

CHAIRMAN SPEECH - 2017-18

A very Good Morning Ladies and gentleman,

On behalf of Board of Directors, Management and VIP Clothing team, I extend you all a very warm welcome to our Companies 28th Annual General Meeting, which I declare as open since the requisite Quorum is present for the meeting.

I will now like to introduce all the Members of the Board and Key Managerial Personnel's of the Company on the dais. Before I Start proceedings would like to inform the members about sad demise of two EX Directors of your company.

1. Shri. Dr. Arvind Kulkarni - Who passed away on 25th March, 2018 at the age of 86. He served the organization as Director of your company for around 20 years on your board from 29th Nov 1996 till 12th Feb 2016. We acknowledge his contribution to the board and your company and placed it on record.
2. Shri. L. Jaipal Reddy - who passed away just few days back on 3rd September, 2018 at the age of 79. He served the organization as Managing Director of your company for around 17 years from 14th January, 1991 till 17th July, 2008. He was one of the Co -Founder for VIP Brand along with our EX-Chairman Late Shri. Jaykumar Pathare. He was also one of the Ex-Promoter of the Group. We acknowledge his immense contribution to the board and company and placed it on record.

I would Request everyone to please stand up for 2 min and pray almighty for these departed souls to help their ultimate journey to heaven so as their souls may rest in peace.

Dear Members,

The financial statements of Your Company for the year ended on 31st March, 2018, and comparative figures for previous year ended on 31st March, 2017 have been prepared in compliance with Indian Accounting Standard (Ind AS) notified under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standard) rules as amended from time to time. These are the Company's first time Ind-AS financial statement, along with the Director's and Auditor's Report, the Secretarial Audit Report, Corporate Governance Report, Management Discussion and Analysis, have already been circulated to you for adoption and with your permission, I would like to take them as read.

All these along with, the Register of Director's & Key Managerial Persons & their Shareholding, the Register of Contracts or Arrangement are available and will remain open and access-able for inspection during the continuation of the meeting.

Dear Ladies & Gentlemen,

INDIAN ECONOMY:

Indian economy grew at its weakest pace in FY2017-18 during the first four years of government's term. The GDP growth slowed down to 6.7% from 7.1% in the previous year. This can be attributed to Government's decision to implement major structural reforms such as the Goods & Services Tax (GST) and Insolvency & Bankruptcy Code (IBC), apart from lingering effect of demonetization of high denomination currency notes, in the first half of the year.

COMPANY'S PERFORMANCE

GST had an impact on the company's turnover in its first and second quarter of the financial year, especially the trade, Dealer's and Wholesaler's had rationalized their purchases and minimized their stock holding levels and turnover of Leader brand has been affected more, which resulted in loss of turnover in the 1st& 2nd quarter of the financial year, which has not been picked up in 3rd& 4th quarter of the financial year 2017-18.

The Company could achieve turnover of Rs.220 Crs (Rupees Two Twenty Crore) as against turnover of Rs.228 Crs (Rupees Two Twenty Eight Crore) in the previous financial year 2016-17 that is drop by 3.63% and reported net loss of Rs.3.07 Crs (Rupees Three point zero seven crore) as against loss of Rs.7.38 Crs (Rupees Seven point Thirty Eight Crore) which is after accounting for capital loss of Rs. 7.21 Crore (Rupees Seven point two one Crore). The Company's EBIDTA stood around 5.31% as against 7.20% in the previous year, especially, due to higher spend on advertisement to the extent of Rs.8.85 Crs (Rupees Eight point eight five Crore) as against Rs.3.26 Crs (Rupees Three point two six Crore) in the previous financial year.

Despite the tough time, our key brands, VIP & Frenchie for men's undergarment and feelings for women's undergarment has performed well with VIP & Frenchie contributed in turnover Rs.177 Crs (Rupees one hundred seventy seven crores) and feelings at Rs.20 Crs (Rupees Twenty Crore).

COMPLETION OF RIGHTS ISSUE:

In month of December-2017, the Company has successfully completed its fund raising activity, by issuing Rights Equity Shares to its existing shareholders and thereby raised net of amount of Rs.40.62 Crs (Rs.42.95 Crs was the issue size and Rs.2.33 Crs was an issue expenses) issued & allotted additional 1.65 Crs Equity Shares @ ratio of 1 (one) equity share for every 4 (four) equity shares held and was issued at price of Rs.26 per equity share. The object of issue was to utilized 75% of the proceeds towards augmenting the working capital requirement i.e. (Rs.30 Crs) and balance 25% of the proceeds towards general corporate purpose i.e. (Rs.10.62 Crs). The company had utilized Rs.22 Crs towards working capital (stock and book debts) , Rs.8 Crs towards advertisement and brand building , Rs.9.61 Crs utilized towards the repayment of additional working capital loan taken from bank.

INNOVATION AND BRAND EXTENSIONS FOR GROWTH:

There is growing trend towards variants in innerwear category, in terms of design, style, comfort, color and stitching. The existing brands are banking on the opportunity to expand beyond innerwear to activewear, comfortwear, thermalwear and sleepwear are some of the natural extensions and promising categories.

A shift is visible, as innerwear has transformed from just a functional category to one that offers an additional fashion quotient and from price sensitive to brand sensitive. This change is no longer restricted to metros but has also reach to mini metro, tier - I, tier -II and tier III cities and lead to growth in innerwear market. The consumer got evolved, looking good has become an important aspect of life and thus spending on apparel, personal care and grooming which is on rise.

The Company is working towards, positioning its VIP brand, as more on classic and contemporary classic brand which is meant for the consumer with classic taste. Whereas the Frenchie brand, positioning will be more as a fashion conscious brand which is meant for youth with high aspirational value. The Feelings brand represents the real women and caters to young girl and women and it has a masstige perception value in the minds of consumers, as they are considered as more luxury brand in terms of product range and has a price points that has filled the gap between price of product at mid-premium and super premium.

The Company has launched, new range of undergarment under brand name VIP, i.e. VIP Regal collection with more classic and contemporary classic taste and under Brand Frenchie the Frenchie casuals' collection, with more towards fashion conscious, in some of the states and cities like Kerala, Goa, Gujarat, Delhi and Pune in India and also overseas in UAE & Bahrain. The new collection has received good response for its range from the market and accounted turnover of Rs.7.0 Crs in the current financial year. Now the Company is under process of augmenting its sales team to penetrate sell of new collection across all over India.

The Company has also worked towards, increasing and enhancing the product portfolio for its women's undergarment under Brand Feelings. The Company had developed a range of panties product for its brand feeling and has developed range from regular to bikini, in order to meet changing demand of women consumer, with new styles, fits, prints and right touch of fashion with ease which keeps consumer comfortable all day.

INTERNATIONAL PRESENCE:

Your Company's Foreign exchange earnings for financial year 2017-18 stood at Rs.17.32 Crs (Rupees Seventeen point thirty two crores) as against previous year 2016-17 Rs. 16.99 Crs (Rupees Sixteen point ninety nine crore). Your company's brands are exported majorly in Middle East & Gulf and have good brand recall even across the border.

INFORMATION TECHNOLOGY

One of the most notable trends, that we are witnessing today, is the digital revolution. This is going to have a significant impact on consumer behavior and market structure in future. As more and more consumer access the internet, it is becoming a key channel for gathering information, arriving at purchase decisions and transacting online. Recognizing this as an opportunity, VIP is pursuing e-commerce and digitalization strategy to promote online selling of its product. The Company had launched the online website in the name www.store.vipclothing.in for purchasing the Company product online. The Company is strengthening its online presence through partnership with large e-retailers and with its own portals services. Increasing the focus on digital marketing, online campaigns and social media will help us access the millennial, whose trends are driven of consumption in coming years.

The Company has in place, well equipped IT infrastructure, across all the functional and at manufacturing level. It has the state of art imported cutting machine brought from Lectra & Bierebbi from Italy. The integrated SAP software within the system helps in smooth functioning of operations.

We are closely working with our implementing partner of SAP to develop more reports and Create dash boards to monitor the operation of Company.

The Company has introduced Field Assist software to Robust the secondary sales monitoring system. The company provided TAB to each of its Sales team Member in order to generate and penetrate more valued retailer's and customers for growth.

HUMAN RESOURCES

In order to attract, retain and motivate the best available talent, Company has issued Stock Options to its employees with an opportunity to optimize its personnel costs. This also provides an opportunity for employees to participate in the growth of the company, besides creating long term wealth in their hands. As the business environment is becoming increasingly competitive, it is important to attract and retain qualified, talented and competent personnel in the Company. Your Company believes in rewarding its Employees for their continuous hard work, dedication and support, which will led the Company on the growth path.

As on 31st March, 2018 the Company had 1923 (Executives 367 + Workers 1556) people on its payroll. The industrial relations at the Company's units, head office were cordial throughout the year.

CSR ACTIVITY:

Your company took up CSR activities in the field of sanitation & environment sustainability. The total amount spent in year 2017-18 was 6.52 lakhs.

ACKNOWLEDGMENT:

I would like to thank all our employees, vendors, service partners, customers for their overwhelming, continued support and to the supply chain including, the wholesalers, distributors, suppliers and retailers who have kept the life line moving. We are aware that our success lies in providing the customers their value for money and our endeavor in meeting their expectations.

I would also like to acknowledge with deep sense of appreciation the encouragement, support and co-operation received by the Company from its Bankers viz. State Bank of India, IDBI Bank Limited, HDFC Bank Limited, RBL Bank Limited, BSE Limited, National Stock Exchange of India Limited, Statutory Auditor M/s Sharp & Tannan., Internal Auditor - M/s. HariBhakti & Co, Registrar M/s. Link Intime India Pvt. Ltd. and also all the consultant of your Company.

Above all we are grateful to you, Ladies and gentlemen, our Members, for the trust reposed in us.

Thank you Ladies and gentleman again for your kind attention,

Sunil Pathare
Chairman and Managing Director
