



Indus fila

(An Indus Mandhana Enterprise)

Indus Fila

From Design to Delivery

(An Indus Mandhana Enterprise)

Annual Report '09-'10

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 o new information, future events or otherwise

LETTER TO SHAREHOLDERS**Dear Fellow Shareholders**

It is a privilege to welcome you to the 11th Annual General Meeting of the company and also thank all of you for being shareholders in our Company and for supporting the Company's vision over the years.

In the year under review, Indus Fila weathered the impact of the global economic slowdown that began in FY08, and whose after effects continued well into FY10.

We will continue to put our best efforts and strategy to shape our future. We will focus on improving our business, increasing efficiency, product innovation and restructuring our businesses in order to get closer to the key markets. With this strategy, we can offer our customers better services and products. With economic recovery, global demand for Textiles will resume its growth, in step with rising population and growing economies of the developing countries.

I am grateful to the Board of Directors for their unwavering support and guidance. I also take this opportunity to express my gratitude to all our stakeholders, who have reposed trust in us and extended their constant support.

Annual General Meeting 2010

I am pleased to enclose the Notice of Meeting for the Eleventh Annual General Meeting (the "AGM") of Indus Fila Limited together with the 2010 Annual Report and Summary.

The AGM will be held at 9 am on Tuesday, 28th September 2010 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.

A resolution referring to the Financial Statements is included in the ordinary business of the AGM.

Our Articles of Association require that certain of our current Directors retire by rotation. I therefore ask you to support the re-appointment of Mr. Shashikant G. Mandhana and Mr. V. Balaji Bhat who will each retire and offer themselves for re-election.

Explanatory notes for all the business of the AGM forms part of this annual report.

The Consolidated Accounts shall be submitted later

Recommendation

Your Board believes that the resolutions contained in the Notice of Meeting are in the best interests of the company and shareholders as a whole and recommends you to vote in favour of them, as your Directors intend to do in respect of their beneficial shareholdings.

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

Link Intime India Pvt Ltd.,
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg, Bhandup (W),
Mumbai – 400078

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11th Annual General Meeting on Tuesday, the 28th September, 2010 at 9 a.m
at
Registered Office of the Company

Annual Report can be accessed at www.indusfila.com

NOTICE OF 11TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of Indus Fila Limited will be held at Survey No. 285, 37th KM Stone from Bangalore - Tumkur Road, Kasaba Hobli, T. Begur, Taluk Nelamangala – 562 123 on Tuesday, the 28th September, 2010 at 9 a.m. to transact the following business : -

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 31st March, 2010, Profit and Loss Account for the year ended 31st March 2010 and the reports of Directors and Auditors thereon
2. To appoint a Director in place of Mr. Shashikant G. Mandhana, who retires by rotation and being eligible, offers himself for re-appointment
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 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 2010-11, as may be deemed fit by the Board.

SPECIAL BUSINESS

5. T Consider and if thought fit, to pass, with or without modification(s), the following resolution as **Special Resolution:**

“RESOLVED THAT pursuant to Section 81 (1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the stock Exchanges where the shares of the Company are listed and subject to any approval, consent, permission and / or sanction of the appropriate authorities (hereinafter collectively referred to as “the appropriate authorities”), and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission and / or sanction (hereinafter referred to as “the requisite approvals”), and which may be agreed to by the Board of Directors of the company (hereinafter called 'the Board' which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the Board be and is hereby authorized to create, offer, issue and allot 2971070 Equity Shares to the persons / entities in the promoter Group, under a preferential issue through offer letter and/ or circular and / or information memorandum and / or such other documents / writings, in such a manner and on such terms and conditions as may be determined by the Board in its absolute discretion, provided that the price of the Equity Shares so issued shall not be less than Rs. 30.00 (including a premium of Rs. 20.00 per equity share of Rs. 10.00 each), being the price arrived at with respect to the Relevant Date i.e., 28th August, 2010 as prescribed under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009

RESOLVED FURTHER THAT the equity shares to be issued and allotted in terms of this resolution shall rank pari- passu in all respects with the existing equity shares of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorized on behalf of the Company to take all actions and do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient of the issue or allotment of the equity shares and listing thereof with the stock exchange (s) as appropriate and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the equity shares, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or other wise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT, the Board be and is hereby authorized to delegate all or any of the powers herein conferred, to any Committee of Directors or the Chairman or any other Director(s) or Officer(s) of the Company to give effect to the aforesaid resolution.

NOTES:

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 27.09.2010 to 28.09.2010 (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.
8. Explanatory Statement pursuant to the requirement of Section 173(2) of the Companies Act, 1956 for the special resolution to be passed is annexed hereto.

By Order of the Board,

Place : Bangalore
Date : 31.08.2010

Sd/-
Nitin N. Mandhana
(Vice Chairman & Managing Director)

Item No. 5

1. Object of the Preferential Issue :-

The objective of the issue is to provide long term funding for the ongoing business of the Company. The Promoter Group had advanced an amount of Rs. 13.79 Crs during 2006 as non interest bearing unsecured loan at the request of the Company so as to meet debt: equity ratio as stipulated by the lenders. The proposed issue of 2971070 equity shares @ Rs. 30.00 (including premium of Rs. 20.00 per share of the face value of Rs.10.00 each) to the persons / entities in Promoter Group amounting to Rs 8.91 crs will be by way of conversion of part of the said unsecured loan as per details mentioned below into equity shares.

(Figures in Rs.)

Promoters /Promoter Group/ Persons	Unsecured loan as on 31.3.2010	Amount used for proposed preferential shares
NITIN N MANDHANA	51136095	48414000
SHASHIKANT MANDHANA	15646451	13827000
PRAKASH G MANDHANA	3772000	1971000
SAVITA N MANDHANA	1900000	1899900
SNEHA A MANDHANA	2817250	2700000
KAVITA S MANDHANA	20320439	20320200
TOTAL	95592235	89132100

2. Intention of the Promoters / Promoter's Group to subscribe to the Equity Shares :-

As mentioned earlier, the Promoter Group had advanced an amount during 2006 as non interest bearing unsecured loan at the request of the Company so as to meet debt: equity ratio. As a part of conversion of the said unsecured loan into equity shares, the shares will be issued to such promoters who have contributed unsecured loans to the extent of their loan contribution on preferential allotment basis in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, including any statutory modification or reenactment thereof for the time being in force.

3. Pricing of Equity Shares :-

The above Equity Shares will be issued and allotted at a price not less than the higher of the following in terms of the SEBI (ICDR) Regulations, 2009:-

- The average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date; or
- The average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date;

The average price per share calculated in accordance with the Regulations works out to Rs. 26. 67 and Rs.28.73 respectively and the allotment will be made at Rs.30/- per share.

4. Lock – in - period :-

The equity shares issued under the above Preferential Issue to the persons / entities in Promoter Group shall be locked – in for a period of three years from the date of allotment. However, the same may be transferred to and amongst Promoter(s) / Promoter group / new promoter(s) or persons in control of the Company, subject to continuation of lock – in the hands of transferee's for remaining period, in compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, if and to the extent applicable. Further, the entire pre-preferential shareholding of persons / entities in Promoter group shall be under lock in from the Relevant Date upto a period of six months from the date of preferential allotment.

Particulars of Subscribers in Promoter's :-

Sl. No.	Names of the Proposed Subscribers	Pre-Issue Holdings	% to equity Pre-Issue	No. of Equity Shares to be allotted	Post Issue Share - holding	Post Issue Share - holding %
1	Nitin N Mandhana	9,829	0.05	1,613,800	1,623,629	7.26
2	Shashikant Mandhana	1,562	0.01	460,900	462,462	2.07
3	Prakash Mandhana	1,563	0.01	65,700	67,263	0.30
4	Kavita Mandhana	10,108	0.05	677,340	687,448	3.07
5	Savita Mandhana	-	-	63,330	63,330	0.28
6	Sneha Mandhana	-	-	90,000	90,000	0.40
7	Narayandas C. Mandhana	8,000	0.04	-	8,000	0.04
	TOTAL	31,062	0.16	2,971,070	3,002,132	13.43

6. Proposed time within which the allotment shall be complete :-

The Company shall complete the allotment in terms of the Resolution set out in the accompanying notice on or before the expiry of 15 days from the date of passing of the Resolution. The calculation of 15 days shall be considered from the date of receipt of in principle approval of the Stock Exchange and approval from take over panel for Exemption under Regulation 11 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, whichever is later.

A copy of the Auditors' Certificate certifying that the issue of the equity shares is being made in accordance with the requirements contained in the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2009 will be available for inspection by the members of the Company at its Registered Office between 10. a.m. to 12.00 noon on any working day up to the date of the ensuing Annual General Meeting of the Company and will also be laid before the Annual General Meeting of the Company.

7. Shareholding Pattern :-

The Shareholding pattern giving present position as also considering allotment of equity shares as above is given below :-

	Name	Pre-Issue		Post-Issue	
		No. of shares	% of Shares Holdings	No. of Shares	% of Shares Holdings
1	Kamal Kishor Finvest Private Limited	6013657	31.02	6013657	26.90
2	Andrew Finvest Private Limited	2296563	11.85	2296563	10.27
3	Nitin N Mandhana	9829	0.05	1,623,629	7.26
4	Shashikant Mandhana	1562	0.01	462,462	2.07
5	Prakash Mandhana	1563	0.01	67,263	0.30
6	Kavita Mandhana	10108	0.05	687,448	3.07
7	Savita Mandhana	0	-	63,330	0.28
8	Sneha Mandhana	0	-	90,000	0.40
9	Narayandas C. Mandhana	8000	0.04	8,000	0.04
	TOTAL	8341282	43.02	11312352	50.60

Mr. Nitin Mandhana, Mr. Shashikant G. Mandhana and Mr. Prakash G. Mandhana, being Directors from Promoter Group, are interested in this resolution.

Your Directors recommend the resolution for your approval.

REPORT OF BOARD OF DIRECTORS**DEAR SHAREHOLDERS,**

Your Directors are pleased to present the 11th Annual Report on the business and operations of the Company together with Audited Results for the financial year ended 31 March, 2010.

FINANCIAL PERFORMANCE**(Rs. in Lacs)**

PARTICULARS	2009-2010	2008-2009
	(12 months)	(9 months)
TURNOVER	36400.10	32740.11
Profit/(Loss) before Interest & Depreciation	(76.96)	3220.98
Less: Interest	2375.74	2511.74
Less : Foreign exchange loss	1589.87	1110.08
Less : Depreciation	949.24	689.88
Net Profit/(Loss) after taxation	(3583.14)	(752.60)

Your Company recorded a total turnover of Rs. 36400.10 lacs for the 12 months period ending 31.3.2010 as compared to Rs. 32740.11 lacs for the 9 months period ending on 31.3.2009 during previous year.

Your Company confronted difficult market conditions during the financial year. Your Company reported loss during the current year on account of lower sales realization, increased cost of input, fuel, interest and finance charges etc of Rs 3583.14 lacs . The loss includes cost of currency hedging /fluctuations of Rs 1589.87 lacs. Your Company delivered good results even in difficult conditions. This is a result of its aggressive policy and successful efforts to increase production capacities which was supported by well managed logistics activities.

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.

DIVIDEND

Since the Company has incurred loss, your directors recommend no dividend for the financial year 2009-10.

DIRECTORS

As on date, the Board comprises of five Directors namely, Mr. Gerhard Bornemann - Chairman and Non-Executive Director, Mr. Nitin N. Mandhana, Vice Chairman and Managing Director, Mr. Shashikant G. Mandhana, Whole Time Director, Mr. Prakash G. Mandhana, Whole Time Director and Mr. V. Balaji Bhat, Independent – Non Executive Director.

There were no changes in the Directors during the year.

RE - APPOINTMENT

Mr. Shashikant G. Mandhana and Mr. Balaji Bhat, retire by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

None of these Directors are disqualified as per the provisions of Section 274 (1) (g) of the Companies Act, 1956, to be re-appointed as Directors of your Company.

STATUTORY AUDITORS

The present statutory auditors, M/s Suri & Co., Chartered Accountants, Bangalore, retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment as the Statutory Auditors of your Company pursuant to Section 224 of the Companies Act, 1956.

MERGER

Pursuant to the Order of the High Court of Karnataka dated. 06th February, 2010, Tulip Apparels Private limited has been amalgamated with your Company as per the Scheme of Merger approved by the Court. Accordingly, your Company shall issue and allot 3 equity shares of the face value of Rs.10/- each fully paid up for every 122 shares held by the shareholders of Tulip Apparels Private limited.