



Evinix Accessories Ltd. | Annual Report 2007-08



Cutting through a New Strategy



Report Junction

Evinix Accessories Limited was incorporated in 1996 as an import substitute set up for lifestyle accessories for international brands. Evinix is a Brand Servicing House (brand vending and have now forayed into brand retail) in the business of manufacturing and adapting designs for top global brands. Evinix has been servicing global brands for the last 12 years and are pioneers in the brand vending business, 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 in the field of Accessories & Apparel.

Equipped with three dedicated manufacturing units, spread across 50,000 sq ft in Faridabad and Noida Special Economic Zone, Evinix has recently forayed into the rapid -growing retail business through a retail chain under the store brand name 'CUT™.'

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Operational Highlights

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Foray into Retail

As a process of forward integration, launched its first TWIN CUT™ stores at Pune, followed by Ahmedabad, Gandhinagar, Rajkot, Surat, Kolhapur and Nagpur.

Retail agreement with global brands

Entered reseller agreements with top global brands for retail Apparel, Footwear and Accessories through 'CUT™' stores.

New clients

Added several new buyers, 11 new retailers to be specific, in the international market for our apparel business, especially with organic cotton products.

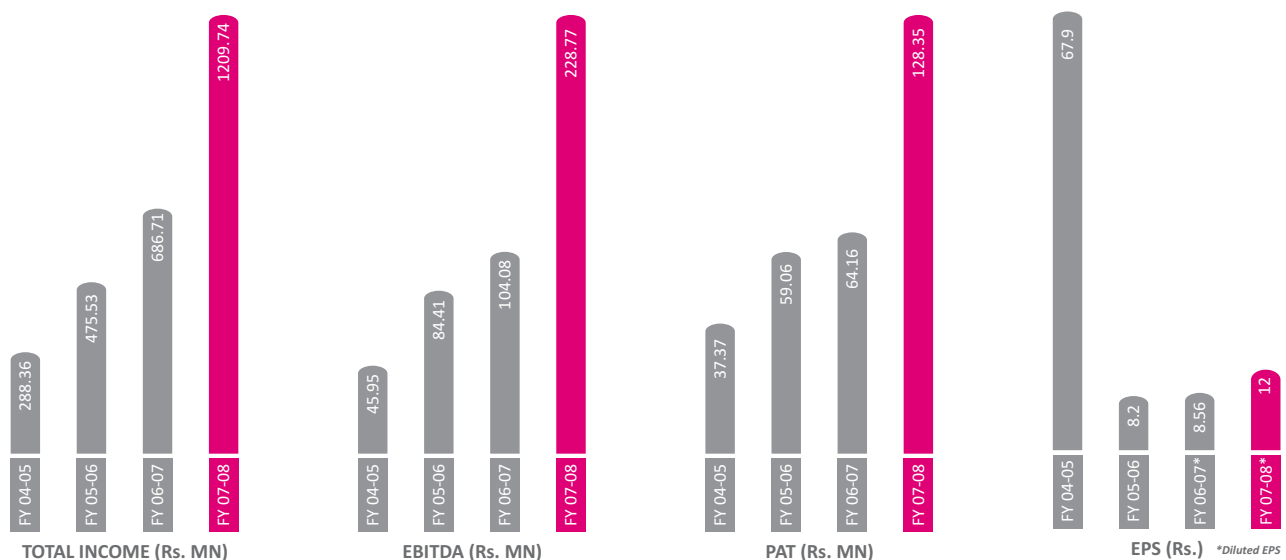
Production enhancement

Production of apparel for exports started in full swing at the newly acquired unit in NSEZ. Capacity at Faridabad manufacturing locations enhanced to 3 million pieces of apparel & 3.5 million pieces of accessories per annum.

Additional Certifications

Obtained necessary certification from Control Union for production of eco-friendly organic cotton garments.

Financial Highlights



From the Managing Director's Desk

"With the launch of the first two of our retail stores in Pune, under the brand name of 'CUT™', Evinix has entered into a new phase of excitement, expansion and escalation."



Financial strides

The company's turnover for FYo8 vaulted to an impressive Rs. 119 crore, registering an increase of nearly 74% over FYo7. This year-on-year growth of the company has been totally in line with expectations. Likewise, the net profit increased to Rs. 12.83 crore, as against Rs. 6.4 crore in FYo7, a 100.4 % surge over the previous fiscal.

Operational highlights

Strong vending associations

On the operational front, our expansion plans were entirely on track with the company adding 11 new clients for vending through our Accessories and Apparel divisions in addition to reporting a 72% retention of existing clients and concurrently increasing quantum of business from a number of clients.

Despite the rupee appreciation and unfavourable market conditions in the US and Europe, the Accessories division not only succeeded in retaining all its clients but also added several new ones to the list. Among the most notable of these are American Eagle (US), Cecil (Germany), Next (UK), Fun & Basics (Spain).

Likewise, in the domestic market, the division's growth continued unabated, with some big giants like Puma and Gant joining the client list.

I believe that this achievement amply demonstrates and endorses the company's competency in strengthening vending associations across divisions through excellence in design, manufacturing, quality, timely delivery, and all this at highly competitive rates. Today, we are proud to be associated with some of the best brands in the world of design.

Rapid strides in new markets

In addition to adding new vending associations, the company successfully spread its wings to new high potential markets in Europe, in line with our strategy to de-risk and diversify. It gives me immense pride to state that the company not only successfully forayed into Spain during FYo8, but through its strong vending capabilities has also emerged as the brand of choice in this market.

Product expansion

Expansion of the Accessories division was not limited to geographies. We diversified our product range further during the year with the introduction of Leather belts by developing low cost leather belts and bags for supply to Fun & Basics of Spain.

Encapsulating the complete value chain – Design to Delivery– we continued our onward journey in the Apparel market too, adding some more reputed brands to our client list. Some of the noted global brands which we now service in this segment include El Corte Ingles (Spain),

George (UK), Littlewoods and Littlewoods Shop Direct (UK), Geox (Italy), The Childrens Place for Kidswear (USA) and Joules (Canada). A remarkable fact about this expansion was that it was spread across the complete product range of the Evinix Apparel division.

Augmenting capacities

Adding new vending associations and expanding geographically would not have been possible if our production and manufacturing capacities had not augmented at the same pace. In the year under review, production of apparel for exports started in full swing at the newly acquired unit in NSEZ. Simultaneously, the capacity at both the Faridabad manufacturing locations was enhanced through utilization of funds raised from the IPO issued in February 2007, with the capacity now standing at 3 million pieces of apparel & 3.5 million pieces of accessories per annum.

Licensing & Special Textiles

Motivated by the market research undertaken by the company for Brand Retailing at CUT™ Stores, our R&D division manufactured T-shirts, belts and bags as the first line of supplies for exclusive licenced brands, such as 'Jeune's Payee', '454' and 'Purple Wine', to name a few.

Organic Wear

Our focus on niche Organic Wear segment continued to yield results, with Evinix becoming one of the few companies to receive the prestigious German certification of Flocert.

We succeeded in obtaining necessary certification from Control Union for production of eco-friendly organic cotton garments. New buyers were added to the new facility, some of the notable ones being Geox of Italy, several customers for sleepwear in Spain, ASDA in UK and Littlewoods in UK.

Retail Foray

Coming back to our retail foray, the launch of our CUT™ stores is in line with our plans to harness the strong domestic retail opportunity and firmly entrench ourselves in this space through the creation of a powerful & rapid retail model.

By envisaging a unique rapid retail format, based on sale and purchase reseller agreement with as many as 61 international brands, CUT™ stores seek to provide a special store experience to young men and women, in the age group of 16 to 35.

CUT™, an acronym for Comfortable, Urban and Trendy, is home to 61 international brands, which include Levi's, Adidas, Puma, Allen Solly, Thomas Scott, Fins, W, Van Heusen, and many more. Keeping with the youth's contemporary attitude, CUT™ presents itself in a very distinctive way, providing a unique shopping experience in all its stores.

Evinix plans to set up 70 CUT™ stores (averaging 4000-5000 sq feet) in fast urbanizing young Indian towns offering the entire range of apparel, footwear and accessories by March 2009.

Challenging foray

As the old adage goes, 'No Gains without Pains!!' our biggest challenge comprised identifying the right retail format without disturbing the continuity of business of our existing brand partners and without giving them the impression of competition.

Another major challenge in the run-up to the retail venture was the pressure on us to appoint mother brands in exclusive retail tie-ups. However, I am happy to state these challenges have been addressed satisfactorily which is explicit from the roll out of our retail stores.

The year ahead

As we start another financial year, we are all set to traverse ahead on the path of growth and expansion of our retail division, even as we continue to consolidate our Accessories and Apparel businesses.

However, the focus of our company would, for now, be on retail and its expansion at a quick pace. The biggest challenge that we perceive now in our retail venture is to adhere to the schedule for the rollout of more CUT™ stores, while maintaining the existing price model.

In the Accessories and Apparel divisions, it shall be our aim to accelerate our growth through the addition of more vending associations, markets and expanding our product basket.

On a parting note

With growing consumerism, the excitement of brand retailing coupled with the steadfast growth in brand vending is what we have to offer to our partners. By 2010 we aim to be a Rs. 0.75bn company in topline and will definitely maintain margins between 15% to 17%.

I am confident that, with your support and backing, and with the passionate involvement of the Evinix team members, our company will meet these challenges as successfully as it did in the previous year. Your company is committed to growth and new levels of success at every stage. And with this promise, I welcome you to join me in another exciting year of the Evinix odyssey.

Raujeev Taneja
Managing Director



'The knowledge and art of tailoring, of cutting and sewing cloth developed slowly and gradually in Europe between the twelfth and fourteenth centuries. The Oxford English Dictionary's first reference to the word "tailor" gives the specific date of 1297.

During the Middle Ages clothing had been regarded as a means of concealing the body.

But with the Renaissance came the accentuation of the human form. The loose robe, that standard uniform of the medieval period so easily constructed from a single piece or two of cloth, was shortened and tightened, and eventually cut, pieced, and sewn together in attempts to bring into prominence the contours of the human form. This was the birth of tailoring and, in fact, of fashion.

The History of Tailoring: An Overview

by **G. Bruce Boyer**



cutTM to
2008



Fashion has changed. A new Renaissance has already taken place. It's a Renaissance that has changed the way men and women look at clothes.

It's all about style now. Style that cuts through boredom. Style that cuts through old trends and sets new ones.

Style that is all about brands, brands and more brands.

Style that is spelt in three alphabets – CUTTM.

And felt in three words Comfortable, Urban and Trendy.

cutTM to a scaleable business model

Evinix Accessories Limited

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Ltd.



Brand Vending

Brand Licensing

Brand Retailing