



# Indus Fila

From Design to Delivery

(An Indus Mandhana Enterprise)

*Annual Report '12-'13*

## Letter to Shareholders

---

Dear Shareholders,

It is a privilege to welcome you to the 14<sup>th</sup> 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.

Many of you may be aware that the past few years have been challenging for the industry. Some of the key one that your Company had to face included – fluctuating currencies, lack of demand in global market, high domestic inflation resulting in spiraling wage costs as well as operating expenses and increase in interest rates.

The company is facing the challenges & trying to bring the business back on track

I thank the Board for their guidance on governance and strategic direction without which we would not have been able to navigate through such turbulent times. I also wish to thank all employees, customers, vendors and other business associates who provide the eco system in which we operate.

And last, but not the least, I wish to thank all the shareholders for their continued and unstinted confidence and trust on the firm.

### **Annual General Meeting 2013**

I am pleased to enclose the Notice of Meeting for the Fourteenth Annual General Meeting (the "AGM") of Indus Fila Limited together with the 2013 Annual Report and Summary.

The AGM will be held at 9 am on Wednesday, 18<sup>th</sup> December 2013 at the Registered Office of the Company at No.284, 285, T.Begur Village, Kasaba Hobli, Nelamangala, Bangalore Rural District – 562123.

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 appointment of a proxy should reach the company's registered office not later than 48 hours prior to the commencement of the meeting.

As per the provisions of the Companies Act, 1956 and our Articles of Association, some of our current Directors retire by rotation. I therefore request you to support the re-appointment of Mr. Prakash G Mandhana and Gerhard Bornemann who retires by rotation and being eligible, offer themselves for re-appointment.

### **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.

Yours truly,

*Nitin Mandhana,*

*Vice Chairman & Managing Director*

## Board of Directors

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

## Company Secretary & Compliance Officer

Mr. Hansraj Rathor

## Auditors

Suri & Co, Bangalore

## Registered Office

Survey No. 285, 37th KM Stone, Kasaba Hobli, Nelamangala, Bangalore Rural District – 562 123.

## Corporate Office

No. 107, Industrial Suburb, II Stage, Yeshwanthpur, Bangalore – 560 022.

## Registrar & Share Transfer Agent

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

## CONTENTS

Letter to Shareholders	1
Notice of the Annual General Meeting	3
Directors' Report	5
Management Discussion and Analysis	9
Corporate Governance Report	12
Certificate from a firm of practicing Company Secretaries on Corporate Governance	21
Certificate from Chief Executive Officer & Chief Financial Officer	22
Auditors' Report	23
Consolidated Auditors' Report	29
Balance Sheet, Profit & Loss Account and Schedules	31
Cash Flow Statement	49
Consolidated Balance Sheet, Profit & Loss Account and Schedules	50
Consolidated Cash Flow Statement	70
Statement of interest in Subsidiary Companies	71
Attendance Slip & Proxy Form	72

**14<sup>th</sup> Annual General Meeting on Wednesday, the 18<sup>th</sup> December, 2013 at 9 a.m**  
**at the Registered office of the Company at**  
**No. 285, 37<sup>th</sup> KM Stone, T. Begur Village, Kasaba Hobli, Nelamangala, Bangalore**  
**Rural District – 562 123**  
**Annual Report can be accessed at [www.indusfila.com](http://www.indusfila.com)**

## INDUS FILA LIMITED

### **Notice of 14<sup>th</sup> Annual General Meeting**

---

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of Indus Fila Limited will be held at No. 284, 285 T.Begur Village, Kasaba Hobli Nelamangala, Bangalore Rural District - 562123, Karnataka on Wednesday, the 18<sup>th</sup> December, 2013 at 9 a.m. to transact the following business:

#### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at June 30,2013, Profit & Loss Account for the year ended on that date and the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Prakash G. 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 appoint Statutory Auditors and to fix their remuneration.

**By order of the Board of Directors**

**For Indus Fila Limited**

**Hansraj Rathor  
CFO & Company Secretary**

**Date:** November 14<sup>th</sup>, 2013

**Place:** Bangalore

#### **Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE IN THE MEETING, AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. Members / proxies should bring duly filled Attendance Slips sent herewith to attend the meeting.
4. The Register of Members and Transfer Books of the Company will remain closed from December 17<sup>th</sup>,2013 to December 18<sup>th</sup>,2013 (both days inclusive).
5. Members are requested to notify any change in their address / bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company at Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (W), Mumbai – 400 078, Maharashtra in respect of their physical share folios, if any.
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 Secretary / Registrar & Transfer Agent.
7. Brief resume of the director(s) seeking re-appointment and other details as stipulated under Clause 49 of the Listing Agreement are provided in this report.

# Indus Fila

We request you to update your email address with your depository participant to ensure that the annual report and other documents reach you on your preferred email.

**By Order of the Board of Directors  
for Indus Fila Limited**

**Hansraj Rathor  
(CFO & Company Secretary)**

Place: Bangalore  
Date : November 14<sup>th</sup>, 2013

## **Annexure I**

### **Details of Directors retiring by rotation**

<b>Name of the Director</b>	<b>Mr. Prakasht G. Mandhana</b>	<b>Mr. Gerhard Bornemann</b>
Date of Birth	21.01.1965	25.09.1939
Date of Appointment	01.04.2006	11.04.2006
Expertise in specific functional areas	Operations & Marketing of Apparel Business	Advisory Functions, International Trade and Marketing
Qualification	B.Tech	Academy of Commerce, Wuppertal, Germany
Directorship held in other companies	03	Nil
Names of the Companies in which Directorship held	1. Andrew Finvest Private Limited 2. Siddmeshwar Investment Pvt Ltd 3. Indus Garments (India) Private Limited	
Committee positions held in companies	Nil	Nil
Number of Shares held in the Company	68826	

**By Order of the Board of Directors  
for Indus Fila Limited**

**Hansraj Rathor  
(CFO & Company Secretary)**

Place: Bangalore  
Date: November 14<sup>th</sup>, 2013

### Dear Shareholders,

Your Directors are pleased to present their 14<sup>th</sup> Annual Report on the business and operations of your Company together with Audited Statements of the Accounts for the financial year ended 30<sup>th</sup> June, 2013.

### 1. Corporate Overview

Indus Fila Limited is one of the most integrated companies in the industry, present across the value chain from fabric to garments. We have added capacities in every segment including yarn dyeing, weaving and processing.

The Company prepares its financial statements in compliance with the requirements of the Companies Act, 1956 and the Generally Accepted Accounting Principles (GAAP) in India. The estimates and judgments relating to the financial statements are made on prudent and reasonable basis so as to reflect in true and a fair manner the form and the substance of transactions and reasonably present your Company state of affairs, profit and cash flow for the year ended June 30, 2013

### 2. Financial Performance

(Rs. in Lakhs)

PARTICULARS	2012-13	2011-12
<b>TURNOVER</b>	34951.77	46608.73
Profit/(Loss) before Interest, Depreciation & Tax	( 6902.28 )	5233.78
Less: Interest	4957.40	3391.87
Less : Depreciation	1126.83	971.45
Less : Tax	498.07	240.96
<b>Net Profit/(Loss) after taxation</b>	<b>(13484.58)</b>	<b>629.48</b>

The Financial year under review consist of 15 months starting from April 1<sup>st</sup> 2012 to June 30<sup>th</sup> 2013

Your Company has been facing problem of low recovery and high cost of production coupled with recession in Global Market. Interest cost has gone up and accordingly the company suffered huge loss during the year under review.

Your Company recorded a total gross turnover of Rs.34951.77 lakhs for the period ending 30<sup>th</sup> June 2013, as compared to Rs.46608.73 lakhs for the period ending on 31<sup>st</sup> March 2012 while reporting a net loss of Rs.13484.58 lakhs.

Your Company focuses on enhancing shareholder value and looks beyond immediate opportunities by building its businesses with long term relevance.

### 3. Consolidated Accounts

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its wholly owned subsidiary is annexed to this Report.

The Company will make available the audited annual accounts and related information of its subsidiaries, upon request by any of its shareholders. The annual accounts of the subsidiary company will also be kept for inspection, by any member at the registered office of the Company and its Subsidiary Company.

### 4. Dividend

In view of the need to conserve resources and meet working capital requirements, the Board does not recommend dividend.

### 5. Directors

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

None of these Directors are disqualified from being re-appointed as Directors of your Company.

## 6. Audit

M/s Suri & Co., Chartered Accountants, Bangalore, who are Statutory Auditors of the Company hold office up to the forthcoming 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.

As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained written confirmation from the Statutory Auditors that their appointment if made would be in conformity with the limits specified in the Section.

## 7. Management Discussion & Analysis

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

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

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the statements in terms of Sub-section 2AA of Section 217 of the Companies Act, 1956,

- (a) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the Directors have selected such accounting policies and applied them consistently and made judgments 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, 2013 and of the Company for the year ended on that date;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 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;

## 9. Particulars of Employees under Section 217 (2A)

None of the employees were in receipt of remuneration exceeding the amounts specified in Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1988.

## 10. Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information pursuant to Clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988, viz., a Report on conservation of energy, technology absorption, foreign exchange earnings and outgo, is provided in Annexure I to this Report.

## 11. Corporate Governance

The Company is committed to maintain high standards of Corporate Governance and adhere to the Corporate Governance requirements set out by SEBI. The report on the Corporate Governance as stipulated under Clause 49 of the Listing Agreement forms part of the Annual Report.

The requisite Certificate from the Practicing Company Secretary confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49 is attached to this Report.

## 12. Acknowledgements

Your Directors wish to place on record their appreciation for the contribution made by employees at all levels. Your Directors also wish to thank the customers, suppliers, investors and bankers for their continued support and faith reposed in the Company.

**For and behalf of the Board of Directors**

**Nitin N. Mandhana**  
Vice Chairman & Managing Director

**Baijai Bhat**  
Director

Place: Bangalore  
Date: July 26, 2013

Information 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, forms a part of the Directors' Report for the year ended June 30, 2013.

## **A. Conservation of energy**

### **a) Energy Conservation Measures**

Fuel consumption together with the optimization of electrical energy consumption in all the activities remains a focus area for the Company.

As a part of sustainable development initiatives, the following measures to conserve energy were taken:

- I. Stopping of Chillers in winter season to optimize power consumption
- II. Replacement of inefficient motors with energy efficient motors at various places
- III. Optimization of steam consumption and improvement in steam generation by performing convection section cleaning in furnaces at all the plants.
- IV. Identification and replacement of faulty steam traps and minimization of steam leakages done at all the plants. The Company's continued efforts to reduce and optimize the use of energy consumption has shown positive results. The efforts taken to conserve energy will help us to conserve coal and help the environment.

### **b) Total Energy Consumption & energy consumption per unit of production.**

As per Form 'A' annexed

## **B. Technology Absorption, adaption and Innovation**

The Company is looking for new process designs and application of efficient machinery for continuous product development and process improvement. The Company strives to reduce its operating costs, make improvements in environmental control, optimization of the product mix and conservation of resources. The major developments during the year were :

1. implementing of warehouse management system resulting in faster locating of stock in warehouse resulting in speedy delivery.
2. Optimizing the space requirement in warehouse.

## **C. Foreign exchange used and earned**

The Company has continued to maintain focus and avail of export opportunities based on economic considerations. During the year the Company has exports (FOB value) worth Rs.4611.50 Lakhs.

<b>Particulars</b>	<b>2012-13 (Rs. in Lacs)</b>
Total Foreign Exchange used	77.30
Total Foreign Exchange earned	4611.50

The Company's major foreign exchange earnings are on account of export of garments and outgo, on account of import of raw materials and capital goods.



## Form "A"

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY			
A. POWER AND FUEL CONSUMPTION			
		2012-13	2011-12
<b>1. ELECTRICITY</b>			
<b>a. Purchased</b>			
	Unit (KWH)	1648044	3550372
	Total Amount	10569058	2,48,52,601
	Rate / Unit (Rs. / KWH)	Up to 1 lakh Rs. 4.60 above 1 lakh unit Rs. 5.00	Up to 1 lakh Rs. 4.60 above 1 lakh unit Rs. 5.00
<b>b. Own Generation</b>			
<b>(i) Through Diesel Generator</b>			
	Unit (KWH)	39460	451617
	Units per litre of Diesel Oil (KWH/Litres)	3.60 Unit / ltr	3.48units/liters
	Cost / Unit (Rs. / KWH)	13.70	13.20
<b>(ii) Through Steam Turbine / Generator</b>			
	Unit (KWH)	3218204	5887056
	Units per metric tons of coal/fuel / gas	328.72	560.74
	Cost / Unit	10.04	8.85
<b>2. COAL</b>			
	Quantity (tonnes)	9790	27321.58
	Total Cost	3,23,19,541	6,12,01,167
	Average Rate	3301.28	2240.03
<b>3. FURNACE OIL</b>			
	Quantity (K. Ltrs)	NIL	338.35
	Total Cost		1,18,57,579
	Average rate	35045.30	

## CONSUMPTION PER UNIT OF PRODUCTION

Class of products	UOM	Production (including outsourced / job work)		Electricity (units)		Electricity Consumption (KWH per unit of production)	
		12-13	11-12	12-13	11-12	12-13	11-12
Apparels	Pcs	4664773	3715665	1687504	1428566	0.36	0.38
Fabrics	Mtrs	5990020	6868116	3218204	6728064	0.53	0.97

As the products are manufactured and few processes are outsourced under continuous process and with different specification, the consumption shall differ for each category.

For and behalf of the Board of Directors

Nitin N. Mandhana  
Vice Chairman & Managing Director

Balaji Bhat  
Director

Place: Bangalore  
Date: July 26<sup>th</sup>, 2013

**Business Review****From Design to Delivery**

Your Company is constantly improving operations and innovating new products for better margins. Your Company is on the path to becoming a lifestyle solution for discerning customers with an offering, consisting of a range of fabrics, garments and accessories.

The customers are looking for “value for money” products. This has promoted companies globally to work on strategies for controlling costs and reducing inventories, resulting in lower demand situation and stagnant prices. Further, this year saw lack of demand from the International Market and spiraling operating costs on account of inflationary situations in all Asian economies.

In this backdrop, countries like Bangladesh and Vietnam, with lower cost structures, have been able to increase their market share in USA and Europe. In addition, some of these nations have been benefited by preferential trade agreements which enhance their competitive position. Further, other domestic factors like lack of support from the Central Government have resulted in eroding the competitiveness as well as profitability of the Indian apparels exports industry.

**Textile Industry**

The Textile Industry is one of the most important sectors in the Indian Economy and the second largest generator of employment after agriculture. It contributes more than 4% to the GDP and 17% to the country's export earnings. The Textile sector provides employment to over 3.5 crore people.

**Opportunities and Threats**

India has big advantages in terms of being globally the second largest cotton growing country, second largest producer of cotton yarn, third largest exporter of cotton fabric and fourth largest exporter of synthetic fabric. It also has a large pool of available manpower which is a key resource for our Industry.

India's product design and development capability, integrated supply chain and higher level of social compliance scores above some of the other apparel manufacturing countries. The Company has formulated strategies and identified key focus areas to improve performance in the current environment. Growing market share with existing customers while seeking to increase the proportion of value added products, working towards acquiring new customers with complementary product portfolio, improvement in efficiencies through Lean manufacturing initiatives, and sustained focus on financial management, will drive better performance in 2012-13.

**Risks and Concerns**

The Company focuses on exports to the US and European markets with revenues being denominated in USD/EURO. The Company is exposed to risk of currency fluctuations. The Company mitigates this risk through robust foreign currency management practices.

Inflationary conditions and rise in wage costs in the country may have impact on the profitability of the Company.

**Internal control systems and their adequacies**

Your Company believes in formulating adequate and effective internal control systems and implementing the same, to ensure that assets and interest of the company are safeguarded, and reliability of accounting data and accuracy are ensured with proper checks and balances. The internal control system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control system and suggests improvements for strengthening them. The Company has a robust Management Information system which is an integral part of the control mechanism.

The Audit Committee of the Board of Directors, Statutory Auditors and the Business Heads are periodically apprised of the internal audit findings, and corrective actions taken.