



SPICE ISLANDS APPARELS LTD.

(Govt. Recognised Export House)

Admin. Office: 125-A, Mittal Tower, 12th Floor, 210, Nariman Point, Mumbai 400 021. India
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CIN NO : L17121MH1988PLC050197

CHAIRMAN SPEECH

I extend hearty welcome to you all on the occasion of 32nd Annual General Meeting of the Company. We have been meeting every year face to face in the last week of September where we exchange thoughts and review the working of the Company. I always enjoyed meeting you personally and sharing with you the Financials of the Company. Unfortunately, due to present environment it was difficult to hold a physical meeting and hence the meeting is called through video conferencing.

These are some particularly challenging times, and it is important that each of us focuses on our overall health & wellbeing. However, as is life, this too shall pass, and we must continue to persevere and put our best foot forward.

Coming back to Financials, Operations and Performance of your Company, it was a year of disappointment due to lackluster market conditions and negative sentiments not only within India but also in the company's major markets in the Middle East and Europe.

In the year gone by losses for the year were lower at Rs. 293.53 lacs as against 391.01 lacs in the preceding year. This was mainly on account of reduced turnover and huge slashing of expenses. This has been on account of revenue from operations having gone down to 1614.22 lacs as against 1759.40 lacs in the year 2018-19. The significant reduction in the top line is on account of overall reduced activity and taking up the orders only if sufficient margins are available.

As all of you are aware, FY 2017-18, 2018-19 & 2019-20 have really not worked for our company resulting in accumulated losses of Rs. 598.77 lacs.

Few of the reasons for the woes of our industry are higher cost input in terms of material labour & logistics vis-à-vis neighboring countries like Bangladesh, Sri Lanka & new destination Myanmar where bulk of the manufacturing hub has now relocated. In addition to the lower cost of production, these countries also have a 10% advantage in the European market vis-à-vis Indian companies



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as the merchandise shipped from here does not attract any customs duty. All in all, the scope for manufacturing & increasing capacities, keeping in mind only the overseas markets, has shrunk considerably.

We also did look at contract manufacture for domestic brands. However, the credit terms sought by most of the players made this non-viable for a set up like ours. Observing the trend of the past 2 to 2 ½ years we started downsizing manufacturing activity with a possibility of relocating with a smaller capacity closer to Mumbai i.e. in Gujarat bordering Maharashtra, so as to have better control & reduce need for multiple administrative locations. In accordance to the plan the Tirupur manufacturing facility was shut in February & very old machineries being disposed of, rest were to be shifted to new locations under negotiation. This plan of downsizing & rebuilding the order book, new manufacturing set up closer to home etc. could not be put in place as Covid-19 happened in March & with it came lockdowns, labour disruptions & also complete chaos on the customer front with lot of them going into insolvency etc.

Trying to contact new customers to build a new base is completely ruled out due to travel restrictions & unavailability of persons in the target customer offices in their countries due to revised work culture i.e. work from home. Our business being such that requires personal presentation & relationship building has taken a tremendous hit & is unlikely to see any possibility of revival with the addition of new customers in the immediate future due to uncertainties on account of the prevalent worldwide pandemic, Even business from the company's regular customers is likely to shrink by 50% or more in the short term. Given this, we are unable to verify their financial standings vis-à-vis new market conditions.

Given this scenario and infrequent lockdowns in our overseas market's recovery is challenging. However, we are monitoring the situation as it continues to evolve. Considering the challenges faced, your Directors are of the opinion that should the situation not improve, the business be wound down if no possibilities of revival are established and in that case the option of Voluntary liquidation may be exercised and the company liquidated.