



FILATEX INDIA LIMITED

(AN ISO 9001 : 2000 COMPANY)

**17th ANNUAL REPORT
2006-2007**



BOARD OF DIRECTORS

Ram Avtar Bhageria
Chairman

Madhu Sudhan Bhageria
Vice Chairman & Managing Director

Purrshottam Bhaggeria
Joint Managing Director

Madhav Bhageria
Joint Managing Director

Inderpal S. Kalra
IDBI Nominee

S.C. Parija

S.P. Setia

COMPANY SECRETARY

Sanjeev Gupta

BANKERS

Union Bank of India
Punjab National Bank
Oriental Bank of Commerce

AUDITORS

Amod Agrawal & Associates
D-58, East of Kailash
New Delhi - 110 025

REGISTERED OFFICE

S. No. 274, Demni Road,
Dadra - 396 191
(U.T. of Dadra & Nagar Haveli)

CORPORATE OFFICE

42, Community Centre,
New Friends Colony,
New Delhi - 110 025

WORKS

A-2, Extension,
Phase - II (Noida),
Distt. Gautam Budh
Nagar - 201 304 (U.P.)

S. No. 274, Demni Road,
Dadra - 396 191
(U.T. of Dadra & Nagar Haveli)

Pazhavor Village, Tirunelveli,
Kathabomman District,
Tamil Nadu

CONTENTS

Notice	2
Director's Report	10
Auditors' Report	23
Balance Sheet	26
Profit & Loss Account	27
Schedules	28
Cash Flow Statement	40



NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the members of FILATEX INDIA LIMITED will be held as scheduled below:

DAY : **MONDAY**
DATE : **10th SEPTEMBER, 2007**
TIME : **9.30 A.M.**
PLACE : **SURVEY NO.274, DEMNI ROAD, DADRA
(U.T. OF DADRA & NAGAR HAVELI) 396 191**

to transact the following business(es):

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet of the Company as at March 31, 2007 and the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S.P. Setia, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Purrshottam Bhaggeria, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Madhav Bhageria, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a SPECIAL RESOLUTION:-

“RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force), 15,00,000 (Fifteen Lacs) Cumulative Convertible Preference Shares of Rs. 25 (Rupees Twenty Five) each which now comprise part of the unissued Authorized Share Capital of the Company be cancelled and the Authorized Share Capital of the Company be and is hereby increased to Rs. 40,00,00,000 (Rupees Forty Crores) divided into 2,75,00,000 (Two Crores Seventy Five Lacs) Equity Shares of Rs. 10 (Rupees Ten) each and 1,25,00,000 (One Crore Twenty Five Lacs) Redeemable Preference Shares of Rs.10 (Rupees Ten) each;

RESOLVED FURTHER THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force), the existing Clause V of the Memorandum of Association of the Company be and is hereby deleted and in its place the following new Clause V be substituted as a consequential amendment:



The Authorized Share Capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 2,75,00,000 (Two Crores Seventy Five Lacs) Equity Shares of Rs. 10 (Rupees Ten) each and 1,25,00,000 (One Crore Twenty Five Lacs) Redeemable Preference Shares of Rs.10 (Rupees Ten) each.

RESOLVED FURTHER THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force), the existing Article No. 3 of the Articles of Association of the Company be and is hereby deleted and in its place the following new Article No. 3 be substituted as a consequential amendment:

The Authorized Share Capital of the Company is Rs. 40,00,00,000 (Rupees Forty Crores) divided into 2,75,00,000 (Two Crores Seventy Five Lacs) Equity Shares of Rs. 10 (Rupees Ten) each and 1,25,00,000 (One Crore Twenty Five Lacs) Redeemable Preference Shares of Rs.10 (Rupees Ten) each.

7. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a SPECIAL RESOLUTION: -

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, the Rules, Regulations, Guidelines, if any, of the concerned authority (ies), the Listing Agreement entered into by the Company with the Stock Exchanges where the Equity Shares of the Company are listed and subject to approval(s), consent(s), permission(s) and/or sanction(s), if any, of any appropriate authority(ies) and subject to such conditions as may be prescribed by them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee of the Board to be constituted to exercise its powers including the powers conferred by this Resolution) be and is hereby authorized on behalf of the Company to issue, offer and allot 1,25,00,000 0.1% Non-Convertible Cumulative Redeemable Preference Shares of Rs. 10 each (hereinafter referred to as ‘Preference Shares’) aggregating to Rs. 12,50,00,000 to IDBI Limited on the terms and conditions mentioned in the explanatory statement annexed hereto;

RESOLVED FURTHER THAT for the purpose of giving effect to the issue or allotment of the Preference Shares, the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such acts, deeds, matters and things as it may in its discretion, deem necessary, proper and desirable for such purpose and with powers on behalf of the Company to settle any question, difficulty or doubt that may arise in the proposed issue, offer and allotment of such Preference Shares and to take such actions or give such directions as they may consider as being necessary and desirable and to obtain any approval(s), consent(s), permission(s) and/or sanction(s) which may be necessary or desirable, as they may deem fit ;

RESOLVED FURTHER THAT the Board be and is hereby authorized to make in its own accord or to accept such amendments, modifications, variations and alterations as any appropriate authority(ies) may stipulate in this regard.

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 to give effect to this Resolution.”

8. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a SPECIAL RESOLUTION:-

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, Rules, Regulations, Guidelines, if any, of the Securities and Exchange Board of India (SEBI), and/ or other concerned authority (ies) and subject to such approval(s), consent(s), permission(s) and/or sanction(s)



of SEBI, Stock Exchanges and/or any other appropriate authority(ies), institution(s) or body(ies), as may be necessary and subject to such condition(s) as may be prescribed by any of them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee of the Board to be constituted to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized on behalf of the Company to issue, offer and allot by way of Preferential Issue to IDBI Limited on account of conversion of loan 8,41,397 Equity Shares of Rs. 10 each, at a price of Rs. 23.77 per Equity Share determined in accordance with the Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as on relevant date i.e. 11th August, 2007;

RESOLVED FURTHER THAT the Equity Shares so issued shall rank pari-passu in all respects with the existing Equity Shares of the Company except that the Equity Shares so issued shall be subject to lock-in for a period of one year from the date of allotment and that the said Equity Shares be listed on the Stock Exchanges where the existing Equity Shares of the Company are listed;

RESOLVED FURTHER THAT for the purpose of giving effect to the issue or allotment of the Equity Shares, the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such acts, deeds, matters and things as it may in its discretion, deem necessary, proper and desirable for such purpose and with powers on behalf of the Company to settle any question, difficulty or doubt that may arise in the proposed issue, offer and allotment of such Equity Shares and to take such actions or give such directions as they may consider as being necessary and desirable and to obtain any approval(s), consent(s), permission(s) and/or sanction(s) which may be necessary or desirable, as they may deem fit ;

RESOLVED FURTHER THAT the Board be and is hereby authorized to make in its own accord or to accept such amendments, modifications, variations and alterations as the SEBI, Stock Exchanges and/or any other appropriate authority(ies) may stipulate in this regard.

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 to give effect to this resolution."

9. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a SPECIAL RESOLUTION:-

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and in accordance with the relevant provisions of the Memorandum and Articles of Association of the Company, Rules, Regulations, Guidelines, if any, of the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and/or other concerned authority (ies) and subject to such approval(s), consent(s), permission(s) and/or sanction(s) of RBI, SEBI, Stock Exchanges and/or any other appropriate authority(ies), institution(s) or body(ies), as may be necessary and subject to such condition(s) as may be prescribed by any of them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall be deemed to include any Committee of the Board to be constituted to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized on behalf of the Company to issue, offer and allot by way of Preferential Issue, upto 40,00,000 Equity Shares of Rs. 10 each at a price of Rs. 25 per Equity Share determined in accordance with the Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as on relevant date i.e. 11th August, 2007 as under:

Name	Number of Shares
Somerset India Fund	17,00,000
Dufflaghur Investments Limited	8,00,000
Mr. Ashwani Khurana	15,00,000



RESOLVED FURTHER THAT the Equity Shares so issued shall rank pari-passu in all respects with the existing Equity Shares of the Company except that the Equity Shares so issued shall be subject to lock-in for a period of one year from the date of allotment and that the said Equity Shares be listed on the Stock Exchanges where the existing Equity Shares of the Company are listed;

RESOLVED FURTHER THAT for the purpose of giving effect to the issue or allotment of the Equity Shares, the Board be and is hereby authorized on behalf of the Company to take all actions and to do all such acts, deeds, matters and things as it may in its discretion, deem necessary, proper and desirable for such purpose and with powers on behalf of the Company to settle any question, difficulty or doubt that may arise in the proposed issue, offer and allotment of such Equity Shares including utilization of the issue proceeds and to take such actions or give such directions as they may consider as being necessary and desirable and to obtain any approval(s), consent(s), permission(s) and/or sanction(s) which may be necessary or desirable, as they may deem fit ;

RESOLVED FURTHER THAT the Board be and is hereby authorized to make in its own accord or to accept such amendments, modifications, variations and alterations as the RBI, SEBI, Stock Exchanges and/or any other appropriate authority(ies) may stipulate in this regard.

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 to give effect to this resolution."

By Order of the Board of Directors
For **FILATEX INDIA LIMITED**

PLACE : NEW DELHI

DATE : 11th AUGUST, 2007

REGISTERED OFFICE:
Survey No.274, Demni Road, Dadra
(U.T. of Dadra & Nagar Haveli) 396 191

SANJEEV GUPTA
COMPANY SECRETARY

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE AT THE MEETING INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED AND SIGNED SHOULD REACH AT THE REGISTERED OFFICE NOT LATER THAN 48 HOURS BEFORE THE SCHEDULED TIME OF THE MEETING. A BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from 1st September, 2007 to 10th September, 2007 (both days inclusive).
3. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
4. Members are requested to notify:
 - A) change of address, if any, with Pin Code, quoting reference of their folio number, to the Company.
 - B) members who are holding shares in Demat Mode are requested to notify any change in their address to their respective Depository Participant.



5. Shareholders seeking any information with regard to Accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.
6. All Documents referred to in the Notice and Explanatory Statement are open for inspection by the members at the Registered Office of the Company on any working day during office hours from 9.30 A.M. to 5.30 P.M. upto the date of the Meeting.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF
THE COMPANIES ACT, 1956**

Item No. 6

The present Authorized Share Capital of the Company is Rs. 20 Crores divided into 1,62,50,000 Equity Shares of Rs. 10 each and 15,00,000 Cumulative Convertible Preference Shares of Rs. 25 each. In view of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) and consequential requirement of funds, it is proposed to cancel 15,00,000 Cumulative Convertible Preference Shares of Rs. 25 each forming part of the unissued Authorized Share Capital of the Company and to increase the Authorized Share Capital of the Company to Rs. 40 Crores divided into 2,75,00,000 Equity Shares of Rs. 10 each and 1,25,00,000 Redeemable Preference Shares of Rs.10 each. In view of the above, the existing clause V of Memorandum of Association and existing Article 3 of the Articles of Association of the Company are also proposed to be substituted by the new clauses in the manner indicated in the Resolution to give effect to the increase in the Authorized Share Capital.

Your Directors recommend passing of this Resolution as a SPECIAL RESOLUTION.

None of the Directors of the Company is concerned or interested in this Resolution.

Item No. 7

In terms of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) the Company is required, inter-alia, to allot Non-Convertible Cumulative Redeemable Preference Shares of Rs. 1250 Lacs. Pursuant to the same it is proposed to issue 1,25,00,000 0.1% Non-Convertible Cumulative Redeemable Preference Shares of Rs. 10 each (hereinafter referred to as 'Preference Shares') to IDBI Limited on following terms:

The Preference Shares shall be Non-Convertible and shall be redeemed with payment of 25% each in the 11th and 12th year and the balance 50% in the 13th year from the date of allotment. The Coupon rate of 0.1% shall be increased to 5% after sixth year in the event of improvement of Company's performance and declaring dividend of 20% or more.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by allotment of further Shares such Shares shall be offered to the persons who at the date of offer are holders of Equity Shares of the Company in proportion to the Capital paid up on the date unless the Shareholders in the general meeting decide otherwise by way of Special Resolution. The Listing Agreement executed by the Company with the Stock Exchanges also provides that the Company shall in the first instance offer all securities for subscription pro-rata to the Equity Shareholders unless the Shareholders in the general meeting decide otherwise. The consent of the Shareholders is sought to authorize the Board of Directors to issue and allot Preference Shares to IDBI Limited as set out in the Resolution.

Your Directors recommend passing of this Resolution as a SPECIAL RESOLUTION.



Except Mr. Inderpal S. Kalra, who is the Nominee Director of IDBI Limited, none of the Directors of the Company is concerned or interested in this Resolution.

Item No(s). 8 & 9

In terms of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) the Company is required, inter-alia, to pay a sum of Rs. 27.5 Crores to IDBI Limited and to issue and allot Equity Shares of Rs. 2 Crores (including premium) on account of conversion of loan to that extent to IDBI Limited. Pursuant to the same it is proposed to issue on preferential basis 8,41,397 Equity Shares of Rs. 10 each at a price of Rs. 23.77 per Equity Share to IDBI Limited and upto 40,00,000 Equity Shares of Rs. 10 each at a price of Rs. 25 per Equity Share to Somerset India Limited, Dufflaghur Investments Limited and Mr. Ashwani Khurana as set out in the said Resolutions.

Section 81 of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the Subscribed Capital of a Company by allotment of further Shares such Shares shall be offered to the persons who at the date of offer are holders of Equity Shares of the Company in proportion to the Capital paid up on the date unless the Shareholders in the general meeting decide otherwise. The Listing Agreement executed by the Company with the Stock Exchanges also provides that the Company shall in the first instance, offer all securities for subscription pro-rata to the Equity Shareholders unless the Shareholders in the general meeting decide otherwise. The consent of the Shareholders is sought to authorize the Board of Directors to issue & allot Equity Shares by way of Preferential Issue as set out in the said Resolutions.

The Issue Price as described above has been determined in terms of Clause 13.1.1 of Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as on relevant date (11th August, 2007) being a price not less than the higher of the following:

- i) The average of weekly high and low of the closing prices of the Company's Shares quoted on the Stock Exchange (Bombay Stock Exchange Ltd.) during the six months preceding the 'relevant date';

OR

- ii) The average of weekly high and low of the closing prices of the related Shares quoted on the Stock Exchange (Bombay Stock Exchange Ltd.) during the two weeks preceding the 'relevant date'.

The Auditor's Certificate certifying that the issue of the Equity Shares is being made in accordance with the Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as in force on the date of this Notice will be open for inspection by the members at the Registered Office of the Company on any working day during office hours from 9.30 A.M. to 5.30 P.M. upto the date of the Meeting.

Disclosures which are required to be given in the Explanatory Statement to the Notice of General Meeting in terms of Clause 13.1A of Guidelines on Preferential Issues as contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as on the date of this Notice are given below:

i) Objects of the Issue

In terms of the Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited) the Company is required, inter-alia, to pay a sum of Rs. 27.5 Crores to IDBI Limited and to issue and allot Equity Shares of Rs. 2 Crores (including premium) on account of conversion of loan to that extent to IDBI Limited. Hence the proposed issue.

ii) Intention of Promoters/Directors/Key Managerial persons to subscribe to the Offer

The Offer is not being made to these entities.



iii) **Shareholding pattern before and after the preferential issue**

The pre and post issue Shareholding pattern based on the Subscribed Capital of the Company as on 4th August, 2007 is as follows on the assumption that the proposed allottees will subscribe the Equity Shares in terms of said Resolutions in full :

Category	Pre issue holding		Post issue holding	
	No. of Equity	% of total capital	No. of Equity	% of total capital
A. Promoters & Promoter Group	73,65,800	59.88	73,65,800	42.97
Sub Total (A)	73,65,800	59.88	73,65,800	42.97
B. Public Shareholding				
Institutions				
Mutual Funds/UTI	64,100	0.52	64,100	0.37
<u>Financial Institutions/Banks</u>				
- IDBI Limited	-	-	8,41,397	4.91
- Others FIs, Banks	100	-	100	-
<u>Foreign Institutional Investors</u>				
- Somerset India Fund	-	-	17,00,000	9.92
Non-Institutions				
<u>Bodies Corporate</u>				
- Dufflaghur Investments Limited	-	-	8,00,000	4.67
- Other Bodies Corporate	19,54,522	15.89	19,54,522	11.40
<u>Individuals</u>				
- Mr. Ashwani Khurana	-	-	15,00,000	8.75
- Other Individuals	29,14,014	23.69	29,14,014	17
Others (NRIs)	1,464	0.02	1,464	0.01
Sub Total (B)	49,34,200	40.12	97,75,597	57.03
TOTAL (A+B)	1,23,00,000	100	1,71,41,397	100

iv) **Proposed time within which the allotment shall be complete**

The Equity Shares shall be allotted within 15 days from the date of these Resolutions, provided that where the allotment on preferential basis remains pending on account of pendency of any approval of such allotment by any regulatory authority or the Central Government, the allotment shall be completed within 15 days from the date of such approval.



v) The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them

As per (iii) above.

vi) Others

The Equity Shares so allotted shall be subject to a lock-in for a period of one year from the date of allotment. There will be no consequential change in the Board of Directors or control over the Company. The Voting rights will change in accordance with the Shareholding Pattern.

Your Directors recommend passing of these Resolutions as SPECIAL RESOLUTIONS.

Except Mr. Inderpal S. Kalra, Nominee Director of IDBI Limited who is interested in Resolution No. 8 none of the Directors of the Company is concerned or interested in these Resolutions.

By Order of the Board of Directors
For **FILATEX INDIA LIMITED**

PLACE : NEW DELHI
DATE : 11th AUGUST, 2007

SANJEEV GUPTA
COMPANY SECRETARY

REGISTERED OFFICE:
Survey No.274, Demni Road, Dadra
(U.T. of Dadra & Nagar Haveli) 396 191



DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Seventeenth Annual Report along with the Audited Accounts for the year ended March 31, 2007.

FINANCIAL RESULTS:

Particulars	2006-2007	(Rs. in Lacs)	2005-2006
Sales/Income from Operations	32694		32879
Gross Profit before Interest, Depreciation & Taxation	911		946
Financial charges	543		1016
Depreciation	745		749
Profit / (Loss) before exceptional items, prior period expenses and tax (377)			(819)
Exceptional items			
- Interest waiver for previous period 800			
- Expenses on repairs due to fire <u>104</u>	696		-
Prior period adjustments	2		5
Profit / (Loss) before tax	317		(824)
Provision for Taxation			
- Current	15		-
- Fringe Benefit	7		7
Deferred Tax Assets of earlier years reversed	-		84
Net Profit / (Loss)	295		(915)
Balance brought forward from previous year	(713)		202
Balance carried forward	(418)		(713)

DIVIDEND

In the absence of distributable profits, your Directors regret their inability to recommend dividend for the year under review.

OPERATIONS & OUTLOOK

During the year under review higher raw material prices & over capacity in the industry restricted the turnover growth. In spite of these challenges your Company has been able to achieve improved results due to better efficiency, increased value addition and reduced interest burden.

During the year under review, a fire broke out at the Company's POY plant at Dadra which affected some POY lines and disrupted the production. Expeditious efforts were undertaken and the Company has been able to repair and commence production except in some lines which had major damages. The Company has lodged insurance claim which is expected to be finalized shortly and the Company has received interim payment of Rs. 3.75 Crores in May, 2007.

In February, 2007 your Company has entered into a Negotiated Settlement of dues with IDBI Limited (including erstwhile IDBI Bank Limited). In terms of the Settlement the Company has to pay a sum of Rs. 27.5 Crores to IDBI Limited by 30th September, 2007, issue Equity Shares of Rs. 2 Crores (including premium) as per SEBI's pricing formula and issue 0.1% Non-Convertible Redeemable Preference Shares of Rs. 12.5 Crores repayable at the end of 11th, 12th and 13th year. Out of the said amount a sum of Rs. 5 Crores has already been paid. Extinguishment of term loan liability of Rs 7.78 Crores has been taken to Capital Reserve being of capital nature and waiver of interest liability amounting to Rs 11.23 Crores has been taken to Profit & Loss Account. However in the event of non compliance of any of the terms and conditions, IDBI Limited has a right to revoke the Settlement and restore the original liability. Your Directors are confident that the Negotiated Settlement will have a catalytic effect in the revival path and improved performance of the Company.

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposits.

DIRECTORS

Shri S.P.Setia, Shri Purshottam Bhaggeria and Shri Madhav Bhageria, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

**DIRECTORS RESPONSIBILITY STATEMENT**

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors state as under:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and the Company has not been departed materially there from;
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

A separate Report on Corporate Governance as stipulated under clause 49 of the Listing Agreement is annexed hereto as Annexure 'A' alongwith the Auditors Certificate on its compliance and Management Discussion & Analysis Report is annexed hereto as Annexure 'B' as part of Annual Report.

AUDITORS & AUDITORS' REPORT

M/s Amod Agrawal & Associates, Chartered Accountants, Statutory Auditors of the Company hold office upto the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Your Company has received a letter from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

In respect of observations in the Auditors Report making reference to fire at the Company's POY plant & treatment of expenses on repairs thereon and extinguishment of term loan liability, the explanations given in the relevant notes to Accounts are self-explanatory.

STOCK EXCHANGE LISTING

The Equity Shares of your Company are listed on Bombay & Calcutta Stock Exchanges. The Annual Listing Fees has been paid to the aforesaid Stock Exchanges for the year 2007-2008.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement showing the necessary information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed to this Report as Annexure 'C'

PARTICULARS OF EMPLOYEES

There are no employees in respect of whom the particulars are required to be furnished under Section 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

Your Directors also wish to place on record their deep sense of appreciation for the committed services of the Executives, staff and workers of the Company.

Your Directors are pleased to place on record their sincere gratitude to the Central and State Government Departments, Banks, Dealers, Customers, Vendors and Shareholders for their valuable co-operation and assistance to the Company.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 23rd June, 2007

RAM AVTAR BHAGERIA
Chairman

ANNEXURE 'A'**REPORT ON CORPORATE GOVERNANCE**

In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, given below is a Report on the matters mentioned in the said Clause.

1. Company's Philosophy on Code of Governance

Your Company is fully committed to conduct its business with due compliance of all applicable laws, rules and regulations. The Company's philosophy on Corporate Governance lays strong emphasis on integrity, transparency, accountability and full disclosure in all facets of its operations to achieve the highest standards of



Corporate Governance and to enhance the trust of the creditors, employees, suppliers, customers and public at large. The Company believes that all its operations and actions must serve the underlying goal of enhancing shareholder values, over a sustained period of time.

2. Board of Directors

In compliance with the Corporate Governance requirements, presently the Board of Directors is headed by non-executive chairman and consists of total 7 members comprising of 4 non-executive Directors and out of which 3 are independent Directors representing the optimum mix of professionalism, knowledge and experience in their respective fields.

i) Present Structure of Board of Directors

S.No.	Name	Category of Director
1.	Shri Ram Avtar Bhageria Chairman	Non-Executive Director
2.	Shri Madhu Sudhan Bhageria Vice Chairman & Managing Director	Executive Director
3.	Shri Purrshottam Bhaggeria Joint Managing Director	Executive Director
4.	Shri Madhav Bhageria Joint Managing Director	Executive Director
5.	Shri Inderpal S. Kalra Nominee Director (IDBI)	Non-Executive & Independent Director
6.	Shri S.C. Parija Director	Non-Executive & Independent Director
7.	Shri S.P. Setia Director	Non-Executive & Independent Director

Details of Directors being re-appointed at the ensuing Annual General Meeting are given at the end of this Report.

ii) Board Meetings

During the year 2006-07, the Board met four times on 29th April, 2006, 29th July, 2006, 30th October, 2006 & 30th January, 2007.

The following table gives details of Directors, attendance of Directors at the Board meetings and at the last Annual General Meeting, Extra Ordinary General Meeting, number of membership held by Directors in the Board / Committees of various Companies: -

S. No.	Name	No. of Board Meetings attended	No. of Other Directorships*	Committee Memberships*	Committee Chairmanships*	Attendance in AGM
1.	Shri Ram Avtar Bhageria	3	-	-	-	YES
2.	Shri Madhu Sudhan Bhageria	3	1	-	-	YES
3.	Shri Purrshottam Bhaggeria	4	1	-	-	YES
4.	Shri Madhav Bhageria	-	1	-	-	YES
5.	Shri Inderpal S. Kalra	2	1	1	-	NO
6.	Shri S.P. Setia	3	1	2	-	NO
7.	Shri S.C. Parija	4	-	-	-	YES

* As on 31.03.2007. Represents Directorship & Membership/Chairmanship of Audit Committee, Shareholders Grievance Committee & Remuneration Committee of the Indian Public Companies.

iii) Board Procedure:

The members of the Board are provided with the requisite information mentioned in the Listing Agreement before the Board Meetings. The Directors actively participate in the deliberations of the Board.

All the Directors who are on various committees are within the permissible limits of the Listing Agreement. The Directors have intimated from time to time about their membership in the various Committees in other Companies.



3. Audit Committee

In terms of Section 292A of the Companies Act, 1956 and the requirement of the Listing Agreements with Stock Exchanges, the Company has an Audit Committee of Directors comprising four Directors namely, Shri S.P. Setia, Shri Inderpal S. Kalra, Shri S.C. Parija, all Independent Directors and Shri Ram Avtar Bhageria, Non Executive Director. Shri S.C. Parija is Chairman of the Committee. The terms of reference of the Audit Committee are as per Section 292A of the Companies Act, 1956 and the guidelines given in the Code of Corporate Governance, which inter-alia include the over view of Company's Financial Reporting Process, review of Quarterly, Half Yearly and Annual Financial Statements, adequacy of Internal Control Systems, major accounting policies & practices, compliances with Accounting Standards, related party transactions etc. The Company Secretary of the Company acts as the Secretary of the Committee.

The Internal Audit Reports are prepared by an external firm of Chartered Accountants & cover all operations of the Company and the Audit Committee reviews their findings regularly. This ensures a constant review of operations and systems and highlights the areas which needs improvement. The reports form the basis of management functions, decisions and follow up.

During the year 2006-07 the Committee met 4 times. The attendance at the meetings is as under: -

Date of Meeting	No. of Members present
29-04-2006	3
29-07-2006	3
30-10-2006	2
30-01-2007	4

In addition to the Committee members, the Managing/Joint Managing Directors, President (F & A), Internal Auditors and Statutory Auditors were also present at the meetings to answer the queries raised by the Committee members.

4. Details of Remuneration paid to the Directors during the Financial Year ended 31st March, 2007

S. No.	Name of Director	Salary & Allowances	Contribution to Provident Fund	Perquisites	Sitting Fees	Total
1.	Shri Ram Avtar Bhageria	-	-	-	6,000	6,000
2.	Shri MadhuSudhan Bhageria, Managing Director	8,28,000	9,360	48,000	-	8,85,360
3.	Shri Purrshottam Bhaggeria, Joint Managing Director	6,90,000	9,360	4,95,000	-	11,94,360
4.	Shri Madhav Bhageria, Joint Managing Director	6,90,000	9,360	60,000	-	7,59,360
5.	Shri Inderpal S. Kalra	-	-	-	4,000	4,000
6.	Shri S.P. Setia	-	-	-	6,000	6,000
7.	Shri S.C. Parija	-	-	-	8,000	8,000

(*) Sitting fees in respect of Shri Inderpal S. Kalra is paid to IDBI, the Institution he represent as nominee Director.

The employment of Managing/Joint Managing Directors is on contractual basis. Except Shri Ram Avtar Bhageria, Non Executive Director who holds 4,62,000 Equity Shares, none of the Non Executive Directors held any Equity Shares of the Company as on 31st March, 2007. No notice period and severance fee is applicable for the Executive Directors. The Company does not pay any performance-linked incentives to its Executive Directors. The Company does not have any Stock Options Scheme.

5. Shareholders'/Investors' Grievances Committee

For effective and efficient Investor Service the Company has a Shareholders'/Investors' Grievances Committee. The Committee comprises of Shri S.P. Setia & Shri S.C. Parija, Independent Directors and Shri Purrshottam Bhaggeria, Joint Managing Director of the Company. Shri. S.P. Setia is the Chairman of the Committee. Amongst



the other functions, the Committee looks into redressal of Shareholders complaints like non-transfer of Shares, non-receipt of Balance Sheet etc as required pursuant to Clause 49 of the Listing Agreement. The Company attends to Investor Grievances/correspondences expeditiously and all efforts are made to reply immediately. Shri Sanjeev Gupta, Company Secretary of the Company is the Compliance Officer. Based on its experiences in performance of its duties the Committee time to time suggest necessary measures for overall improvement of Investor Services.

During the year ended 31st March, 2007, two investors complaints /queries were received which were replied / resolved to the satisfaction of the investors and as on 31st March, 2007 there were no complaints / queries pending reply. There were no share transfers pending for registration for more than 30 days as on 31st March, 2007. As on 31st March, 2007, four requests for transfer of Shares were pending for approval, which were approved and dealt with by 1st April, 2007.

The Company has also adopted a code of conduct for Prevention of Insider Trading in the shares of the Company, pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Board has designated Shri Sanjeev Gupta, Company Secretary as the Compliance Officer.

6. General Body Meetings:

The last three Annual General Meetings of the Company were held as under: -

Year	Location	Date	Time	Nos. of Special Resolution passed
2003-2004	Survey No.274, Demni Road Dadra - 396 191 (U.T. of Dadra & Nagar Haveli)	25 th September, 2004	9.30 A.M.	–
2004-2005	Same as above	30 th September, 2005	9.30 A.M.	–
2005-2006	Same as above	30 th September, 2006	9.30 A.M.	–

There is no item in the Notice of the forthcoming Annual General Meeting that is proposed to be passed through Postal Ballot.

7. Disclosures

- (i) None of the transactions with any of the related party were in conflict with the interest of the Company. Attention of the members is drawn to the disclosures of transactions with the related parties set out in Notes to the Accounts - Schedule 15(ii) forming part of the Annual Report.
- (ii) No penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

8. Means of Communication

The Company is not sending half-yearly report to the shareholders, as it is not a mandatory requirement. The Company publishes its quarterly/half yearly/annual results in The Indian Express and Sandesh circulating in Dadra & Nagar Haveli. The same together with any other significant development is submitted to the Stock Exchanges. The Company is not making any official releases. The Financial Results, specified documents/statements are being displayed on SEBI website, www.sebiedifar.nic.in, in compliance with the provisions of Clause 51 of the Listing Agreement. The Company has not made any presentation to institutional investors or to analysts. Management Discussion and Analysis forms part of the Annual Report, which is posted to the shareholders of the Company.

9. Code of Conduct for Directors & Senior Management Personnel

The Board has adopted a Code of Conduct for observance of the Directors and Senior Management Personnel to ensure ethical conduct in performance of their duties.

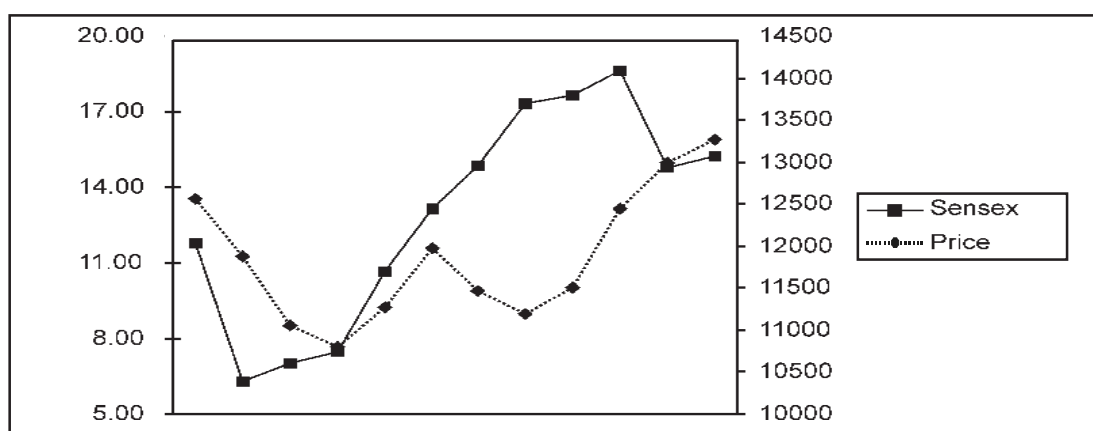
The Code has been circulated to all the Directors and Senior Management Personnel and they have affirmed the compliance of the same. A declaration in this regard signed by Managing Director of the Company is given at the end of this Report.



10. Shareholder's Referencer

- 10.1 Annual General Meeting:
 - Date and Time : 10th September, 2007 at 9.30 A.M.
 - Venue : Survey No. 274, Demni Road, Dadra - 396191 (U.T. of Dadra & Nagar Haveli)
- 10.2 Financial Calendar (tentative)
 Results for the quarter ending 30-06-2007 : before end of July, 2007
 Results for the quarter/half year ending 30-09-2007 : before end of October/November
 Results for the quarter ending 31-12-2007 : before end of January, 2007
 Results for the quarter/year ending 31-03-2008 : before end of April/June, 2008
- 10.3 Book Closure Date : 1st September, 2007 to 10th September, 2007 (both days inclusive)
- 10.4 Dividend Payment Date : Not Applicable
- 10.5. Listing of Equity Shares : Bombay and Calcutta. Annual Listing fees for the year 2007-08 has been on Stock Exchanges at paid to the above Stock Exchanges.
- 10.6 Stock Code :
 (a) Trading Symbol at : The Bombay Stock Exchange Ltd. 526227
 The Calcutta Stock Exchange Asso. Ltd. 10016023
 (b) ISIN allotted to : INE816B01019
 Equity Shares
- 10.7 Stock Market Data:
 Monthly High & Low of the Equity Shares of the Company for the year 2006-2007 based upon BSE Price data in comparison to BSE Sensex is given below:

Month	High		Low	
	Share Price	Sensex	Share Price	Sensex
April, 2006	15.69	12102	12.90	11008
May, 2006	13.99	12671	10.48	9827
June, 2006	11.50	10627	8.10	8799
July, 2006	9.40	10940	7.63	9875
August, 2006	10.80	11794	7.62	10646
September, 2006	12.65	12485	8.75	11444
October, 2006	12.88	13076	9.65	12179
November, 2006	10.74	13799	7.70	12937
December, 2006	12.35	14035	7.50	12802
January, 2007	17.95	14326	9.75	13303
February, 2007	14.97	14724	10.72	12801
March, 2007	18.81	13387	13.58	12316





- 10.8 Registrar and Transfer Agents : All the works relating to the share registry for the shares held in the physical forms as well as the shares held in the electronic form (Demat) are being done by MCS Limited at the following address:
MCS Limited
Sri Venkatesh Bhavan, W-40, Okhla Industrial Area
Phase-II, New Delhi - 110020
Tel: 011-41406148
Fax: 011-41709881
Email: mcsdel@vsnl.com
Note: Shareholders holding shares in electronic mode should address all correspondence to their respective Depository Participants.
- 10.9 Share Transfer System: The share transfers in physical form are registered and returned to the respective shareholders within a period of 15 days from the date of receipt, subject to the documents lodged for transfer being valid in all respects. The Shareholders'/ Investors Grievances Committee meets twice in a month to approve share transfers/transmissions.
- 10.10 Distribution of Shareholding according to categories of Shareholders as on 31st March, 2007:

S.No.	Category	No. of Shares	% To Total
1.	Promoters Holding		
	Promoter Group	73,65,800	59.88
2.	Institutional Investors		
	Mutual Funds	64,600	0.52
	Banks and Financial Institutions	100	-
	Foreign Institutional Investors	-	-
3.	Others		
	Private Corporate Bodies	17,60,934	14.32
	Indian Public	31,00,476	25.21
	NRIs/ OBCs	8,590	0.07
	TOTAL	1,23,00,000	100.00

Distribution of Shareholding as on 31st March, 2007

Range		Share holders		Shares	
No. of Shares		Number	% to total holders	Number	% to total Capital
Upto	500	4002	84.84	663325	5.39
501	1000	330	7.00	285438	2.32
1001	2000	147	3.12	246633	2.00
2001	3000	53	1.12	141904	1.15
3001	4000	26	0.55	92013	0.75
4001	5000	42	0.89	201168	1.64
5001	10000	42	0.89	300860	2.45
10001	and above	75	1.59	10368659	84.30
TOTAL		4717	100	12300000	100



- 10.11 Dematerialization of Shares: The shares of the Company are traded in compulsory dematerialized form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scripless trading, the Company has enlisted its shares with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).
- Share Dematerialization record As on 31st March, 2007, 1,10,02,580 Equity Shares were in dematerialized form which represents 89.45 % of the paid up capital.
- 10.12 Outstanding GDR/ADRs/ Warrants or any Convertible Instruments, conversion dates and likely impact on Equity N.A.
- 10.13 Plant Location
1. Survey No.274, Demni Road, Dadra-396 191 (U.T. of Dadra & Nagar Haveli)
 2. A-2, Extension, Phase - II (Noida), Distt. Gautam Budh Nagar - 201 304 (U.P.)
 3. Pazhavor Village, Tirunelveli, Kathabomman District Tamil Nadu
- 10.14 Address for Investor Correspondence MCS Limited Sri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi - 110020 Tel: 011-41406148 Fax: 011-41709881 Email: mcsdel@vsnl.com
- Members can also contact us at :
 Shri Sanjeev Gupta, Company Secretary
 42, Community Centre, New Friends Colony,
 New Delhi - 110 025
 Email : shares@filatex.com
- Shareholders are requested to quote their Folio Nos./DP ID/ Client ID, No. of Shares held and address for prompt reply.

11. RE-APPOINTMENT OF DIRECTORS:

Name of Director	Shri Purrshottam Bhaggeria	Shri Madhav Bhageria	Shri S.P.Setia
Age (Years)	46	44	65
Date of Appointment	30-07-2003	30-07-2003	30-07-2003
Expertise in specific functional areas/ other related activities.	Promoter Director. Looking after Finance & Accounts	Promoter Director. Looking after Marketing and Dadra Works	Technical Consultant
List of other Directorship (Indian Public Companies)	Helios Infrastructure & Projects Ltd.	Helios Infrastructure & Projects Ltd.	Indo Rama Textiles Limited
Chairman/Member of the committees of the Board of the Companies on which he/she is a Director.	Member - Shareholders' Grievance Committee (Filatex India Limited)	None	Chairman Audit Committee and Shareholders' Grievance Committee (Filatex India Limited) Member Audit Committee and Investor Grievance Committee (Indo Rama Textiles Limited)



12. CEO/CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement, Managing Director and Chief Financial Officer of the Company have submitted a certificate certifying various covenants about financial/cash flow statements, internal controls, financial reporting etc. in respect of Accounts for the year ending 31st March, 2007 to the Board of Directors.

13. NON MANDATORY ITEMS:

The Company has not adopted any non-mandatory requirements except the Remuneration Committee as mentioned in Annexure 3 of Clause 49 of the Listing Agreement. The Committee comprises of three Independent Directors and has been constituted to determine remuneration of Managing Director(s)/Whole time Director(s). During the year under review no meeting of the Remuneration Committee was held.

DECLARATION:

I, Madhu Sudhan Bhageria, Managing Director of the Company do hereby declare that all the Directors of the Company and Senior Management personnel have affirmed compliance with the Code of Conduct adopted by the Company.

Madhu Sudhan Bhageria
Managing Director

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE
UNDER CLAUSE 49 OF THE LISTING AGREEMENT****TO THE MEMBERS OF FILATEX INDIA LIMITED**

We have examined the compliance of conditions of Corporate Governance by Filatex India Limited for the year ended 31st March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2007, the Company Secretary has certified that as at 31st March, 2007, there were no investor grievances remaining unattended/pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **AMOD AGRAWAL & ASSOCIATES**
Chartered Accountants

VIRENDRA KUMAR
Partner
Membership No. 85380

Place: New Delhi
Dated: 23rd June, 2007

ANNEXURE 'B'

MANAGEMENT'S DISCUSSION AND ANALYSIS**DISCLAIMER STATEMENT**

Certain statements in this report on Management Discussion and Analysis may be forward looking statements and have been issued in terms of the applicable security laws and regulations. These statements are based on certain assumptions and expectations of future events. Actual results could however differ materially from those expressed in the statements or implied due to the influence of external and internal factors, which are beyond the control of the Company. The Company assumes no responsibility in respect of forward-looking statements, which may be amended or modified in future on the basis of subsequent developments, information or events.

INDUSTRY STRUCTURE & DEVELOPMENT

In the Indian economy the textile industry occupies a pivotal position as it contributes significantly to the Gross Domestic Products and total Industrial Production. The Industry contributes 5.1% to GDP, 9% to Excise Revenue and 18% to the employment in the Industrial Sector. The Polyester Filament industry is one of the essential intermediate sector in the textile chain as it serves a broad range of applications from apparel to home textiles and is also being used increasingly for non - apparel applications. Despite increase in capacities worldwide, the demand for Polyester is expected to increase.

INDUSTRY OUTLOOK

In the Union Budget 2007-08 the Government reduced customs duty on import of raw material. In view of the increased supply, due to capacity addition the raw material prices are further expected to come down. The demand supply gap in the industry is narrowing which will further benefit the Industry. There is increasing shift in production to India due to rising manufacturing cost & closure of the plants overseas. The margins were under pressure due to high raw material prices, over capacity in the industry and inter fibre competition. Due to price competitiveness of Polyester as compared to other yarns and increase in use in Industrial Applications demand of PFY is likely to maintain a good growth rate.



OPPORTUNITIES & CHALLENGES

Opportunities:

- (i) Economic Growth, Rural Development and rapid urbanization.
- (ii) Low per capita textile consumption in India offers strong growth potential.
- (iii) Increase in demand for niche products having higher value addition.
- (iv) Potential growth in exports of POY/PFY with quantitative restrictions on textiles exports being dismantled.

Following Challenges still persist:

- (i) Volatile raw material prices
- (ii) Competition from Cotton & other fibres
- (iii) Competition in the Industry

COMPANY OUTLOOK

Your Company is continuously initiating various debottlenecking measures to improve the product mix and reducing cost of production. The Negotiated Settlement of Dues with IDBI Limited (including erstwhile IDBI Bank Limited) will have a significant impact in improving the performance of the Company.

RISKS AND CONCERNS

The Company perceives the following main business risks:

- a) Customs Duty on raw materials leads to higher price of raw material viz-a-viz competitors in the International Market.
- b) Companies having their own Poly Condensation plant are able to secure substantial reduction in operational cost vis. a vis. Companies manufacturing POY from Polyester Chips.
- c) Increase in Interest Rates
- d) Post WTO, Companies with medium size capacities would be vulnerable viz-a-viz Companies with global size and modern facilities

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company remains committed to maintaining adequate and proper internal control systems and procedures in all the spheres of activity to provide reasonable assurance for orderly and efficient conduct of business and security of assets. It assures that all the assets are safeguarded and protected from unauthorized use and disposition and that all transactions entered into by the Company are duly authorized, recorded and reported. The Company has an elaborate budgetary control system and actual performance is constantly monitored by the management. The Company has well defined organization structure, authority levels and internal guidelines and rules. The internal control system ensures that the financial and other records are reliable for preparing financial statements and other data and for maintaining proper records of assets. The Company has an extensive system of internal controls which ensures optimum utilization and protection of resources, accurate reporting of financial transactions and compliance with applicable laws and regulations as also internal policies and procedures. The internal control system is supplemented by effective internal audit carried out by an external firm of Chartered Accountant and reports reviewed by the management at regular intervals.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE.

During the year under review the turnover of your Company was Rs. 32,694 Lacs as against Rs. 32,879 Lacs in the previous financial year. The net profit for the year under review was Rs. 295 Lacs after providing for depreciation of Rs. 745 Lacs and exceptional gain (net) of Rs. 694 Lacs as against the net loss of Rs. 915 Lacs in previous year after providing for depreciation of Rs. 749 Lacs and Deferred Tax of prior years reversed Rs. 84 Lacs.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Human Resource are vital to the success of any Organization. The Company lays emphasis on developing and facilitating optimum human performance by providing opportunity for open interactions, communications and feed back. Relations with employees remained cordial during the year under review. Consistent and fair policies ensure that industrial relations continues to be peaceful and results in improvement in productivity and effectiveness. Your Company aims at creating development oriented approach for its employees by building systems, processes and focusing on recruitment of top quality manpower. Focus on performance appraisal and incentive schemes results in enhancing productivity on a substantial basis. It provides an opportunity to all the employees to utilize their full potential and grow in the organization and beliefs in empowering its people and providing a stimulating professional environment. The number of persons employed in the Company at the close of Financial Year was 703.



ANNEXURE TO DIRECTORS' REPORT

REPORT ON CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO IN ACCORDANCE WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY:

1. Energy Conservation measures taken:

- Height of dryer blower increased
- Reduction in insulation losses
- Electricity connection taken in NOIDA plant
- Using flux control system in critical drives
- Optimization of quenching parameters of all the lines

2. Additional Investments and proposals, If any, being implemented for reduction of consumption of energy:

- Motor rating being changed to optimum
- Putting up of Invertors
- Modification of process system on on-going basis

3. Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact on the cost of production of goods:

- Reduction in wastage and energy/power consumption per unit of yarn
- Improvement in quality and productivity
- Equipment engagement load will come down which will help to maintain longer life of equipment.

4. Total energy consumption and energy consumption per unit of production:

The details are provided in Form `A` given below.

B. TECHNOLOGY ABSORPTION:

The details are provided in Form `B` given below.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- a) Activities relating to exports, initiative taken to increase export, development of new exports markets for product services & exports plans:

The Company is continuously exploring the possibilities for increasing its exports to newer markets. Participation in trade exhibitions and various other publicity measures are undertaken for export promotion.

- b) Foreign Exchange earned : Rs. 756.57 Lacs
 Foreign Exchange used : Rs. 6121.08 Lacs

D. INFORMATION ON POLLUTION CONTROL MEASURES:

The Company is maintaining & monitoring environment & pollution control parameters at its plants on a continuous basis. The Company is maintaining proper effluent treatment plant to keep the environment pollution free. Environment & pollution parameters are regularly analyzed and actual values are within the permissible norms.



FORM 'A'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY:

	2006-2007	2005-2006
A) Power and Fuel Consumption:		
1. Electricity		
a) Purchased Units KWH	3,85,74,205	4,04,35,404
Total amount Rs.	11,09,25,383	11,14,05,925
Rate per unit Rs.	2.88	2.76
b) Own generation through DG Sets		
Units KWH	15,15,990	25,82,584
Units per Liter of Diesel oil	3.48	3.58
Cost per unit Rs.	8.43	7.59
2. Coal	NIL	NIL
3. Furnace Oil		
– Quantity (K. ltr.)	878.645	1019.242
– Total amount (Rs. in lacs)	144.87	141.31
– Average Rate/Litre (in Rs.)	16.49	13.86
4. Others	NIL	NIL
B) Consumption per unit of production :		
Electricity (KWH/kg)	0.85	0.91
Furnace Oil(K. ltr/MT)	0.02	0.02

FORM 'B'

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION:

Research and Development:

1. Specific areas in which Research and Development carried out by the Company:

- Research and development activities carried out for various finished products
- Optimization of process parameters to increase productivity, product quality, efficiency.
- New product development with special emphasis on specialty products.

2. Benefits derived as a result of the above research and development:

Increase in sales realization, better & consistent product quality and overall increase in production leading to higher value addition.

3. Future Plan of Action:

Technical department makes continuous efforts to improve the standard of products, identify and develop new value added products and increase productivity. Continuous efforts are being made for de-bottlenecking in order to increase production and reduce per unit cost of production.

4. Expenditure on Research & Development:

- Capital)
- Recurring) The expenditure has been
- Total) charged under the primary
- Total Research & Development) heads of accounts.
- Expenditure as % of total turn over.)

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief made towards technology absorption, adaptation and innovation:

- Development of new products to cater to the market requirements.
- Improvement /modification in process, equipments and products

The stress is laid on innovation in all the functions including production. The Company has latest state-of-art machines and the Company is continuously adapting the processes of production to increase its production, quality and consistency in its products. Constant watch is kept on market trends to meet the requirements of customers.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.:

- Improvement in operational efficiency.
- Improvement in quality of products.
- Cost Reduction.

3. In case of Imported Technology (Imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished: - N.A.



AUDITORS' REPORT

TO THE MEMBERS OF FILATEX INDIA LIMITED

1. We have audited the attached Balance Sheet of Filatex India Limited as at March 31, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in para 3 above, we report that: -
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956
 - (e) On the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of section 274(1) (g) of Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies and other notes thereon in Schedule No.20, subject to *note no.3 regarding expenditure incurred on repair of some of the plant & machinery damaged in fire at company's POY unit at Dadra, the company has decided to carry forward a part of such expenditure to be set off against the insurance claim lodged by the company instead of hitherto followed practice of adjusting the insurance claim on receipt basis. As a result of the above change, profit for the year is higher by Rs.294.20 lacs; note no.4 regarding extinguishment of term loan liability of Rs.778.40 lacs which has been taken to capital reserve*, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet, of the state of the affairs of the Company, as at March 31, 2007.
 - ii) In the case of the Profit and Loss account, of the Profit of the Company for the year ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **AMOD AGRAWAL & ASSOCIATES**
Chartered Accountants

Place : New Delhi
Date : 23/06/2007

VIRENDRA KUMAR
Partner
Membership No. 85380

ANNEXURE REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE

1. a) The Company has maintained proper records to show full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year in a phased manner and no material discrepancies have been noticed on such verification. However, there was a fire at company's POY unit at Dadra which affected some of the POY production lines, a major part of which has been repaired and restored during the year (refer note no. 3 of schedule no.20 on notes to accounts).
In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the Company and the nature of its assets.



- c) The company has not disposed off substantial part of fixed assets during the year and going concern status of the company is not affected.
2. a) The management has conducted physical verification of inventory at reasonable intervals.
 b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 c) The Company is maintaining proper records of inventory and no material discrepancies in inventory were noticed on physical verification.
3. a) As informed to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 b) According to the information and explanations given to us, the company has taken unsecured loan from two parties covered in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.850.00 lacs and the year end balance of the loan taken from such parties was Rs.600 lacs. In our opinion, the rate of interest and other terms & conditions are not prima facie prejudicial to the interest of the company. The principal and interest are payable on demand and there was no overdue amount.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. There are no transactions in respect of sale of services during the year. Accordingly the issue of continuing failure to correct major weakness in internal control in these areas does not apply.
5. According to the information and explanations provided by the management, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public within the meaning of section 58A & 58AA of the Companies Act, 1956 and the rules made thereunder.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Govt. for the maintenance of Cost Records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have however, not made a detailed examination of these records.
9. a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax, Cess and other statutory dues applicable to it with the appropriate authorities.
 b) According to the information and explanations given to us there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Service Tax, Custom duty and Excise duty outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable.
 c) According to the records of the company, there are no dues of income-tax, wealth tax, service tax, customs duty and cess, which have not been deposited on account of any dispute. *Dues towards excise duty and sales tax that have not been deposited on account of dispute are stated below:*

Nature of Dues	Amount (Rs/lacs)	Period to which it relates	Forum where Dispute is pending
<i>Estimation of sale value of waste.</i>	2.16	<i>February, 2001 to July 2004</i>	<i>Settlement Commission, Mumbai</i>
<i>Estimation of sale value of yarn.</i>	174.11	<i>FY 2002-03</i>	<i>Supreme Court</i>
<i>Non production of re-warehousing certificate. (Net of refund Rs.17.20 Lacs retained by the Department)</i>	13.36	<i>June 2004</i>	<i>Commissioner of Central Excise (Appeals) Vapi</i>
<i>NCCD on Deemed Exports & Job Work.</i>	67.74	<i>July, 2003 to June 2004</i>	<i>Central Excise & Service Tax Appellate Tribunal, Western Zone, Ahmedabad</i>
<i>NCCD on Deemed Exports.</i>	1.38	<i>July, 2004 to November, 2004</i>	<i>Commissioner of Central Excise (Appeals) Vapi</i>
<i>Sales Tax Case (Noida)</i>	0.31	<i>FY 2004-05</i>	<i>Appeal is pending for hearing before Jt. Commissioner (Appeals), Noida (UP).</i>
	259.06		



10. The Company has no accumulated losses at the end of the financial year. It has not incurred cash losses during the year under report, but there was a cash loss in the immediately preceding financial year.
11. *Based on our audit procedures and according to the information and explanations given by the management, the Company has not paid Rs. 11.51 lacs towards principal and Rs. 4.72 lacs towards interest to a bank for the period from 1st October, 2005 to 31st March, 2007. We have been informed by the management that the company has approached the said bank for settlement of dues, which is under process.*

The company has entered into a settlement with IDBI Ltd (including erstwhile IDBI Bank Ltd) in respect of their dues and we have been informed that the company has made necessary arrangements for meeting its obligations under the settlement.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund, nidhi / mutual benefit fund and societies.
14. The company has not dealt/traded in shares, securities and debentures. However in respect of investments made in mutual funds, in our opinion and according to the information and explanations given to us, proper records have been maintained for the transactions and contracts and timely entries have been made therein. The investments have been held by the company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
16. Based on the audit procedures applied by us & according to the information & explanations provided by the management, the term loans taken by the company during the year have been applied for the purpose for which the loans were obtained.
17. According to the information and explanation given to us and on the basis of overall examination of the Balance Sheet of the company, in our opinion, no short term funds have been used for long term uses, during the year under our report.
18. The company has not made any preferential allotment of shares to parties or Companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The company has created security in respect of debentures issued.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed by us for expressing our opinion on these financial statements and information & explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit that causes the financial statement to be materially misstated.

For **AMOD AGRAWAL & ASSOCIATES**
Chartered Accountants

Place : New Delhi
Date : 23/06/2007

VIRENDRA KUMAR
Partner
Membership No. 85380



BALANCE SHEET AS AT MARCH 31, 2007

(RS /LACS)

PARTICULARS	SCHEDULE NO	AS AT MARCH 31, 2007	AS AT MARCH 31, 2006
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1		
Equity		1230.00	1230.00
Reserves & Surplus	2	2360.40	2019.81
		3590.40	3249.81
LOAN FUNDS			
Secured	3	6815.10	9539.45
Unsecured (from a body corporate)		600.00	188.00
		11005.50	12977.26
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	15196.74	15105.35
Less Depreciation		6096.07	5353.36
		9100.67	9751.99
NET BLOCK			
		0.47	0.86
INVESTMENTS			
CURRENT ASSETS, LOANS & ADVANCES:			
Inventories	6	1543.45	2760.34
Sundry Debtors	7	1110.29	1065.32
Cash & Bank Balances	8	134.39	104.88
Loans & Advances	9	495.09	382.27
Other Current Assets	10	334.72	71.32
		3617.94	4384.13
LESS: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	1640.93	1818.77
Provisions		72.65	54.43
		1904.36	2510.93
NET CURRENT ASSETS			
		-	713.48
Profit & Loss Account			
		11005.50	12977.26
Notes to Accounts	20		

The schedules referred to above and notes to accounts form an integral part of the Accounts

As per our report of even date attached
for **AMOD AGRAWAL & ASSOCIATES**
Chartered Accountants

VIRENDRA KUMAR
Partner
Membership No. 85380

Place : New Delhi
Date : 23.06.2007

SANJEEV GUPTA
Company Secretary

R P GUPTA
President (F & A)

for and on behalf of the Board

RAM AVTAR BHAGERIA
Chairman

MADHU SUDHAN BHAGERIA
Vice Chairman & Managing Director

PURRSHOTTAM BHAGGERIA
Joint Managing Director

S C PARIJA, Director

S P SETIA, Director

I S KALRA, IDBI Nominee



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

(RS /LACS)

PARTICULARS	SCHEDULE NO	YEAR ENDED MARCH 31, 2007	YEAR ENDED MARCH 31, 2006
INCOME			
Gross Sales	12	32693.91	32879.06
Less: Excise Duty		2812.55	427184
Net Sales		29881.36	28607.22
Other Income	13	29.88	22.81
Increase/(Decrease) in Stocks	14	(351.50)	27.16
		29559.74	28657.19
EXPENDITURE:			
Cost of Materials Consumed	15	25898.67	24811.63
Manufacturing & Administration expenses	16	1805.72	1806.79
Payment & Benefits to Employees	17	778.18	803.89
Selling Expenses	18	166.95	288.47
Financial Charges	19	543.05	1016.40
Depreciaton		763.94	768.01
Less: Transferred from Revaluation Reserve		19.12	19.12
		29937.39	29476.09
Profit/(Loss) before exceptional items, prior period expenses & tax		(377.65)	(818.90)
Exceptional Items :			
- Interest waiver for previous period (Refer Note No. 4 to Schedule No. 20)		799.90	—
- Expenses on repairs due to fire (Refer Note No. 3 to Schedule No. 20)		103.58	—
Prior period adjustments		1.85	4.77
Profit /(Loss) before tax		316.82	(823.67)
Provisions for Tax : Current		15.28	—
Fringe Benefit		6.73	7.05
Deferred Tax Assets of prior years reversed		—	84.41
Profit/ (Loss) after Tax		294.81	(915.13)
Blance brought forward from Previous year		(713.50)	201.65
Balance Carried to Balance Sheet		(418.70)	(713.50)
Earning per Share (EPS) (Face value of Rs. 10/- per share)			
Basic before exceptional items (in Rupees)		(3.26)	(7.54)
Basic after exceptional items (in Rupees)		2.40	(7.54)
Notes to Accounts	20		

The schedules referred to above and notes to accounts form an integral part of the Accounts

for and on behalf of the Board

As per our report of even date attached
for AMOD AGRAWAL & ASSOCIATES
Chartered Accountants

RAM AVTAR BHAGERIA
Chairman

MADHU SUDHAN BHAGERIA
Vice Chairman & Managing Director

VIRENDRA KUMAR
Partner
Membership No. 85380

SANJEEV GUPTA
Company Secretary

PURRSHOTTAM BHAGGERIA
Joint Managing Director

S C PARIJA, Director

Place : New Delhi
Date : 23.06.2007

R P GUPTA
President (F & A)

S P SETIA, Director

I S KALRA, IDBI Nominee



SCHEDULES FORMING PART OF BALANCE SHEET

(RS./ LACS)

PARTICULARS	AS AT MARCH 31, 2007	AS AT MARCH 31, 2006
SCHEDULE 1 SHARE CAPITAL		
AUTHORISED		
1,62,50,000 (Previous Year 1,62,50,000) Equity Shares of Rs.10/- each	1625.00	1625.00
15,00,000 (Previous Year -1500000) Cummulative Convertible Preference shares of Rs.25/- each	375.00	375.00
	2000.00	2000.00
ISSUED, SUBSCRIBED AND PAID UP		
123,00,000 (P.Y 123,00,000) Equity Shares of Rs.10/- each fully paid up	1230.00	1230.00
	1230.00	1230.00

SCHEDULE 2 - RESERVES & SURPLUS

	AS AT 01/04/2006 (Rs/Lacs)	Additions during the year (Rs/Lacs)	Appropriations during the year (Rs/Lacs)	AS AT 31/3/2007 (Rs/Lacs)
i) Share Premium	1450.00	—	—	1450.00
ii) Debenture Redemption Reserve	442.25	—	—	442.25
iii) Capital Reserve (Refer Note No. 4 to Schedule No. 20)	—	778.40	418.70*	359.70
iv) Revaluation Reserve	127.57	—	19.12	108.45
	2019.82	778.40	437.82	2360.40

*Debit balance of Profit & Loss Account

SCHEDULE 3 - LOAN FUNDS

SECURED LOANS:

i) Term Loans from Banks			
- Rupee		2651.98	4186.10
- Foreign Currency		1414.00	1300.00
ii) Working Capital Loan from Banks			
- Rupee		3.38	135.29
- Foreign Currency		1453.85	1912.86
iii) Zero Coupon Non-Convertible debentures from Banks (in terms of settlement with IDBI, ZCNCs of Rs. 1250.00 lacs are to be converted to Non-Convertible Redeemable Preference Shares (NCRPS) carrying coupon rate of 0.10% per annum and are redeemable @ 25% each in the 11th & 12th year and balance 50% in the 13th year. Balance ZCNCs redeemable in 12 equal quarterly installments commencing from April, 2011).		1266.15	1769.00
iv) Vehicle Loans		21.02	30.69
v) Interest accrued & Due		4.72	205.51
		6815.10	9539.45

- Term Loans from Banks are secured by way of first charge on pari-passu basis on all immovable and movable assets of the Company, both present and future (save and except inventories and book debts) and except those mentioned at para (b) & (c) below subject to charges created/to be created in favour of Company's bankers by way of security for borrowings for Working Capital requirements in the ordinary course of business.
- Term Loans from banks include Rs.1461.54 lacs (previous year Rs.1603.25 lacs) and vehicles loans of Rs.21.02 lacs (previous year Rs.30.69 lacs) are secured by way of exclusive first charge on specific assets.
- Working capital loans from scheduled banks are secured by way of hypothecation of stocks of raw material, work-in-progress, finished goods, stores & spares, other consumables and book debts of the Company both present and future and by way of second charge on fixed assets of the Company.
- Installments of term loan due within next 12 months are Rs.2309.81 lacs (previous year Rs.1424.23 lacs)
- The above loans except vehicle loans are further guaranteed by the three Promoter Directors in their personal capacity.



SCHEDULE 4 - FIXED ASSETS

(Rs/Lacs)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.04.06	Additions	Sale/ Adjust- ments	As at 31.03.07	As at 01.04.06	For the PERIOD 31.03.07	Adjust- ments	TOTAL	As at 31.03.07	As at 31.03.06
Lease Hold Land	43.39	—	—	43.39	1.72	0.93	—	2.65	40.74	41.67
Free Hold Land	177.80	—	—	177.80	—	—	—	—	177.80	177.80
Factory Buildings	861.88	—	—	861.88	221.70	28.78	—	250.48	611.40	640.18
Non-Factory Buildings	570.85	—	—	570.85	83.74	9.31	—	93.05	477.80	487.11
Plant & Machinery	12744.67	106.88#	19.18	12832.37	4749.85	672.47	13.04	5409.28	7423.09	7994.82
Office Equipments	79.43	7.59	—	87.02	25.15	3.90	—	29.05	57.97	54.28
Furniture & Fixtures	83.49	2.84	—	86.33	51.79	3.26	—	55.05	31.28	31.70
Computers	72.99	2.92	—	75.91	57.36	4.39	—	61.75	14.16	15.63
Vehicles	164.36	17.26	26.92*	154.70*	49.57	14.79	8.20	56.16	98.54	114.79
Wind Mills	306.49	—	—	306.49*#	112.48	26.12**	—	138.60	167.89	194.01
	15105.35	137.49	46.10	15196.74	5353.36	763.95	21.24	6096.07	9100.67	9751.99
Capital Work in Progress	—	—	—	—	—	—	—	—	—	—
Grand Total	15105.35	137.49	46.10	15196.74	5353.36	763.95**	21.24	6096.07	9100.67	9751.99
Previous Year	14918.50	933.46	746.61	15105.35	4603.79	772.78	23.21	5353.36	9751.99	10314.71

* Includes assets taken on hire purchase amounting to Rs.70.39 lacs (Upto Previous Year Rs.87.21 lacs)

Includes Interest and other expenses amounting to Nil (previous year Rs.10.68 lacs)

** Includes depreciation on revaluation reserves of Rs.19.12 lacs (Previous year Rs. 19.12 lacs)

*# Includes Rs.173.77 lacs (PY Rs.173.77 lacs) being the amount added on revaluation as on November 13,2003.

SCHEDULE 5 - INVESTMENTS (AT COST)

LONG TERM NON TRADE (QUOTED)

**Fully Paid Equity Shares
(Face Value Rs. 10/- Each)**

PARTICULARS	AS AT MARCH 31, 2007		AS AT MARCH 31,2006	
	NO. OF SHARES	(Rs/Lacs)	NO. OF SHARES	(Rs/Lacs)
Tata Coffee Ltd.	5	0.03	5	0.03
B.S.I. Industries Ltd.	4,600	4.90	4,600	4.90
Cavalet India Ltd.	5,000	1.79	5,000	1.79
Montana International Ltd.	4,500	1.17	4,500	1.17
TOTAL:		7.89		7.89
Less: Provision for diminution in value		7.88		7.88
Total		0.01		0.01

Market value of quoted investments as on 31/03/2007 Rs.0.01 lac (Previous year Rs.0.01 lac)

CURRENT NON-TRADE (UNQUOTED)

Units of Mutual Funds

(Face value of Rs. 10/ each)

PARTICULARS	AS AT MARCH 31, 2007		AS AT MARCH 31,2006	
	NO. OF UNITS	(Rs/Lacs)	NO. OF UNITS	(Rs/Lacs)
Templeton India Liquid Plus Dividend Reinvestment Scheme	4,584	0.46	8,546	0.85
Total	4,584	0.46	8,546	0.85

31681152 units purchased and 31685114 units sold during the year.

Grand Total		0.47		1.44
--------------------	--	-------------	--	-------------



PARTICULARS	AS AT MARCH 31, 2007 (Rs/Lacs)	AS AT MARCH 31, 2006 (Rs/Lacs)
SCHEDULE 6 - INVENTORIES		
Raw Materials (Net of provision of Rs. NIL lacs previous year-Rs.17.64 lacs)	473.70	861.70
Stores, Spares& Consumables	210.59	265.63
Work in Progress	153.10	146.25
Finished Goods	706.06	1064.41
Goods in Transit	—	422.35
	1543.45	2760.34
SCHEDULE 7 - SUNDRY DEBTORS		
(Unsecured, Considered Goods unless otherwise stated)		
Exceeding 6 months	144.73	138.02
Others	1018.82	987.96
Total Debtors	1163.55	1125.98
Less: Provision for doubtful debts	53.26	60.66
	1110.29	1065.32
SCHEDULE 8 - CASH & BANK BALANCES		
Cash in hand	15.07	14.94
Balances with Scheduled Bank -		
- In Current Accounts	17.06	14.42
- In Fixed Deposits (pledged with banks as Margin Money)	46.24	75.52
- Cheques in hand	56.02	—
	134.39	104.88
SCHEDULE 9 - LOANS & ADVANCES		
(Unsecured, Considered Good)		
Advances Recoverable in Cash or in kind or for value to be received	136.54	170.72
Balance with Excise Department	125.15	131.24
Vat Receivable	212.83	6.99
Security Deposits	20.57	16.10
Tax Deducted at Source & Advance Income Tax	—	57.22
	495.09	382.27
SCHEDULE 10 - OTHER CURRENT ASSETS		
Interest receivable	3.64	0.77
Prepaid Expenses	35.07	42.67
DEPB Licenses/Customs Duty Advance	1.81	27.88
Expenses recoverable under Insurance Claim	294.20	—
	334.72	71.32
SCHEDULE 11 - CURRENT LIABILITIES & PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors - Acceptances	629.15	975.76
- for Material	469.42	182.63
- for Services	39.26	104.92
- due to SSI Units.	2.36	5.04
Interest accrued, but not due	0.71	93.76
Advance from customers	106.75	73.63
Excise Duty/Service Tax Payable	0.48	0.53
Other	392.80	382.50
	1640.93	1818.77
PROVISIONS		
Gratuity	47.11	37.96
Leave Encashment	20.29	16.47
Income Tax (MAT)	4.69	—
(Net of Tax Deducted Source of Rs. 10.59 lacs)		
Fringe Benefit Tax	0.56	—
(Net of Advance Tax of Rs. 6.17 lacs, previous year Rs. 7.05 lacs)		
	72.65	54.43
TOTAL	1713.58	1873.20



PARTICULARS	AS AT MARCH 31, 2007 (Rs/Lacs)	AS AT MARCH 31, 2006 (Rs/Lacs)
SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT		
SCHEDULE 12 - SALES/INCOME FROM OPERATIONS		
Sales	32565.29	32723.48
Job Work	52.16	102.80
Export Incentives	51.09	22.78
Sale of Scrap	25.37	30.00
	32693.91	32879.06
SCHEDULE 13 - OTHER INCOME		
Dividend (Gross)	2.44	5.75
Balances written back (Net)	3.91	(0.01)
Interest from others (TDS - Nil, Previous year - Nil)	17.59	13.51
Miscellaneous Receipts	5.94	3.56
	29.88	22.81
SCHEDULE 14 - INCREASE/(DECREASE) IN STOCK		
Opening Stock of Finished Goods and Work in Progress	1210.66	1183.50
Closing Stock of Finished Goods and Work in Progress	859.16	1210.66
	(351.50)	27.16
SCHEDULE--15 COST OF MATERIAL CONSUMED		
Raw Material	24444.81	23301.34
(Includes exchange fluctuation of 22.55 lacs, Previous year Rs.34.84 lacs)		
Consumables	152.77	137.64
Store & Spares	306.68	267.14
Packing Material	958.25	880.67
Goods for resale	36.16	224.86
	25898.67	24811.65
SCHEDULE 16 - MANUFACTURING & ADMINISTRATION EXPENSES		
Repair & Maintenance - Machinery	51.51	72.18
- Building	28.96	25.34
- Others	30.69	19.56
Electricity expenses	15.26	17.11
Power & Fuel	1389.65	1454.80
Rates & Taxes	13.41	7.60
Printing & Stationery	11.48	12.15
Postage, Telephone & Telegram	26.89	28.66
Rent	50.32	19.58
Travelling & Conveyance	73.70	45.99
Vehicle Running & Maintenance	18.59	18.79
Legal & Professional Charges	23.79	14.92
Auditor's Remuneration (Net of Service Tax)	2.18	2.16
Insurance Expenses	43.93	59.03
Director's Sitting Fees	0.24	0.32
Security Services	4.20	3.53
General Expenses	4.73	2.53
Miscellaneous Expenditure Written off	—	0.23
Donation & Charity	0.41	0.25
Advertisement & Publicity	3.52	3.57
Membership Fees & Subscriptions	2.62	2.00
Loss on Sales of Fixed Assets	8.61	(2.69)
Foreign Exchange Fluctuation	1.03	(0.82)
	1805.72	1806.79



PARTICULARS	AS AT MARCH 31, 2007 (Rs/Lacs)	AS AT MARCH 31, 2006 (Rs/Lacs)
SCHEDULE 17 - PAYMENT & BENEFITS TO EMPLOYEES		
Salary, Allowances & Commission	594.13	640.81
Employer's Contribution to PF, ESI & other funds	32.54	33.29
Other Benefits	151.51	129.79
	778.18	803.89
SCHEDULE 18 - SELLING EXPENSES		
Market Development Expenses	10.59	12.06
Freight Outward	91.73	103.20
Commission & Rebates	46.84	160.78
Bad Debts Written off	24.46	0.46
Provision for doubtful debts	(6.67)	11.97
	166.95	288.47
SCHEDULE 19 - FINANCIAL CHARGES		
Interest on Term Loans	181.36	551.02
Interest on Working Capital & Others	266.58	327.32
Bank Charges	71.60	137.64
Exchange Fluctuation on FCL	37.33	17.06
	556.87	1033.04
Less: Interest received on FDR'S (TDS Rs.2.27 lacs PY Rs.3.41 lacs)	13.82	16.64
Net Financial Exp.	543.05	1016.40

SCHEDULE 20- SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS.

I. NATURE OF OPERATION

Filatex India Ltd. is a manufacturer of Polyester, Nylon & Poly propylene Multi & Mono Filament Yarn and generates Wind Electricity.

II. SIGNIFICANT ACCOUNTING POLICIES

- a) The financial statements are prepared under the historical cost convention in compliance with the Accounting Standards specified to be mandatory by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- b) Fixed Assets & Depreciation:
 - i) Expenditure on capitalization are net of cost which comprises of purchase price (net of rebates, discounts & cenvat) levies and any other directly attributable costs of bringing the asset to its working condition for the intended use & includes interest on funds borrowed specially for the purpose, for the period upto commissioning/installation of the assets.
 - ii) Depreciation has been provided on straight-line method on pro-rata basis at the rates & manner prescribed in Schedule XIV of the Companies Act, 1956.
 - iii) Depreciation on leasehold land is provided on remaining useful life of the assets.
 - iv) Upon completion of the lease period, certain fixed assets have been revalued as per the report of Valuer. Depreciation on the additions made to such assets on revaluation is provided in the remaining useful life of the assets. The remaining useful life of the assets is calculated on the basis of date of installation as date of addition. Such depreciation is adjusted against the revaluation reserve.
- c)
 - i) Liabilities of Foreign Currency monetary transaction (not covered under forward contract) and loans as on the date of Balance Sheet are converted into Indian Rupee at the Exchange Rates prevailing on the date of Balance Sheet. The exchange difference on such conversion is adjusted in the respective assets/liabilities and expenditure.
 - ii) Current Assets, Current Liabilities, Any income or expenses of foreign currency transactions outstanding as on the balance sheet date are accounted for at the exchange rates prevailing as on the balance sheet date



- iii) Exchange fluctuation on Forward Exchange Contract is provided over the period of contract.
- iv) Financial derivatives and hedging contracts are accounted on the date of their settlement and realized gain/loss in respect of settled contracts are recognized in the profit and loss account, along with the underlying transactions.
- d) Inventories are valued as follows:
 - Raw Material & Others:**
Lower of cost or net realisable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products, in which they will be incorporated, are expected to be sold at or above cost. Cost is determined on First In First Out (FIFO) basis.
 - Work in Progress and Finished Goods**
Lower of cost or net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
 - By Products and Waste Net realisable value.**
Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.
- e) Investments are stated at Cost less provision for diminution in value.
- f) Liabilities for gratuity and leave encashment are provided on the basis of actuarial valuation as on Balance Sheet date.
- g) Revenue Recognition**
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured.
 - Sale of Goods**
Revenue is recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer. Sales are net of return, volume discount, trade discounts & sales tax including excise duty.
- h) Insurance claims are accounted for on receipt basis.
- i) Export incentives are valued as under:
 - a) In case of imports against DEEC entitlement on the basis of difference in the cost of imported and indigenous material as on the date of balance sheet.
 - b) In case of exports under DEPB entitlement, incentive has been valued on the specific rates allowed on the relevant item of the export.
- j) Borrowing cost:- Interest & other costs incurred by the company in connection with the borrowing of funds are recognised as expenses during the period in which they are incurred unless activities that are necessary to prepare the qualifying assets for its intended use are in progress.
- k) Accounting for Taxes on Income: Provision for tax on income is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961. Deferred tax resulting from "timing difference" between book and taxable profit is accounted for using the tax rates and laws that have been enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.
- l) Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is defined as value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.
- m) Patents and Trade Marks, software etc. are accounted at their cost of acquisition and amortised over their estimated economic life not exceeding 10 years. Leasehold improvements are charged to the Profit & Loss Account over the primary period of lease.



- n) A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

o) Earning Per Share (EPS):

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating Diluted Earning per Share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential Equity Shares.

III. NOTES TO ACCOUNTS:

1. (i) Contingent liabilities not provided for in respect of: (Rs/Lacs)

PARTICULARS	Year Ended March 31, 2007	Year Ended March 31, 2006
a) Unexpired Letter of Credits	156.33	993.89
b) Unexpired Letter of Guarantees	191.51	187.96
c) Excise/Customs	260.96	275.69
d) Sales Tax	0.79	-
e) Dividend on Cumulative Convertible Preferential Shares	-	21.10

2. **Capital Commitments :**

Capital contracts remaining to be executed (net of payments) and not provided for:- Rs.6.82 lacs (Previous year- 12.67 lacs)

3. During the year, a fire broke at company's POY unit at Dadra which affected some of its POY production lines. The company has lodged its claim with the insurers who are in the process of settlement of claim. Part of the affected POY lines have been repaired and production has been restored on such lines for which the company has incurred an amount of Rs.397.78 lacs. The company has decided to carry forward Rs.294.20 lacs to be set off against the insurance claim lodged by the company instead of hitherto followed practice of adjusting the insurance claim on receipt basis and balance amount of Rs.103.58 lacs has been charged to Profit & Loss Account considered being not recoverable.

Subsequent to the close of the financial year, pending finalization of the claim, the company has received on account payment of Rs.375 lacs from the insurers.

4. a) During the year, the company has entered into a Negotiated Settlement (NS) with IDBI Limited (including erstwhile IDBI Bank Limited) envisaging total payment of Rs.4200 lacs as against total liabilities of Rs.6101.70 lacs. The salient conditions are as under:
- i) Payment of Rs.2750 lacs out of which Rs.500 lacs has already been paid and the balance Rs.2250 lacs is to be paid by September, 2007 carrying no interest.
 - ii) Conversion of term loan of Rs.200 lacs into equity shares of the company at SEBI pricing formula or at par whichever is higher.
 - iii) Issuance of Non Convertible Cumulative Redeemable Preference Shares (NCRPS) of Rs.1250 lacs carrying coupon rate of 0.10% in lieu of Zero Coupon Non convertible Debentures (ZCNCDs) of Rs.1250 lacs. Coupon rate will be increased to 5% after 6th year in the event of improvement of the company's performance and declaring dividend of 20% or more and redemption of NCRPS with payment of 25% each in the 11th and 12th year and balance 50% in the 13th year.
 - iv) All other dues comprising of balance of principal term loan of Rs.778.40 lacs and ZCNCDs of Rs.502.85 lacs, unpaid interest till the date of settlement, further interest, penal interest/liquidated damages have been waived.
 - v) IDBI shall release (a) charges over assets of the company, (b) personal guarantees of promoters and (c) pledge of shares on payment of Rs.2750 lacs as envisaged in Clause (i) above and issuance of all instruments as stipulated under the settlement.
 - vi) In the event of non-compliance of any of the terms & conditions, IDBI has a right to revoke the settlement and restore the original liability.



- b) The company has made necessary arrangements indicating company's ability for meeting its obligations under the Settlement and has accordingly accounted for the necessary effects of the settlement.
Extinguishment of term loan liability of Rs.778.40 lacs, being of capital nature and as per expert advice, has been taken to capital reserve. Waiver of interest liability amounting to Rs.1123.31 lacs (including Rs.799.90 lacs upto March, 2006) has been taken in Profit & Loss Account. **(Rs/Lacs)**

PARTICULARS	Year Ended March 31, 2007	Year Ended March 31, 2006
5. Auditors Remuneration		a)
Audit Fees	1.80	1.79
b) Tax Audit Fees	0.45	0.44
c) Out of Pocket Expenses	0.18	0.16
	<u>2.43</u>	<u>2.40</u>
Note : Auditors Remuneration includes service tax of Rs. 0.25 lacs (previous year Rs. 0.24 lacs)		
6. Managerial Remuneration:		
a) Salaries	22.08	22.08
b) Employer's Contribution to PF	0.28	0.28
c) Value of Perquisites	6.03	5.52
d) Director's Sitting fee	0.24	0.32
	<u>28.63</u>	<u>28.20</u>

In absence of adequate profits u/s 349 of the Companies Act, 1956, minimum remuneration in accordance with Schedule XIII of the Companies Act, 1956 has been paid.

7. Prior period expenses of Rs.1.85 lacs comprises of Rs.1.65 lacs towards Fringe Benefit Tax and Rs.0.20 lacs towards repairs (others) expenses (Previous year Rs. 4.77 lacs towards depreciation).
8. The Company has not received representation from any supplier confirming registration under "The Micro, Small & Medium Enterprises Development Act 2006". Therefore in absence of information no provision for interest is required to be made.
9. Earnings Per Share (EPS) computed in accordance with AS-20 'Earning Per Share'. **(Rs/Lacs)**

PARTICULARS	Year Ended March 31, 2007	Year Ended March 31, 2006
i) Net Profit before exceptional items and after Tax & proposed dividend on Cumulative Convertible Preference Shares used as numerator	(401.5)	(917.48)
ii) Net Profit after exceptional items, tax and proposed dividend on Cumulative Convertible Preference Shares used as Numerator	294.81	(917.48)
iii) Weighted average number of shares (lacs) used as Denominator for calculating basic EPS	123.00	121.75
iv) Basic before exceptional items (in Rupees)	(3.26)	(7.54)
Basic after exceptional items (in Rupees)	2.40	(7.54)

In terms of settlement with IDBI Limited, the company is to convert term loan of Rs.200.00 lacs to equity shares of the company at SEBI pricing formula or At Par whichever is higher, consequently, the number of shares is presently not ascertainable Therefore, the same is assumed to be non-dilutive and hence the diluted EPS has not been calculated.

10. Details of Deferred Tax Assets and Liabilities as on 31st March, 2007 are as under:
- | | | |
|--|-----------------|------------------|
| (A) Deferred Tax Liabilities: | | |
| Timing difference on account of Depreciation | 4596.49 | 4677.35 |
| (B) Deferred Tax Assets | | |
| Un-absorbed Depreciation & Business Losses | 5211.38 | 5791.86 |
| Disallowance u/s 43B of Income Tax | 166.88 | 430.21 |
| Total Deferred Assets : | <u>5378.26</u> | <u>6222.07</u> |
| (C) Net Deferred Liabilities / (Assets) | <u>(781.77)</u> | <u>(1544.72)</u> |
| (D) Deferred Tax Liabilities / (Assets) | <u>(263.14)</u> | <u>(519.95)</u> |



In consonance with the prudent accounting practices, the company has not recognized deferred tax assets of Rs.263.14 lacs as on balance sheet date.

11. The name of Small-Scale industries to which the company owes sums, which are outstanding for more than 30 days at the Balance Sheet date is M/s Shri Nakoda Enterprises.
The above information and that given in Schedule - 11 "Current Liabilities and Provisions" regarding Small Scale Industrial undertakings has been determined to the extent such parties have been identified and is based on the information available with the Company.
12. Segment reporting as defined in Accounting Standard 17 is not applicable as the Company is primarily engaged in manufacture of Synthetic Yarn & Textiles except Wind Power Generation whose Turnover/Profits/Assets constitute an insignificant percentage of the total Turnover/Profits/Assets of the Company.
13. Additional information pursuant to the provisions of paragraph 3,4C & 4D of part II of the Schedule-VI of the Companies Act, 1956 (as certified by the Management):

A) Details of Capacity & Production

Class of Goods	Unit	Licensed Capacity	Installed Capacity (\$)		Actual Production	
			Year Ended March 31,2007	Year Ended March 31,2006	Year Ended March31, 2007	Year Ended March 31,2006
Polyester, Nylon & Polypropylene Monofilament Yarn	MT	#	1500	1500	**1453.919	**1531.015
Polyester & Polypropylene Filament Yarn	MT	#	58585*	58585*	***45620.208	***45851.378
Wind Electricity	MW	#	1	1	4.23	13.22

Delicensed

\$ Being a technical matter relied upon by auditors as certified by the management.

* Calculated at standard denier of 126 POY

** Includes Job Work of 253.034 MTs (Previous year 551.347 MTs)

*** Includes Captive Consumption of 5271.828 MTs (Previous year 4905.937 MTs)

B) Raw Materials Consumed (excluding traded goods)

*Item	Year Ended March 31, 2007		Year Ended March 31, 2006	
	Quantity (MTs)	Value (Rs/Lacs)	Quantity (MTs)	Value (Rs/Lacs)
Polyester Chips	35069.683	19460.29	35453.774	18764.36
Nylon Chips	148.821	201.38	123.710	164.77
Polypropylene Chips	6583.688	4191.93	6704.385	3721.02
Partially Oriented Yarn	0.096	0.07	—	—
Others	—	2008.84	—	1936.64

C) Particulars in respect of goods dealt with by the Company

(Value/Rs/Lacs)

ITEMS	Opening Stock		Sales		Closing Stock	
	Qty(MTs)	Value	Qty(MTs)	Value	Qty(MTs)	Value
(a) Manufactured Goods						
Polyester, Nylon & Poly propylene Monofilament Yarn	*35.336 (64.089)	*48.07 (87.00)	*1419.458 (1559.768)	*1512.08 (1347.86)	69.796 (35.336)	84.74 (48.07)
Polyester & Polypropylene Filament Yarn	1370.741 (1424.978)	1014.37 (932.79)	40906.609 (40999.678)	31043.68 (31172.73)	812.512 (1370.741)	618.69 (1014.37)
Wind Electricity	— (—)	— (—)	4.23 (13.22) (lacs/units)	11.27 (35.52)	— (—)	— (—)
Waste/Scrap	— (—)	1.97 (2.50)	— (—)	92.26 (95.11)	— (—)	2.63 (1.97)
TOTAL	1406.077 (1489.07)	1064.41 (1022.29)	42326.067 (42559.446)	32659.29 (32651.22)	882.308 (1406.077)	706.06 (1064.41)

" Includes job work sale quantity 253.034 MTs amounting to Rs.52.16 lacs (Previous year 551.347 MTs amounting to Rs.102.80 lacs)



ITEMS	Opening Stock		Purchases		Sales		(Value/Rs/Lacs)	
	Qty (MTs)	Value	Qty (MTs)	Value	Qty (Mts)	Value	Qty (MTs)	Value
(b) Traded Goods								
Synthetic Filament Yarn (1.547)	— (.089)	— (.089)	7.095 (12.437)	1.32 (3.36)	7.095 (13.984)	1.32 (4.25)	— (—)	— (—)
Polyester Chips (High Seas)	— (—)	— (—)	80.000 (560.000)	34.84 (220.61)	80.000 (560.000)	33.30 (223.59)	— (—)	— (—)
	— (1.547)	— (0.89)	87.095 (572.437)	36.16 (223.97)	87.095 (573.984)	34.62 (227.84)	— (—)	— (—)

Note : Figures given in brackets are for previous year.

D) Value of imported and indigenous raw materials consumed & percentage thereof.

DESCRIPTION	Year Ended March 31, 2007		Year Ended March 31, 2006	
	Value (Rs/Lacs)	Percentage	Value (Rs/Lacs)	Percentage
i) Raw Materials				
– Imported	7670.27	31.38	18091.96	77.64
– Indigenous	16774.54	68.62	5209.38	22.36
	24444.81	100.00	23301.34	100.00
ii) Consumable/ Spares				
– Imported	87.60	19.07	102.67	25.36
– Indigenous	371.85	80.93	302.11	74.64
	459.45	100.00	404.78	100.00

E) Value of Imports on CIF Basis

PARTICULARS	(Rs/Lacs)	
	Year Ended March 31, 2007	Year Ended March 31, 2006
i) Raw Materials*	6033.57	18749.43
(ii) Capital Goods	11.79	—
(iii) Consumable/Spares	47.29	55.73

* Includes overseas merchanting trade of Rs.34.84 lacs (previous year Rs.220.61 lacs)

F) Expenditure in Foreign Currency (Payment Basis)

i) Foreign Travel	21.33	21.46
ii) Commission	6.18	7.06
iii) Foreign Bank Charges	0.92	6.74

G) Earnings in Foreign Exchange

FOB Value of Export of Goods (excluding deemed exports)	756.57	313.60
--	--------	--------

14. Derivative Instruments and Unhedged Foreign Currency Exposure

i) Forward contract outstanding as at Balance Sheet date.

Particulars of Derivatives		March 31, 2007	March 31, 2006	Purpose
Buy	USD	62,76,021	71,88,889	Forward cover for Foreign Currency Loans



ii) **Particulars of Unhedged foreign Currency Exposures as at Balance Sheet date**

Particulars		Amount in foreign Currency		Amount (Rs. In lacs)	
		March 31, 2007	March 31, 2006	March 31, 2007	March 31, 2006
Import Creditors	USD	3,57,750	22,36,718	156.33	998.02
Export Debtors	Euro	—	10,539	—	6.16
Export Debtors	USD	1,93,834	4,194	99.93	1.89

iii) Premium for forward cover for unexpired period - Rs.12.08 lacs (Previous year Rs.12.91 lacs)

iv) Exchange difference of foreign currency transactions Rs.60.91 lacs (Previous Year Rs.52.72 lacs) has been charged to profits of the company.

15. **Related Party Disclosure:**

(i) List of related parties with whom transactions have taken place and relationships:

a) Key managerial personnel:

- Shri Madhu Sudhan Bhageria
- Shri Purushotam Bhageria
- Shri Madhav Bhageria

b) Relative of key managerial personnel:

- Shri Ram Avtar Bhageria

c) Enterprises owned or significantly influenced by key managerial personnel:

- M/s Ram Avtar Bhageria (HUF)
- M/s Madhu Sudhan Bhageria (HUF)
- M/s Purushotam Bhageria (HUF)
- M/s Madhav Bhageria (HUF)
- M/s Azimuth Investments Limited
- M/s Fargo Estates Private Limited

(ii) Transactions during the year with related parties : (Rs/Lacs)

Nature of Transactions	Key Management Personnel	Relative of key managerial personnel	Enterprises owned or significantly influenced by key managerial personnel.
Rent	9.58*	2.04	2.29
	(1.38)	(2.99)	(2.89)
Loans taken	—	—	1439.00
	(—)	(—)	(938.00)
Loans repaid	—	—	839.00
	(—)	(—)	(850.00)
CCPS converted in to equity	—	—	—
	(3.00)	(—)	(47.00)
Share premium received on conversion of CCPS into equity	—	—	—
	(4.50)	(—)	(—)
Interest paid	—	—	11.78
	(—)	(—)	(10.43)
Amount outstanding as on 31/03/07	—	—	600.00
	(—)	(—)	(188.00)
Managerial Remuneration	Refer Note No.6		

*Includes reimbursement of property tax of Rs. 5.25 lacs

No amount has been written off or provided for in respect of transactions with related parties.

16. Figures have been rounded off to rupees in lacs.

17. Previous year figures have been re-grouped and/or rearranged wherever considered necessary.



18 Balance Sheet Abstract and Company's General Business Profile :

I. Registration Details:	
Registration No.	00091
State Code	54
Balance Sheet Date	31.03.2007
II. Capital Raised during the year	
Public Issue	—
Rights Issue	—
Bonus Issue	—
Conversion of Preference Shares into Equity	—
III. Position of Mobilisation & Deployment of Funds	
Total Liabilities	12719.08
Total Assets	12719.08
Source of Funds	
Paid-up Capital	1230.00
Reserves & Surplus	2360.40
Secured Loans	6815.10
Unsecured Loans	600.00
Application of Funds	
Net Fixed Assets	9100.67
Investments	0.47
Net Current Assets	1904.36
Miscellaneous Expenditure	—
Accumulated Losses	—
IV. Performance of the Company :	
Total turnover (Net of Excise Duty)	29881.36
Total expenditure (Net of other income etc.)	29564.54
Profit/(Loss) before tax	316.82
Provision for taxation (deferred tax)	22.01
Profit/(Loss) after Tax	294.81
Earning per share - Basic before exceptional items (in Rupees)	(3.26)
Basic after exceptional items (in Rupees)	2.40
Dividend Rate	NIL
V. Generic Name of Three Principal Products/Services of Company (as per monetary terms)	
Item Code No.	5402
Product Description	Synthetic Filament Yarn
Item Code No.	5404
Product Description	Polyester, Nylon & Polypropylene Monofilament Yarn

The schedules referred to above and notes to accounts form an integral part of the Accounts

As per our report of even date attached
for AMOD AGRAWAL & ASSOCIATES
Chartered Accountants

VIRENDRA KUMAR
Partner
Membership No. 85380

Place : New Delhi
Date : 23.06.2007

SANJEEV GUPTA
Company Secretary

R P GUPTA
President (F & A)

39

for and on behalf of the Board

RAM AVTAR BHAGERIA
Chairman

MADHU SUDHAN BHAGERIA
Vice Chairman & Managing Director

PURRSHOTTAM BHAGGERIA
Joint Managing Director

S C PARIJA, Director

S P SETIA, Director

I S KALRA, IDBI Nominee



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH, 2007

(Rs./Lacs)

PARTICULARS	Year ended March 31, 2007	Year ended March 31, 2006
A. Cash Flow from Operating Activities		
Net Profit before Tax & extra ordinary items	(483.09)	(818.90)
Adjustments for :		
Depreciation	744.82	748.89
Interest (Net)	447.95	878.34
Interest Received	(13.82)	(16.64)
Bad debts written off / provision of doubtful debts	17.79	12.43
Less: Profit/(Loss) on Sale of Fixed Assets	8.61	(2.69)
Less: Dividend received	(2.44)	(5.75)
Misc. Expenditure Written off	—	0.23
Operating Profit before Working Capital Changes	719.82	795.91
Adjustments for :		
Trade & Other Receivables	(496.20)	252.78
Inventories	1216.89	(258.46)
Trade Payables	(68.62)	(147.60)
Direct Taxes Paid	40.46	7.95
Net Cash from Operating Activities	1412.35	650.58
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(137.48)	(239.61)
Sale of Investments (Net)	0.40	0.58
Dividend received	2.44	5.75
Sale of Fixed Assets	16.25	32.24
Interest received	13.82	16.64
Net Cash used in Investing Activities	(104.57)	(184.40)
C. Cash Flow from Financing Activities		
Proceeds from Unsecured Loans	412.00	88.00
Proceeds from Short Term Borrowings	(590.92)	188.75
Repayment of Long Term Loans	—	(330.34)
Proceeds from Long Term Loans	(651.39)	365.54
Interest Paid	(447.95)	(878.34)
Proceeds from issue of share capital	—	—
Net Cash Flow from Financing Activities	(1278.26)	(566.39)
Net Increase/(Decrease) in Cash & Cash Equivalent	29.50	(100.21)
Cash & Cash Equivalent in the beginning of the year	104.88	205.09
Cash & Cash Equivalent at the end of year	134.38	104.88

- Notes: 1. The above cash flow statement has been prepared under the indirect method setout in AS-3 on Cash Flow Statements issued by The Institute of Chartered Accountants of India.
 2. Figures in brackets indicate cash outgo
 3. Previous year figures have been regrouped wherever necessary.

for and on behalf of the Board

As per our report of even date
for AMOD AGRAWAL & ASSOCIATES
 Chartered Accountants

VIRENDRA KUMAR
 Partner
Membership No. 85380

Place : New Delhi
 Date : 23.06.2007

SANJEEV GUPTA
 Company Secretary

R P GUPTA
 President (F & A)

40

RAM AVTAR BHAGERIA
 Chairman

MADHU SUDHAN BHAGERIA
 Vice Chairman & Managing Director

PURRSHOTTAM BHAGGERIA
 Joint Managing Director

S C PARIJA, Director

S P SETIA, Director

I S KALRA, IDBI Nominee