

**KITEX**

**KITEX GARMENTS LIMITED**



**CAPABILITY  
AGILITY  
RESILIENCE**

Annual Report 2019-20



## 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. Meckamkunel 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.



**Mr. M.C.Jacob**  
(22.04.1933 – 05.06.2011)



### 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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**Scalable manufacturing capability  
is one of the strongest link in  
Company's value chain.**



**Capability  
Agility  
Resilience**



## Capability

Manufacturing capability is one of the strongest link in Company's value chain. The company has achieved its position as a world-renowned infant garment manufacturer through its multiple functional capabilities in which the company's state of the art manufacturing facility backed by the three pillars of manufacturing i.e factors, standards and costs.

Factors	Standards	Cost
<ul style="list-style-type: none"> <li>▲ Dedicated trained labour</li> <li>▲ Land availability</li> <li>▲ State of the art infrastructure</li> <li>▲ Resources / energy</li> <li>▲ Global technology</li> <li>▲ Regular capex programmes</li> <li>▲ Brand equity in the global market</li> </ul>	<ul style="list-style-type: none"> <li>▲ Quality standards</li> <li>▲ IT backed integrated functions</li> <li>▲ Consistent - sops</li> <li>▲ Reliable global source for customers</li> <li>▲ Focus on environment-safety-security</li> </ul>	<ul style="list-style-type: none"> <li>▲ Strong balance sheet</li> <li>▲ Processes and automation to cut costs</li> <li>▲ Seamless supply chain management</li> </ul>

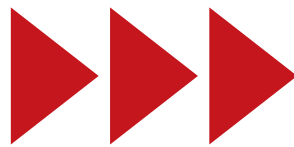
## Agility

KGL strives to stay ahead of the curve by imbibing the best of garment manufacturing and consistent capex programmes for technology and capacity enhancements. We relentlessly upgrade our product designing, value chain and customer engagement capabilities to remain agile in a highly competitive global market.

### Capacity Increase

**280,000**

Units per day (FY10)



**432,000**

Units per day (FY20)

## Resilience

KGL's Business resilience is its ability to quickly adapt to disruptions while maintaining continuous business operations and safeguarding people, assets and overall brand equity. We are able to manage our business continuity through our agile operational model and manpower diversity.

## Chairman's Message

To further streamline our processes and reduce costs, we have initiated renewed cost optimization strategies at various levels of our production



**Sabu M Jacob**  
Chairman &  
Managing Director



**Dear Shareholders,**

With immense pleasure, I would like to inform you that this year, your company has touched a record turnover of 78,357.54 lakhs signifying a growth of 24.52% over previous financial year. The operating profit stood at Rs. 14,317.12 lakhs compared to Rs. 13,019.01 lakhs in the previous year. This growth is an outcome of Kitex Garments Ltd enhancing its global brand equity in the highly regulated infantwear markets such as US and Europe

I convey my profound thanks to our customers, employees and suppliers for this remarkable outcome.

FY2020 ended with the spread of COVID-19 pandemic across the globe. I hope all of you and your dear ones are taking all necessary precautions to stay safe.

Across the globe, Pandemic has disrupted the normal life of human beings, business operations and society as a whole. India saw its overall economic growth hitting an 11-year low of 4.2% in the FY 20. We believe that the economy will bounce back to the normal state and will see its signs of a recovery in the coming quarters.

**COVID Impact on Our Business**

During the lock down period, business operations of the Company were significantly impacted. Although regular production was suspended in the month of March, April and sometime in May, the Company produced Personal Protective Equipment (PPE) kits and masks during this time and hence, the machineries and equipments were partially put to use. However, we resumed operations post lifting of the lockdown and since then the production has picked up and the Q1 production is estimated to be around 35%. We envisage our production to improve in line with the recovery in our key markets. For parents infant apparel is an emotional and essential item and going forward we are hopeful of a recovery in our key markets.

We continue to focus on further streamlining our processes and reduce costs, we have initiated renewed cost optimization strategies at various levels of our production. Due to Stringent Covid Guidelines and social distancing norms enforced at the workplace the operations continue to be run at lower capacity.

We adhere to all necessary precautions and guidelines thereby ensuring the safety and health of our employees. We are also deferring our capex plans earmarked for FY21 till the situation is completely normalized.

FY 2020-21 is a challenging year for your company with significant impact on production in Q1. With the overall retail volumes through stores as well as online picking up in USA, we believe that Q2 will be a regaining period in which we could increase the production capacity to 60% from 35% in Q1.

We are continuously monitoring the current situation with respect to all challenges and opportunities including the situation emerging from USA – China trade war.

As you leaf through the pages of this year's Annual Report, you will read about our unique capabilities and key differentiators to stay ahead of the curve. Last but not least the initiatives taken by the Company for Caring the Society towards housing for poor families, rural infrastructure development, promotion of agriculture cultivations to name a few.

I would like to take this opportunity to thank all banks and other financial institutions, the Government of India and the respective state governments and buyers for their unstinted support and actively contributing to our success. We, at Kitex Garments Limited remain ever committed and sincere in our efforts to keep delivering better value to you.

Wishing you all the best. Stay safe.

**Sabu M. Jacob**

Chairman and Managing Director



About us

# 2<sup>nd</sup> largest Infants Apparel Manufacturer in the world





Established in 1992, Kitex Garments Ltd (KGL) is into 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.

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

Our unit located near Kochi- India comes with an advantage of direct logistic connectivity with major international destinations by sea and air. The newly commissioned INDIA GATEWAY TERMINAL (IGT) at Vallarpadam, Kochi, is the first International Transshipment terminal in India. It eliminates the need to transship through Singapore or Colombo - increasing speed to market, at lower cost. The port is adjacent to the direct maritime highway between Far-East, Europe and the United States.

# 432,000

Per day Capacity (Infant wear) units

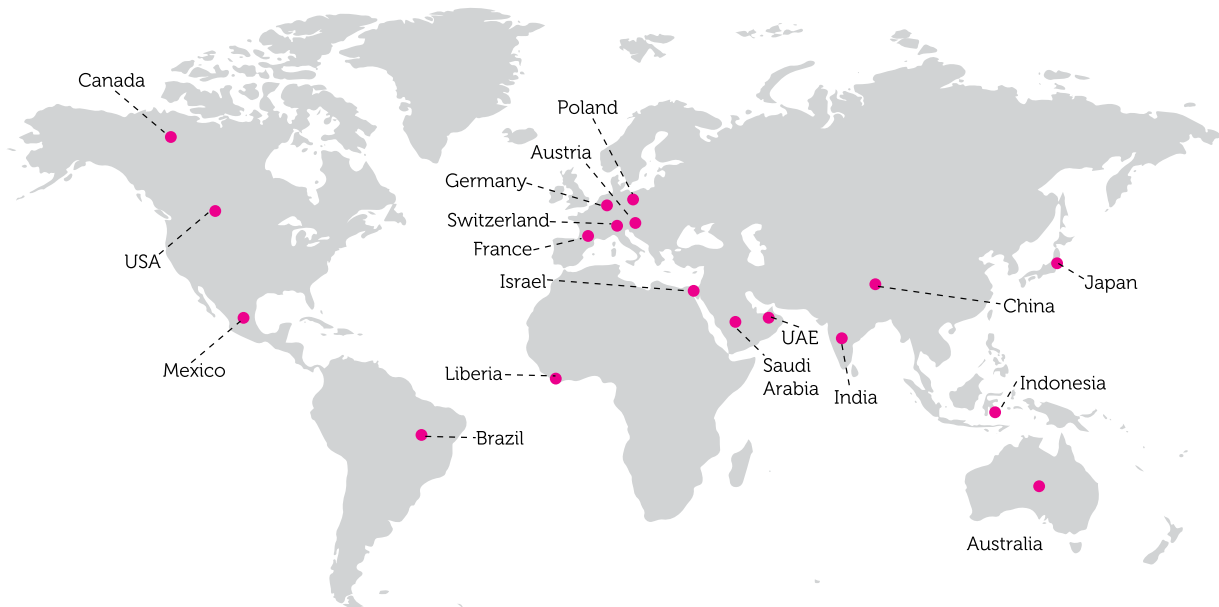
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Number of Employees

# 50

Textile Capacity per day (Tons)

## Our Global Footprints



# Kitex Value Chain

Having an integrated and traceable value chain which meets various global standards at various stages of the product supply chain is the key global differentiator at Kitex. The value chain at Kitex primarily consists of an external and internal value chain. We purchase yarns, dyestuffs and chemicals from approved sources and are tested as per Oekotex Standard 100 Class-I and GOTS Organic standards. The dye recipes, dye dispensing and yarn dyeing are done using robotic technology for accuracy and quality. Kitex uses the most advanced knitting machinery including fully robotised yarn dyeing machine to convert yarn into greige fabric which is bleached using advanced German machinery and further dyed using colour pad technology. Dyed fabrics are washed and printed on modern rotary printing machines. The fabrics thus produced confirms to all product safety standards and meet strict international quality norms (CPSIA). Fabrics are further cut by using automated spreading and cutting machines. Advanced embroidery machines, cutting-edge- IT enabled sewing procedure takes the process to the final product stage which confirms to Oekotex Standard 100 Class1, GOTS and CPSIA. We have special software in production which monitors hourly individual operator efficiency.

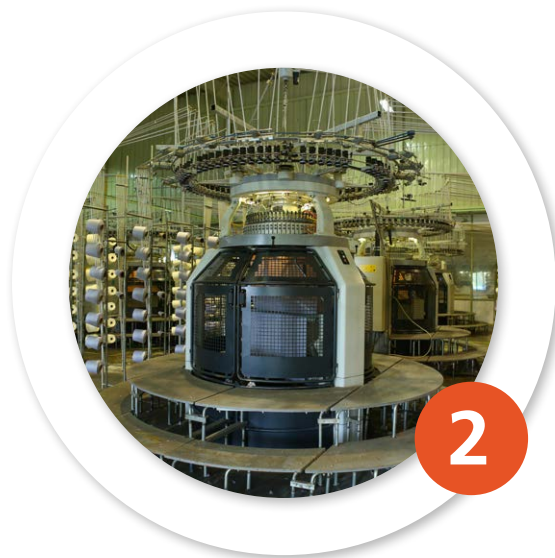


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Cotton is harvested from farms

Raw Cotton undergoes Ginning and is cleaned and converted to Bales for dispatch to Spinning Mills

Fibres are spun to make Yarns in Spinning Mills



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Yarn, Dyestuffs and Chemicals are purchased by Kitex and tested at its laboratory. All ingredients must meet Oekotex Standard 100 Class-I standards and GOTS Organic standards

Fully automated Robotic technology is used to prepare dyeing recipes at Kitex's laboratory. This ensures accuracy and consistency of colours

Dye-dispensing is done in a fully automated manner at Kitex

Robotized, fully automated yarn-dyeing is used for value-added yarn-dyed products