

**STATEMENT OF Dr. A. C. SHAH,
CHAIRMAN - S.KUMARS NATIONWIDE LIMITED
AT THE 20th ANNUAL GENERAL MEETING
ON 28th September 2010**

Dear Shareholders,

My warm greetings to all of you.

It is indeed my privilege to report another year of continued progress by your company. Efforts put in by the management as well as the improving economic climate augured well for the company's business.

The coming decade should turn out to be the most promising and best ever for India's textile and apparel businesses. A number of factors are steadily turning in favour of creating the right opportunity for seeing an unprecedented resurgence in the fortunes of this sector, making it one of the most engaging for years to come. India's own domestic demand is rising rapidly with its economic growth and favourable demographics.

The global economy is gradually emerging from the throes of the meltdown of 2008. The IMF has forecast a growth of 2.3% for the advanced countries and 6.3% for the emerging economies for 2010. Of all the countries, China's growth has been most impressive. India is also on a strong growth trajectory. The driving force for the economic revival was the industrial sector. Consumer spending is gaining momentum. Private investment is picking up steam. Globally and in India, the trend is encouraging. These have a bearing on your company's growth and performance. In the year under review, your company weathered the impact of global economic slowdown that began in FY 2008, and whose after-effects continued well into FY 2010.

Credit conditions are still tight in major developed economies. Much of the rebound in the real economy is due to the strong fiscal stimulus provided by governments in a large number of developed and developing countries. The Indian economy, despite witnessing challenging times, fared much better than most of the global economies. The GDP forecast for FY 2011 is over 8% linked to improved overall

Contd. ..2

performance in all the three components of the economy, namely agriculture, manufacturing and services. In order to arrest the mounting inflationary pressures, Reserve Bank of India had to resort to monetary tightening measures without affecting growth.

The Exports sector bounced back since November 2009 after falling for 13 successive months. The Financial Markets have seen stability and the Equity Market has experienced a strong rebound. We believe that we can look forward to a period of sustained growth driven by India's strong domestic fundamentals.

It is in the context of this evolving economic scenario that we have set out our growth strategy. It has been our endeavour to continuously anticipate economic and market trends and develop appropriate strategies for the long-term benefits of our businesses and all our stakeholders. Our growth strategy has been consistent through this period. We continue leveraging our deep consumer insights and strong portfolio of brands to increase consumption. At the same time, we are building new capabilities and expanding our portfolio. Your company has always stood for sustainable development. I wish to reiterate that we remain committed to competitive, profitable and sustainable growth. Our portfolio of brands, our people and our focus on continuous improvement through the business will remain our source of competitive advantage. It is with pleasure that I inform you of considerable success in the execution of this strategy.

Owing to an overall improvement in India's economic environment, consumer demand has increased. This has led to a definitive revival of the retail and consumer products sector. Sectors such as apparel are doing well. Overall, India's textiles sector could grow from its current \$70 billion size to as much as \$ 220 billion by 2020 with almost \$ 80 billion coming from exports.

The 27 percent increase in cotton prices last season has squeezed margins of Indian textiles in 2009-10. Despite the fact that India is the second largest cotton grower in the world and produces cotton in excess of domestic demand, last season saw increasing costs because of disproportionate cotton exports, not leaving enough for the domestic sector. The industry has rightly demanded that the government should support products on which value additions have been made - export of fabric and readymade garments instead of raw cotton.

The industry is also lobbying for the extension of the Technology Upgradation Fund Scheme (TUFS) and for export incentives such as taxation refunds and duty relief. Fortunately, the current textile ministry and official agencies at different levels are fully cognizant of India's opportunity and supportive of its growth.

As you will observe from the performance for the year ended under report, your company continues to tread a healthy path. Turnover and profitability are escalating hand in hand. The same trend is continued in the first quarter of this year whose results have been published already. In order to meet the increased demand for our products as well as to achieve economies of scale, we have undertaken adequate expansion programmes at our various plants. The foreign acquisitions in Italy and USA are providing us a ready outlet for our products from Jhagadia and Mysore and giving us higher margins. Our recent tie-up with the highly recognized DKNY brand of menswear apparel, through our UK subsidiary, allows us to spread our wings further worldwide. In India, more and more people in the country prefer branded apparels as household incomes are on the rise. The domestic textile market is likely to grow by over 15 percent per annum. Demand is picking up for super-premium products as well as the casual wear segment, something that is fast catching up in India. Over the past few years your company has been geared up and is preparing to meet these various needs. The capital expenditures and acquisitions made by your company by availing institutional loans and TUF loans and from internal accruals are therefore more than justified. The promoters have brought in substantial funds of their own by conversion of FCD's into Equity Shares on 1-4-2009 and subscribing to Equity Share Warrants on 31-10-2009. Recently funds of Rs. 235 Crores have been raised by way of Qualified Institutional Placement issue as authorized by the shareholders as per postal ballot result declared on 28th July 2010.

A diversified and rapidly growing operation like ours requires proper manpower and an experienced and professional leadership at all levels. I am happy to say that our Managing Director personally has a hand in selecting the best in the business for the various CEO and COO positions. I am also proud to inform you that a few months back, we organized an Investors and Analysts Meet in Mumbai where our entire domestic management team was joined by our international management CEO's and Presidents, making it truly a large global event. Your company has created a platform with our domestic and international visionaries to drive the

Contd. ..4

business towards greater success. We will continue to push the boundaries of innovative thought for our common prosperity.

Today, we are a multicultural, multinational, multidimensional group anchored by over 5000 employees, belonging to several nationalities, across 3 continents. Our Group turnover is a little over US \$ 1 billion. Our leadership across several levels is flexible enough to adapt to the ever-changing environment and ambitious enough to dream audaciously. Our goal is to become a US \$ 5 billion Group by 2015.

I would like to acknowledge that we are fortunate enough to have hard working and dedicated employees, a vast network of trade and supplier partners as well as the goodwill of millions of consumers who believe in our brands. I would also like to offer my sincere thanks to all the financial institutions and banks who continue to be important partners in helping us achieve our goals.

Ladies and gentlemen, your support as SKNL's shareholders has been the sheet-anchor. The Board of Directors joins me in placing on record our appreciation of your involvement. Finally, I would like to thank the Directors on the Company's Board for their commendable inputs by way of guidance, advice and direction.

I 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.*