

Annual Report ²⁰⁰⁸₅₀

Indus Fila

From Design to Delivery

(An indus mandhana enterprise)



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 - 2009

Let me first thank all of you for being shareholders in the Company and for supporting the Company's vision over the years.

Markets have changed. To ensure the Company's future, your Board and Management reassessed corporate activities to reduce costs while maintaining operational capabilities and progress in value added functions. As the world economy rebounds, we expect conditions to improve and are committed to be well positioned to take advantage of emerging opportunities. We are seeing signs of such recovery with increased generally and particularly in our restructuring process.

The global downturn, which commenced in late 2007, has continued to impact Perpetual and our Industry in the current financial year. It has also been a very tough year for shareholders, investors and employees and the recession has understandably brought their confidence under pressure in the past 18 months. The restoration of that confidence will be determined partly by factors outside our control such as market volatility, the actions of governments and the solvency of some global financial institutions. As Perpetual, we have been mainly focused on factors within our control.

Annual General Meeting 2009

I am pleased to enclose the Notice of Meeting for the Tenth Annual General Meeting (the "AGM") of Indus Fila Limited together with 2008 - 09 Annual Report and Summary.

The AGM will be held at 9 am on 31st December, 2009 at the Registered Office of the Company at Survey No. 285, 37th KM Stone, Kasaba Hobli, T. Begur, Nelamangala, Bangalore - 562 123.

If you will not be attending, you may appoint a proxy by completing and returning the enclosed form of proxy. In each case, notice of your appointment of a proxy should reach the company's registered office 48 hours prior to the meeting.

The Consolidated Accounts shall be submitted latter.

Yours truly,
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 - 400078

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10th Annual General Meeting on Thursday, the 31st December, 2009 at 9 a.m
at

Registered Office of the Company

Annual Report can be accessed at www.indusfila.com

NOTICE

NOTICE is hereby given that the **Tenth Annual General Meeting** of the Members of Indus Fila Limited will be held on **Thursday, the 31st December, 2009 at 9 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 31st March, 2009, Profit and Loss Account for the year ended 31st March 2009, Director's Report, Auditors' Report;
2. To appoint a Director in place of Mr. Prakash Mandhana, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gerhard Bornemann, who retires by rotation and being eligible, offers himself for re-appointment.
4. To re-appoint M/s. Suri & Co. Chartered Accountants as Auditors and to authorize Board of Directors of the Company to fix remuneration of the Statutory Auditors of the Company for the Financial Year 2009-10, as may be deemed fit by the Board.

Place : Bangalore
Date : 31.10.2009

By Order of the Board
sd/-
VICE CHAIRMAN AND MANAGING DIRECTOR
NITIN N. MANDHANA

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 Monday, the 28th December, 2009 to Thursday, the 31st December, 2009 (both days inclusive).
4. Please quote your folio number and our Company's name in all your correspondence with M/s. Link Intime Registry Limited, C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (W), Mumbai – 400 078 who are our Registrar & Transfer Agents.
5. 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.
6. 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.
7. 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.

DIRECTOR'S REPORT

Dear Shareholders,

Your Directors are pleased to present the 10th Annual Report of the Company with the Audited Statement of Accounts for the period ended on 31 March, 2009.

FINANCIAL RESULTS:

(Rs. in Lacs)

PARTICULARS	2008-2009	2007-2008
	(9 months)	(15 months)
TURNOVER	29,455.76	53,436.51
Profit/(Loss) before Interest & Depreciation	2,306.24	9,428.37
Less: Interest	2,161.35	2,505.61
Less : Foreign exchange loss	1,110.08	(344.70)
Less : Depreciation	687.85	1,023.70
Net Profit/(Loss) after taxation	(1653.04)	6,243.76
Profit/(Loss) brought forward from last period	6,153.09	2,376.49
Profit/(Loss) carried to Balance Sheet	5,132.24	6,153.09

1. Dividend

Your directors recommend no dividend for the financial year 2008-09.

2. Directors

Mr. Gerhard Bornemann and Mr. Prakash G. Mandhana, retire by rotation at the Annual General Meeting and being eligible have offered themselves for re-appointment.

3. Auditors

The Statutory Auditors of the Company, M/s. Suri & Co., Chartered Accountants, Bangalore, retire at the conclusion of this Annual General Meeting and are eligible for re-appointment and have confirmed their eligibility and willingness to accept office, if re-appointed.

4. Auditors' Report

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

5. Management Discussion & Analysis

The management discussion and analysis on the operations of the Company is set out in the Annexure to this report

6. Directors' Responsibility Statement as required under Section 217(2AA) of the Companies Act, 1956

Your directors, on the basis of information made available to them by the Management and the Auditors wish to place on record 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 March 31, 2009 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;

7. Particulars of Employees under Section 217 (2A)

Information as per Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1988 is forming part of the Annexure to this report.

8. 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.

9. Subsidiary Companies

Report of the subsidiary as required under Section 212 of the Companies Act, 1956 shall be circulated latter.

10. Corporate Governance

A report on the Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges along with the Compliance Certificate obtained from a Company Secretary in whole time practice in accordance with Section 383(A) of the Companies Act 1956 and the rules made there under is annexed to this report.

11. Acknowledgements

Your Directors thank the customers and vendors for their continued support to your Company's growth. Your Directors place on record the appreciation of support given by the bankers for meeting the long term and working capital needs of the Company. The directors wish to place on record the co-operation and support received from Government and Semi-Government agencies. Your Directors are thankful to the esteemed shareholders for their support and encouragement. Your Directors also wish to place on record their appreciation of the contribution made by employees at all levels.

Place : Bangalore
Date : June 30, 2009

For and behalf of the Board of Directors
Nitin N. Mandhana
Vice Chairman & Managing Director
Shashikant G. Mandhana
Executive Director

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

Energy conservation is a priority area for the Company. The Company runs the co-generation power plant using renewable fuel like paddy husk, briquets etc.,

Energy efficient electrical luminars like CFL fittings, Electronic chokes were installed in some of the conveyor, production floors and administrative office areas.

Better controls are planned to achieve further reduction in energy consumption.

Form A

A. POWER AND FUEL CONSUMPTION

	2008-09 9 months	2007-08 15 months
1. ELECTRICITY		
a. Purchased		
Unit (KWH)	2694412.00	4761704
Total Amount (Rs. In Lacs)	12215455.00	218.08
Rate / Unit (Rs. / KWH)	4.54	4.58
b. Own Generation		
(i) Through Diesel Generator		
Unit (KWH)	593146.00	527226
Units per litre of Diesel Oil (KWH/Litres)	2.91	2.07
Cost / Unit (Rs. / KWH)	11.37	15.81
(ii) Through Steam Turbine / Generator		
Unit (KWH)	10191200.00	23659700
Units per metric tons of coal/fuel / gas /	673.30	661.46
Cost / Unit (including steam)	8.20	6.01
2. COAL		
Quantity (tonnes)	15136.29	35769
Total Cost (Rs. in Lacs)	83580194.32	1422.24
Average Rate	5521.84	3976.18
3. FURNACE OIL		
Quantity (K. Ltrs)	538.82	936
Total Cost (Rs. in Lacs)	157.00511	217.87
Average rate	29139	23277

CONSUMPTION PER UNIT OF PRODUCTION

	2008-09	2007-08
Production (Mtr)	26020973	45263083
Electricity (Unit)	13478758	28948630
Electricity Consumption (KWh per Mtr of Production)	1.93	0.64

- 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	2008-09 (Rs. in Lacs)
Total Foreign Exchange used	586.82
Total Foreign Exchange earned	6300.34

The company's efforts are 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. 2400000/- p.a. during the financial year 2008-09 and not less than Rs. 200000/- per month during part of the financial year 2008-09 - **NIL**

MANAGEMENT DISCUSSION & ANALYSIS

1. Economic overview

In light of turmoil in the world economy in recent past on account of great recession, 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 sustained average growth rate of around 8% p.a.

2. Industry overview

India domestic market is expected to grow by 19% p.a during 2012 as compared to year 2002 on account of favourable demographics, rising income levels and increased penetration of organized sector.

Also the sustainable real GDP growth outlook of around 8% p.a ,increasing industrial output, vibrant construction activity, rising disposable incomes and health care expenditure will drive non clothing sectors like geo textiles, home textiles, medical textiles, packaging items , auto textiles , sport shoes etc.

3. Business overview

Indus Fila Limited (IFL) is meeting the present challenges of slowdown in economy, extension of the working capital cycle time, increase in input cost of fuel and other inputs, interest rates and foreign currency fluctuation with great understanding and taking the right steps forward including catering to retail demand for shirting and suiting, restructuring of loans at concessional rate of interest, managing the forex risk, consolidation of manufacturing facilities, cost control etc.

The Directors are committed for putting all the efforts required to cater to the growing revival of domestic demand and Apparel exports for mid size international buyers and bring back the Company to growth tangent.

4. Operations

The Company has been concentrating on the core areas of production during the period. Despite economic slowdown the company registered export turnover of Rs. 6300.34 lacs for 9 months period against Rs. 5524.50 lacs for the previous 15 months period registering a growth of 190%. The Company achieved total turnover of 29455.76 lacs for 9 months period against Rs. 53436.51 lacs for the previous 15 months period. The Company earned operating profit of Rs. 1618.39 lacs against Rs. 8404.67 lacs in the previous period. The dip in operating profit is on account of higher input cost and lower realization in domestic market. The Company has made loss of Rs 1134.18 lacs for the first time which includes cost of currency hedging /fluctuations of Rs 1110.08 lacs.

The Company has taken firm initiatives to strengthen its business model and save cost like consolidation of manufacturing facilities, restructuring of its debts under Corporate Debt Restructuring mechanism, change in capex /expansion plan in line with critical need and using the IPO proceeds to meet the extended working capital cycle, change in product mix. With the economy recovery and the above measures the Directors of your Company are confident of better performance of your Company in future.

5. Opportunities and Threats

Opportunities

IFL find opportunity of revival of domestic demand and from mid size international buyers serviced /added by the Company during earlier years. The Government timely and proactive support in form of facilitating investment by way of extension of TUF, continuation of STPI beyond 25 parks, attracting FDI, introducing measures for labour flexibility ,addressing infra structural and transactional cost constraints shall give more growth and sustainability for this sector being the second largest employment provider.

Threats

Like in most other industries, the slowdown in the consumer spending affect the projected growth trends . However, with our timely initiative of catering to domestic demand, restructuring of our debts with lower interest rates ,lean enterprise business model, vertically integrated execution capabilities, close rapport with global mid size buyers, promoters' proven track records, established logistics and marketing network; we are in a better position to deal .

6. Outlook

India has been in a sustainable growth mode since the last decade and with world economy revival in a short time thanks to various measures taken up by all Government the growth is achievable with stringent measures of cost control and focus on domestic demand. India has the largest young population in the world, spurring a boom in consumption in the country. India's consumer market is the twelfth largest in the world, expected to be the fifth largest by 2025.

7. Risks and Concerns

Risk are in general related to internal and external factors. The Company ensures that the risks it assumes are commensurate with better returns.

Economic Risk

The business is substantially affected by the prevailing economic conditions in India.

Labour Risk

This risk arises from being a labour intensive business and consequently being exposed to the vagaries of the work force.

Currency Risk

This risk arises from the exposure to foreign currency and the volatility associated with the underlying currencies.

8. Internal control systems and their adequacies

The Company's defined organizational structure, authority matrix and internal controls ensure efficiency of operations, compliance with internal policies and applicable laws and regulations as well as protection of resources. Moreover, the Company continuously upgrades these systems in line with the best available practices. The internal control system is planned to be supplemented by internal audits, regular reviews by management and standard policies and guidelines to ensure reliability of financial and all other records to prepare financial statements and other data.

9. Discussion on financial performance

Income:

The Company recorded a total turnover of Rs. 29455.76 lacs for the 9 months period ending 31.03.2009 as compared to Rs. 53436.51 lacs for the 15 months period ending on 30.06.2008 during previous year. The export turnover increased by 190% during the 9 months ended 31.03.2009 on account of economic slowdown the overall turnover dipped by 8.11%.

EBIDTA:

The Company's EBIDTA stood at Rs. 2306.24 lacs for the 9 months period ending 31.03.2009 as compared to Rs. 9428.37 lacs for the 15 months period ending on 30.06.2008 during previous year. The proportionate decrease is on account of increase in fuel and input cost, lower sales realizations due to economic scenario etc.

PAT:

The Company reported loss for the first time, on account of lower sales realization, increased cost of input and fuel, interest and finance charges etc., of Rs 1134.18 lacs. The loss includes cost of currency hedging /fluctuations of Rs 1110.08 lacs.

10. Material developments in operations – Currency hedging loss

During 2007 Indian Rupee strengthened from 45Rs/USD to 40Rs/USD in a short span of time. While USD fell so significantly against INR, other competing currencies such as Chinese Yuan were better off, rendering INR exports un-remunerative for all Indian exporters. While demand for our products in the international markets is still growing, uncompetitive INR meant that we would have incurred significant operational losses. The only solution was to book forwards to mitigate the Currency risk. Before entering in to any transactions, the Company created a Treasury desk and also formulated Foreign Exchange Policy. In fact, all the Forex Analysts of the banks had predicted a fall up to Rs. 35 to Rs. 36 per USD. Taking a cue from the above and after intense interactions with Company's dealing Banks and Treasury Desk, it was decided to book plain long term USD forwards for period ranging from 2 to 4 years. The policy clearly avoided any fancy/complex instruments such as interest rate or exchange rate derivatives adopted by many other players. Initially in the 4 months, the strategy worked in our favour and we grossed profit of Rs. 263 lakhs.

But swift events in global economic situation changed the direction of currency movement rapidly and alike many other exporters, your Company too was caught with huge forex hedging losses within some time.

11. Cautionary Statement

Statements in the Management Discussion and Analysis describing the company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities law and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include supply and demand conditions, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.