

Kitex Garments Limited

The Next Level

Annual Report 2015-16





Mr. M.C.Jacob

(22.4.1933 – 5.6.2011)

Illustrious Founder – Chairman of Kitex Group of Companies

“....Caring is being conscious about what is good for the stakeholders and trying to deliver it as much as possible. At Kitex we would continue to believe that winning is by caring ...”

A caring legacy

At Kitex, enriching people through caring is inherent in our business model. Since the inception of the company our founder M.C Jacob made ‘caring’ the basic motto and today we believe that caring is the very winning formula of our company. Over the years we have realised that when our actions are filled with caring, business, employee & community relations are strengthened.

Our founder Late Mr.Mekkamkunnil Chacko Jacob (M.C.Jacob) was moved by the plight of the farmers who worked in his father's fields. That's when he decided to set up an aluminium-based unit in 1968 with an employee strength of eight. This was the first baby step to put Kizhakkambalam, then a remote village in Kerala into a hub of industrial activities.

The Anna-Kitex group of companies he founded, since then took wings and grew multifold. By the time he departed from this world in 2011, the group had become a diversified business conglomerate having interests in Aluminium, Spices, Textiles and Apparels. The group provided scores of people livelihood by giving employment as well as through its regular social interventions.



Disclaimer

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business, and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

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Highlights FY15-16

The company has entered into a license agreement on September 10, 2015 through M/s. KITEX USA LLC, with LAMAZE INTERNATIONAL INC, USA for manufacture and supply of Infants garments in USA and CANADA

Our Performance

Revenue 56,563 Lakhs Y-o-Y + 8%	EBIDTA 20,608 Lakhs Y-o-Y + 13%	PAT 11,209 Lakhs Y-o-Y + 14%
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Awards Recognitions & Milestone

- KITEX USA LLC opened its office in New Jersey in October , 2015
- Kitex debuted on FORBES ASIA's 200 Best Under A Billion list in 2015
- Kitex MD, Sabu M. Jacob featured among the finalists for EY Entrepreneur Of The Year 2015
- Company has received the "JOCKEY Debra S Waller Award for Great Partnership 2015
- Received KSIDC Award 2015 for Excellence



Kitex debuted on FORBES ASIA's 200 Best Under A Billion list in 2015

About Kitex Garments Ltd

Established in 1992 Kitex Garments Ltd is into 100% exports of cotton garments especially infant wear. The company exports its products to US and European markets. In 1995 the company went public and the shares are currently listed on NSE & BSE. The vertically integrated manufacturing plant makes infant wear as well as fabrics.

Products

- Body suits
- Sleepwear
- Rompers
- Burps
- Bibs
- Training pants



Number of
employees

4,119



Per day Capacity
(Infant wear) units

2,70,000



Built up
area sq.ft.

6 lakhs



Textile capacity
per day

50 Tons

The Next Level

Dear Shareholder

The Next Level

Welcome to our annual report of FY2015-16 which comes with the theme “The Next Level”. Next Level is a depiction of our ambition and supporting strategies to achieve the next stage of growth. We intend to drive our next level of organic growth by expanding markets and online and offline marketing channels assisted by capacity expansion and by enhancing people & technological capabilities. Over the years we have become a company known for our capabilities to quickly adapt to the ever changing macro economic environment as well as a company in the forefront of adoption of cutting edge infant apparel technology.

Our key strategy is to continue leveraging on our leadership position in infantwear manufacturing as well as expand the market in USA by forward integration. While we are in the process of launching our own infantwear brand “Little Star” in US Market by October, 2016, we have also entered into a license agreement in September 2015 through M/s. KITEX USA LLC, with M/s. Lamaze International Inc, USA for manufacture and supply of Infants garments in USA and Canada.



The company aims to achieve and Y-o-Y growth of 20% in FY16-17 by expanding our customer base and increasing the business share with our existing customers

Performance

In FY 2015-16 our performance has been reasonable in terms of income. We achieved a total income of 566 Cr for the year as against 525 Cr in the previous year. On year on year basis our PBT & PAT increased by 20.7% and 13.8% respectively. Our EBIDTA for the year is 206 Cr which is an increase of 13.1% against the previous year. EBIDTA percentage was 34.73 in the previous year which we bettered to 36.43% during the year.

The Board of Directors of the company has proposed a final dividend of Rs.0.75 per Share of face value Re. 1/- (total dividend being 150% viz., Rs.1.50 per equity share of Re.1/- which includes 1st Interim Dividend of Rs.0.75 per equity shares of Re.1/- each declared at the Board meeting on October 19, 2015)

Outlook

As you may be aware we make infant garments for the age group 0-2 years and our key markets are USA & Europe. We are a leading global player in the global infantwear clothing market. Some of our esteemed clients are Carters, Gerber, Mothercare, Jockey & Toys R Us. As per the 2014 data, post recession, the birth rates in US has started to

ascend again. This is the first increase since 2007. While the data for 2015 is still awaited in 2014 the number of U.S. births rose 1.4% to 3.99 million from 3.93 million in 2013. As a reflection of the renewed consumer sentiment in USA, the speciality infant apparels segment has grown close to 8% in 2015.

Sustainability

We continue to focus on sustainability and consider Product Responsibility, People, Customer Experience, Environment & Society as the key components of our material matrix. We continue to channelize our efforts for the all round improvement of Kizakkambalam where our unit is located. Our social interventions include health, drinking water, education, livelihood and housing.

[➡ Refer Page 12 - 20 to read more on Sustainability](#)

Goals

The company aims to achieve and Y-o-Y growth of 20% in FY16-17 by expanding our customer base and increasing the business share with our existing customers. To achieve this goal we are in the process of increasing our manufacturing capacity. We plan to invest about Rs.1000

Lakhs during this year to upgrade our manufacturing & information technology backbone. We expect to maintain the same growth rate in FY17-18, FY18-19 and FY19-20. As we had stated in our previous year's annual report and during my various interactions, our aim is to become the No.1 Infant apparel manufacturer in the world.

Leadership

Mr. Christian Strahm who had an earlier stint with Kitex Garments Ltd. has joined as Vice President - Manufacturing, Strahm a swiss national comes with over 32 years of global experience in Textile and apparel industry Mr. Donnie Hodge having multiple years in the international apparel industry has joined us as Vice President and Chief Operating Officer, Kitex USA LLC.

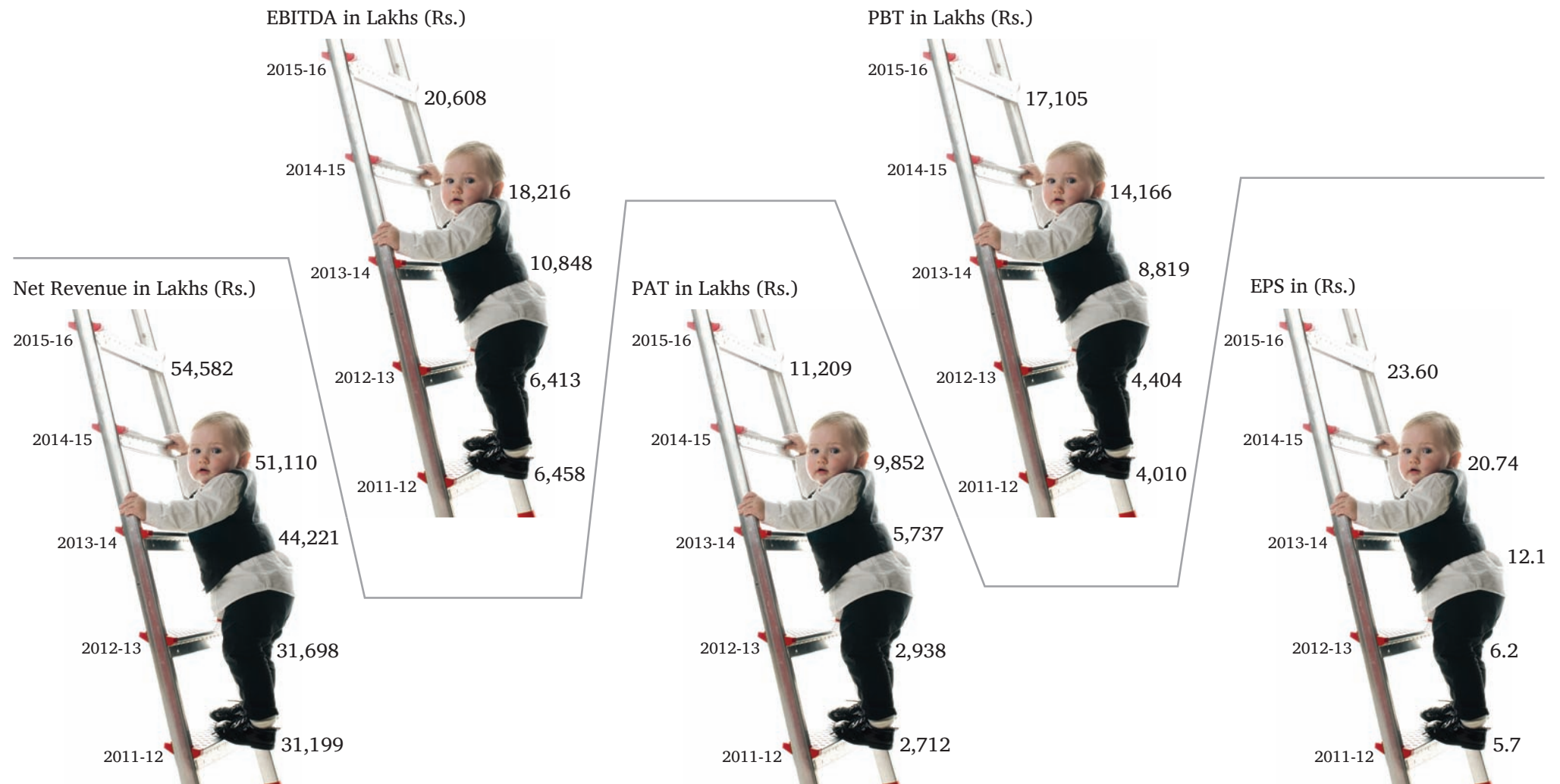
I take this opportunity to thank our employees, customers, bankers, investors suppliers and Government for reposing their trust in the management. We assure you our commitment for continued growth.

Regards

Sabu M. Jacob

Chairman & Managing Director

Financial Highlights



Financial Highlights

» Refer Page 98 for Standalone Balance Sheet

» Refer Page 99 for Standalone Statement of Profit and Loss

+8%
Revenue (Y-o-Y)

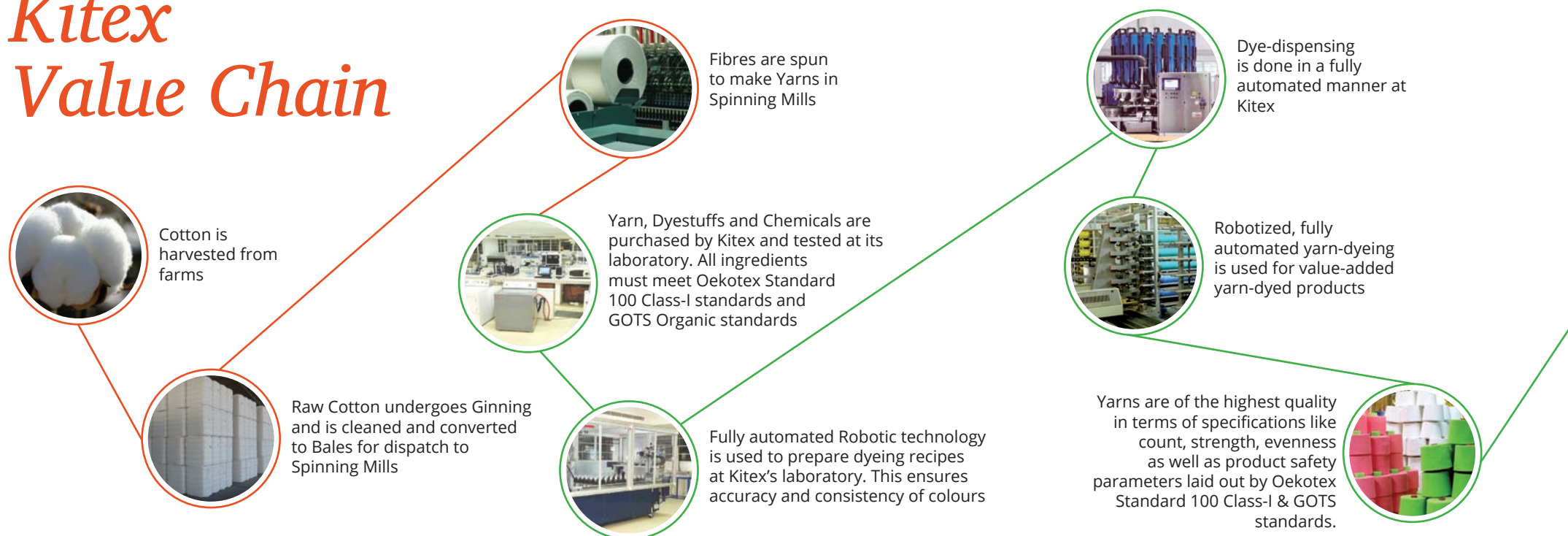
+13%
EBIDTA (Y-o-Y)

+21%
PBT (Y-o-Y)

+14%
EPS (Y-o-Y)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Income					
Sales	31,199.88	31,698.33	44,221.00	51,109.59	54,581.67
Other Income	634.82	402.51	1,334.36	1,342.34	1,981.66
Stock difference	265.83	(389.11)	(118.23)	21.54	(29.72)
Total	32,100.53	31,711.74	45,437.14	52,473.48	56,533.61
Expenditure					
Cost of Raw Materials Consumed	17,491.24	16,126.71	23,477.44	20,978.53	20,976.48
Employees Benefits Expense	3,780.74	4,376.44	5,697.16	7,450.07	8,361.72
Finance Costs	1,760.69	1,147.20	1,061.59	1,916.41	1,375.67
Depreciation and amortization expense	686.64	862.13	968.00	2,132.94	2,127.31
Other Expenses	4,370.40	4,795.17	5,414.40	5,828.78	6,586.93
Total	28,089.71	27,307.66	36,618.60	38,306.73	39,428.11
PBT	4,010.82	4,404.08	8,818.53	14,166.75	17,105.50
Current Tax	1,235.00	1,485.00	2,536.00	4,217.00	6,094.00
Deferred Tax	64.26	(18.60)	545.65	98.00	(198.00)
PAT	2,711.56	2,937.68	5,736.88	9,851.75	11,209.50
Capital	475.00	475.00	475.00	475.00	475.00
Earnings per equity share	5.71	6.18	12.08	20.74	23.60
	2011-12	2012-13	2013-14	2014-15	2015-16
Bank & Cash	3652	4118	10361	20326	24991
Trade Receivable	3183	5063	5306	6266	9601
Long Term Borrowing	686	252	2891	2684	829
Short Term Borrowing	8151	8927	9051	11391	8352

Kitex Value Chain



Our Business Model, KPIs and Goals

Our Business Model	Our Strategic Priorities	Achievements in 2015-16
Market Sales Growth	To Achieve Leading position in the Infantswear segment	Sales increased by 8% in volume. Introduced new value added products to existing buyers
Global Network	To expand into more private labels and more stores of existing buyers	Secured manufacturing and distribution license for "Lamaze" Brand for childrenswear in US & Canada. Design work for newly registered own brand – Little star New shades and colour mix introduced for existing buyers
Customer Experience	Buyer relationships and better servicing	Received Jockey's Best Vendor Award for 2015 Invited to attend various product development programs of buyers.
Strategic Investments	Industry specialistaion and product specialization	Investment in Eco-friendly manufacturing facilities. Process plant modernization. Introduced Training facilities for entry level appointments ISDS – Integrated Skill Development
Operational Excellence/ performance	Modernization, automation and cost effectiveness	Restructuring initiatives for streamlining business operations in process unit, quality control, fuel efficiency
People Development	Investing in people, clients, market research and overall development of the society/local area	Introduced evaluation of Board level appointees. Various training programs arranged for Board and below Board level appointees. Conducted various skill development program at shop floor level