

**STATEMENT OF Dr. A. C. SHAH,
CHAIRMAN - S.KUMARS NATIONWIDE LIMITED
AT THE 21st ANNUAL GENERAL MEETING
ON 28th September 2011**

Dear Shareholders,

My warm greetings to all of you.

It gives me immense pleasure to reach you through this address. The last twelve months have been particularly exciting for your company and you would be pleased to know that your company has maintained consistency in achieving the set goals by way of its excellent performance year on year.

The world economy entered FY 2010-11 on a stronger note as compared to the preceding year, emerging from the shadows of the financial crisis. Though the US economy registered a build-up in momentum on improved export orders and consumer spending, it faced various risks like a lacklustre housing market, huge budget deficit and weak labour market. The downgrading of the US debt situation by Standard & Poor's (S&P) from stable to negative will cause a spike on mortgage rates and tighten credit conditions across the US economy. As regards the Eurozone, the pace of recovery during the year seemed fragile with high level of unemployment combined with subdued private consumption. Economic recovery in the UK accelerated considerably during the initial part of this year driven by private sector spending. The IMF believes that the world economy will grow by 4.5% during the year 2011. This would be largely on account of the growth of the developing economies which are expected to grow by 6.5% while the developed world will grow by 2.5%.

The global economy has been primarily led by emerging economies, especially the Asian economies of India and China. Emerging economies have grown briskly - in excess of

7%. China and India are the clear standouts. Over the past few years, India's track record has been impressive. The country recorded almost twice the global growth rate. While the country does face roadblocks in the short term, the medium to long term growth prospects for India are bright. In FY 11, India's economic performance was powered by a rebound in the agricultural and service sectors. The economy grew by 8.6% during FY11. While the economy indicated signs of a turnaround, it encountered some setbacks in the form of high inflation, fiscal deficit and current account deficit. Despite several measures adopted by the Government and Reserve Bank of India, inflation continued to remain high. Aided by its young demographic profile, India is regarded as one of the youngest economies in the world with considerable opportunities as a consumer market and a manufacturing hub. These have a bearing on your company's growth and performance.

On the export front, entrepreneurs are facing challenges both at the domestic and international fronts. The supply side bottlenecks may have serious repercussion on exports coupled with high inflation rate and infrastructure constraints. It is a matter of great pride that despite the difficult economic situation in our traditional markets, the country has achieved exports of US \$246 bn in 2010-2011 surpassing the target of US \$225 bn set by the Government. The country's exports during April 2011 – August 2011 are reported to be US \$134.50 bn. The momentum achieved on the export front will help realize the new target of US \$ 500 bn by 2014-15.

The Duty Entitlement Passbook Scheme (DEPB) introduced in 1997 is set to expire by the end of this month. According to the scheme, exporters are compensated for customs duty paid on shipments. In the place of the DEPB Scheme, a new duty drawback rate mechanism has been announced to take effect from October 1 this year. This would seek to compensate exporters so as to cushion the adverse impact of the withdrawal of the DEPB. The new duty drawback rates will mean a moderate reduction of one to three percent in the existing DEPB rates. It is well-known that the growth of the manufacturing sector has been hampered by inadequate infrastructure, high

transaction and compliance costs, stringent exit mechanisms, rigid labour laws, lack of skilled human resource and low productivity, among others. All these issues need to be addressed by the much-awaited National Manufacturing Policy to be finalized and announced by the Government.

The impact of the Union Budget 2011-12 on the textile industry has been somewhat negative. The levy of Excise Duty of 10% on branded Ready Made Garments has been made mandatory from 1st March 2011 in a move towards the Goods and Services Tax. This particular impact has come at a time when the entire textile sector is still in the process of coming to terms with what may be a very fundamental structural shift underway. Cotton prices have moved up by more than 50 percent in just last 12 months, and by almost 150 percent in the last two years. With crude oil touching a 30-month high, the prices of polyester and many other manmade fibres are likely to rise sharply in tandem in the coming months. There has been a strong protest to this levy from clothing manufacturers and retailers. The Excise Duty levy and the high raw material input costs have necessitated our group companies to have a price hike in all categories and all brands in our portfolio. It is understood that the textile ministry would take up the matter with the finance ministry for redressal from this levy.

One area of concern has been the equity market which has been see-sawing in the past weeks. The underlying tone of the market has been negative because of a lot of unhelpful news flow on both domestic and global fronts. Monetary tightening, high interest rates, renewed concerns about US growth and Eurozone debt woes dragged down the stock index. In the background of this uncertain climate, with regard to the planned IPO of our subsidiary company Reid & Taylor (India) Ltd., for which the necessary approvals are received, our BRLM's (Book Running Lead Managers) are watching the situation carefully and no sooner than they see a favourable window and an improvement in the equity market in the coming months, we shall go ahead with the IPO. The proceeds of the issue will be used for reduction of debt as well as for growth.

Our company continued to gain significantly through our focus on competency, quality assurance and delivery. This ensured that the external environment did not impinge unduly on our performance, and we could successfully navigate through the economic cross-currents. While we have ambitious growth plans, we are committed to responsible growth. We strive for sustained economic success with a motive to achieve a leading market position in our business on a long-term horizon. The enormity to move ahead is strongly recognized, and we always strive to GROW BIGGER, BETTER AND STRONGER. Benjamin Franklin once said "Without continual growth and progress, such words as improvement, achievement, and success have no meaning."

It has always been our aspiration to establish our leadership position in India and to have a formidable presence overseas. Your company has taken major initiatives to ensure profitable growth in the foreseeable future. The steps being taken have been stated in the Annual Report in your hands. The company has built an enviable portfolio of products offering premium brands to the affluent, value-for-money brands to the middle-income consumers, and affordably priced brands to the low-income consumers. We have always paid great importance to brand, marketing and distribution-led activities and this strategy played a pivotal role in our success so far. In the international arena, with the help of a few key strategic acquisitions – Leggiuno in Italy and Hartmarx in USA – and a joint venture with DKNY (for its global menswear licence) we have progressively enhanced our footprint, taking us a step closer to being a truly global player and Clothiers to the World.

I am pleased to state that after a number of years of growth and consolidation, your company is back on the dividend paying list. The proposed dividend @ 10% on equity shares will be paid to the members after the necessary approvals and authorizations.

We take great pride in the performance of our people. The success story of the company during the year remained consistent because of dedicated contribution of our committed and talented workforce. The creative and collaborative work environment of

SKNL

S. Kumars Nationwide Limited

our company has been instrumental in creating an invaluable workforce geared up for multifold growth. We foster a culture of respect and appreciation for our employees.

Lastly, I would also like to place on record my sincere thanks and appreciation for the company's management team for their dedicated and diligent efforts, the financial institutions and banks for their timely assistance, my colleagues on the Board for their sagacious advice and guidance, and the stakeholders for their continued support which has made our journey fruitful and successful.

I take this opportunity to wish you and your families a happy and prosperous Diwali and New Year.

Thank you,

Dr. A.C. Shah
Chairman

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