

The logo for SKNL, consisting of the letters 'SKNL' in a bold, blue, sans-serif font.

S. Kumars Nationwide Limited

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**STATEMENT OF Dr. A. C. SHAH, CHAIRMAN  
S.KUMARS NATIONWIDE LIMITED AT THE 18<sup>th</sup>  
ANNUAL GENERAL MEETING ON 26<sup>th</sup> September 2008**

Dear Shareholders,

My warm greetings to all of you.

I have great pleasure in sharing with you the highlights of another successive year of significant achievements by your company. Last year we had indicated that we would be making substantial investments for profitable growth. I am pleased to report that in the year under review, we have accelerated our growth momentum, while achieving higher profitability. 2007-08 was a year in which your company not only enhanced its business capabilities, but also strengthened organizational processes across a wide range of functions.

The performance recorded by your company in the year under report will bear me out. The turnover increased from Rs. 1230 Crores to Rs. 1749 Crores registering a smart rise of 42%. Earnings before interest, depreciation and taxation (EBIDTA) increased from Rs. 250 Crores to Rs.404 Crores reflecting a 61% jump. On a consolidated basis, the net profit rose from Rs. 123 Crores to Rs. 205 Crores which wiped out the carried forward deficit and created a small surplus of Rs.7.41 Crores. Therefore, the performance has been impressive on all fronts.

Let me touch on the global economic environment today which is certainly hazy. The stress that the world economy is presently facing on account of certain factors has led to a downward revision in the growth forecast for 2008. According to the IMF, global economy is likely to slow down from 4.9% in 2007 to 4.1% in 2008. The sub-prime crisis has created havoc in the global financial markets. A prolonged slump in the US economy, which is quite likely, would certainly have repercussions the world over.

Despite such hiccups, it is noteworthy that the global focus is progressively shifting towards Asia, now emerging as the engine of economic growth. China and India are expected to continue their excellent performance as the fastest growing countries in the region. India stands in the middle of an epochal transformation. Today, we are the fourth largest economy in the world in terms of purchasing power parity, the third largest in Asia and the second largest among the emerging nations.

I believe the Indian economy will continue to march ahead despite some strong headwinds. We have to contend with inflation, the hardening interest rates and the volatility of global financial markets. Accelerated growth led by manufacturing and services sectors has enabled the corporates to record strong performances. A GDP growth of around 8% in consecutive years and robust domestic consumption portend encouraging signs of continued growth. This promising economic climate gave a boost to the inflow of foreign direct

investments and portfolio investments. Foreign exchange reserves burgeoned.

Despite the backdrop of global volatility and incipient signs of a global slowdown, India's economy shows resilience. This, along with other positive factors such as a favourable demographic profile and rising income levels holds out promise for furthering the consumption-led growth. Indeed, India looks poised to maintain its growth trajectory as a country.

Now coming specifically to textiles, I sincerely believe that this sector has a strategic role in our industrial economy for at least two reasons. First, given its wide-spread dispersal across the country, it can be a vehicle for nationwide industrial modernization and revitalization of traditional skills and designs. Secondly, given its high labour-intensity, it can generate large scale employment, especially close to rural areas. Given the historical roots of textiles in our country, it should be possible for us to leverage the inherent potential of this sector. We have a long tradition of manufacturing across the entire textile value chain. India is one of the few countries which produces everything from fibre to fabric to garments. There is a rapidly growing fashion industry as well. It is for the Government therefore to work with industry to take advantage of the core competencies that already exist to ensure that the sector grows at least 15% p.a. in the next decade.

I will once again say that the industry must look far into the future and invest for the coming two decades, not for the next season. We must show aggressive and

enterprising spirit like our counterparts in other sectors such as automobiles, steel and pharmaceuticals. We must graduate from being low cost, low value

suppliers to high volume, high value suppliers. We must develop internationally known brands and labels. We must have a global footprint and global ambition. This requires operations to be planned on a truly global scale. Government and industry must work hand in hand in a true spirit of partnership to make this happen. On its part, the Government has deemed fit and proper to extend the Technology Upgradation Fund Scheme (TUF) by a further period, which augurs well for the Indian textile industry and will certainly help it to be competitive and be in the forefront among the comity of textile producing nations. Your company has taken assistance under TUF and will continue to take advantage under the Scheme.

Investments are the oxygen of growth. Within the larger context of the country's increasing investments in building a brighter future, your company is also investing in multiple spheres – people, technology, capacity expansion and brand building. This is essential for sustaining the growth momentum and continuous value creation.

Our business is to clothe the Nation. As all businesses, we too aim to grow. We continue building on the long-standing values that have been with us. We continue in our endeavour to expand our operations, ensure ready availability, better customer satisfaction and better returns for our stake holders. It is time

now to energise the face of growth and I am happy that your company is all set to establish new milestones in this sector.

It is my proud privilege to inform you that FII investment in your company has consistently remained over 35% of the total shareholding — as I understand, one of the highest for any textile unit in the country. This signifies the high degree of confidence of the international investment community in the present working and future prospects of your company and is truly a feather in our cap.

The performance of your company during 2007-08 has to be viewed against the rising costs of crude oil, man-made fibre, cotton prices, higher interest costs and scaling up of power costs. A number of exciting and significant developments took place during the year under review as will be evidenced from the Report and Accounts for 2007-08 in your hands. The demerger process of your company's erstwhile 100% subsidiary Brandhouse Retails Ltd. (BHRL) has been completed and shares in that company in the stipulated ratio of 5:1 have been since allotted to the shareholders of our company as on the record date 2<sup>nd</sup> May 2008. The shares of BHRL would soon be listed on the BSE and the NSE.

The spin-off of Reid & Taylor division into a subsidiary company Reid & Taylor (India) Ltd. effective 1<sup>st</sup> January 2008 was completed. Government of Singapore Investment Corporation (GIC) has invested upto Rs. 900 crores in Reid & Taylor (India) Ltd. With this infusion, GIC will acquire a 25.4% stake in Reid & Taylor which has been valued at Rs. 3540 Crores. Post this investment, your company

will continue to own a 74.6% equity stake in Reid & Taylor (India) Ltd. Members will agree that this is a milestone achievement for your company. It is a result of collective effort and after a detailed due diligence process. GIC is one of the

most reputable and discerning of international investors and the management can take justifiable pride in bringing this investment to a smooth culmination. It has been a truly inspiring and collaborative effort alongwith the company's financial and legal advisers. A substantial part of these funds will be used to repay your company's long term debt thereby enabling the company to exit the CDR. I am delighted to inform you that the concerned lenders have approved the company's exit from CDR and the necessary formalities are under completion. This will give a further boost to the company's standing and help in sustained growth and profitability.

Your company is exploring several opportunities of growth, both organically and inorganically. Not only have we planned expanding capacities in existing facilities, but also entering high margin, high growth field of technical textiles and uniform services. Besides, the company's new plant at Jhagadia in Gujarat to manufacture High Value Fine Cotton fabric and Home Textiles is nearing completion which will not only add to the company's turnover but also enhance operating margins and profits and add new export markets. We are expanding rapidly into the readymade garments business with our own labels (Reid & Taylor, Belmonte) and international brands (Stephens Brothers). In the current year, we intend to launch two more labels.

In the area of Corporate Social Responsibility, the management has taken initial steps to set up a foundation with a corpus of Rs. One Crore to promote activities in various fields such as education, medical, arts, culture, science, sports, religion, commerce, charity, etc and generally to help the deserving and needy people in India. Your company firmly believes that it is an integral part of the social fabric and the populace it caters to and this new foundation is a noticeable example of this.

Our management team, which comprises some of the best talent in the industry, is firmly poised to achieve the Mission Statement of the company, namely "Clothiers to the Nation today ... the World tomorrow". The world is out there for us to conquer. It is for us to demonstrate the necessary enterprise, innovation and creativity. We are well on our way there and I am confident that we will rise to meet the challenges that come our way. I am also confident that in the coming few years not only will your company strengthen its domestic status in the textile arena, but we will also see ourselves emerge as one of the leading global powerhouses.

I am grateful to the shareholders of the company for their valuable support over the year. I am also thankful for the cooperation, understanding and assistance of the various banks, financial institutions and others lenders. I acknowledge the valuable suggestions, guidance and contribution made by my colleagues on the

Board. Last but not the least, I would like to express my appreciation of the services rendered by the company's dedicated and committed team at all levels.

I take this opportunity to wish you and your families a happy and prosperous year ahead.

Thank you.

**Dr. A. C. Shah**  
**Chairman**

N.B.: This does not purport to be the proceedings of the Annual General Meeting.