

Kitex Garments Ltd

Annual Report 2017 - 2018

PROFOUNDLY
ADVANCED
DEEPLY
INVOLVED



"Kitex business is undergoing a dynamic transition taking the company to the next level. The management is **DEEPLY INVOLVED** in further improving company's global advantage. The succeeding few years are going to be very important to our company as we capitalize on the company's inherent strengths which are primarily our **PROFOUNDLY ADVANCED** processes, practices and the way we engage with our customers"

Sabu M Jacob

-Chairman & Managing Director



Mr. M.C. Jacob
(22.4.1933 – 5.6.2011)

Our Illustrious Founder & Our Founding Vision

At Kitex, enriching people through caring is inherent in our business model. Since the inception of the company our founder M.C Jacob had implemented the concept 'caring' as its 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, the 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 which 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.

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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.

CHAIRMAN'S MESSAGE

To ensure quality, reliability and for the better co-creation of value, many buyers are doing away with multiple suppliers and are consolidating the purchase from large and more dependable partners. Our company being one of the largest infant garment manufacturer in the world, is poised to benefit from this trend.



Dear Shareholders

Welcome to the 26th annual report of your company Kitex Garments Limited.

Kitex business is undergoing a dynamic transition taking the company to the next level. The management is deeply involved in further improving our global advantage. The succeeding few years are going to be very important to our company as we capitalize on the company's inherent strengths which are primarily our profoundly advanced processes, practices and the way we engage with our customers.

FY17-18 has been a challenging year with respect to our top line and margins. Revenue from operations grew by 2% on year to year basis. Our margins and performance were adversely impacted due to Increase in raw material costs, Reduction in export Incentives due to GST implementation and further one of our client has filed a petition in the bankruptcy court in USA to wind down its US operations. A motion before the court is pending from suppliers including our company. The company is in the process of recovery of receivables. We consider this as an impact limited to FY18 as the allocated capacity for the client has already been taken up by other clients.

Innovation is our key constituent for increasing our competitive advantage. Despite the unforeseen challenges from the external environment we continue to strengthen our internal operations by upgrading technology, streamlining processes and rationalization of human resources. This is in line with our goal to enhance our capacity by the year 2021. This strategy is also consistent with supplier consolidation trend among major infant garment buyers in our markets. To ensure quality, reliability and for the better co-

creation of value, many buyers are doing away with multiple suppliers and are consolidating the purchase from large and more dependable partners. Our company being one of the largest infant garment manufacturers in the world is poised to benefit from this trend. The Kitex USA LLC licensed brand "Lamaze" and Own Brand "Little Star" have already started establishing their market presence. The company is providing value added service in the form of design services to its clients.

The global market is abuzz with debates and impact analysis on the recent escalation of trade sanctions between USA and China. In the event of further escalation of this development, global buyers particularly those based in the US may restructure their supply chains and opt for sourcing products from countries other than China. This could create a substantial opportunity for manufacturers in other countries including India. The supplier consolidation trend as well as the Trade war related fallout is already unfolding more opportunities that support growth in the near future as well as long term.

Stepping into FY19 towards the vision of becoming a global player of substance, due attention is being given to our quality processes with focus on health, safety and comfort of Infants - who are end users of our products. Read Page 8 and 10 for more details on our value chain and product stewardship

Corporate Social Responsibility

In our founding principle adding socio economic value is considered as the essential core outcome of doing business. Over the years we have been able to transform lives in Kizhakkambalam Panchayath, where our unit is located, with respect to improving livelihoods, creating

housing and public infrastructure, food security programs, education, agriculture and health.

During the year we carried out several social initiatives and took up many new initiatives touching upon Housing, Food Security, Education, Health, Drinking Water and Livelihood. Read Page 14, 15 & 16 for more details.

The Board joins me in expressing our deep appreciation for the interest shown by various stakeholders and this is clearly depicted by the growth in numbers of our Shareholder community from 28000 to 40000 shareholders as on the close of the financial year 2017-18. I take this opportunity to thank our employees, customers, bankers, investor's suppliers and Government for reposing their trust in the management. We assure you our commitment for continued growth.

Sabu M Jacob

Chairman & Managing Director

SOCIAL ECONOMIC VALUE ADDED DEEPLY INVOLVED

REVENUE

₹ 55,725.42 lakhs

CSR EXPENDITURE

₹ 1,275.12 lakhs

PROFIT BEFORE TAX

₹ 10,748.93 lakhs

DIVIDEND PER SHARE

₹ 1.50 per share

PROFIT AFTER TAX

₹ 7,002.24 lakhs

TOTAL DIVIDEND

₹ 997.50 lakhs

TAXES PAID

₹ 4,000 lakhs

MARKET CAP

₹ 149,126.25 lakhs

SALARIES PAID

₹ 9,851.37 lakhs

EARNINGS PER SHARE

₹ 10.53 per share

FINANCIAL HIGHLIGHTS

(Rupees in Lakhs)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Income						
Sales	31,698.33	44,221.00	51,109.59	54,581.67	54,590.13	55,725.42
Other Income	402.51	1,334.36	1,342.34	1,981.66	199.77	267.07
Total	32,100.85	45,555.36	52,451.94	56,563.33	54,789.90	55,992.49
Expenditure						
Cost of Raw Materials Consumed	16,126.71	23,477.44	20,978.53	20,976.48	21,096.16	25,404.54
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	389.11	118.23	(21.54)	29.72	(1,575.74)	(3,735.78)
Employees Benefits Expense	4,376.44	5,697.16	7,450.07	8,361.72	9,182.86	9,851.37
Finance Costs	1,147.20	1,061.59	1,916.41	1,375.67	926.68	581.18
Depreciation and amortization expense	862.13	968.00	2,132.94	2,127.31	2,036.28	2340.14
Other Expenses	4,795.17	5,414.40	5,828.78	6,586.93	8,853.55	10,802.12
Total	27,696.76	36,736.83	38,285.19	39,457.83	40,519.79	45,243.57
PBT	4,404.08	8,818.53	14,166.75	17,105.50	14,270.11	10,748.92
Current Tax	1,485.00	2,536.00	4,217.00	6,094.00	5,312.70	3,978.82
Deferred Tax	(18.60)	545.65	98.00	(198.00)	(296.67)	(232.13)
PAT	2,937.68	5,736.88	9,851.75	11,209.50	9,254.08	7,002.23
Capital	475.00	475.00	475.00	475.00	475.00	665.00
Earnings per equity share	6.18	12.08	20.74	23.60	19.48	10.53

KITEX GARMENTS AT A GLANCE

Established in 1992 Kitex Garments Ltd is into 100% exports of cotton and organic cotton garments especially infants 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 infants wear as well as fabrics

Our Products

⊙Body Suits ⊙Rompters ⊙Bibs
⊙Burps ⊙Sleepwear ⊙Training
Pants ⊙Sleep N Play ⊙Gowns
⊙Skirts & Skorts ⊙Panty ⊙Blankets
⊙Mitten / Booties ⊙Diaper Covers
⊙Stretchy



Number of employees

4,372

Per day Capacity (Infant wear) units

360,000

Built up area sq.ft.

600,000

Textile Capacity per day (Tons)

50



Infant apparels manufactured by the company are available in Australia, Austria, Brazil, Canada, China, France, Germany, Iberia, India, Indonesia, Israel, Japan, Mexico, Poland, Saudi Arabia, Switzerland UAE and USA through the outlets of our clients

CREATING VALUE DEEPLY INVOLVED

INPUTS

PRODUCTION

- Yarns
- Oekotex Certified Imported Dyestuffs
- Advanced Machineries

HUMAN

- 4,372 Employees

FINANCIAL

- Debt Equity Ratio
- Capital Employed
- Capex

INTELLECTUAL

- Brand
- Service Concepts
- Partnering with clients
- Training
- Design Centre
- Quality

SOCIAL & RELATIONSHIP

- Safety of employees
- Health & Catering for workforce
- Human Rights
- CSR initiatives

STRATEGY

CUSTOMER INSIGHT

Developing infant apparels in accordance with their needs. Co-creation of value with customers and suppliers. Design as value addition

OPERATIONAL PROCESSES

Focus on technology adoption, automation and operational excellence.

EMPLOYEES

Focus on ensuring employee wellbeing, performance management and target setting

OUTPUT

PRODUCTS

Body Suits, Rompers, Sleepwear, Bibs, Burbs and Training Pants

BY-PRODUCTS AND RESIDUALS

Effluent: effluent is treated before discharge and waste. Biological wasted used for biogas. Water discharged is treated.

SERVICES

Innovation and R&D
Design studio

IMPACTS

FINANCIALS

Financial
Revenue
Profit after Tax
Salaries Paid
CSR expenditure
Taxes paid

SOCIAL & ENVIRONMENT

Indirect and direct employment
Human rights impacts
Value creation with local communities
Skill Development
Generation of Renewable energy
Nil /Minimal emissions