

27 October 2009

Performance Review - Q2 2009-10

After a disappointing 2008-09, there seems to be a stable trend in the Textile and Clothing Sector. Though the overall export scenario is still challenging, a slight upward trend has been seen, especially in July, August and September, 2009.

The retail sales of clothing in the U.S. has slightly improved. However, it is too early to predict permanent return to normalcy or restocking of inventories. Much depends on the health of the consumers of the U.S. and E.U.

With the end of Forex hedging losses and better currency realizations, we have been able to achieve a jump in the net profit and PBT, as the top line remains flat at Rs.296 Crores. This improved profit has been achieved by (a) reduced Forex losses, (b) better Cost Management and (c) improved productivity.

In the corresponding Quarter of last year (Q2 2008-09) the top line of Rs.296 Crores fetched a net profit of Rs.3.3 Crores as against Rs. 9.0 Crores of net profit this year.

The year 2008-09 was a tough year, when the world did witness one of the worst financial crisis which shook all the global economies. As far as apparel export industry is concerned, the industry was affected by 20% decline in volume and accompanied by 10% decline in prices. Though the order flows have comparatively improved, **pricing pressures** still continue. The situation is made worse by other competing countries like Vietnam and Bangladesh who seem to be hurting India the most, and eating out of India's share. This is because these countries have seen increased support from their governments during these challenging times. It is important to note that the Indian government has not stepped up the necessary help given to the apparel sector, and has let the other countries take away our market share. The Indian domestic apparel market is performing better and our domestic sales have improved substantially.

Customer interest and fresh activity is seen in the Western markets. However, the U.S. and European markets will take longer to come out of this down turn.

The Indian Rupee once again has strengthened by 5% in the last few weeks and this has become a cause for concern. Just when the exporting community was getting used to a 48 Rupee level, the U.S.Dollar has started weakening and now the parity is reduced to 46 Rupees. U.S. Dollar inflows into the Indian financial markets have increased and this is further making the Rupee stronger.

Our order book for the Q-3 and Q-4 is at a comfortable level and we have better visibility for the balance part of 2009-10.