



ANNEXURE - V TO DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW OF THE ECONOMY

GLOBAL ECONOMY

In 2019, the cyclical upswing underway since mid-2018 continued to strengthen and the global economy witnessed a pickup in growth. According to the International Monetary Fund (IMF), the year reported the broadest synchronized global growth surge since 2010. The advanced economies witnessed expansion owing to increased investments and manufacturing output. Similarly, key emerging markets and developing economies, including Brazil, China and India, posted strong upward momentum.

Emerging and developed markets of Asia maintained their steady progress at 6.4 % during 2018-19. However, it's important to note that India's economy expanded at 7.1 % in 2018 vis a vis 6.7 % in 2017, whereas China's growth deteriorated from 6.9 % in 2017 to 6.6 % in 2018 (**Source: IMF**). Sub-Saharan Africa's economy also sustained steady rise of 3 % during the year.

INDIAN ECONOMY

India's economy picked up some pace in FY 2018-19 and the gross domestic product growth was better than FY 2017-18. With an improving business ecosystem, stable macroeconomic indicators and a liberal FDI regime, foreign capital inflow has provided impetus to the domestic economy

According to World Bank's Global Economic Prospects report, GDP growth was reported at 6.6% in Q3. For the year 2018-19 latest estimates for GDP growth is 7% compared to growth rate of 7.2% in 2017-18.

ANALYSIS AND REVIEW

INTRODUCTION

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 13 per cent of total exports. The textile industry is also labor 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 Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and 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 SIZE

With a market size of \$60 BN, market is expected to grow at a CAGR of 4.4% to reach \$67 BN by 2019. Parents tend to look for baby clothing from both disposable and functional aspects. Technavio analysts forecast that the global children's and infant wear market to grow at a CAGR close to 6% during the forecast period 2019-2023, according to their latest market research report.

Where does the Indian Textile Industry Stand now?



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A General Impression of the Indian textile industry looking in the past makes one understand that the industry is in a pinch.

Why so? These are the reasons:

Global recession

Less export orders due to reductions in inventories by global retail giants like Wal-Mart

Price of raw materials like cottons and

Infrastructure bottlenecks such as power, particularly in Tamil Nadu.

Also Indian economy started the fiscal year 2018-19 with a shock because the Indian rupee suffered due to crude price shock, and conditions exacerbated as recovery in advanced economies caused faster investment out-flows.

Second half of the year witnessed slower growth in GDP, majorly affected by slowdown in global economic activities, elevated trade tensions, tighter financial conditions and appreciation in exchange rate

SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE:

The textile and apparel industry can be broadly divided into two segments - yarn and fibre, and processed fabrics and apparel. The domestic textile industry in India is estimated to reach US\$ 250 billion by 2019 from US\$ 150 billion in November 2017, while cotton production in India is estimated to have reached 37.3 million bales in FY18. Indian technical Textile industry is forecasted to grow at a CAGR of 20 per cent to reach Rs 200,823 Crore (US\$ 29.96 billion) by 2020-21.*

*Between April - May 2018, * - According to Baseline Survey

INDIAN TEXTILE INDUSTRY OPPORTUNITIES:

The fundamental strength of Indian textile industry is its strong production base with wide range of fibers/yarns. These are natural fibers such as cotton, jute, silk and wool and synthetic/man-made fibers like polyester, viscose, nylon and acrylic. In producer-driven value chains, large, usually transnational, manufacturers play the central roles in coordinating production networks. Textile industry is capital- and technology-intensive comparable with automobiles, aircraft, computers, semiconductors and heavy machinery industry. Buyer-driven value chains are those in which large retailers, marketers and branded manufacturers play the pivotal roles in setting up decentralized production networks in a variety of exporting countries, typically located in developing countries. This pattern of trade-led industrialization has become common in labor intensive, consumer-goods industries such as garments, footwear, toys, handicrafts and consumer electronics. Large manufacturers control the producer-driven value chains at the point of production, while marketers and merchandisers exercise the main leverage in buyer-driven value chains at the design and retail stages. Apparel is an ideal industry for examining the dynamics of buyer-driven value chains. The relative ease of setting up clothing companies, coupled with the prevalence of developed-country protectionism in this sector, has led to an unparalleled diversity of garment exporters in the third world. Apparel is an ideal industry for examining the dynamics of buyer-driven value chains. The global apparel market size is expected to reach US \$2.6 trillion in 2025 growing by a projected rate of 4%. The major growth drivers of the global apparel market will be the developing economies, mainly China and India, both growing in double digits. China will become the biggest apparel market adding more than US \$378 bn. in market size by 2025, while India will be the second most attractive apparel market adding around US \$121 bn. by 2025. A large and growing domestic demand coupled with increasing spending power of people in these two countries will result in the combined addition of around US \$500 bn. in the global apparel market size by 2025. The combined apparel market size of China and India i.e. US \$795 bn. is expected to exceed combined market size of EU and USA i.e. US \$775 bn, by 2025. India is one of the fastest growing economies with the GDP growth of 7.2 percent in the last quarter of 2017-18. This growth also boosts the purchasing power and propels the demand for the textile products. India has a share of approximately 5% of the global textile and apparel trade.

INDIAN TEXTILE INDUSTRY CHALLENGES (OPPORTUNITIES AND THREATS)

The Indian textile industry is highly fragmented and is being dominated by the unorganized sector and small and medium industries.



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Followings are the challenges faced by the Company during year 2018-19:

- Changing government policies at the state and central government levels are posing major challenges to the textile industry.
- Tax structures GST (Goods and Service Tax) make the garments expensive
- Raising interest rates and labour wages and workers' salaries
- Higher level of attrition in the garment industry.
- Limitations of Indian textile industry such as accesses to latest technology.
- Failures to meet global standards in the highly competitive export market
- Challenge faced by Indian Textile Industry with respect to tariff and non-tariff barriers coupled with quota.
- Environmental and social issues like child labor and personal safety norms

CONCLUSION

The Indian textile industry requires support from both the Central and State governments to become competitive in the Global market. The Skill India and Make-in India programs of Central government headed by Prime Minister Sri Narendra Modi is helping the industry in getting required skilled manpower and good market for textile products. It is high time for the textile industry to upgrade their technology and implement ERP to streamline supply chain and enhance customer relations management activities. These measures are enabling the industry in becoming competitive in the global market. The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the last decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market.

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market. The organized apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period The Union Ministry of Textiles, which has set a target of doubling textile exports in 10 years, plans to enter into bilateral agreements with Africa and Australia along with working on a new textile policy to promote value addition, apart from finalizing guidelines for the revised Textile up gradation Fund Scheme (TUFS).

In view of above, the Company has been trying its best but unable to show progress due to huge cost of production and low demands of apparel manufactured in India.

DISCUSSION OF FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE & INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Discussion of Financial Performance with respect to Operational Performance & Internal Control Systems and their Adequacy has been discussed in Directors Report.

HUMAN RESOURCE MANAGEMENT AND INDUSTRIAL RELATIONS:

The Company takes pride in the commitment, competence and dedication of its employees in all areas of the business. The Company is committed to nurturing, enhancing and retaining its top talent through superior learning and organizational development. This is a part of our Corporate HR function and is a critical pillar to support the organization's growth and its sustainability in the long run.

Human resources continue to be an invaluable and intangible asset and a key success factor for the Company to grow and sustain its market position in a highly competitive environment. Your Company firmly believes that people are the pivotal force behind the growth and excellence in business operations. The overall performance and the market position of the Company are the result of combined strength of its people.

The company focuses on developing leadership skills, building talent for the future, and improving organizational & human capability through competency mapping of managerial positions in all areas of the Company's operations. The Company is committed to provide the best environment to its employees to work and to inculcate a sense of ownership and pride.



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Comparative Details pertaining to Net-worth of the Company:

<u>Particulars</u>	<u>31.03.2019</u> <u>(In Rs.)</u>	<u>31.03.2018</u> <u>(In Rs.)</u>	<u>Reason for Change in Net-worth</u>
Net-worth	(306,45,15,000)	(234,72,70,000)	Due to stiff economic conditions there has been fall in the net-worth. However change is not significantly affecting the Company and Board of Director is also positive about increasing the Net-worth in year 2019-20.

CAUTIONARY STATEMENT:

Statements in this Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the Company's operations include raw material availability and its prices, cyclical demand and pricing in the Company's principle markets, changes in Government regulations, Tax regimes, economic developments, within India and the countries in which the Company conducts business and other ancillary factors. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements might differ materially from those either expressed or implied herein.

For and on Behalf of the Board of Directors
E-Land Apparel Limited

Date: 09th August, 2019
Place: Mumbai

SD/-
Jae Ho Song
Managing Director
DIN: 07830731

SD/-
Chong Tae Baek
Independent Director
DIN : 01566661