



# A PATH TO EXCELLENCE

Report



ANNUAL REPORT 2007-08



CREW B.O.S. PRODUCTS LIMITED



## An overview

Crew B.O.S. Products Limited (hereafter referred to as Crew B.O.S.) designs, manufactures and exports leather and non-leather fashion accessories, lifestyle products and footwear. The Company has a diverse product range of belts, bags, wallets, footwear and small leather goods. Its product portfolio represents the international pulse of fashion as these products are supplied to some of the world's best and most renowned brands and retail chains such as Accessorize,, Marks & Spencers, Monsoon, Fossil, Esprit, Next, Gap, Banana Republic, Chico's, Fat Face, Debenhams, J Jill, AEO, etc. Crew B.O.S. also has the unique distinction of producing cost-effective, international-grade "Italian" quality leather, which has evoked a great response in the global market.

An ISO 9000:2001 certified Company, Crew B.O.S. has state-of-art manufacturing unit, including a world-class leather finishing unit in

Manesar (Harayan), equipped with hi-end Italian machinery and using Italian leather processing technology. The Company also has tanneries in Jalandhar (Punjab), Ranipet (Tamil Nadu) and is fast developing an exclusive footwear manufacturing unit in the Mahindra SEZ at Chennai (Tamil Nadu) and at Neemrana (Rajasthan).

Headquartered in Gurgaon (India), Crew B.O.S. also has an outsourcing and marketing office in Hong Kong (China), a marketing office in (Italy) and a resourcing office in Cairo (Egypt). Operations in China and Italy are conducted through its wholly owned subsidiaries.

The Company's shares are listed on the Bombay Stock Exchange and National Stock Exchange and Luxembourg Stock Exchange.

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New trends are developing,

New lifestyles are emerging,

And we are responding,

With a stunning range of products,

Where style comes alive,

Represents your every mood & emotion,

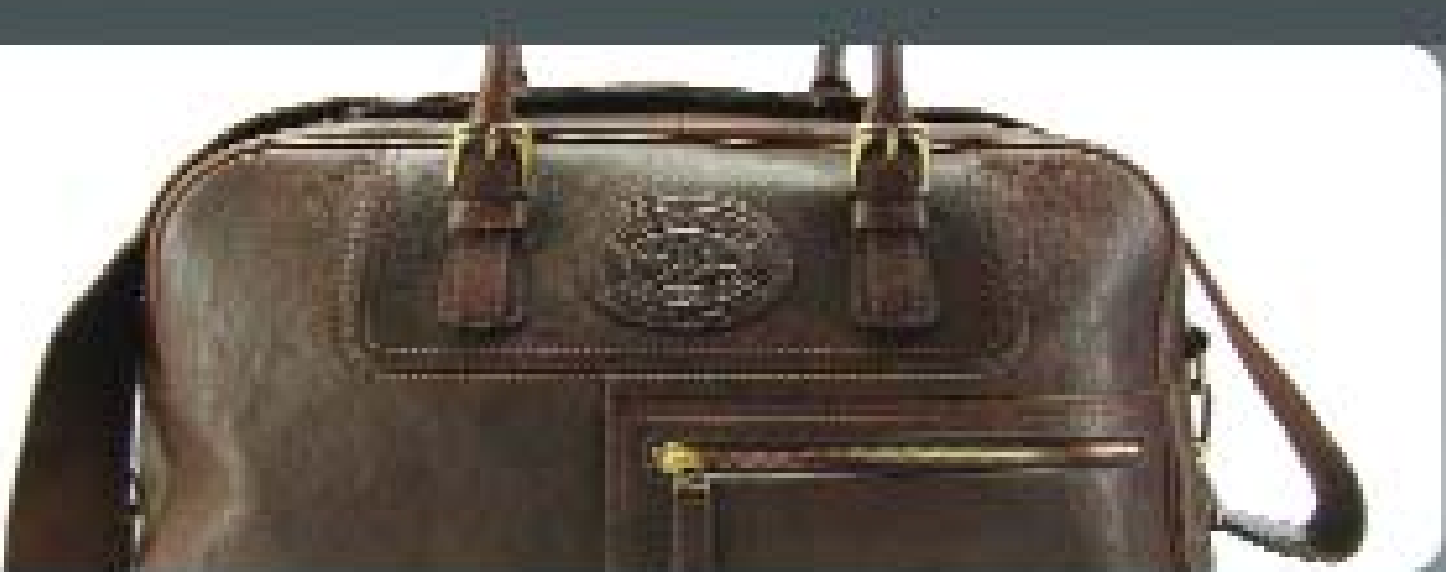
Expresses your very own fashion quotient,

Perfection, quality & finish that renowned global brands trust,

We are Crew B.O.S. – Paving the path for excellence.

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## Our vision

To emerge as a completely integrated and one-stop shop for fashion accessories and home decoration products through continuous enlargement of products portfolio and by adopting the best technology available in the world, and be recognised as a socially responsible corporate citizen.

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## Our strategic objectives

Continuously translate unique design ideas into innovative fashion concepts: such as differentiated materials and products for both the international and domestic markets.

Emerge as a design destination for all companies/ retailers looking at outsourcing value products.

Build powerful brands for accessories and footwear range of products that are recognised world over.



## Our values

### .: Integrity

Unfailing commitment to honesty, fairness and transparency in all our dealings with employees, customers and suppliers.

### .: Empathy & Sensitivity

To show respect, compassion and understanding to all fellow beings.

### .: Excellence in Product

To constantly strive to achieve the highest standards in the qualitative and quantitative requirements of our products.

### .: Teamwork & Unity

To work cohesively with our colleagues and customers across the globe, building a strong relationship based on understanding and mutual cooperation.

### .: Responsibility

To be completely accountable for our products and actions.

### .: Work Environment

To provide an effective and stimulating work environment, inculcating and encouraging a sense of respect and dignity amongst all.

# Defining moments of 2007-08

>> Shoes were last year. Bags are this year. After the prestigious Hush Puppies order last year, there was an additional prestigious order at the start of FY08. This came from Coach, America's leading retailer of luxury lifestyle handbags and accessories. Both continue to grow and contribute to the expansion of Crew B.O.S.

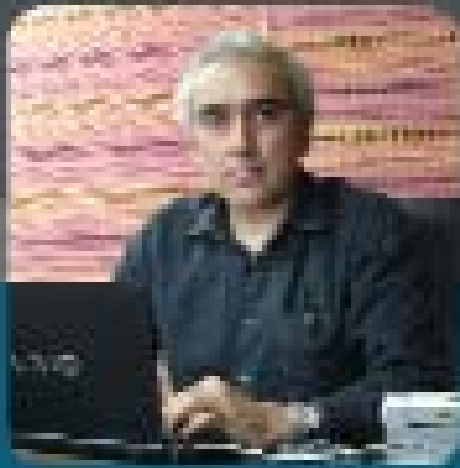
>> Consolidation of our manufacturing units at close proximity to each other is another key highlight of FY08. The Company successfully consolidated all manufacturing facilities at Manesar, the spring board to the next stop at our "City of Excellence" at Neemrana in Rajasthan, where we are aiming to launch operations in the next fiscal.

>> Backward integration by purchasing an additional tannery at Ranipet has added value to our unique leather offerings.





# From the Managing Director's desk



“A series of measures aimed at backward and forward integration of its services catapulted your Company to a new level in its journey to excellence.”

## Dear Shareholders,

It is with some satisfaction I report to you that inspite of a difficult year with respect to the economic sentiment across the US and Europe, Crew B.O.S. has posted reasonable growth, although has seen some pressures on the bottom line. It's been a difficult year for manufacturing and conditions continue to be difficult with the fear of the major retailers and brands all over the world performing below expectation. This sentiment has been gaining momentum with a lot of major retailers and international brands going in for job cuts as well as closing down operations to trim size.

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### Industry impressions

Inspite of the fact that the conditions are difficult, the opportunities for Indian manufacturers of leather goods are very good. This is primarily because all the major brands and retailers are looking for an alternative to their traditional resources in China. I had touched upon the China factor in last years annual report. China has been the traditional resource for procuring of leather goods, footwear etc. A combination of a few factors has contributed to this resource being less attractive than it has been in the past. A rise in wage rates, an appreciating currency, a lot of emphasis by major brands being laid upon social and environmental compliance, a reduction of incentives, rising raw material costs due to curbs on tanneries in China and a continuation of anti dumping duties on footwear etc make China less competitive and attractive. All of these and more have pushed buyers to find alternative resources. India for a number of reasons has become a favourite destination to outsource manufacturing of leather products. A number of luxury brands such as Louis Vuitton, Coach, Prada, Burberry etc are looking in India to forge long term partnerships with good manufacturing companies. And Crew B.O.S., because it has added significant infrastructure and now has one of the best infrastructure in India, is becoming a destination for a number of these brands.

### Financial review

Your Company's gross income for the year ended 31st March, 2008 stood at Rs 23,288.32 lakhs, as against Rs 20,538.50 lakhs for the previous fiscal. The net income from operations was also higher at Rs 21,798.99 lakhs during FY08, up from Rs 18,472.64 lakhs for FY07. However, an increase in the total expenditure (with increased interest costs, finance charges, higher depreciation, weakening of dollar and staff and other costs going up) affected the net profits during the year under review. Your Company is confident of increasing its business during the current fiscal and steps taken in the form of consolidations, expansion plans encompassing the high adherence to world class quality standards shall contribute in realising its aspirations.

### Going ahead: Overview and opportunity

FY08 was a year in which Crew B.O.S. was trying to consolidate its businesses into more efficient, productive factories. During the year we continued to expand our capacities in hand bags and wallets. Crew B.O.S. is forging long term and strategic relationships with customers to best utilise the capacities it has created. We added some key customers in the past year who would add significantly to our top and bottom lines. Manufacturing for these customers would be happening in the new factories that we are building in Manesar, Neemrana and Chennai.





Coach is one of the most respected and fastest growing leather products brands in the world today. Crew B.O.S. started manufacturing for this luxury brand and is looking to grow this opportunity to a very significant size. The Coach product is being manufactured in a state of the art facility in Manesar which is perhaps one of the finest in the world. Coach is being instrumental in bringing to Crew B.O.S. some of the most modern systems and technology to manufacture some of the best handbags followed by wallets and belts in the most efficient way.

The closed footwear business continues to look strong for India. Our relationship as a supplier to Hush Puppies, one of the most important global footwear brands, is growing rapidly. Since this was a new business we entered into last year we spent the last year trying to build up our capacities to supply footwear to companies like Hush Puppies, Next etc. We are going to continue to improve our efficiencies in this area through better training and addition of technology. We will also be adding capacities to take on the new opportunities that are coming our way through increased business from our current and some new customers. The open footwear business also continues to be strong. This product demand is coming in from a higher end customer like Armani, Karen Millen etc and therefore better realisations. Overall we would be looking to manufacture by the end of 2008, 3000 pairs of closed shoes per day and 7000-8000 pairs of open footwear per day. We expect the demand for this category to grow and more importantly get better realisations through strong demand from the better end customer.

The new facility at Neemrana, once completed, will be seeing further capacities in the areas of: finished leather plant, belt manufacturing plant, wallet and bag manufacturing plant.

As these are expected to be completed by the last quarter of this year for the finishing plant and the balance two by early 2009 they will add much needed capacity to Crew B.O.S. These plants existing / new additions will be the most modern plants in India and among the best in the world. I am confident that these facilities will allow us to be well on the way to becoming one of the most important destinations in each product area for quality buyers around the world.

#### Our training cell

Our Crew B.O.S. Academy has seen growth in various areas over the past years, and over 600 workers have been trained in Crew B.O.S. Academy (CBA) for our factories. CBA is now focusing on training specifically for Coach where we expect to see sizable growth in business. The training methods have been refined to suit our high-end customers, using jigs and production techniques followed on the production floor. One third of the workforce on the Coach floor has been trained at CBA. I would also like to add that the discipline and attitude of those who have passed out of CBA is far better than those recruited directly. CBA continues to monitor the performance of its trainees on the production floor for a month, before handing them over to the floor supervisor. In addition to this, CBA has also started shorter training capsules for re-training workers who are found to be below the required efficiency levels.

Going forward, the Academy plans to function as an independent body recruiting workers for the entire Company, a task it is successfully performing for the bag units. All workers hired by Crew B.O.S. will spend a minimum time at CBA where their skills will be assessed and a salary will be recommended based on the years of experience. CBA is also going to get more actively involved in the training programmes for supervisors as they are key to the smooth and efficient running of our production floors.

#### Retail initiatives: An update

Due to the various commitments, retail as well as the foray into the domestic market has taken a back seat. This will change in the year 2009. A new JV shall be formed called COED. COED is Center of Excellence for Design and is a JV with Matrix Clothing Private Limited, a leading apparel manufacturing company. It's a 50-50 JV and we will be launching the brand 'Crew Republica' in the domestic market in early 2009. The brand KAOS, which COED has already promoted and launched has received a very good response. KAOS is a clothing and an accessories brand, a brand meant for the youth with a target age group of 18-25 years. The USP of KAOS is the equal emphasis on apparel and accessories, a mix not offered by any other competing brand.

The brand is positioned as a cool lifestyle product for the youth with a vision. Currently launched with woven and knit shirts in clothing, and belts and wallets in accessories, KAOS plans to broaden its product line in forth coming seasons. The initial response has been very encouraging and in the first season itself we have received bookings from 250 Multi Brand Outlets (MBO's) across the length and breadth of the country. It is proposed that in the next year KAOS will be retailed in several large format stores including Lifestyle, Central & Shoppers Stop. We are also planning to open 10 Exclusive Brand Outlets (EBO's)

for KAOS in several towns with special focus on emerging destinations like Kochi, Lucknow, Indore, Bhopal, Ahmedabad, Surat etc. It is expected that the core values of being unpredictable and unconventional will make KAOS stand out in a plethora of brands.

Crew Republica is a premium accessory brand aimed at professionals and businessmen in the age group of 25 - 50 years. In the Indian retail market there exists a big opportunity for us to address this growing market. Crew Republica will be launched as a classy and elegant brand of accessories. The initial product offering would include - bags, wallets, belts , flip flops, travel accessories and premium folders and stationery. We will open exclusive retail outlets for Crew Republica in premium malls and select high street locations in the metros. Crew Republica will also be retailed through large format stores and selected MBOs at international airports and other premium retail points which are in sync with the image of the brand. Another opportunity is the corporate sales which can add substantially to the sales figures of Crew Republica.

The preview of initial designs to a few select customers have evoked a very positive response giving us the confidence to launch Crew Republica at the earliest.