

MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure and Developments

The estimated exports from the Indian textile industry was expected to grow by over 22% and the target fixed for the silk export was around Rs.3500 crores. The textile industry reached three milestones in the year being:

- The exports rose by 9%
- In spite of the appreciating rupee by over 3.5%, the volumes grew by over 5%.
- Major brands across the globe are vying for a foothold in the Indian retail market.
- Demand pattern for high-end products have grown up.
- Production capabilities of Indian textile manufacturers have achieved a level of international standards.

Silk plays major part in the Indian textile scenario. It not only provides employment to the rural folk, but also brings the valuable brand equity for the country.

The global consumption for silk products is valued at over US\$ 25 bn, the major segments comprising furnishings and fashion fabrics. China, India, USA and EU are the major consumers of silk and silk products. China remains the largest global silk producer (72%) and the largest exporter of silk fabrics, exporting primarily to USA and EU markets; the country exports 60% of its total production. With no operating domestic capacity, USA is completely dependant on these Chinese imports. Italy and France are primarily re-exporters, involved in processing fabrics and exporting value-added garments. The furnishings segment is witnessing a strong demand from hotel and residential business.

The industry is likely to grow at the rate 10 – 12% annually with specific focus on value added items and the main stay of Indian silk export is to US, UK, Germany and Middle East. Today Indian silk products are accepted and benchmarked as a quality product and more & more buyers and consumers are wanting to buy silk products made in India.

Opportunities and Threats:

India continues to attract not only buyers from across the globe but also producers of silk products to shift their facilities in India, thanks to its skill in designing, world-class technology and increasing demand for value added products.

There has been vast improvement in producing raw silk in terms of quality and quantity. With further impetus from the Government the production of all the varieties like mulberry, tassar, eri and muga is expected to improve further.

Increased globalization of trade may provide the required impetus to the exports. However, the fluctuation in

raw material cost, volatility in the value of Indian rupee against dollar are a few bottlenecks to the growth of the industry.

Although there is improvement in quality of silk yarn produced in India, India continues to import raw silk from China the reason being that the increase in the domestic production is absorbed by the domestic demand.

Segmentwise Performance:

The Company's business activities falls within a single primary segment viz. Textiles.

Outlook

The Company's foray into home textile has yielded. Good response from the customers and this particular segment of the business is expected to grow by more than 15% annually.

In order to cater to the high-end users of silk products, the Company is embarking on an expansion for producing silk velvets including jacquard velvets and this change in the product mix is likely to place the Company's products in a different lead.

Internal Control System

The Company has adequate system of internal controls to ensure that all assets are safeguarded and protected against loss and that all transactions are authorised, recorded and reported correctly. The systems are designed to support the reliability of the financial and other records for preparing financial statements and other data.

Human Resources

The Company continues to recognise the importance of good human relation in the smooth working of the organisation. Upgradation of the skills of the employees is a continuous process pursued by the Company.

Cautionary Statement

The statement in the Management Discussion and Analysis Report detailing the Company's objectives, projections, estimates, expectations or predictions may be forward looking within the meaning of applicable laws and regulations. As these assessments are based on certain assumptions and expectations of future events, actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions that affect the global demand or supplies, political and economic developments in India or other countries, government regulations and taxation policies, prices and availability of raw materials, prices of finished goods, abnormal climatic and geographical

conditions etc. The Company assumes no responsibility for forward-looking statements that may be revised or modified in the future on the basis of subsequent developments, information or events.