



Kitex Garments Limited

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Ref: KGL/SE/2019-20/AUG/09

August 28, 2019

The Secretary BSE Limited Corporate Relationship Dept, 1 st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, Fort Mumbai – 400001, Maharashtra Scrip Code: 521248	The Secretary National Stock Exchange of India Ltd Exchange Plaza, C-1 Block G Bandra Kurla Complex, Bandra East, Mumbai – 400051, Maharashtra Scrip Code: KITEX
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Sub: **PRESENTATIONS MADE DURING THE 27TH ANNUAL GENERAL MEETING
(‘AGM’) OF THE COMPANY HELD TODAY**

Please find enclosed the presentations made during the 27th AGM of the Company held today for your information and records.

This will also be made available on the company's website viz., www.kitexgarments.com

Thanking you,

For **Kitex Garments Limited**

CS. Mithun B Shenoy
Company Secretary & Compliance officer



Enclosure: As above

KITEX

KITEX GARMENTS LIMITED



**27th Annual General Meeting
28th August 2019**

Investor Presentation

Disclaimer

This presentation and the following discussion may contain “forward looking statements” by Kitex Garments Limited (“Kitex” , “the Company”). These forward looking statements, which may relate to future results of operations, financial condition, client prospects, business environment, business prospects, plans and strategic objectives, are based on the management’s beliefs, assumptions, expectations, estimates and projections based on current knowledge and available information with regards to the Company, business, industry, sector, markets and clients in relation to which Kitex operates.

These statements are not guarantees for future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the Company’s control and unpredictable. Such factors could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed as a representation of the future performance or achievements of the Company.

Highlights of the year

Revenue

₹**629** Crores

Net Worth

₹**591** Crores

EPS

₹**12.22**

EBITDA

₹**161** Crores

CAPEX

₹**28** Crores

Employees

₹**4,326**

PAT

₹**81** Crores

ROE

13.8%

Capacity (Infant wear)*

₹**4.32** Lakhs



- * Infant wear
- ROE is calculated on closing Equity

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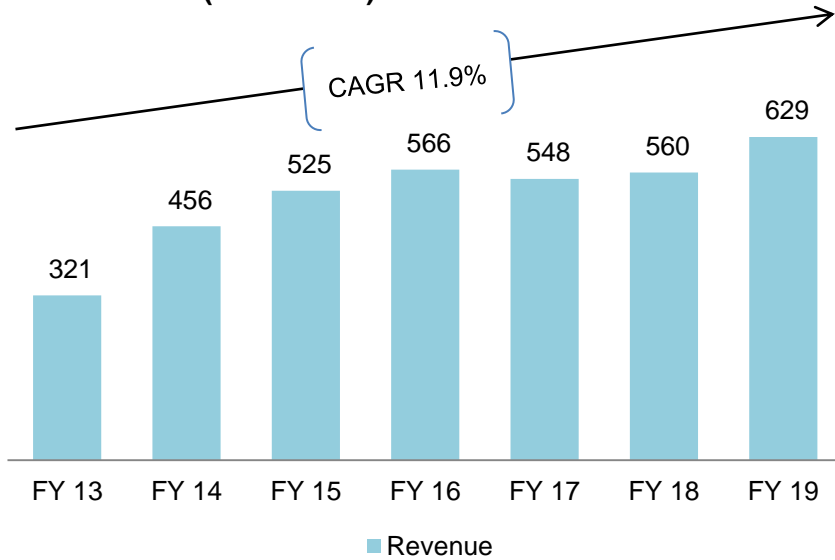
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Results Update

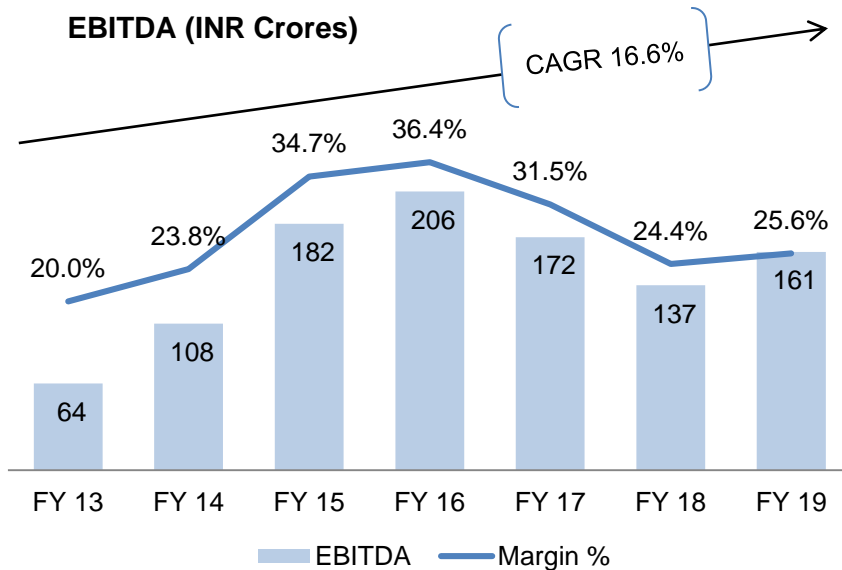


Your Company has markedly improved its financial performance in FY 19, outpacing the sector

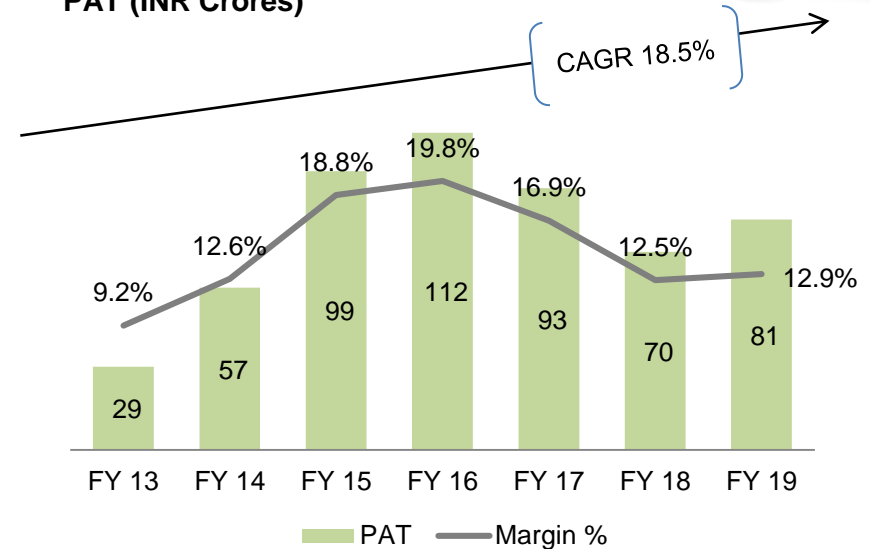
Revenue (INR Crores)



EBITDA (INR Crores)



PAT (INR Crores)



The Company managed to successfully address key concerns that affected performance in FY 18

Business With Jockey

The estimated INR 55 Crores of revenue loss in FY 18 has been arrested and compensated during the current year through increased orders from other existing customers

Automation

The Automation process estimated to result in a 15% uptick in efficiency has been restarted and is progressing as per a revised timeline with 25% completed till date



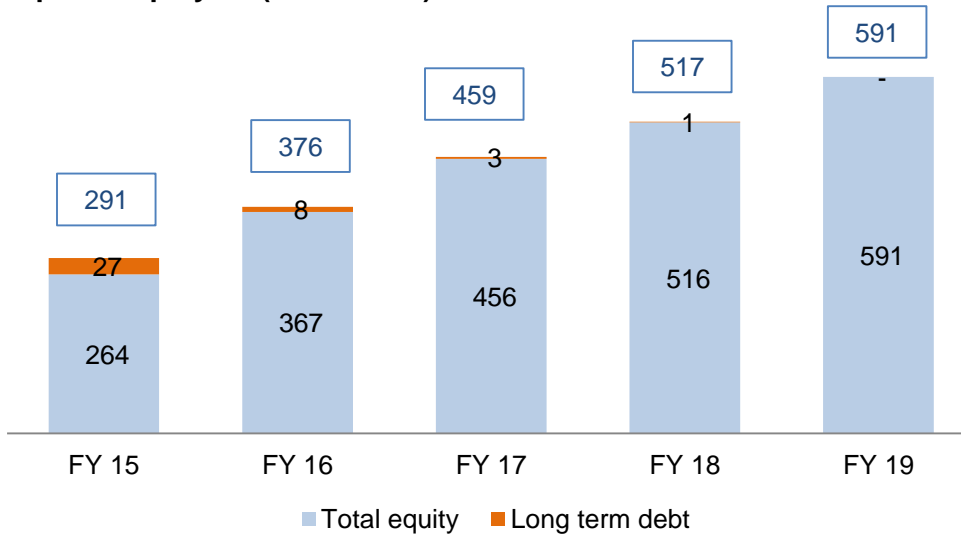
Toys R Us

The Company estimates that the bankruptcy of Toys R Us has led to an estimated loss of INR 25 Crore to the topline in FY 18. Your Company has successfully filled this gap in the current year by sourcing additional orders from existing customers.

The Company has received USD 1.9mn (17.50% of claims) in March 2019 against claims lodged on this account

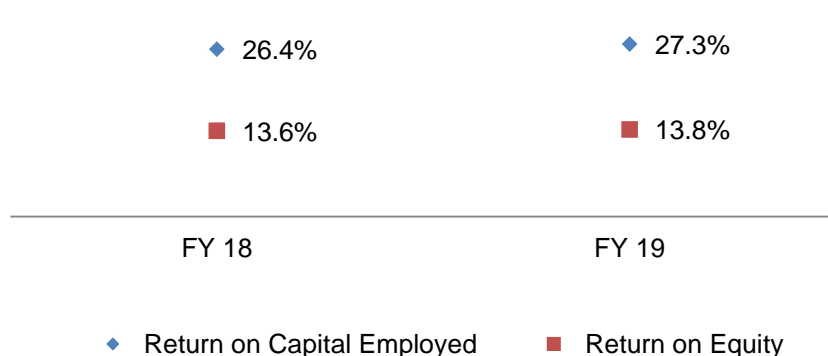
A well capitalised, debt free Balance Sheet provides opportunities for further growth

Capital Employed (INR Crores)

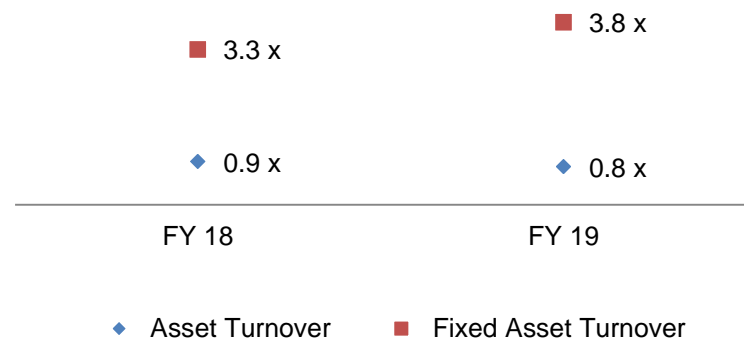


- The balance sheet has sufficient room to absorb incremental debt to facilitate future growth
- Well capitalised balance sheet provides resilience against systemic shocks
- The Company continues to generate consistent returns on both shareholder's equity and total capital employed by efficiently utilizing its asset base without infusing additional growth capital

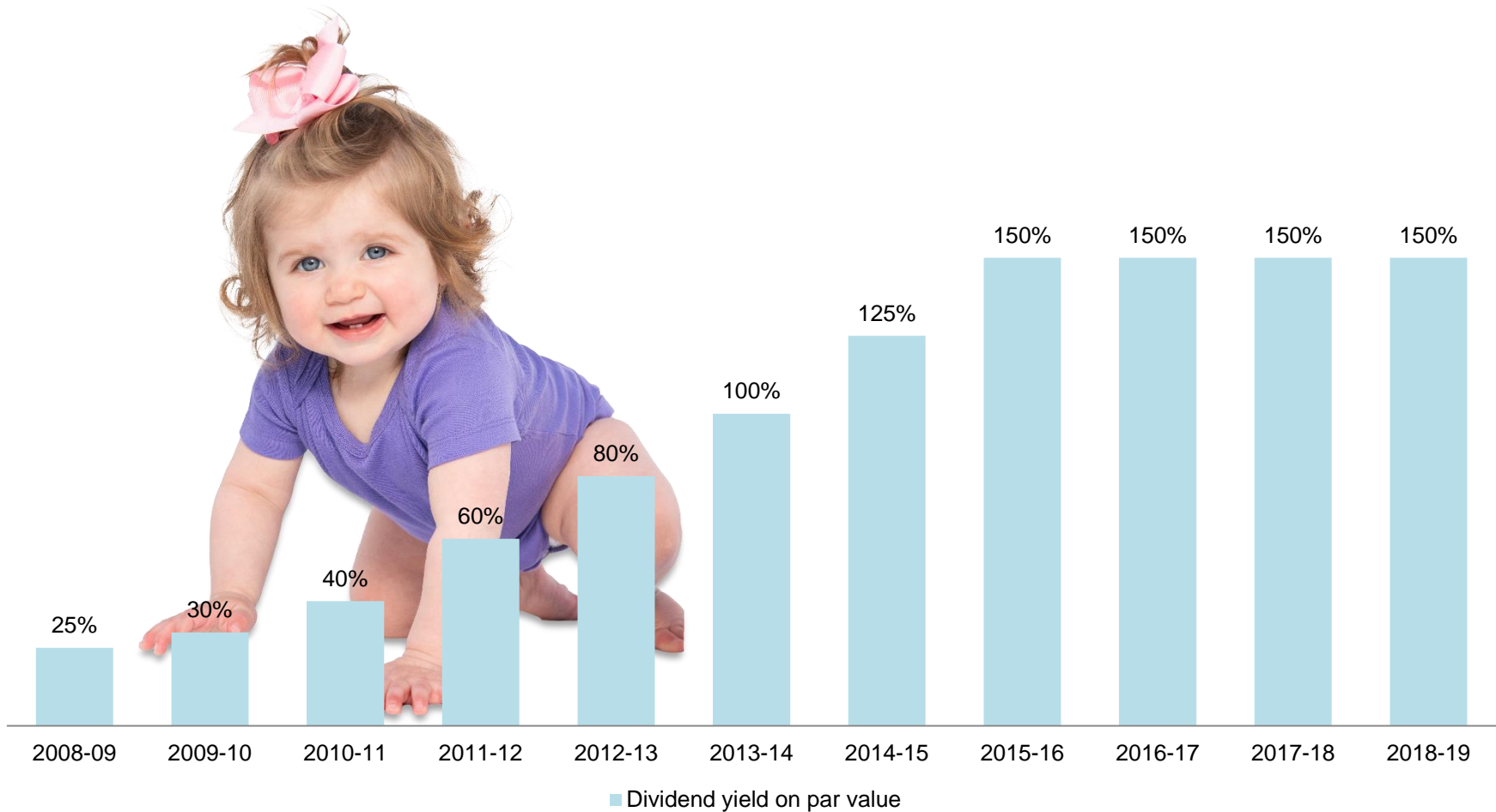
ROCE and ROE (%)



Asset Turnover Ratios



History of healthy dividend payments



* Bonus shares in the ration of 2:5 have been issued in FY 18

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Company Overview: What sets us apart



Sustainable Operations

- Optimized consumption of fuel, energy and water:
- *Advanced automated wood fired boiler*
- *Heat recovery and water re-using systems*
- *State-of the art machinery*
- Biological effluent treatment at international standards
- Treated effluents are re-used by Kitex in toilets and irrigation for internal horticulture
- Harvesting of rainwater for use in manufacturing processes
- Generation of bio-gas from the biological wastes produced. The gas is then used for cooking
- Use of recyclable packaging materials only

State of the art Technology

- Operates a vertically integrated manufacturing facility which helps in ensuring quality of products, operational flexibility and optimized operating expenses
- Fully automatic robotized yarn dyeing
- Advanced Relaxed Open-width (German) Tensionless processing
- Digital Light exposing – Screen engraving
- Automatic mixing & dispensing of dyes, chemicals and printing pastes
- Cold Pad batch (German) technology for dyeing fabrics
- Modern rotary printing (Austrian) machinery for fabric printing

- Kitex has grown over the years to be **the second largest infant apparel manufacturer in the world**
- **The largest manufacturer within the Indian infant wear sector**
- The Company **addresses a niche, highly specialised market segment** that endorses a premium on quality, safety, aesthetics and sustainable practices
- **High barriers to entry** such as stringent quality controls over sourcing and production and use of cutting edge technology limits competition within this segment from low cost manufacturers based in Bangladesh and Vietnam
- A large portion of the **infant wear market is unorganised**, with limited access to latest technology and in-house R&D and designing facilities.

Product Safety

Assurance of product safety with following practices and policies in place:

- Purchase of dyes and chemicals from approved list of international suppliers
- Strict small parts pull testing at production stage
- Stringent broken needle policy
- Metal detection scanning for all products before being packed

Employee Welfare

- Workplace Conditions Assessment (WCA) program - Sustainable and ethical practices for work place people, products and environment
- Alignment with Central Government's skill development programs such as Integrated Skill Development Scheme (ISDS) and Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY)
- Furnished and hygienic accommodation for employees
- Well equipped and automated canteen facility offering regional cuisines
- Specialty medical clinic operating 24x7

Focus on Inclusive Growth

- Active involvement in social welfare activities in its locality (Kizhakkambalam) through various initiatives focusing on:
 - Promotion of sustainable agricultural practices
 - Food and water security
 - Improved quality of healthcare and education
 - Infrastructural development and Housing schemes
 - Employment
- The Company employs a large number of women within its workforce (~51% of total employees are women) helping them attain financial independence and contributing to the national vision of women empowerment

Key clients: Long standing, loyal client base. Increased focus on enhancing omnichannel distribution capability

Key Brands Serviced



Key Retail & Wholesale Clients



Global certifications have been reaffirmed and quality /safety standards consistently adhered to



Manufacturing performance benchmarking: Adoption of Supplier Qualification Program standards



Chemical and Product safety: Certified 'Class I' for compliance to 'Oeko-Tex Standard 100' standards



Safe, Lawful, humane and Ethical manufacturing: Platinum level certification by Worldwide Responsible Accredited Production (WRAP)



Organic status of textiles: Compliance to Global Organic Textile Standard (GOTS)



Adherence to strict standards laid down by the Consumer Product Safety Commission (CPSC) in the USA for brands, retailers, manufacturers and importers.



Member of the Supplier Compliance Audit Network



Secure and Efficient supply chain: Rated 'Low Risk' (best possible rating) by Global Security Verification



High standards of workplace conditions, in accordance with industry standards and best practices: Confirmation to requirements of Workplace Conditions Assessment

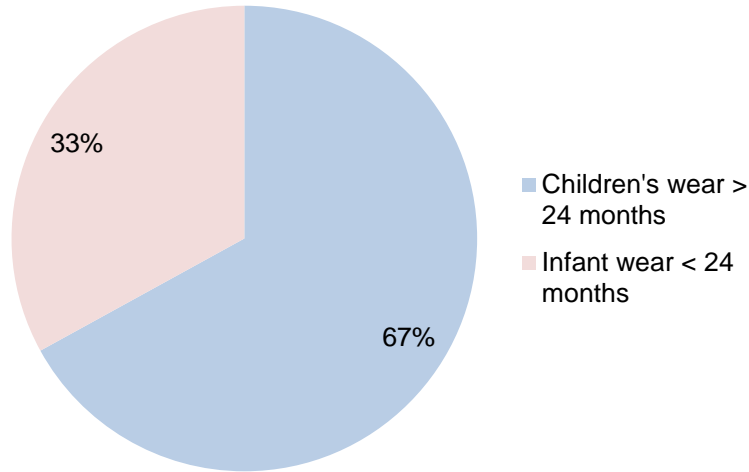
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Market Overview

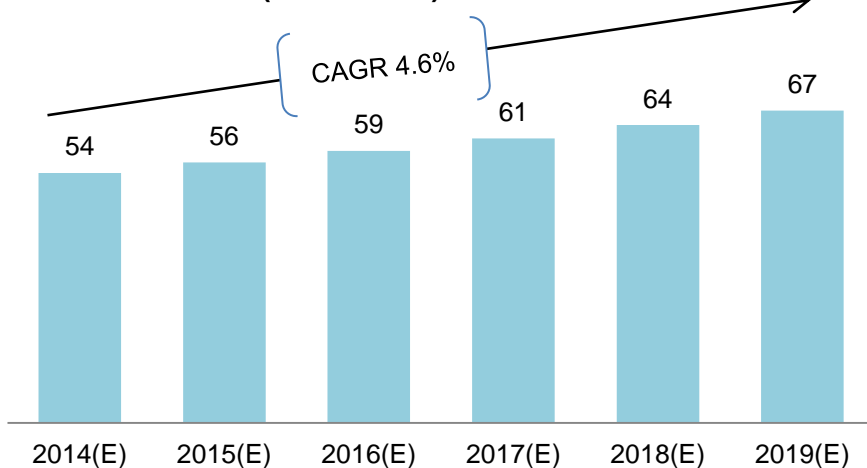


Global infant wear market

Global infant /baby wear market size : ~USD 67 billion

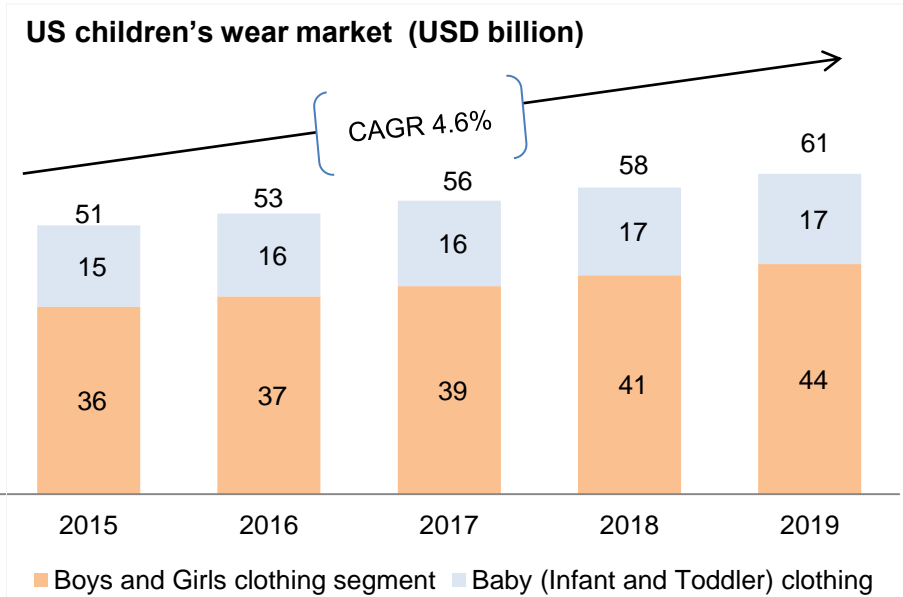


Historical Growth (USD Billion)

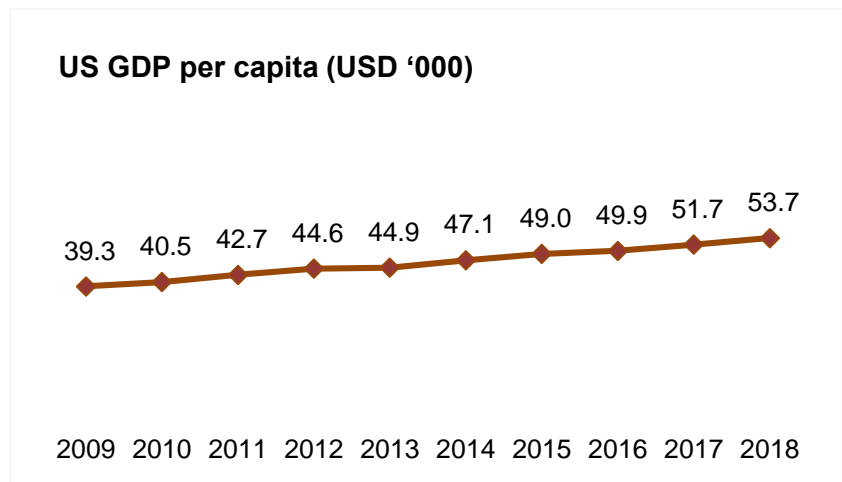
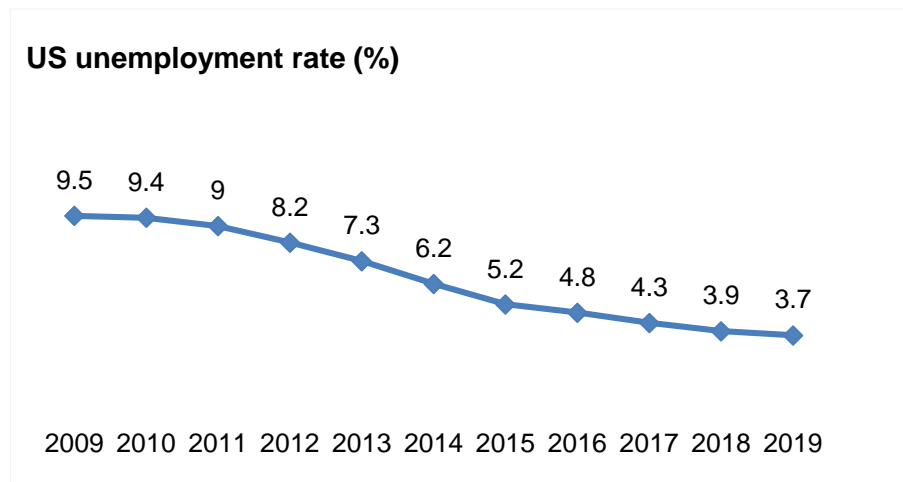


- A recent Technavio report quoted by KPMG estimates the global market for children's wear to be USD 203 billion in 2019
- An estimated 33% of this market is comprised of infant/ baby wear translating into a market size of USD 67 billion just for this segment
- While the addressable market has grown at a moderate pace over the last 5 years, Technavio estimates growth to pick up at a faster pace over 2019-2023 clocking a CAGR of ~6% to reach USD 86 billion by 2023
- Major growth drivers are expected to be:
 - *Development of Retail in emerging countries*
 - *Increased sale of luxury brands in developed economies*
 - *Specialty children clothing stores focusing on niche market of infant and toddler clothing*
 - *Wide range of quality clothes on offer, at low prices especially in developing economies*

The US children wear market



- In the US, birth rates have been stagnant over the years. The U.S. Department of Health and Human Services estimates that birth rates have fallen by ~2% in 2018 compared to the previous year
- However, an increase in per capita income, decrease in unemployment rates and resultant higher purchasing power and disposable incomes are expected to keep driving demand going forward



Global headwinds/ opportunities

The US – China trade war

- In August 2019, US President Trump announced enhanced tariffs of 15% on USD 300bn of Chinese goods like electronics and clothing (up from the proposed 10% earlier)
- In addition, US also intends to impose an incremental 5% tariff on USD 250bn of Chinese goods starting October 1, 2019
- China plans to increase duties between 5% -10% on more than USD 75bn of US products

- Chinese exporters have been the main competitors for our products in the US. Tariffs on clothing would increase their costs (despite the devaluation of the Yuan) and provide opportunities for market expansion to Indian exporters like Kitex

Global recessionary clouds, Political strife in Asia

- Concerns of an impending global recession has led investors realign their portfolios to the US Dollar and Gold from Emerging Market economies.
- The unrest in Hong Kong, India's very own Kashmir problem have heightened political risk within Asia
- Indian economy has slowed down considerably with key sectors struggling
- The INR has become the worst-performing currency in Asia during August 2019, hitting a low of INR 72 against the USD on August 23, 2019.

- The Company intends to closely monitor global developments with respect to ensuing risks and opportunities

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Management Updates



Enhanced management bandwidth



MR. BOBY MICHAEL : CHIEF FINANCIAL OFFICER

- Mr. Boby Michael is a graduate in commerce and Chartered Accountant by profession
 - He has vast knowledge and 32 years of experience in the field of accounting and auditing. He is also adept in Internal & External Financial reporting with exposure in business planning, operational analysis and Integrated systems.
 - He has been the CFO of Kitex Garments Ltd. for a period of 4 years from 2012 to 2016 . Prior to joining us, he worked with M/s. Agappe Giagnostics Limited as the CFO.
 - Mr. Boby has also been associated with M/s. Harrisons Malayalam Limited, M/s. Patspin India Ltd, M/s. Popular Vehicles etc. in senior positions.
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MR. SURYA NARAYAN: VICE PRESIDENT – CORPORATE STRATEGY

- Mr. Surya joins Kitex with over 13 years of experience in Corporate Finance and Investment Banking, having worked on successful equity/ M&A and debt transactions with a cumulative value of over USD 0.5billion
 - He is an associate member of the Chartered Institute of Management Accountants, UK and a member of the Institute of Management Accountants, USA.
 - Prior to joining us, he was a Director in charge of Investment Banking Execution at Alpen Capital Group, an Investment banking advisory & wealth management firm with global presence.
 - He will be responsible for Corporate Finance ,Investor Relations and Strategic Initiatives at Kitex.
-



MR. HS SODHI: VICE PRESIDENT – BUSINESS OPERATIONS

- Mr. Sodhi is an accomplished professional with over 26 years' experience in Apparel Industry.
- Prior to joining us, he held the position of Assistant Vice President –Business Operations with Orient Craft Ltd.
- He is not new to Kitex as he has previously held the position of Vice President- Business operations at Kitex during 2013-14 and also worked with Mother Care Sourcing India Private Limited as Global Sourcing Manager for around 5 years.
- He has the overall responsibility of Business Operations, Merchandising, planning and production

The Company's professional and experienced management team is supported by external knowledge & assurance partners



KPMG has been engaged as the strategic consultants and knowledge partners designing our long term Growth Strategy and handholding during it's implementation



BDO shall be reappointed as the Statutory Auditor of the Company subject to shareholders' approval



M/s Varma & Varma continues to be associated with the Company as Income Tax auditors and GST auditors

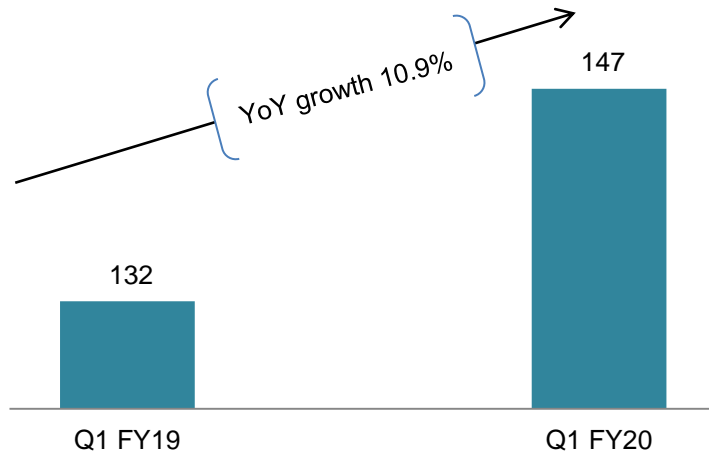
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FY 2020 Q1 performance, Full Year Guidance and Strategic Road Map



Q1 performance and earnings guidance for FY 2020

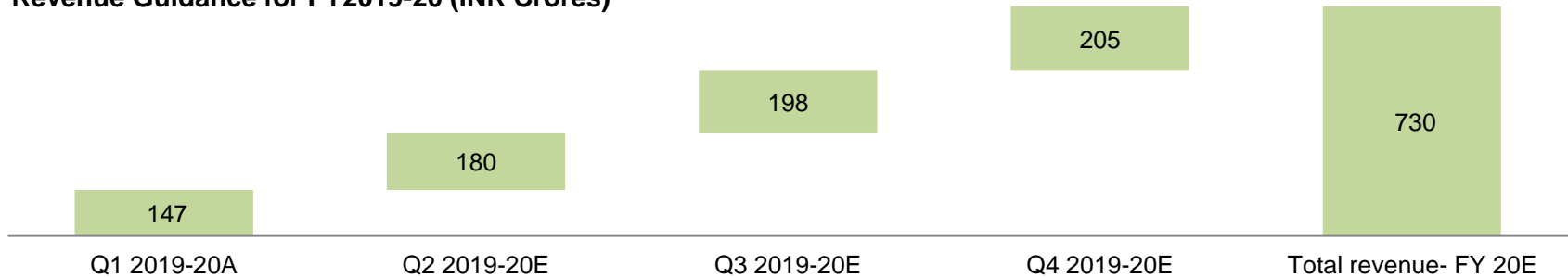
Quarterly revenue (INR Crores)



- The Company experiences seasonality in sales and profitability due to the timing of holiday season and key retail shopping periods. Historically, this has resulted in sales and margins swings on a quarter on quarter basis
- Repeat orders from existing clientele have been increasing rapidly, displaying the confidence clients have on the Company's production and delivery capabilities.
- Increased orders and changing customer preferences such as quick turnarounds necessitating non-reimbursable air freight charges have affected margins. The Company has accommodated these increased orders to avoid existing clients scouting for new suppliers for their incremental requirements. The Company is confident of comfortably meeting these increased requirements while retaining historical margins once ongoing capacity expansions become operational

Given the combination of a robust unexecuted order book, a strong order pipeline and Q1 revenue of INR 147crores, the Company conservatively expects to end the year FY 2019-20 with a revenue of INR 730 crores, registering a ~16% growth from FY 2018-19

Revenue Guidance for FY2019-20 (INR Crores)



Q1 2019-20 A are as per disclosed, unaudited financials

Q2 -Q4 estimates are based on current order book and existing execution capabilities

Growth Strategy: Vision 2025



Revenue enhancement

Enhanced revenue through:

- Promotion of own brand - Little Star
- Promotion of licensed brand - Lamaze
- Growth in private label business with existing clients
- On-boarding of new clients for private label business
- Geographic expansion



Product diversification

Venture into manufacturing and sales of new products for the infants category:

- Socks for children
Expected market share by 2025: 10%
- Baby diapers
Expected market share by 2025: 2.5%
- Baby wet wipes
Expected market share by 2025: 2.5%

Addition of production capacity across the value chain:

- Expansion of Knitting capacity from 25 tons to 85 tons
- Expansion of Processing capacity from 50 tons to 85 tons
- Expansion of production capacity from 6 lakh onesie equivalents per day to 17 lakh onesie equivalents per day



Capacity augmentation

Increased level of vertical integration with:

- Setting up of cotton spinning mill
Cotton yarn production capacity: 85 Ton per day
- Setting up manufacturing facilities for ancillary materials such as Cartons, tapes and paper tags



Vertical integration

Thank you



Contact details:

Mr. Boby Michael

Chief Financial Officer

Email: CFO@kitexgarments.com

Mr. Surya Narayan

Vice President – Corporate Strategy

Email: vpcs@kitexgarments.com

KITEX

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