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Indus Fila Limited Annual Report 2006-07

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or assumptions prove inaccurate, actual results could vary assumptions prove inaccurate, actual results could vary anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-ooking statements, whether as a result of new information, future events or otherwise.

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THERE IS A LOT THAT WE DERIVE FROM, AND LEARN FROM THE OLYMPIC MOTTO. THE OLYMPIC MOTTO WAS CONSTRUCTED TO ENCAPSULATE THE CHARACTERISTICS OF GLOBAL COMPETITIVENESS. WHAT DIFFERENTIATED THE WINNER WERE THESE THREE WORDS - CITIUS, ALTIUS, FORTIUS.

WE DRAW SIMILAR PARALLELS IN OUR BUSINESS. WE ARE PART OF THE GLOBAL TEXTILES SPACE CATERING TO CUSTOMERS WHO SELL IN EVERY PART OF THE WORLD. WE ARE THEIR BACK-END. WE COMPETE WITH GLOBAL MANUFACTURING COMPANIES TO EMERGE AS WINNERS AND GET THE COVETED WORK ORDERS FROM OUR CLIENTS. THREE CHARACTERISTICS DIFFERENTIATE US AND OUR ABILITY TO GROW - FASTER, HIGHER, STRONGER. LET US EXPLAIN.



We are part of the fashion industry, not just the textile business. Fashion moves fast. Citius is the character of the business we serve. Our ability to get a higher share of the business is directly dependent on our ability to design better and grow faster. Design and product development separate us from the rest. Scale helps us improve our competitiveness further. The better we design and the faster we execute, the more we get business and stronger is the client's relationship with us. And that's what we have done and will continue to do. Citius is the nature of our business. Our state of mind.



Having ensured that we grow the fastest and stretch ourselves, we are doing it intelligently. We have understood the importance of value-add. We know what it can do for us. We waited for the right time. The right size for us to integrate forward. Grow higher. Altius is the way forward. Expect more from us.



Having ensured a faster and higher growth trajectory, the convergence is Fortius. To be strong is a function of the dominance you build. Being an integrated player and having tested the acceptance, we are becoming even stronger by adding significant size. We are expanding our business in every possible area. It's an all encompassing growth. Not just organic, but inorganic too. Our aggression has found a new stimulus. Fortius.

WELCOME TO A NEW COMPANY. FASTER, HIGHER, STRONGER.

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Sometimes, it pays to start completely afresh. You look at different things, differently. The same was for us. Many confuse us and think we are just any other textile company. We just manufacture.

INDUS FILA IS DIFFERENT.

We do not just manufacture. We also manufacture. There is a difference. The difference is that we are a design and product development company first and manufacturing is a means to provide the client faster fashion through complete integration. The client comes to us not for our manufacturing strengths only, it's because we are an extension of him, through design. We lead through design and execution.

Our vision is simple. To be a dominant player in fashion textiles and apparel industry by focusing on product innovation, design leadership and

superior service.

We are setting up a state-of-the-art facility; the Center of Excellence (COE), spread over 20 acres in Bangalore. That's our commitment. This COE has the best design expertise globally and the best talent is already being sourced from places like Italy, Paris and Amsterdam. Best environment, best equipment and the best people will create designs for tomorrow. The COE will also innovate in product development across the value chain from yarn to garment.

We have grown at over 100% CAGR in the last five years and achieved the best margins and the most repeat orders in the space we represent. This makes us one of the fastest growing companies in the textile industry in India.

And we will grow even faster as the COE becomes fully operational in 2009.

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Capturing the entire value chain

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Fashion is our business. And fashion changes fast, very fast. Today's fashion is all about changing looks, silhouettes, fabrics and colours. The mind to market or the design to delivery cycle in our business has therefore become critical. There is no way you can keep outsourcing and reduce delivery time. It does not happen. The strength of the chain is the strength of its weakest link.

At Indus Fila, there are no weak links.

We are a 'design to delivery' company. We are a company committed to helping our customer introduce fashion faster. We are determined to reduce the 'design to delivery' cycle time from 120 days to 30 days. That is, 3 fashion cycles increase to 12!

We are doing this by capturing the entire value chain so that there are no weak links. Last year, we acquired the state-of-the-art processing and weaving division of Sai Lakshmi Industries located in Nanjangud near Mysore to ensure that the only weak link, processing was also covered. We start with design and product development, dye the yarn, make and process our fabric and manufacture the garments too. The customer is delighted.

And so are we. Thanks to the value addition, there are many advantages for us. Integration helps improve margin, cash flows and ROI. The customer stays longer, buys more. That makes us expand, grow and add scale. With it, come efficiency and more margin.

And this is not all. There is one leg of the value chain that we aspire to be a part of. The frontend. We are looking at acquiring a fashion brand in India and abroad or even grow one organically and may be, start our own retail.

THE JOURNEY HAS JUST BEGUN.

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In our business, you have to dominate. The opportunity is huge. Once you reach large scale, you become even stronger. It's a virtuous circle.

Being dominant is what we believe in at Indus Fila.

WE ARE GROWING FASTER, BOTH ORGANICALLY AND INORGANICALLY.

We are expanding our weaving capacity from 59,575 metres per day to 97,575 metres per day.

We are expanding our fabric capacity from 69,000 metres per day to 1,00,000 metres per day.

We are expanding our garmenting capacity from 18,000 pieces per day to 42,000 pieces per day.

The rapid build up, both in design and in expansion of capacities has made us stronger. Increase in expansion has ensured operating efficiencies which not only helped us to be competitive but also ensured better margins and a higher share. Faster and value added growth will ensure higher ROI and return ratios.

We have also implemented a 'lean enterprise' structure across the management and production facilities that emphasizes a flat hierarchy and autonomy in decision making to the employees. This enables us to address the challenges of quick turn-around and quality control, making it a flexible organization.

The result has been a stronger balance sheet and market capitalization which enables us to grow further.

