government.

Honourable Prime Minister's clarion call of “Atmanirbhar” as a development strategy to reboot Indian economy has touched an emotional chord amongst all. This is not about just import substitution but building manufacturing capacities for global markets. The textiles sector, as a whole, is quite self-reliant in terms of raw materials, skill sets, manpower and not to forget a well-established domestic market. Several experts and advisors have identified stagnating factors such as lack of scales, bias towards cotton, inadequate support to MSMEs, preferential trade agreements etc. The Government's blueprint enumerating policy initiative is likely to address all these issues as “Atmanirbhar” vision moves on to the mission stage. Government has recognized the importance of the textiles sector in job creation and

importance of man-made fibres in textiles fibre basket.

### The Road Ahead

We entered the year 2020 in a period of uncertainty related to macro factors that were beyond our control. However, we remained focused on what we can control. We added incremental texturizing capacities in the last quarter of the financial year. This will open up opportunities in the domestic as well as the exports market. We were felicitated for third best performance in exports by SRTEPC (Synthetic and Rayon Textiles Export Promotion Council) for last financial year.

With a strategic objective of increasing margins, we are not only focused on cost reduction but are also adding new filaments with niche characteristics to our product basket. The trial runs have been successful and the marketing of these products will soon follow.

Keeping in view the global trends in apparels and fast fashion wherein there is a growing concern about environment and sustainability, we have initiated applied research work on “Recycling” of polyester, not just the PET bottles but yarns and waste in all forms. The demand for recycled polyester is increasing rapidly as leading brands in fast fashion segments are looking to source higher percentage of recycled raw materials. Recycling of polyester will help us reduce our carbon footprint as well.

The company is also in the process of setting up a 30MW captive power

plant to bring down its energy cost as energy rates in Gujarat are higher than its neighbouring states. All equipment and auxiliaries have been ordered after completing basic engineering and design, and we expect the power project to come on stream by April 2021. Upon completion of this project the company estimates 45-50 crores of annual savings in its operating costs.

### To Sum Up

Although the financial year has begun on a challenging note, we are confident of our company's ability to survive and revive in these uncertain times. The COVID-19 pandemic has certainly thrown new challenges our way, but I assure you that we are taking every necessary step to bring the company back to its past performance levels. The dedication and commitment of our employees and their enthusiasm along with strong government support and our track record through various business cycles – gives me confidence in our ability to deliver long term value for our stakeholders regardless of the challenges that may come our way.

Finally, on behalf of the Filatex Board, I would take this opportunity to acknowledge the trust and continuous support extended by our shareholders, customers, partners and other business associates throughout our journey.

Yours sincerely,

*Madhu Sudhan Bhageria*

**Madhu Sudhan Bhageria**  
Chairman & Managing Director

## Striving for Excellence

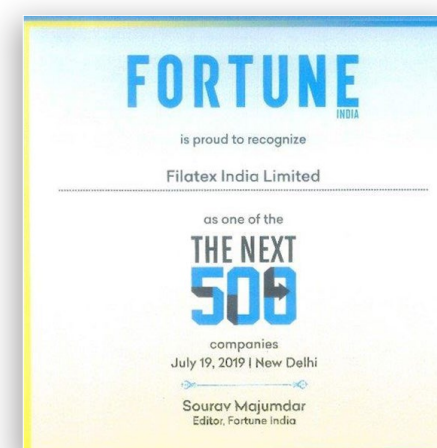
### AWARDS AND ACCOLADES



Asia Pacific Entrepreneurship Awards - Corporate Excellence



Best Company of the Year Award



Fortune Next 500 Award, 2019



SRTEPC - 3rd Best Export Performance



# The right blend of experience and expertise

## BOARD OF DIRECTORS



**Madhu Sudhan Bhageria**

**Chairman & Managing Director (Promoter)**

1. Has led the company from production of monofilament yarn (500 TPA) to multifilament yarn of all types, shades and colours (3,83,000 TPA)
2. 37 years of operational, financial and strategic planning experience in polyester yarn, environment and energy innovation
3. President of PTA Users Association, a body dealing with key impediments for the growth of polyester
4. Gold Medallist Commerce Graduate from the Reputed Shri Ram College of Commerce, Delhi University



**Purshottam Bhaggeria**

**Joint Managing Director (Promoter)**

1. A dynamic man with rich experience in corporate affairs, policy perspectives, investments, compliance and legal issues
2. Honorary Consul of Republic of Moldova in India since March 2011
3. Board Member (Director) of FICAC (World Federation of Consuls) and Secretary-General, Hony. Consular Corps Diplomatique (HCCD), an all India body of all the Honorary Consuls
4. Chairman of International Affairs Committee of Europe, PHD Chambers of Commerce
5. Earned an MBA degree with distinction from Cornell University, USA



**Madhav Bhageria**

**Joint Managing Director (Promoter)**

1. 35 years of rich experience in diverse business areas – marketing, operations, insurance and contracts
2. Guiding the finance team as interim CFO
3. An ardent supporter of quality education, he is the Promoter Director of Tapti Valley Education Foundation, an international school in Surat
4. Commerce graduate from Hindu College, Delhi University



**Ashok Chauhan**

**Executive Director**

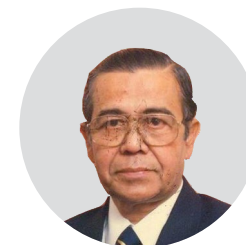
1. 45 years of experience in diverse industry segments like Pulp & Paper, Chemicals, Engineering Consultancy, Polyester Film, PET Filament, Hydro Power Plants, Solar/ Wind / Renewable Energy, Real Estate Development & Construction, etc.
2. Vast experience in corporate planning, business investment strategies, operations, organization development, organizational behavior and succession planning
3. B.E. and MBA from Delhi University
4. Gold Medal and Best Sportsman Award received in college



**Suraj Prakash Setia**

**(Independent Director)**

1. Rich experience in the textile industry and providing consultancy to textile industry since 1982
2. Chairman of Company's Shareholders Relationship Committee
3. Member of Company's Audit Committee and Nomination & Remuneration Committee
4. Director in various other companies
5. Textile Engineering Graduate, the batch of 1962, from Bhiwani



**Swarup Chandra Parija**

**(Independent Director)**

1. 38 years of services with the Government of India and served as the Director of Income-Tax Investigation, Chief Commissioner of Income-Tax and Director General of Income-tax Investigation
2. Served as a Chairman of Income-Tax Settlement Commission and as Chief of Administration and Finance of All India Institute of Medical Sciences
3. Member of Company's Audit Committee and Nomination & Remuneration Committee
4. Master's Degree in Political Science from Allahabad University and a MSc in Fiscal Studies from University of Bath (UK)



**Brij Bihari Tandon**

**(Independent Director)**

1. Retd. IAS Officer and former Chief Election Commissioner of India
2. Served as Secretary to the Government of India in various key ministries/ departments
3. Served as Secretary to The Govt. of Himachal Pradesh in various key departments like Industry, Power, Mining, etc.
4. Served as member of the Securities & Exchange Board of India (Special Invitee)
5. M.A. and LLB from the University of Delhi. CAIIB (Associate Certificate of the Indian Institute of Bankers)



**Pallavi Joshi Bakhru**

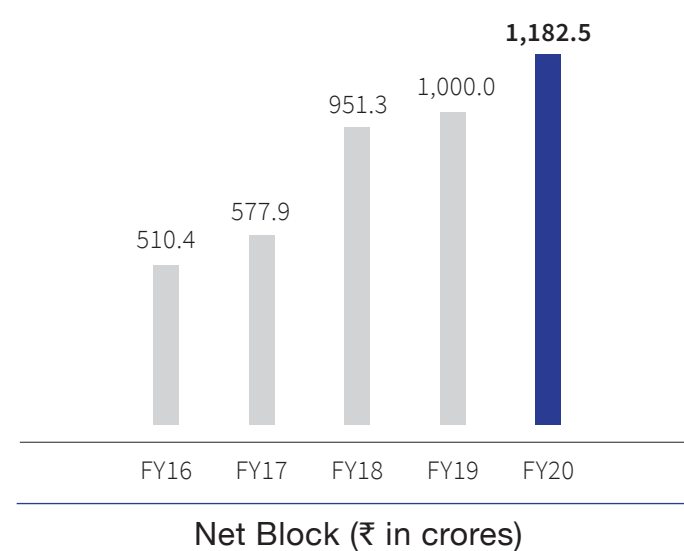
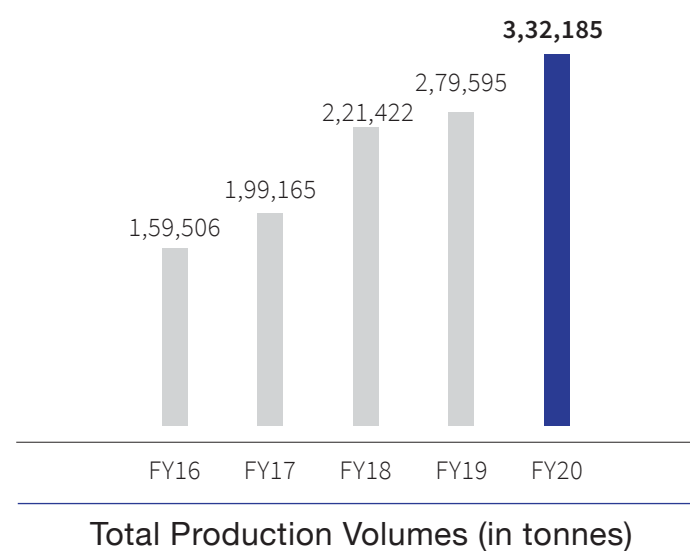
**(Independent Director)**

1. Has more than 27 years of post-qualification experience in the field of taxation. Her area of expertise includes inbound and outbound structuring advisory (including regulatory compliance) for both Indian and overseas investors.
2. Fellow member of the Institute of Chartered Accountants of India
3. Member of The International Fiscal Association – (India Branch)
4. Charter member with Tie – Delhi Chapter.
5. Chairman of Company's Audit Committee and Nomination & Remuneration Committee

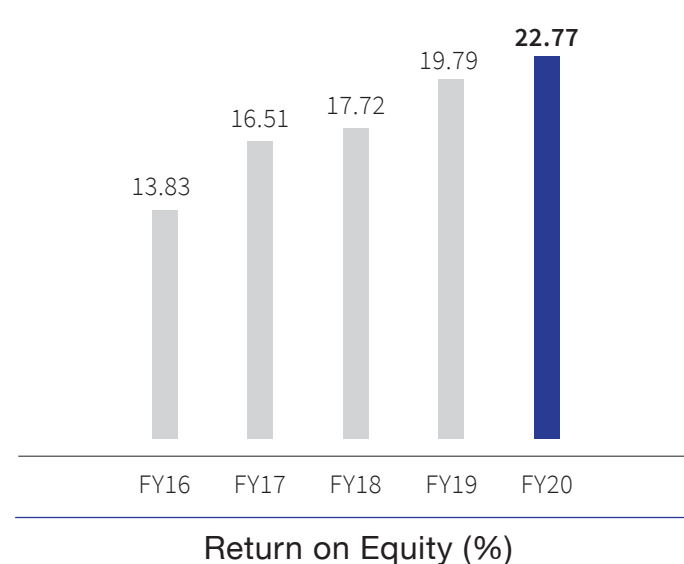
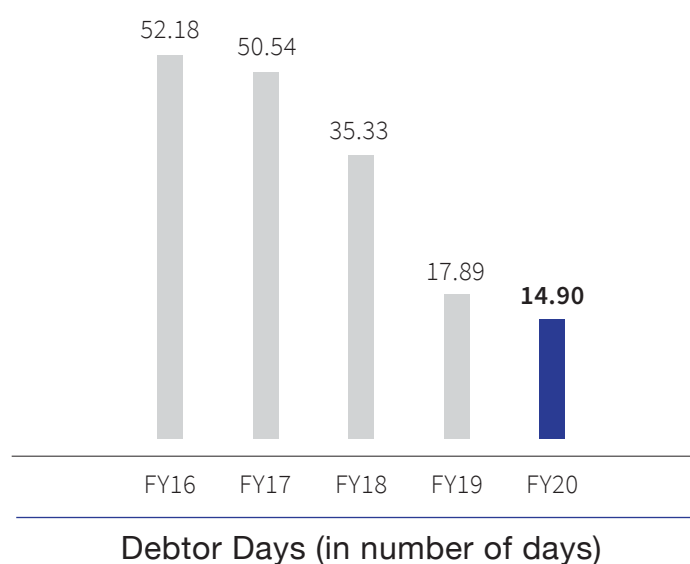
# The year in numbers

## KEY PERFORMANCE INDICATORS

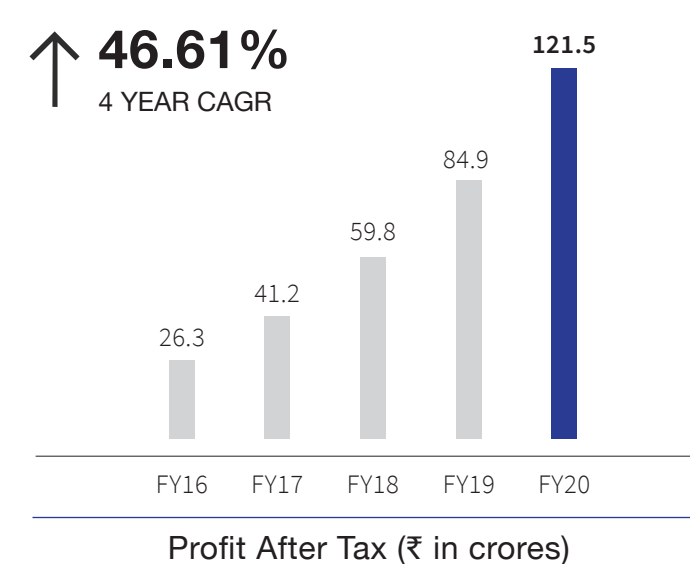
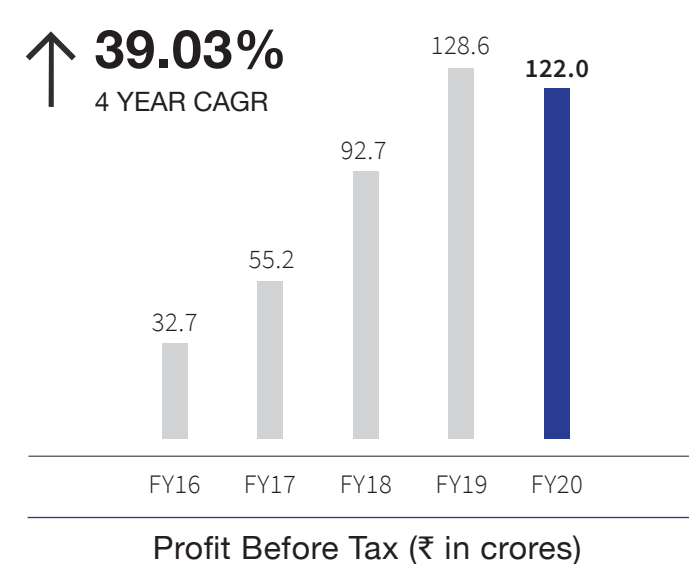
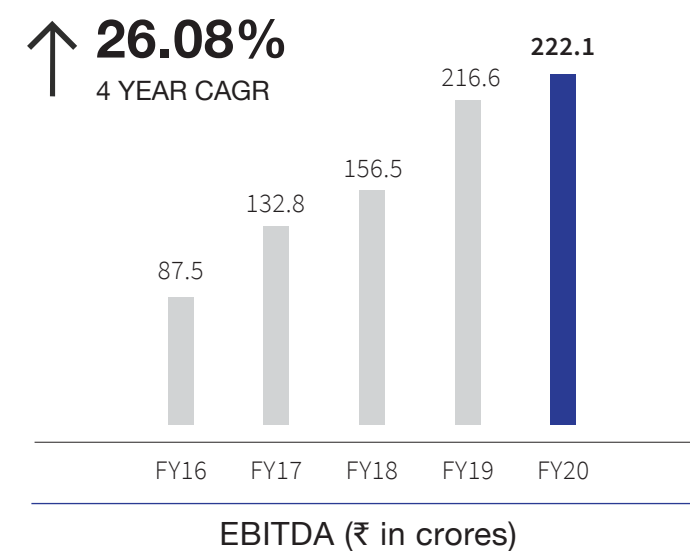
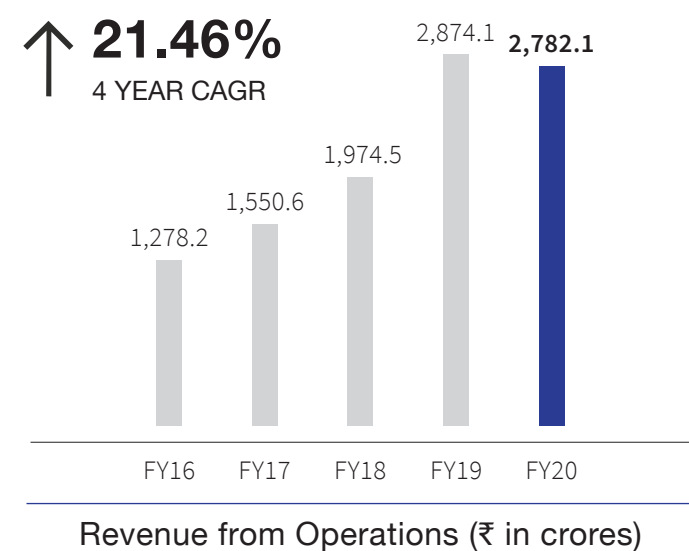
### Scale of Operations



### Operating Metrics



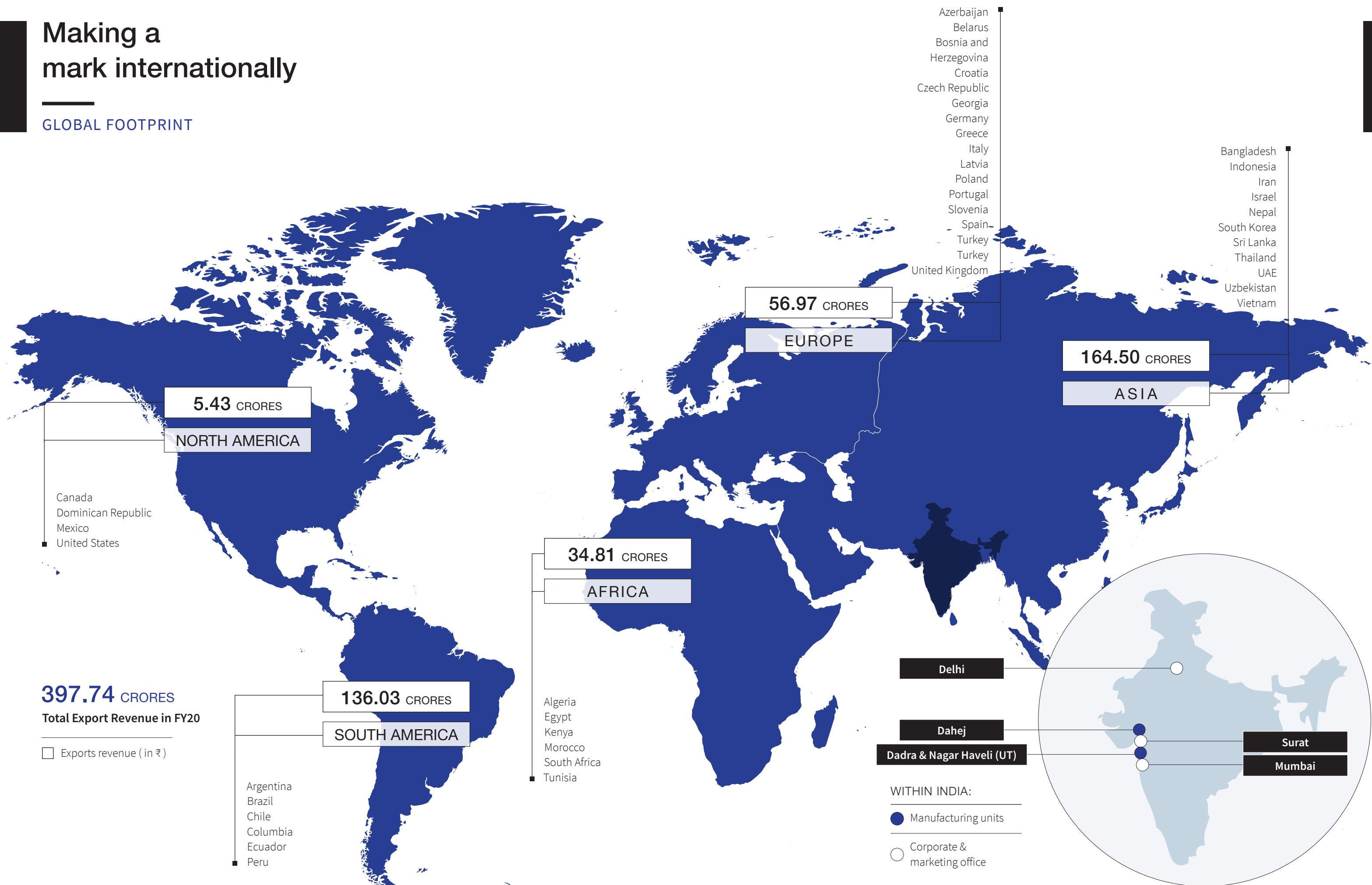
### Financial Performance





# Making a mark internationally

## GLOBAL FOOTPRINT



# The length and breadth of our business

## OUR PRODUCTS AND MORE

### Polyester - The Preferred Fiber



AFFORDABLE  
PRICING



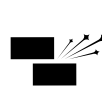
HIGHLY  
DURABLE



EASY WASH  
ABILITY



HIGH COLOUR  
RETENTION



ABRASION &  
MILDEW RESISTANT



WRINKLE  
RESILIENT



BLENDS WITH  
OTHER FIBRES



FASTER  
DRYNESS



STAIN  
RESISTANT



RESISTANT TO  
STRETCHING &  
SHRINKING

### End User Industries

#### Women Wear and Inner Wear

Seam softness is critical in these garments. The textured Micro Denier has met the expected requirements and is being used in Lingerie, Performance garments – Activewear, Yoga wear, low shrinkage to ensure no seam distortion after washing & soft feel make these yarns ideal choice.

#### Apparel

Polyester Filament Yarns are extensively used in apparel – Trousers, Shirts, Suitings & Sarees. PPY is a high strength filament that can withstand repetitive movements. Colour Fastness of Polyester Fiber is excellent. Other properties like being wear resistant, water resistant,

wrinkle resistant and hydrophobic properties make it ideal for all kinds of apparel.

#### Home Textiles & Furnishings

Polyester Filament Yarn is also used for Home Furnishings, Fashion Fabrics, Terry Towels, Bed Sheets, Curtains, and Carpets. Other growing applications are Upholstery Fabrics. Properties such as stain resistance make it ideal for carpets.

#### Athleisure

The preferred material for sportswear is Polyester Yarn. Sports leisure clothing require a fabric that's not only strong & durable but also abrasion resistant. Ease of washing & corrosion resistance

makes them easy to maintain with long usage life.

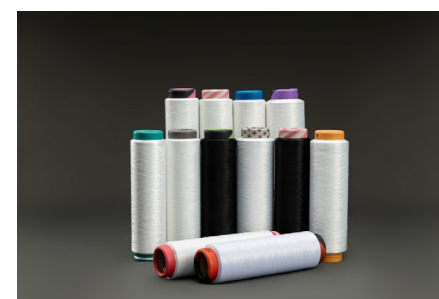
#### Industrial

Polyester finds application in a lot of industrial uses, owing to its strength and durability over natural fibres. It is used in the manufacturing of high strength ropes, threads, hoses, sails, power belting and much more.

#### PPE Kits & Protective Masks

Polyester & Polypropylene is used in the components of PPE kits as well as protective masks. Properties such as corrosion resistant, wear resistant and low shrinkage make them an ideal choice to allow longer usage life.

We believe that **Polyester** due to its unique properties and diverse applications is the fibre of the future.



### Our Product Portfolio

#### Polyester Chips

PET (polyethylene terephthalate) chips are produced by granulating polyester formed in a polycondensation reaction of pure terephthalic acid and monoethylene glycol. They are an industrial intermediate product used to manufacture Polyester yarns. PET Chips used in Textile Industry are also known as Fibre grade PET chips, filament grade PET chips or textile grade PET chips. Textile grade PET Chips are used for making Polyester Filament yarn like POY, FDY and Staple fibre used widely in the Textile industry.

#### Partially Oriented Yarns (POY)

Partially oriented yarn is produced from the melting and extrusion (melt spinning) of the polyester chip or melt. During the spinning process, the filaments are stretched or drawn as much as five times their original size to orient the polymer to meet the desired evenness, strength, shrinkage, and



elongation properties. The term partially oriented yarn refers to multi-filament that is only partially stretched. POY has to be texturised to make textured yarn and can also be used in draw warping for weaving and warp knitting of fabrics.

#### Draw Textured Yarn (DTY)

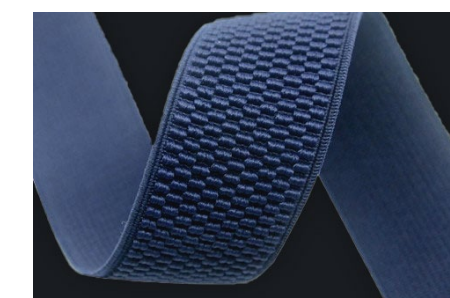
Produced by drawing & heating POY through a texturing process. It is used for manufacturing fabrics. Polyester DTY yarn is a continuous filament yarn that has been processed to add durable crimps, twists, interlaces, loops or other fine distortions along the lengths of the filament. Polyester DTY yarn can also be obtained in various colors by the dope dyed technology or by conventional dyeing. DTY is used for fabric end uses like outer/inner garments, skin-clinging garments, furnishings, upholstery, etc.

#### Fully Drawn Yarns (FDY)

Fully Drawn Yarn (FDY) is produced by a process similar to POY except that the yarn is produced at higher spinning speeds and drawn fully. FDY is mainly used as weft or weaves in making fabrics. FDY can be used with any other filament yarn to get fabric of different varieties. Fully drawn polyester filament yarn is directly used for producing all kinds of fabrics especially for children and ladies.

#### Polypropylene Multifilament Crimp Yarns (PPY)

PP Yarn is extruded in Denier range 100 to 300 in various filament combinations and further Texturized on Draw Texturizing machines. PPY has low moistening characteristics which make it very easy to clean. The specific gravity of PPY is 0.91, which is lower than Nylon or Polyester. So under the same weight conditions, one gets more length of PP



yarns compared to Nylon or Polyester yarns. PPY is used in the stitching of Socks, Under Garments, Sports Wear, Woven Sacks, Geo Textiles, Sofa Sets, Safety Belts, Sewing Thread and Rope.

#### Narrow Woven Fabric (NWF)

Narrow fabrics are non-elastic woven textile having a width of 12 inches or less and a woven selvage on either side. They are small strips of fabric, often designed for a specific and practical purpose. NWF comes in different varieties such as satin cord, fancy cord, and tape, all types of zipper tapes, mattress tape, leashes, elastic tape, ribbon, plain and fancy belts. NWF was initially used in the garment industry on hats, corsets, and lingerie, and in military uniforms as well. Nowadays soldiers will also find narrow fabrics in their pack webbing and parachutes as well as their waist belts, helmets, and body armour. NWF can be seen in everyday objects in our lives, from the seat belts in our car, to the leash used to walk our dog, to the tough fabric edging on our mattress.

**Complete product basket with offerings from bright to semi-dull to dope-dyed colours, course to fine, in all types of filaments - POY, DTY and FDY**

