



# **SUDITI INDUSTRIES LIMITED**



## **CHAIRMAN'S STATEMENT**

**TWENTY SEVENTH ANNUAL GENERAL MEETING  
Wednesday 26<sup>th</sup> September, 2018  
Babasaheb Dahanukar Sabhagriha,  
Maharashtra Chamber of Commerce, Industry & Agriculture,  
Oricon House, 6<sup>th</sup> Floor, 12, K. Dubhash Marg,  
Fort, Mumbai – 400 001.**

**Dear Shareholders,**

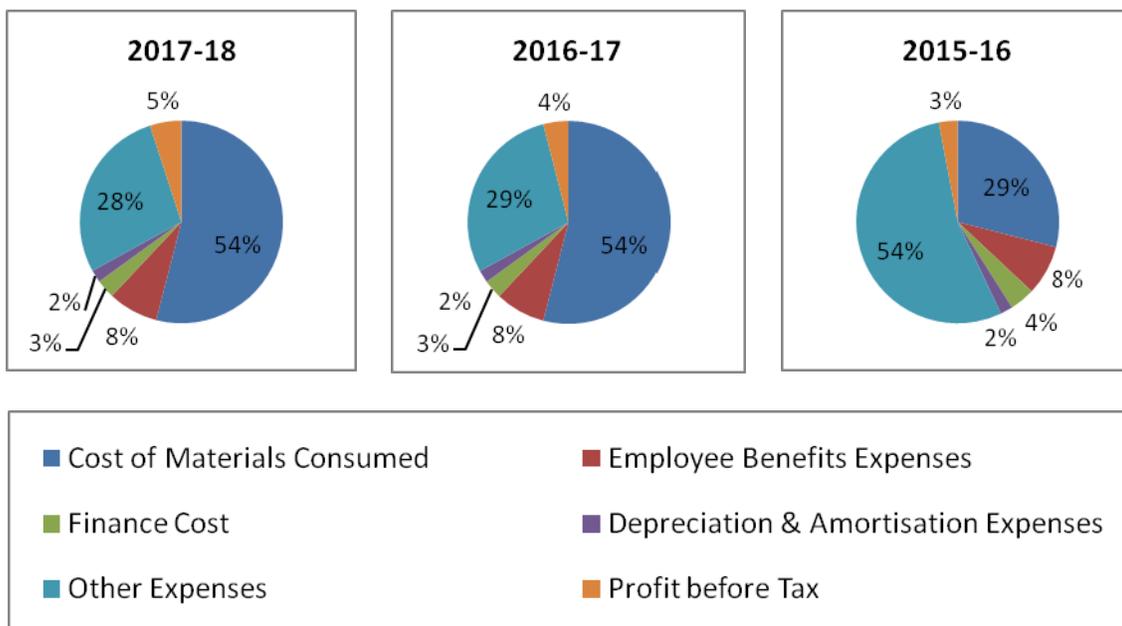
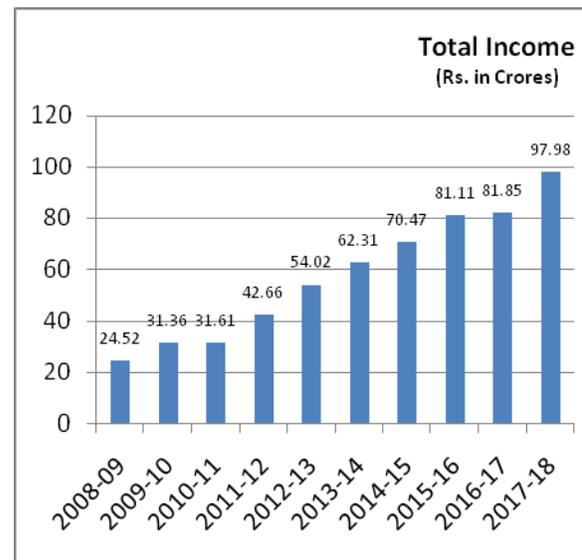
It gives me great pleasure in welcoming you all to the Twenty Seventh Annual General Meeting of the Company. The Directors Report and the Audited Accounts for the year 2017-18 along with the Auditors Report are already with you and with your permission, I take them as read.

The promising side of the Indian economy is that it has started gaining big momentum in spite of substantial depreciation of rupee against US dollar and rising crude prices. This can be observed as the economy grew at a 15-quarter high of 8.2% in the April-June quarter of current fiscal on good show by manufacturing and farm sectors, according to the information released by the sources. It is expected that manufacturing sectors particularly textile sector will be the major contributor to the growth of the economy as the apparels and clothing exports sector can gain substantially from the higher exchange rates in terms of USD versus Indian rupee. Even though the company is not making major exports, the exporters source their fabric directly from the company and this spurt in their income will in turn increase the price realization of the fabric. Therefore these developments augment well for the company in the current year.

**Working Results:**

During the year under review the company had registered good growth in the sales with significant improvement in the profit levels in comparison to the previous year 2016-17.

Refer the chart & graphical presentation below:



Similarly the company has maintained the growth momentum in the first quarter also and expected to continue with the same trend in the remaining period of the current year 2018-19. The company is aggressively pursuing its steps to maintain its position in the market for its brands because of volatile market conditions in the country. The efforts are in full swing particularly in the licentiate products as this is one of the significant factors supporting the company to maintain the growth levels. This is one of the primary reasons for the company to improve its margin in comparison to the previous year. The company has a basketful of licentiate products namely FC Barcelona, Manchester City and YouWeCan. The brand "YouWeCan" is gaining more space in the large format stores (LFS) and at the same time carefully adding more franchisee outlets in different part of the country. The company will also be taking appropriate measures to add some more licentiate rights in this segment as the company wants to create wider area of operation in the sports apparels segment. The Company has created a niche for itself in these products segments and this business model will be the driving force to establish its name in the apparels business segment and also in drawing the attention of investors in the capital market.

The company did not have any export sales for the year under review and the trend continued for the first quarter of the current year 2018-19 also. Since the domestic market is looking much better in terms of volume and realizations, the company naturally prefers to concentrate on the domestic market which is now growing manifold particularly for apparels and clothing materials. The initial problems on account of external factors like demonetization and introduction of Goods and Service Tax are now completely resolved and the market is now gaining from strength to strength. In anticipation of good market situation the company continues to develop various new ranges of products with unique designs. The textile sector offers ample opportunity for the domestic players who are ready to face the

challenge and willing to take some amount of risk. The company has the ability to take this challenge with some calculated risk, as this will help the company to grow in leaps and bounds.

#### **Promotion of the Brands "YouWeCan" & other Licentiate Rights in the market:**

During the year the company has initiated major plan to promote the brand building exercise of the various brands and rights used by the company to sell the products in the market. Since this exercise involves sizable amount of expenditure and time, the company in order to avoid pressure on the working capital funds, issued convertible securities to M/s. H.T. Media Ltd., to raise fund for the brand building exercise. Accordingly the company issued Fully Convertible Debentures amounting to Rs.4.50 crores to M/s. H. T. Media Ltd. after taking approval from the Shareholders in the Extra Ordinary General Meeting held on 06/03/2018 and in-principle approval from the BSE Ltd. The company has executed necessary Subscription and Media agreements with M/s. H.T. Media Ltd. and the brand building exercise shall be completed within a period of 4 years. The company is anticipating a huge thrust in its efforts to make the brands popular among the customers particularly targeted the young & youths of the country.

Further the company has now opened another exclusive "YouWeCan" store at Mohali in Punjab state and some more are on the pipeline. Since the responses from the customers are quite impressive, the company is now taking major efforts in developing some exclusive products under this brand line. The Brand "YouWeCan" is expected to bring considerable amount of growth in the business for the company in the current year also. Similarly the Licentiate arrangement particularly FC Barcelona is also adding sizable volume of sales for the company. The company proposes to add more such line of business in this segment in the future. Apart from this the company is also extending full support to the

subsidiary company M/s. Suditi Design Studio Limited to implement the sales business on these lines.

#### **Joint Venture arrangement with Project Anushka Sharma Lifestyles Pvt. Ltd.:**

I have immense pleasure in informing you that the Joint Venture Company “M/s. SAA & Suditi Retail Private Limited” promoted by our Company and Project Anushka Sharma Lifestyles Pvt. Ltd., a company promoted by Celebrity actresses Ms. Anushka Sharma and her family members is doing very well in the market and the products are very well accepted in the market by the customers. The company is expecting a good outcome for the year 2018-19 as the operations in the previous year was only for a part of the year.

#### **Change in Directors:**

The Independent Director, Shri. Sushilkumar Kasliwal has submitted his resignation from the Board of Directors on 12<sup>th</sup> September, 2018, because of his inability to continue on the Board due to regulatory compliance requirements. However he has assured that as soon as he completes the procedures and requirements as may be necessary; he is willing to rejoin the board. While I on behalf of the board appreciate his gesture also would like to convey my sincere gratitude and thank him for the valuable services rendered during his tenure as an independent director of the company. Further I am sure you would have already observed from the Notice about the induction of new Director Shri. Rajagopal Raja Chinraj on our Board and I am sure this will strengthen our board further.

#### **Economic Scenario:**

The Indian economy grew at a 15-quarter high of 8.2% in the April-June quarter of current fiscal on good show by manufacturing and farm sectors, according to the information released by the sources. The growth cemented India's

position as the fastest growing major economy, clocking higher expansion rate than China's 6.7 in the same quarter. Indian economy is likely to regain its pace in the current fiscal and once again become the fastest growing emerging economy, a World Bank report said. Growth in India is projected to accelerate to 7.3 percent in FY2018/19 and 7.5 percent on average in 2019-20, reflecting robust private consumption and firming investment. In comparison, the rest of the South Asia region (SAR), excluding India, will post GDP growth of 5.6 per cent in for the current fiscal and the next one, moving up to 5.7 in 2020-21. India's GDP growth bottomed out in the middle of 2017 after slowing for five consecutive quarters, and has since improved significantly, with momentum carrying over into 2018 on the back of a recovery in investment. Although investment growth was still moderately lower in 2017 than in 2016, high-frequency indicators suggest that it accelerated into 2018. The Indian economy has also moved past the disruptions caused by the implementation of Goods and Services Tax (GST) in mid-2017.

#### **Export:**

The Indian textile and clothing industry is finally on the verge of a turnaround. After months of decline, the export of textiles and apparels has increased by 11% in July 2018 over the corresponding period. Continuous support from the union government is expected to put the industry back on track with the textile and apparel exports growing by 7% while imports staying flat in 2018-19. As per the Industry experts, the worst is over for the textile and clothing industry and it is finally witnessing positive momentum as the textile and apparel exports for July 2018 has touched Rs.19,636 crore as compared to Rs.17,692 crore in July 2017. Being the single largest industrial employment provider with 10 crore people, textile sector has been benefited with the continuous support from the union government with a slew of measures on all fronts. The overall growth in exports during April-July 2018

has been 3% vis-a-vis the same period last year. Further, the MMF segment, which is expected to be the growth driver of the industry in the coming years, has seen increase in production. Growth has been observed in production of man-made fibre, spun yarn and fabric during April to June 2018. For the period April-July 2018, the man-made fibre has grown by 5% to 335 million kgs as compared to 319 million kgs in the same four month period of last fiscal. Similarly, the spun yarn grew 1.1% during the said period to 1,435 million kgs as against 1,419 million kgs in the same period last fiscal. The fabric grew by 2.5% to 17,184 million sq mtr as against 16,771 million sq mtr in the April-July 2017 period. However, the imports growth has come down significantly. While the imports of T&C has increased from \$1.78 billion in April-June 2017 to \$1.87 billion in the same period this year, an increase of 5%, it is significantly lower than the growth of 16% last year. The measures taken by the government to increase the import duty on various textile and apparel items will help in further reducing the imports in coming months.

The company has not made any significant sales in the export market since last few years and the trend continued in the current year till now. The primary reason is the price realization for our products. Since the price realization in the domestic market is much better than the export market, the company has to shift the focus from export market to domestic market. However the company is off late observing some reverse trend in terms of better price realization in the overseas market which gives some promising outlook for export sales. But till the unit sales price realization shows some improvement, the company would be focusing mainly in the domestic market.

#### **Emerging trends:**

The Indian textile industry is as diverse as the country is and as complex an entity. Indian population is around 1.3 billion out of which around 30 percent are from middle class. Indian

middleclass population is more than the population of U.K, Italy and France put together. Since India is among the emerging countries with high GDP growth rate many foreign investors are investing in India. Today textile products are not only sold through retail outlets but also through e-Commerce platforms such as Flipkart, Myntra, Snapdeal, Amazon, and eBay. Indian textile industry is an organized, decentralized sector and down the line, there are weavers, artisans as well as the farmers. The spectrum of technology is widespread, right from handmade to semi mechanical and highly sophisticated information and microprocessor-based technologies. The processing sector is one of the significant stages in the value chain contributing to the end user an array of properties like easy care and wrinkle free finishes besides aesthetic value addition in terms of colors, motifs and designs. The value addition at this stage is immense, with a range of other functional finishes like hydrophilic, stretch-back effect, oil and water repellent, and peace effect, to name a few. Specialty chemicals have played a significant role in the production of fibers and textiles. Awareness of chemical reactions, polymer sciences and understanding complex biochemical reactions have resulted in what we see as a dramatic shift in the minds of a processor. The current global apparel market is worth US\$ 1.7 trillion, and it amounts to 2 percent of the world's GDP. EU, USA & China are the world's largest apparel markets with a combined share of approximately 54 percent. The top eight apparel consuming nations form a dominating share of 70 percent of the global apparel market size.

The tools available to a processor today are plenty and technological positioning of ideas from other streams of sciences converts a modern day scientist into a virtual magician, especially when it comes to polymers. Fibre blends bring in a series of substrates available for any type of application including routine clothing to exotic space wear suits. Filament or

staple yarn properties can be enhanced to get synergistic updates with several available techniques. Textile processing generates many waste streams, including water-based effluents and air emissions, solids and hazardous wastes. The nature of the waste generated depends on the type of textile facility, processes adopted, technologies operated, type of fibres and chemicals used. Most processes performed in the dye houses cause atmospheric emissions. Gaseous emissions have been identified as the second-greatest pollutant after effluents. Unfortunately, there is no clear data available on air emissions. Most of the published data is based on mass balance calculations and not as direct measurements. Air pollution is the most difficult type of pollution to sample, test and quantify in an audit. Measurement techniques such as direct reading tubes and gas chromatography or mass spectrometry have been used to collect more reliable data.

The textile industry is the major industry in India which provides the second largest employment after agriculture. The industry should start taking care of the new technologies that are preferred by the consumers. In the highly competitive regime quality, productivity, price advantage and trouble-free performance will determine the consumer preference. The Indian textile industry has a significant presence in the Indian economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings. The industry also contributes significantly to the world production of textile fibers and yarns including jute.

The supply chain integration is a strategic initiative companies may perform to reduce risks and interdependencies with external business partners in the supply chain. Fundamentally, companies may increase their control over a wider scope of the supply chain by performing backward and/or forward integration, and increase their own decision-

making power over key resources and competencies important to the competitiveness of the organization. Virtual integration, whereby supply chain partners exchange information in real time, is the answer to the problem of uncertainty in supply chains. But along with its numerous advantages, virtual integration of supply chains also poses the challenge of managing Information risks.

Information technology is very useful in tracking textile and apparel products at every stage of their existence. It is very useful in tracking the product system, labour movement, fabric lot storage and retrieval, easy product accessibility in retail stores, exchange of goods inventory control, re-stocking alerts and replenishment and customer- specific shopping reminders and promotions

The company keeps a close watch on all these developments and responds to the situation appropriately to meet these new challenges. All these developments matters to the company, while developing new models of product with ethnic design, as well as products manufactured under licentiate rights. The company takes proactive role in all social network as well various on line platforms. The Retail segment will be the key player in the growth of the company in the future and with strong manufacturing and quality standards, the company can certainly look forward to have a better performance in terms of sales value with a good margin.

#### **Textile Sector:**

The Indian textile industry presently contributes around 14 percent to industrial production, and 4 percent to GDP.17 percent to the country's exports, and 21 percent employment. It is the second largest employer after agriculture, is expected to employ around 50million people in the next five years. India is replete with natural resources like cotton, jute and silk. Indian products were known for fine designing, embellishment and craft. Besides this the

ancient Indian fabric designers and weavers were one of the best in the world. Indian textile industry presently enjoys a share of 4.7% in world market of textiles and clothing. Export of clothing from India is getting popular world over due to the versatility of different products. The major retailers include J.C.Penney, Nautica, Dockers, Bed, Bath and Beyond, Target, Kohl's Liz, Calvin Klein, Sprit, Marks & Spencer, GAP, United Colors of Benetton, Mango, Zara and Dillard's etc.

The major Issues are that India has low competitive position with regards to availability and price of cotton (good quality), low level of technology, poor automation, raw material vagaries and lack of scale economies in weaving and processing sector, and low brand image in textile garment sector. The other issues include rigid labour laws, man power and skill issues, marketing problems for the finished products, inadequate capacity of the domestic textile machinery manufacturing sector, inadequate training facilities in textile sector, and infrastructural bottlenecks in terms of power, utility, road transport etc. Indian textile and clothing industry has one of most complexes, fragmented and long supply chain in the world. It includes right from raw material procurement to shipping port handling facilities. The Indian textile industry spans all activities across the value chain.

1. The major raw materials for the textile industry include cotton, silk, Wool and man-made fibre. It is the basic component of any fabric.
2. The spinning sector in India is completely organized and is globally competitive in terms of variety, process and production quantity. The spinning process is technologically intensive; the output is affected by the quality of fibre and the cleaning process of raw materials.
3. India's weaving/knitting sector is highly unorganized. This is the weakest link in the supply chain suffering from problems such

as high power tariffs and low investments in technology.

4. Indian processing sector is largely decentralized with low levels of automation, marked by hand/independent processing units. The processing stage is undoubtedly the most significant process in the value chain of various textile products contributing the essential user requirements of easy maintenance, color fastness and also aesthetic value addition in terms of colors, motifs and designs. The value addition at this stage of production is maximum, often manifold, what with bio-finishes, various surface finishes such as peach finish, sand finish, raised finish, or brush fabrics, coated, impregnated fabrics, water repellent, fire retardant and antibacterial finish etc.
5. In the apparel making, the access to a variety of raw materials and flexibility of supply chain enables apparel manufacturers to mix and match various constituents and come up with innovative designs.
6. The Indian textile industry is weak in the supply chain and logistic system of distribution/retailing. The industry basically faces problem with the logistics.

We find there are so many new techniques coming up in the textile industry with respect to different types of textiles, finishes given to the textiles, dyeing processes, new technologies and the information technology. The different types of textiles includes: Home textiles, Smart textiles, Narrow fabrics, Technical textiles, Acoustic textiles and Eco-friendly textiles etc.

- a) Home Textiles - Home textiles refer to the textiles used for home furnishing. It comprise of extensive range of functional as well as decorative items or products used mainly for the purpose of decorating our homes. Home furnishing fabrics, Bed spreads, Blankets, Pillows and pillow covers, Cushion and cushion covers, Carpets and rugs, Wall hangings, Different types of towels, Table cloth and mats, Kitchen linen

and other kitchen accessories, Bathroom accessories.

- b) Smart Textiles/Modern Textiles – Smart textiles are materials and structures that are sensitive and react to environmental conditions such as mechanical, electrical, chemical, thermal magnetic or other senses. Smart textiles have been used in functional sportswear, medical and safety wear and fashion clothing. Smart fabrics have been developed which can create a sense of well being - they have anti-stress or calm-inducing properties.
- c) Narrow Fabrics – Narrow fabrics can be defined as any textile fabric which is not more than 45cm in width with two selvages (uncut edge of the fabric on the right and left hand sides). Elastic tapes, lace, ribbon, cording are a few to name. Examples of narrow fabrics - Labels, braids, elastics and reflective tapes.
- d) Technical Textiles – Technical textiles include textiles for automotive applications, medical textiles (e.g., implants), geotextiles (reinforcement of embankments), agro textiles (textiles for crop protection), and protective clothing (e.g., heat and radiation protection for fire fighter clothing, molten metal protection for welders, stab protection and bulletproof vests, and spacesuits).
- e) Acoustic Textiles – Noise has become serious environment pollution in our daily life & is an increasing public health problem. Noise can have the following adverse health effects – hearing loss, sleep disturbances, feel tiredness, cardiovascular & psycho physiologic problems, performance reduction, annoyance responses & adverse social behavior. Acoustics is the scientific study of sound which includes the effect of reflection, refraction, absorption, diffraction & interference.
- f) Eco friendly Textiles – Eco friendly clothing for children its demand has increased manifold due to their various benefits. The eco friendly clothes are not only beneficial for a child but are also excellent for the

environment. These fabrics include organic cotton, bamboo & linen.

The company has set up a fully compliant and flexible manufacturing set up. The products are manufactured with eco friendly dyes and chemicals and quality levels are always maintained at a very high level. The plant capacity, quality parameters and the management skill are deployed in compliance with accepted norms and conditions laid down in the industry. These are all the key strengths developed over the years and enable the company to compete with other units in all the spheres of the business activity from manufacturing to selling in the market.

#### **Subsidiaries:**

The performance of the subsidiary companies M/s. Suditi Design Studio Limited (SDSL) and M/s. Suditi Sports Apparel Limited (SSAL) are already stated in the Directors report. While the operations of the SDSL are satisfactory and the brand name of the company “Indian Ink is known in the domestic market, the other subsidiary SASL is yet to commence any sales business activities. The efforts are continued in full swing to tie up with some reputed sports related organizations to launch some specific items which can be identified exclusively with the company to avoid any overlapping of products with the holding company. Similarly the subsidiary companies also support the Joint venture Company to establish its presence in the market.

#### **Expansion:**

The Management maintains the policy followed from the last few years and accordingly I would like state that the company does not intend to make any fresh capital investment in the unit other than those which are required for balancing the production process and replacement of old outdated machines. Further I am also pleased to inform you that the company continues to develop the retail

business without making any major investments involved in the setting up of Retail outlets as company is now encouraging Business mainly through large format stores and franchisee stores instead of own stores. Further the company is actively pursue the on line sales channels rather than going for traditional methods. Any fresh investment for expansion would be made at the appropriate time based on the economic and market conditions.

**SUDITI INDUSTRIES LIMITED- EMPLOYEES' STOCK OPTION PLAN, 2011" (SUDITI ESOP 2011):**

During the current year 24 employees have exercised their options and accordingly the board in their meeting held on 16/04/2018 allotted 218790 shares to the employees with a lock in period up to 15/06/2018. Further the Board has now proposed necessary resolution authorizing the Board to make all type of amendments, alterations including termination of the scheme for the approval of the shareholders. This will enable the Board to take timely and appropriate decision in the welfare of the employees working with the organization without approaching the shareholders every time seeking permission to modify each and every clause as may be required to administer and manage the SUDITI ESOP 2011. The scheme is administered under the supervision and guidance of the Compensation Committee to ensure fair and transparent administration of the scheme.

**Future Out-look:**

The global apparel market is expected to reach US\$ 2.6 trillion in 2025 with growth projection at 4%. The major drivers of the growth are the developing nations such as India and China. China will be the number one apparel market expected to reach US\$378 bn. 2025 followed by India at around US\$121. The growth is mainly due to the growing demand in both domestic and global markets. The Indian textile companies have to adopt latest technologies

and come out with innovative product designs to be competitive in the global market.

As I have stated earlier our company is commanding good reputation in the market for maintaining high quality standards. Our company has a complete manufacturing set up under its fold and this is a unique advantage for the company in the market in comparison to other units. Since the company has the capacity to produce wide range of products from printing to embroidery, there is an in built strength for the company to meet any challenge. Added to this the company has now set up one of the very good design centre to develop good product range with various options. With a strong back end, the company is able to adapt to the changing trends and conditions very fast. The retail set up and the product range, the present marketing strategy followed are definitely a great step as far as our future growth plan is concerned and gives lot of hopes for maintaining a sustained growth levels in the business.

**Acknowledgements:**

I would also like to take this opportunity to thank all the banks, financial institutions, central & state govt. Departments for their continued support and guidance to the Company. I also offer my sincere thanks to all our officers and staff for their constant endeavor to maintain high standards of efficiency in all spheres of activities. Finally, most importantly, I would like to express my sincere thanks to our Shareholders, friends for continuing to repose their confidence in the Company. I thank you for having made it convenient to attend this meeting.

**PAWAN AGARWAL  
CHAIRMAN & MANAGING DIRECTOR**

Place: Mumbai  
Date: 26.09.2018