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Indus Etila Limited
Annual Report
2007-08

Journey Continues...



Forward-looking statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospectus 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 should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Letter to Shareholders

"We have started the journey and shall continue consolidation all around"

- Nitin Mandhana

The year 2007-08 has just passed and the values which we have long sustained have in turn sustained us to face testing circumstances. It was an eventful year marked by several reverses in global economic scene. Besides this, of course, the general appreciation of costs, the sub-prime crisis and the looming US recession have resulted in the markets becoming extremely cautious and competitive. We are in the midst of very turbulent times. Economists are predicting various scenarios for the future.

The Indian Apparel Industry is going to grow and has a bright future, and your company plays a significant role supporting the apparel industry worldwide. Besides, we are committed to good governance, sharing of information with shareholders and enhancing shareholder value.

We lead multiple ways to grow. We are one of the most integrated companies in our business, present across the value chain from fabric to garments. Our vision is to be a Dominant Player in Fashion Textile & Apparels by Focusing on Product Innovation, Design Leadership & Superior Service, a global leader in the fashion textiles and apparel industry. We have added capacities in every segment including yarn dyeing, weaving, processing, garmenting and now from final garmenting to retail. We have planned to invest Rs.1623 Lacs, spread over the next two years for setting up retail stores pan India to de-risk the business with dependence on external buyers, add on margin of retail & use the backend integrated facility and logistics better.

The world is our stage. We aspire to be an integral part of the global textiles space, catering to customers in every part of the world. Our aim is inclusive, all encompassing growth. Not just organic, but inorganic as well. We are constantly exploring opportunities that offer us a strategic advantage, be it the client base, the expertise or the size. If we see an inorganic opportunity that helps us attain our vision faster, better, we acquire it.

In the year, the Company has acquired a 51% stake in Indus Garments (India) Pvt. Ltd for a consideration of Rs.93.50 Million. Indus Garments is an established player in the apparel manufacturing business with 96.60% of its products being exported to American and European customers. The group has been in the business for over two decades having strong relationships with their customer base.

The future looks promising and we are prepared for it. To create growth all around. Long term sustained growth of a Company requires that not only should all stake holder interests be well protected, but the environmental impact of operations recognized and properly safeguarded. This is very much a part of the Company's corporate social responsibility approach.

Behind the company's success has always been our people and manpower and this has been our strength. This strength and dedication has been recognized. The Company recognizes that its real strength is its employees. All efforts will continue to keep them motivated and happy.

At the end, I would like to thank our Board of Directors for their support and look forward to their inspired leadership and constant help to face the challenges which we have ahead. I am most grateful to all our customers, suppliers, bankers and our workforce who have given their constant support. I thank you for the confidence and trust you have placed in the Company.

With best wishes and warm regards,

Place : Bangalore
Date : 10.10.2008

Nitin Mandhana
Vice Chairman & Managing Director

Board of Directors

Gerhard Bornemann	Chairman
Nitin Mandhana	Vice Chairman & Managing Director
Shashikant G. Mandhana	Executive Director
Prakash G. Mandhana	Executive Director
V. Balaji Bhat	Independent Director

Company Secretary & Compliance Officer

Pradeep Kumar Totla

Auditors

Suri & Co, Bangalore

Registered Office
 Survey No. 285, 37th KM Stone, Kasaba Hobli, Nelamangala
 - 562 123.
Corporate Office
 No. 107, Industrial Suburb, II Stage, Yeshwanthpur,
 Bangalore - 560 022.
Registrar & Share Transfer Agent
 Intime Spectrum Registry
 C-13, Pannalal Silk Mills Compound,
 L. B. S. Marg, Bhandup (W), Mumbai - 400 078
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9th Annual General Meeting on Saturday, the 27th December, 2008 at 8 a.m
 at Registered Office of the Company at Survey No. 285, 37th KM Stone,
 Kasaba Hobli, Nelamangala - 562 123.
 Annual Report can be accessed at www.indusfila.com

Notice

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of Indus Fila Limited will be held on Saturday, the 27th December 2008 at 8 a.m. at the Registered Office of the Company at Survey No. 285, 37th KM Stone from Bangalore - Tumkur Road, Kasaba Hobli, T. Begur, Taluk Nelamangala - 562 123, Karnataka, to transact the following business :-

ORDINARY BUSINESS

1. To consider and adopt the audited Balance Sheet as at 30th June, 2008, Profit and Loss Account for the year ended 30th June, 2008, Director's Report, Auditors' Report and the report on corporate governance;
2. To declare a dividend on Equity Share Capital for the financial year ended on 30th June, 2008. The Board has recommended a final dividend of 10% on the paid-up Equity Share Capital of the Company for the year ended 30th June, 2008;
3. To appoint a Director in place of Mr. V. Balaji Bhat, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shashikant G. Mandhana, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Suri & Co. Chartered Accountants as Auditors and to authorize Board of Director of the Company to fix remuneration of the Statutory Auditors of the Company for the Financial Year 2008-09, as may be deemed fit by the Board.

By Order of the Board

Sd/-

Nitin Mandhana

Vice Chairman & Managing Director

Place : Bangalore

Date : 10.10.2008

NOTES FOR MEMBERS' ATTENTION

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Instruments of Proxy for the use at the above meeting must be lodged at the Registered Office of the Company not less than 48 hours before the time appointed for the meeting.
3. The Register of Members and Transfer Books of the Company will be closed from Saturday, the 20th December, 2008 to Saturday, the 27th December 2008 (both days inclusive).
4. Subject to the provisions of Section 206A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or after 31 December 2008 to those members whose names appear on the Register of Members as on 19th December, 2008.
5. Please quote your folio number and our Company's name in all your correspondence with M/s. Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (W), Mumbai - 400 078 who are our Registrar & Transfer Agents.
6. Members who are holding in the Electronic Form are requested to intimate immediately their change of address / change of bank account, if any, to their respective Depository Participant. After dispatch of dividend warrants, any request for change in the bank account will not be entertained by the Company or its Registrar & Transfer Agents.
7. If you have shares registered in the same name or in the same order of the names but in several Folios, please let us know so that we may consolidate them into one Folio.
8. Members holding shares in the physical form may avail of the facility of nomination by nominating, in the prescribed form, a person to whom your shares in the Company will vest in the event of death. Interested members may write to the Company / Registrar & Transfer Agent in the prescribed form.
9. Please encash your dividend warrants immediately on their receipt by you, as dividends remaining unclaimed for seven years are now required to be transferred to the "Investor Education and Protection Fund" established by the Central Government and you shall not be liable to claim any unpaid dividend from the said fund or from the Company thereafter.
10. Brief resume of the director(s) seeking re-appointment and other details as stipulated under Clause 49 of the Listing Agreements are provided in the this report.

Directors' Report

Your Directors have pleasure in presenting their report on the affairs of the Company, together with the Financial Statements for the year ended 30th June 2008.

1. FINANCIAL RESULTS

Particulars	Rs. in Lakhs		US \$ in Million @ 42.85	
	2007-08	2006-07	2007-08	2006-07
Sales	53,436.51	26,894.47	124.71	62.76
Earnings / Profit before interest, depreciation & taxation (EBIDTA)	9,428.37	5,528.58	22.00	12.90
Less : Interest & Finance Charges	2,160.91	872.44	5.04	2.04
Operating Profit before depreciation & taxation	7,267.46	4,656.14	16.96	10.87
Less : Depreciation	1,023.70	672.88	2.39	1.57
Earning / Profit before taxation	6,243.76	3,983.26	14.57	9.30
Less : Provision for taxation	-	-	-	-
Current	1,500.00	1,013.50	3.50	2.37
Deferred Tax	1,025.15	315.45	2.39	0.74
Fringe benefits	18.00	11.50	0.04	0.03
Earlier years (net)	(410.37)	28.68	(0.96)	0.07
Net Earnings / Profit after tax	4,110.98	2,614.13	9.59	6.10
Add : Balance brought forward	2,376.49	144.69	5.55	0.34
Profit available for appropriation	6,487.47	2,758.82	15.14	6.44
Proposed dividend on equity shares	193.75	198.57	0.45	0.46
Tax on dividend	32.93	33.75	0.08	0.08
Dividend & Dividend tax of earlier years	107.70	-	0.25	-
Transfer to general reserve	-	150.00	-	0.35
Surplus Carried to Balance Sheet	6,153.09	2,376.50	14.36	5.55

2. OPERATIONS

The journey of record growth continued for the Company during the current Financial Year also. The Turnover increased to Rs. 54439.33 lacs as compared to Rs. 27363.92 lacs previous year. The Profit After Tax (PAT) for the year increased to Rs. 4110.98 lacs as compared to Rs. 2614 lacs in the previous year.

3. DIVIDEND

Your directors recommend a final dividend of Re. 1.00 (10%) per equity share absorbing a sum of Rs.226.68 Lacs (including dividend tax of Rs. 32.93 Lakhs) for the financial year 2007-08 subject to the approval of the shareholders at the ensuing Annual General Meeting

4. EXPANSION OF BUSINESS

IFL is expanding its capacities across the value chain from final garmenting to retail. The Company has envisaged an ambitious Rs.1623 Lacs plan, spread over the next two years. It is setting up retail stores pan India to :

- o De-risk the business with dependence on external buyers
- o Add on margin of retail
- o Use the backend integrated facility and logistics better

5. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. V. Balaji Bhat and Mr. Shashikant G. Mandhana, Directors of the Company shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

6. AUDITORS

M/s. Suri & Co., Chartered Accountants, Bangalore, the statutory auditors of the Company retires at the ensuing Annual General Meeting of the Company and has confirmed their eligibility and willingness to accept office, if re-appointed.

7. AUDITORS' REPORT

There are no specific observations in the Auditors' Report requiring further comments under Section 217 (3) of the Companies Act, 1956.

8. MANAGEMENT DISCUSSION & ANALYSIS

The management discussion and analysis on the operations of the Company is provided in a separate section and forms part of this report.

9. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the directors confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at June 30, 2008 and of the Company for the year ended on that date;
- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) The directors had prepared the annual accounts on a going concern basis

10. EMPLOYEE'S STOCK OPTION PLAN

The Company, have instituted an Indus Fila ESOP Trust for implementing stocks option plan to reward and help to retain the employees and independent directors and to enable them to participate in Company's future growth and financial success.

An allotment of 4,56,000 shares was done as on 18 November, 2006.

11. PARTICULARS OF EMPLOYEES

The information required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1988 are set out as Annexure to the report.

12. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with the companies

(Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are set out in Annexure to this report.

13. SUBSIDIARY COMPANIES

In July 2007, the Company acquired a 51% stake in Indus Garments (India) Pvt. Ltd for a consideration of Rs.93.50 Million.

Indus Garments is an established player in the apparel manufacturing business with 96.60% of its products being exported to American and European customers.

The group has been in the business for over two decades having strong relationships with their customer base.

The turnover of the Company for the FY08 was Rs.980.04 Million with a PAT of (Rs.4.1 Million). The installed capacity of the company is 3.60 million garments per annum.

14. CORPORATE GOVERNANCE

A report on the Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges along with a certificate from the practicing company secretary confirming compliance is attached to and forming part of this Report along with the details of the Management's Discussion and Analysis.

15. ACKNOWLEDGEMENTS

The directors wish to place on record the co-operation and support received from Government and Semi-Government agencies.

The directors are thankful to all the bankers and financial institutions for their support to the Company. The Board places on record its appreciation of continued support provided by the valued customers, suppliers, equipment vendors, partners and consultants.

The directors also acknowledge the hard work and persuasive efforts put in by the employees of the Company in carrying forward Company's vision and mission. The enthusiasm and continuous efforts of the employees have enabled the Company to establish itself as a bigger player.

The directors also express their gratitude to the shareholders for their continuing confidence in the Company.

By Order of the Board

Sd/-

Nitin Mandhana

Vice Chairman & Managing Director

Place : Bangalore
Date : 10.10.2008

Annexure

Information as required under Section 217(1)(e) of the Companies act, 1956 read with the Companies Disclosure of particulars in the report of board of directors) Rules, 1988 are set out hereunder.

Conservation of energy

The Company runs the co-generation power plant using renewable fuel like paddy husk, briquets etc., and is eligible for carbon credit. Energy conservation is a priority area for the Company. Company's continued efforts to reduce and optimize the use of energy consumption have shown positive results.

Better controls are planned to achieve further reduction in energy consumption. All the new manufacturing facilities of the Company are equipped with energy monitoring and conservation systems to monitor usage, minimize wastage and increase overall efficiency at every stage of power consumption.

FORM 'A'

1. ELECTRICITY	2007-08	2006-07
a. Purchased		
Unit (KWH)	4761704	3729868
Total Amount (Rs. In Lakhs)	218.08	170.17
Rate / Unit (Rs. / KWH)	4.58	4.56
b. Own Generation		
(i) Through Diesel Generator		
Unit (KWH)	527226	474083
Units per litre of Diesel Oil (KWH/Litres)	2.07	3.05
Cost / Unit (Rs. / KWH)	15.81	10.82
(ii) Through Steam Turbine / Generator		
Unit (KWH)	23659700	16700400
Units per litre of fuel / gas	661.46	797.27
Cost / Unit	6.01	3.46
2. COAL		
Quantity (tones)	35769	20947
Total Cost	1422.24	610.95
Average rate	3976.18	2917
3. FURNACE OIL		
Quantity (K. Ltrs)	936	551
Total Cost	217.87	113.60
Average rate	23277	20574

CONSUMPTION PER UNIT OF PRODUCTION

	2007-08	2006-07
Production (Mtr)	45263083	25800000
Electricity (Unit)	28948630	18850000
Electricity Consumption (KWh per Mtr of Production)	0.64	0.73

- As the products are manufactured under continuous process and with different specification, the consumption shall differ from each category.

Technology absorption

The Company is focusing on continuous product development and process improvement. The Company has installed modern Effluent Treatment Plant based on electrolysis technology for achieving 92% reusable water at Nanjangud Plant.

Foreign exchange used and earned

Particulars	2007-08 (Rs. in Lacs)
Total Foreign Exchange used	2300.86
Total Foreign Exchange earned	5524.51

The company is making efforts and is also fairly successful in getting customers from Europe and UK. The revenue of the company is out of the exports of garment.

PARTICULARS OF EMPLOYEES :

Statement showing the particulars for employees who are in receipt of remuneration of not less than Rs. 24,00,000/- p.a. during the financial year 2007-08 and not less than Rs. 2,00,000/- per month during part of the financial year 2007-08

Name	Age	Designation / Nature of Duties	Remuneration	Qualification commence of	Exp in years	Date of employment	Particulars of previous Employment
Nitin Mandhana	42	Vice Chairman & Managing Director Overall management of the affairs of the company with substantial powers of the management	4275000	Commerce Graduate	16	01/04/2006	Mandhana Bornemann Industries Limited
Venkatesh Sivaraman	44	Executive Director Overall Administration & Human Resources function of the Company	3012400	Diploma in Textiles	19	17/08/2006	Crocodile India
Shashikant G. Mandhana	49	Executive Director Overall management of the affairs of the Apparel Division of the Company with substantial powers of the management	2850000	Commerce Graduate	26	01/04/2006	Mandhana Bornemann Industries Limited
Prakash G. Mandhana	43	Executive Director Overall management of the affairs of the Apparel Division of the Company with substantial powers of the management	2850000	B. Tech (Textile)	19	01/04/2006	Mandhana Bornemann Industries Limited

** Remuneration received includes salary and other allowance, perquisites etc.,

Management Discussion & Analysis

1. Economic overview

India has been one of the best performers in the world economy in recent years growing 9.2% in 2007 and 9.6% in 2006 but rapidly rising inflation, global financial crisis, the complexities of running the world's biggest democracy are proving challenging.

The structural & fiscal transformation that has been adopted by the national government / RBI in recent times has reduced growth constraints and contributed greatly to building confidence and managing difficulties.

India is one of the world's fastest growing economies with average growth rate of 8% over the past and now the world's youth largest economy in purchasing power parity

2. Industry overview

India accounts for 8% of the global trade in textiles and is ranked as the 6th largest supplier in the world. The country is the largest producer of jute, second largest producer of cotton yarn, second largest producer of silk and the fifth largest producer of synthetic fibre/yarn globally.

The Indian textile and apparel industry, currently worth around USD 49 billion is one of the largest industries in India. It makes a significant contribution to the country's economy, adding about 5% to the GDP, 14 % to the industrial production and 17% to the total export earnings. Textile exports stood at USD 20.5 billion in 2007-08. It is the largest foreign exchange earning sector in the country besides being the second largest provider of employment after agriculture, being directly responsible for the employment of around 38 million people and indirectly for another 50 million people.

Going forward, the outlook for the industry looks very encouraging. Increasing organized retail penetration with global giants entering the Indian markets, favourable demographics, rising disposable income levels and a rapid change in consumer preference towards high-mid value added products are driving the domestic consumption demand.

Besides, the Indian Government has recognized the potential of the textile and apparel sector and has undertaken several measures to give it a further boost. Some of these include:

- o The Indian textile and apparel industry is projected to receive an impetus worth USD 35 billion as investments by 2012.
- o A total of 30 integrated textile parks have been sanctioned under the Scheme for Integrated Textile Parks (SITP). These parks would commence operations by the end of 2008-09 and 10 more parks would be added by 2012 under SITP.

- o Technology Mission on Cotton has been launched to make available quality raw material at competitive prices.
- o Extension of the 5% interest subsidy via Technology Upgradation Fund Scheme (TUFS) that facilitates the modernization and upgradation of the textiles industry, previously slated to expire in March 2007.
- o Fast progress on relaxing labour laws to improve sector productivity. With textile SEZs offering flexible labour laws, a national rollout is widely expected.
- o Three centres of the National Institute of Fashion Technology (NIFT) would be opened soon in Bhopal, Madhya Pradesh; Patna, Bihar and Shillong, Meghalaya. Recently, two centres of NIFT have been opened at Rae Bareilly, Uttar Pradesh and Kannur, Kerala.

Thus Vision 2010 for textiles, formulated by the Government of India that aims to increase the size of the Indian textile industry to USD 90 billion with exports amounting to USD 50 billion, seems plausible and within reach.

3. Business overview

Indus Fila Limited (IFL) is a vertically integrated textile manufacturer having entire logistics and value chain of design, yarn dyeing, weaving, fabric processing and garment.

An Indus Mandhana Enterprise, the Company enjoys four decades of the promoters' proven track record in the industry. A multi-product, multi-fabric and multimarket player, IFL's sharp focus on design, innovative product engineering and integrated design to delivery capability has put it ahead of its peers in this business.

Operations

The Company manufactures colour dyed, solid dyed fabrics as well as men's shirts and ladies' tops for domestic garment manufacturers and exporters. Through state-of the-art production facilities, the apparel manufactured are exported and the fabric is made to order for domestic garment manufacturers and exporters. Thus, the Company's target market is a diverse mix of the domestic fabric market and the international fabric and garment export market.

On the fabric front, IFL sells to well known apparel converters - Gokaldas, Page Apparels, Madura Garments, Celebrity Fashions etc. On the export front, several prominent domestic garment exporters and international brands like Izod, Arrow, Chaps, Philip Van Heusen, Mexx, Espirit, H & M Hennes & Mauritz, Calvin Klein, Armani Exchange and Levi Strauss are the Company's clients. As far as apparel is concerned, almost 95% of the garments made by IFL are exported to USA & Europe.