

CHAIRMAN SPEECH – 2016

Address by Mr. Sunil Pathare, Chairman & Managing Director, of the Company at the 26th Annual General Meeting on Tuesday, 27th September, 2016, at 11.00 a.m. at Goldfinch Hotel, Plot No. 34/21, Central Road, MIDC, Andheri (East), Mumbai - 400093.

Dear Ladies and Gentleman,

This meeting marks a personal milestone for me, as I am addressing before you for the first time as chairman of your Company though I have spoken to you all in past as a capacity of Managing Director of your Company. I would like to seek blessing at this juncture of our founder Chairman Late Shri. Jaykumar Pathare (My father) and looking forward for a continuous support from you all valuable members and my board colleagues.

At this juncture, it is natural to reflect on the years gone by. It is also my intention to give you a glimpse of the future direction of your Company, and a sense of its sinews that are in the process of being shaped that will drive your Company to have an edge on its competition and further strengthen its backbone.

But before that, I would like to place on record my sincere gratitude to you, our valued members, for having given me this privilege. It has been a momentous journey in shaping one of India's most admired innerwear Brand and Company. Your unstinted support has made this voyage deeply fulfilling.

Change in government and Indian Economy

World economy is passing through difficult phase with volatility and uncertainty becoming order of the day. Overall Global economy remained weak and uncertain footing throughout the year. India economy also had similar impact. The recovery of growth in 2015-16 was slow and dull. However it is expected to strengthen in the coming year in 2016-17 due to number of factors such as boost in demand from the implementation of 7th pay recommendations. After two consecutive years of below average monsoon, Normal forecast of monsoon was expected this year (which we are already witnessing), which will further strengthen the rural demand driving the GDP growth.

RBI has acknowledged the underlying stress for liquidity in the system and addressed the same in the monetary policy in the month of April-16. It is expected that neutral liquidity policy will help the transmission of 150 bps rate cut by RBI into impetus to the growth in Indian economy. Our growth projection for 2016-17 is in the line with market expectations of 7.6%. Going forward, we expect the inflation to ease to within 5% levels on account of falling crude oil prices and abating food inflation. The risks to the inflation estimate include the implementation of 7th pay commission, uptick in crude oil prices and the unseasonal rains. A good monsoon would provide the comfort to RBI to give further rate cut of 25bps in June 2016 based on Central Government's commendable commitment to fiscal consolidation and its use of effective measures to check supply side food inflations levels.

Indian Textile and Apparel Industry

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The textiles industry is also labour intensive and is one of the largest employers. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture with traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

Market Overview Textiles and Apparel

The size of the Indian Innerwear market is INR 15,870 Crore (USD 2.6 billion); the category is also growing at an impressive CAGR of 12% and is expected to reach INR 27,900 Crore (USD 4.6 billion) by 2020. The women's innerwear market, which is driven by value-added innerwear products, contributes around 60% to the market.

The men's innerwear market, worth INR 6330 Crore (USD 1.1 billion) is characterized by the presence of numerous Indian and International brands catering to different segments of the market. Though many fashion/apparel players have extended their existing brand labels in menswear to men's innerwear as well, but the product recall of players with focus solely on innerwear products is comparatively higher. On the basis of product pricing, this market is further subdivided into super premium, premium, medium, and economy segments. The economy segment contributes around 50% to the market, while the mid-price segment makes up 36%, the remaining 14% comes from premium and super premium segments.

The women's innerwear market, worth INR 9540 Crore (USD 1.6 billion), is one of the fastest growing categories within women's apparel. This category is growing at a CAGR of 14%, and is expected to reach INR 18380 Crore (USD 3.06 billion) by 2020. Diversion to price-wise segmentation, the women's innerwear market is dominated by products of mid-price and economy segment. These segments together contribute 80% of the market, while the remaining 20% comes from the premium and super premium segments.

Company's performance

"Tough time don't last long, tough people do" I took chairmanship at a very critical time. Your Company's Performance for year 2015-16 had face a crucial and challenging time as we have booked and closed the sale of 2015-16 at Rs. 194.55 Crore, where in previous year 2014-15 it closed at 261.09 Crore.

Drop of sale in (2015-16) is 25% as compared to the last financial year (2014-15). The sale of the Company was impacted mainly on account of certain decisions which are likely to provide positive long term benefits to your Company:

Your Company had migrated from old ERP system to an integrated SAP system for better and effective control across all the areas of operations. The implementation of SAP system had taken more time than what was expected. This had adversely affected the sales as there was delay in start of billing process itself in the first Quarter.

Your Company had strategies to re-focus on the product mix, wherein the focus on low margin products has been reduced as a strategy. This also impacted the turnover but we will have benefits in coming years.

The Earnings before Interest Depreciation and Amortisation (EBIDTA) during the year stood around 0.06% as against the 10.85% in the last year. The basic reason for drop in EBIDTA is on account higher spending in advertisement during FY 2015-16 as compared to the previous financial year. (Many of you must have notice our advertisement during Pro Kabbadi League event).

The Net Loss before Tax stands at Rs. 17.38 Crores for the FY 2015-16 as against the profit of Rs.10.88 Crores of the previous financial year. As stated earlier the performance of the Company was adversely impacted on account of drop in sales by 25%. This in turn resulted in loss of gross margin of around Rs.18.09 Crores and additional spending on advertisement by Rs.9.13 Crores as compared to the previous year.

I assure you that we are in much better control of situation because of all the hard decision what we took in last financial year and shall witness better results in current financial year 2016-17.

Internal control and internal audit system

Your Company has in its place, an adequate Internal control and internal audit system managed by qualified and experienced team. The main object of the system is to safeguard the Company's assets against loss through unauthorized use and pilferage, to ensure that operation are conducted in an efficient and cost effective manner, to ensure that all transactions are authorized, recorded and reported correctly and timely, to ensure various compliance under statutory regulations and corporate policies are made on time.

Your Company, in order to strength the internal control system had implemented the integrated SAP software system, which is more structured, disciplined and provide the best practices to synchronized the sales and production planning, the benefit of which results in more efficient handing of inventories.

Internal audit are undertaken on a continuous basis covering all the operations i.e. manufacturing, sales & distribution, marketing, accounts and finance etc. Report of internal audit are reviewed by management from time to time and reports on the control adequacies to the audit committee which meets periodically to review the financial performance and accuracy of records.

New Talent & HR Role

"Great things in organization are never done by one person. It requires a great team". Your Company is in process of hiring good talent to drive and take it to next upper level. Your Company has already appointed CEO Mr. Yogesh Tiwari last September as one of the initiative to move in this direction. The Company is also focusing on SBU wise concept, each brand as one SBU for better focus and controls, each SBU brand has an SBU Head in place.

Creating environment for best place to work and good culture adoption has been one of the major HR initiative overall in your Company. Your Company Generate huge employment and majorly to women in garmenting. We take pride of employing more than 90% women in organization.

International Presence

Your Company Foreign exchange earning for financial year 2015-16 stood at Rs. 1,954.37 Lakhs as against previous year 2014-15 Rs. 1,901.34 Lakhs. Your Company brands are exported majorly in Middle East & Gulf and has good brand recall even across the border. Your Company takes pride in promoting "Make in India" Initiative of our Honorable Prime Minister Shri. Narendra Modi by exporting its brand to international market and taking Indian Brand Globally.

CSR Activity

Your Company took up 3 CSR activities in the field of Literacy, Sanitation and Medical. The total amount spent in year 2015-16 was 11.70 lakhs. Your Company maintains a separate CSR activity Account as a good Governance practice.

Moving Forward

Your Company moving forward proposes to Change Name of your Company from Maxwell Industries Limited to VIP Clothing Limited. This will bring a Brand identity for the corporate. Company also is in process of making its R & D / Product Development Department more stronger and hiring more talent and investing in same. Innovation will be a key driver for future growth. It has also proposed a ESOP Scheme for its Employees. There is a change in a Statutory Auditors', Board had recommended M/s. Sharp and Tannan, as Statutory Auditors, subject to approval by members and M/s. Haribhakti & Co. as Internal Auditors. The Company would be also further upgrading SAP BI (Business intelligent) module which will evaluated and implemented for customized and timely management reports which will also have a the Dash Board tool for Key Personals. Quality Assurance Department has been brought under the direct Focus of Whole-time Director Mr. Kapil Pathare so to give utmost important on quality of products and services. The Marketing department team has been directed to work on new avenues, ideas & media of marketing emphasizing more on Digital Medium. Your Companies Accounts team is well prepared to adopt the changes as per IND-AS to be adopted in financial year 2017-18.

Acknowledgement

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 endeavour 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. Attar & Co., Internal Auditor - M/s. Sharp & Tannan, Registrar M/s. Link Intime India Pvt. Ltd. and also 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 & Managing Director
