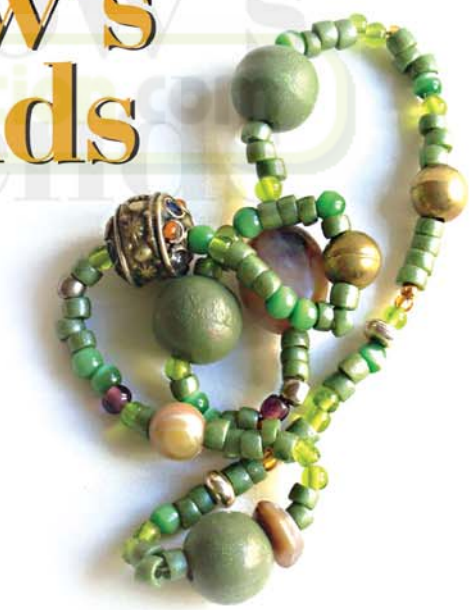
Designing tomorrow's trends



EVINIX ACCESSORIES LIMITED

Annual Report 2006 - 07

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about us

- Evinix Accessories Limited (hereafter referred to as Evinix) was incorporated in 1996 as a small scale industry with focus on manufacturing headgears, base ball caps and high altitude jackets, using cotton textile and leather, mainly for exports. In 1998, it ventured into manufacture and export of fashion bags, travel bags, school bags, wallets, belts and scarves, catering to top-notch international clients. Currently, the company caters to the demands of several leading international and domestic brands.

products

- The company's product profile covers a wide range of fashion accessories and fashion apparel for men, women and kids. From caps, hats & bandanas to sports bags, ladies fashion bags, soft travel bags, wallets, leather belts, fashion belts, fashion wraps, stoles, scarves and shawls, the fashion accessories range for women has it all. Dresses, inner wear & T-shirts for kids and tops, T-shirts & skirts and sleepwear for men, women and kids complete the company's fashion apparel range.

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infrastructure - The company has three dedicated manufacturing units, spread across 80,000 sq ft. Two units are in Faridabad and the third one was recently acquired at Noida Special Economic Zone, all of them equipped with the latest technology and equipments.

customers - With a chain of 6200 outlets across 72 countries, the company's anchor client list boasts of brands such as Adidas, Lee, Wrangler, Gini & Jony etc in the domestic market, and Gap Kids, Old Navy, Esprit / EDC Debenhams, George, Next etc. in the international market.

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Designing tomorrow's trends

In the business of fashion there are two types of companies: those that lead and those that follow. And Evinix, with its exquisite offerings, chooses to lead and stay at the forefront of fashion.

Fashion today is all about vibrant colors and sharp contours woven into lustrous fabrics, and a range of matching accessories to go with them. In fact, for the fashion conscious new generation of today, the flashy accessories that accompany top designs are a rage, enhancing the overall effect. You can have a really simple outfit and team it up with a fabulous bag and you are ready to hit the party circuit or the corporate world.

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In the past, the core of the fashion industry was manufacturing, and other activities such as marketing and branding were peripheral. However, things are different today, as design, marketing, and distribution drive this business, with manufacturing focusing exclusively on sourcing products from suppliers.

For any fashion business to thrive and flourish, it is important to optimise all aspects of the business - from design and product development to sourcing, distribution, marketing, and supply-chain relationships. And that is precisely the path Evinix has embarked upon.

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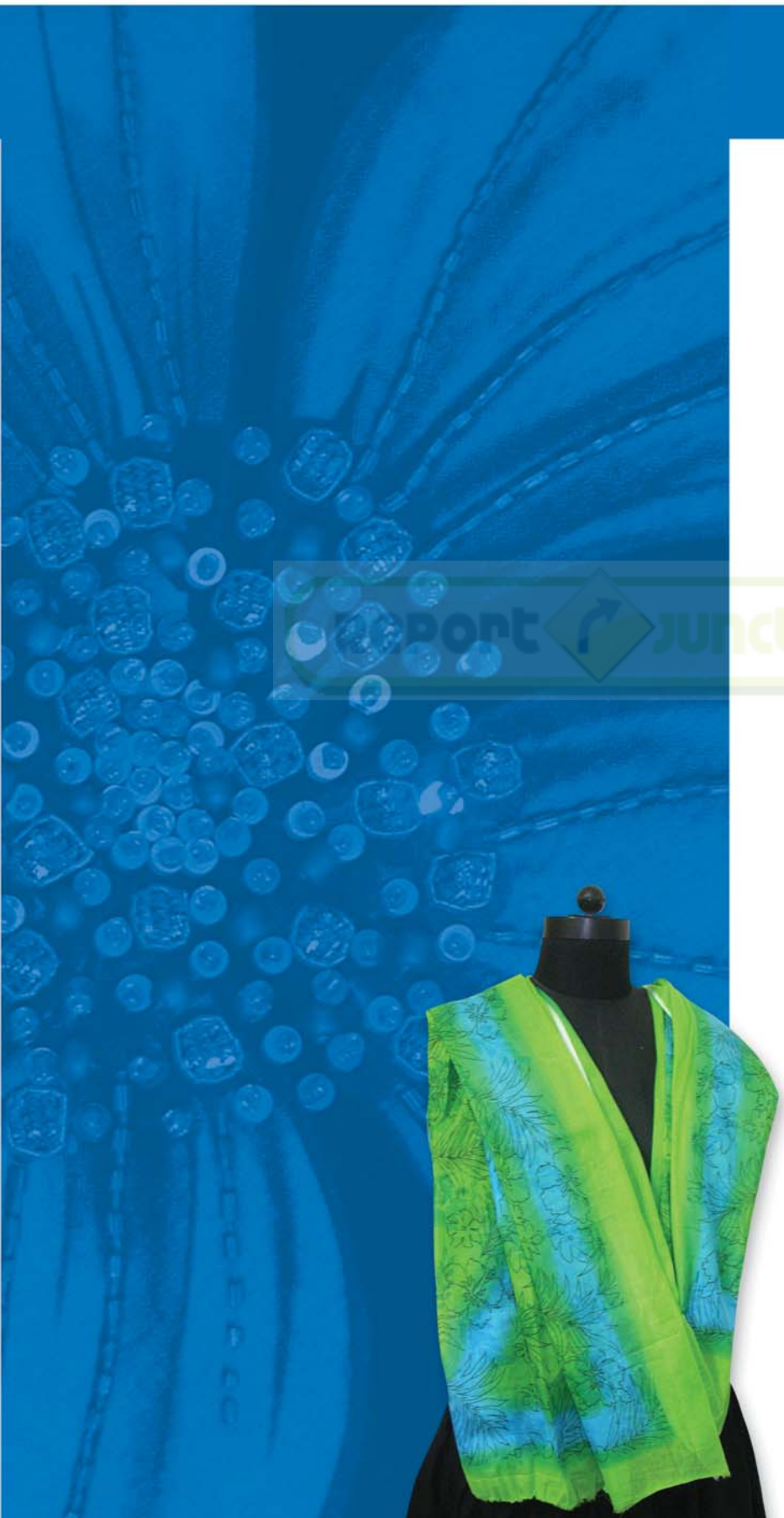

The Evinix business model is, thus, a balanced one, focusing simultaneously on:

- Designing trends which would be in vogue in the future,
- Offering a complete ensemble through its range of product offerings,
- Carving a niche for fabric-based products, rather than focusing on pure leather or leather-based products,
- Identifying a novel opportunity – organic cotton (cotton grown without any chemicals) which is currently the rage in the overseas markets due to the inherent appeal it offers,
- Obtaining certifications by renowned international bodies such as Fair Trade Foundation, UK and Worldwide Responsible Apparel Production (WRAP), USA for its organic cotton manufacturing unit, which would give Evinix an added advantage,
- Expanding capacities and updating technology to cater to the increasing demand - overseas and within the country.

Just the right blend of processes geared to design tomorrow's trends!

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Dear Shareholders

This is the first time I am writing to you since the company went public. I am thankful to all our shareholders for reposing their faith in the company's management that resulted in oversubscription of your company's initial public offering of equity several times over. Briefly put, 2006-07 was yet another good year for us. Our success is reflected in the financial results we posted in 2006-07. Our total income increased 44 per cent to Rs 682.07 mn. These strong financial results have come as a result of our making significant strides in our business.

Key Achievements

We are in the business of designing and manufacturing fashion accessories and garments for exports as well as for the domestic market. Our range of products includes fashion accessories, fashion apparels and kids' wear.

We remain committed to what we call the Evinix DNA - CREATIVITY, AVAILABILITY, APPLICABILITY. Simply put, we follow the practice of closely studying the requirement of the user and designing a product that would not only be functional but also aesthetic, while ensuring commercial viability with available resources. This requires great observation, thorough technical knowledge of various textile fibers and their behaviour under different conditions, combined with panache for perfection. We top this up with total commitment to serve the customer.

Let me take you through the events that marked our journey during the year under review. To begin with, we extended our presence to a new country - Spain. We consider this as a major achievement as Spain is an important international distribution hub and entry into the country would facilitate our penetration into other European markets. Further, we have successfully introduced our range of sleep wear for kids in the UK markets and infant wear & men's knitwear in the US markets.

We also added three new clients - Puma, American Eagle Outfitters' and Lifestyle chain of stores - by servicing their requirements of belts, unisex bags and knitwear for women.

As for our niche product offering, that is organic cotton knitwears, our efforts have yielded results. Our garmenting, knitting and processing operations have been evaluated, approved and certified

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by Control Union, Switzerland, earlier known as SKAL. I am proud to inform you that our manufacturing facility has been registered under Fair Trade Foundation, UK. The Fairtrade mark is an independent consumer label which appears on products as an independent guarantee that farmers in the developing world have been paid a fair price for the materials used in our products. We are awaiting audits to be completed, and they are likely to be completed by October 2007.

Another achievement in this segment is the Worldwide Responsible Apparel Production (WRAP) registration, USA. WRAP is an independent, non-profit organisation dedicated to the certification of lawful, humane and ethical manufacturing practices throughout the world. We are optimistic of attaining this certification by the end of this calendar year. While this is an outsider's certification of our company discharging its social responsibilities consciously, it also goes to strengthen our belief that ethical management practices automatically yield good business.

Future Outlook

We will achieve our goals by executing what we have always done - harnessing our resources and experiences to provide our customers with innovative products that successfully fuse the creative influences from the world of sport, lifestyle and fashion.

In pursuance of our ambitious goals, we plan to expand the manufacturing facilities at the Noida and Faridabad units. The expansion plans are to be funded through our IPO proceeds and the capital expenditure is estimated at Rs 245 mn. The expansion has been progressing satisfactorily.

On a parting note

While the company's financial results reflect strong returns on invested capital, our dedication manifests itself in our products. Each product is the result of the collaborative effort of our team. It is their commitment to enhancing the quality of every aspect of our products that is our driving force. We operate and succeed as a team. I am grateful for that passion and our performance shows that our customers also appreciate this attention.

Raujeev Taneja
Managing Director

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vision "To be a world class company, that is benchmarked for quality products through a team of dedicated and motivated people."

mission "To be the most preferred partner offering highest quality apparel and accessories at the right price and right time".

Landmarks for Evinix

1996-97 ■ **Commenced operations** with imported specialised machinery for baseball caps manufacturing and embroidery.

1997-98 ■ Commenced exports of **Base Ball Caps** to **USA.** ■ Started manufacture and export of **sports bags** to USA. ■ Started export of caps to **Middle East**.

1998-99 ■ Set up a new factory in **Faridabad.**

2000-01 ■ Converted existing facility at Faridabad into **100% EOU**.
■ Expanded Faridabad unit to manufacture **cotton canvas bags**.

2001-02 ■ Commenced the manufacture & export of **accessories** for babies & kids. ■ Received an **award** for outstanding export performance in Made-ups category by TEXPROCIL, India.

2005-06 ■ Entered into a Trademark Licensee agreement with Gini & Jony. ■ Merger of Evinix Consolidated, a partnership firm of promoters, into the company. ■ Received the prestigious vendor approval status from Adidas as the manufacturer of Apparel and Accessories.

2006-07 ■ Acquired and started **world class apparel manufacturing unit dedicated to baby & women fashion wear at Noida Special Economic Zone** near New Delhi. ■ Successfully listed 3,500,000 shares on the Bombay Stock Exchange and National Stock Exchange, the two largest bourses of the country.

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Financial highlights

(Rs mn)

	FY 04-05	FY 05 -06	FY 06 -07
TOTAL INCOME	288.36	475.53	686.71
EBIDTA	45.95	84.41	104.08
PBT	38.21	75.13	86.11
PAT	37.37	59.06	64.16
EQUITY CAPITAL	5.50	72.00	107.00
EPS(IN RS)	67.90	8.20	8.56*
ROCE	54.43%	39.70%	13.94%
RONW	148.53%	36.45%	10.63%

* diluted.

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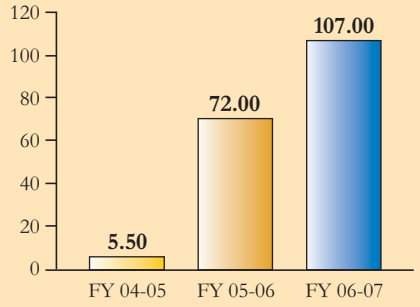
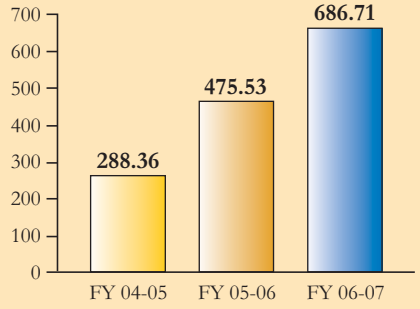
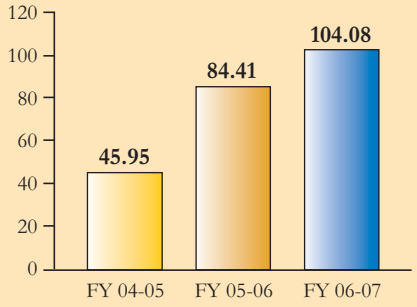
EQUITY CAPITAL (Rs mn)



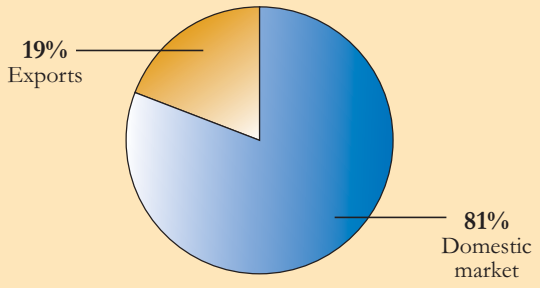
TOTAL INCOME (Rs mn)



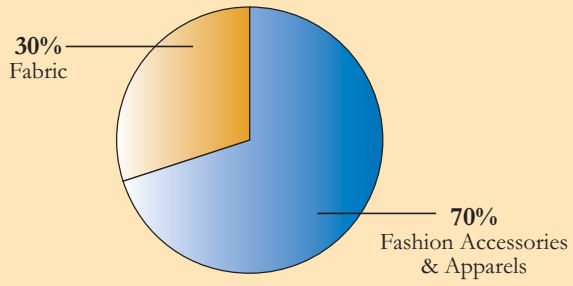
EBIDTA (Rs mn)



Break up of revenues from exports and domestic market for 2006-07



Segment - wise break up for 2006-07



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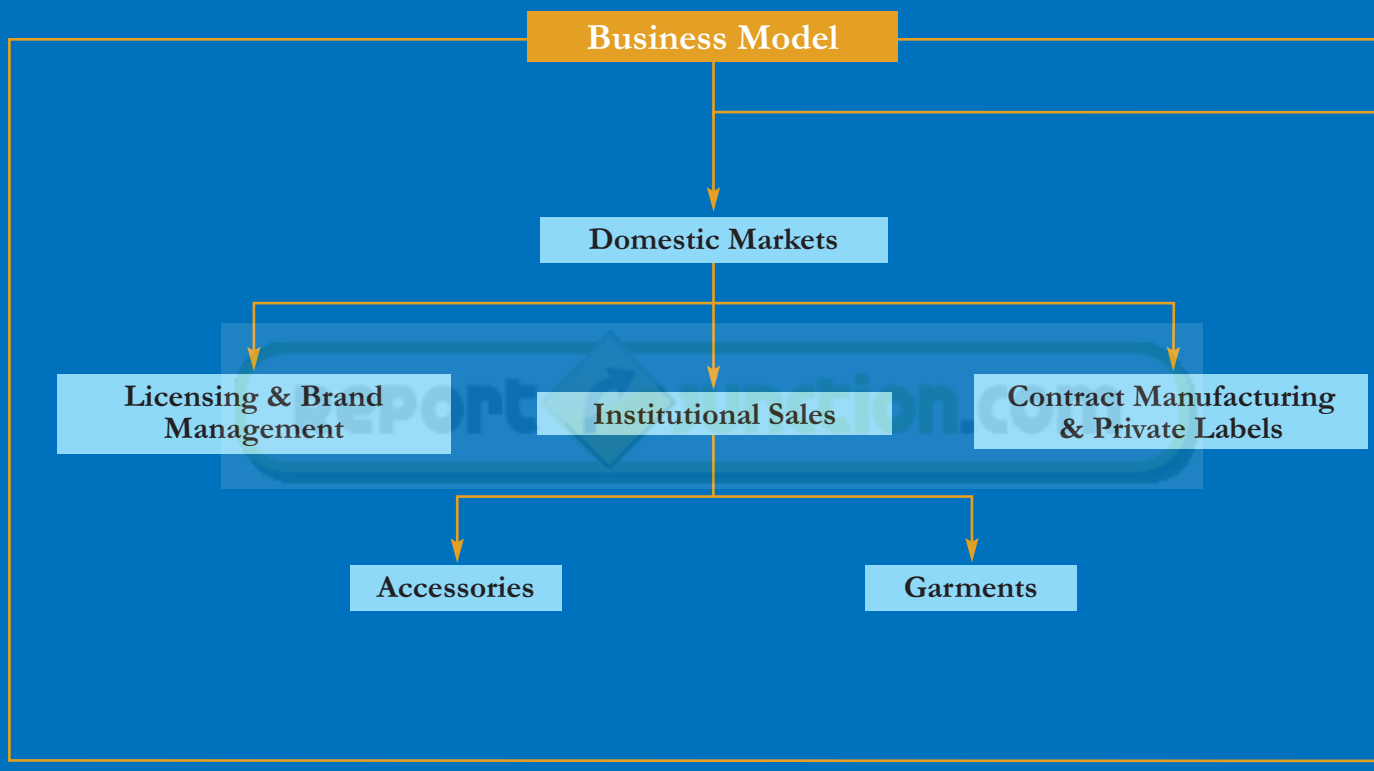
Robust business model



Currently, the value chain followed by the company in the international markets is as follows:

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