



CREW B.O.S Products Limited: FY2011 Financial Results Highlights

FY2011 Net Sales up 39.8 % to ₹ 6210.1 million

FY2011 PAT up 20.8% to ₹ 224.3 million

New Delhi, May 28, 2011: Crew B.O.S Products Limited, India's premier design led manufacturer & exporter of fashion leather goods & accessories announced its results for the quarter and twelve months ended 31 March, 2011.

Financial Highlights for FY2011 (Compared to FY2010)

- Net Revenue at ₹ 6210.1 million, up by 39.8%
- EBITDA at ₹ 782.9 million, up by 24.5%.
- Net Profit at ₹ 224.3 million, up by 20.8%
- EPS at ₹ 17.4 per share

Financial Highlights for Q4FY2011 (Compared to Q4FY2010)

- Net Revenue at ₹ 1735.6 million, up by 14%
- EBITDA at ₹ 233.1 million, up by 23.14%.
- Net Profit at ₹ 47 million
- EPS stood at ₹ 3.64 per share

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Commenting on the results, Tarun Oberoi, Chairman & Managing Director, Crew B.O.S. Products Limited said, *"I am pleased to announce that the Crew B.O.S. has ended the year on a strong note with our revenues up nearly 40% and our profits up 21%. India has become the global hub of leather exports as companies are seeking an alternative to China and Crew B.O.S. is well positioned to take advantage on this opportunity given our presence across the entire value chain.*

Our association with the leading global fashion brands continues to remain strong. We see an increased demand for our products across all segments given the recovery in our key markets, and this coupled with a sound pricing environment makes me optimistic about our growth prospects for the next financial year. The new order flows are coming in at higher prices with strong volumes improving the utilization efficiency in our line operations.

I am also pleased with the initiatives the Government has taken to spur the growth of the leather industry. The Government has set a target to double the exports of leather and leather product to over \$8 billion a year in the next two years. In accordance with this objective, the Government has taken positive steps like the setting up of mega leather clusters understanding the need for capacity creation and augmenting output. I am sure all these affirmative actions of the Government bode well for the industry as well as established players like Crew B.O.S..

In line with our vision to emerge as a leading global design led manufacturer & exporter of fashion leather goods & accessories, we are in the process of expanding and consolidating our operations at Neemrana in Rajasthan, where we intend to set up an integrated finishing, designing unit along with the production plant to emerge as a single-window solution to the leather industry worldwide.

We look forward to the coming year with a sense of optimism and confidence on the back of various strategic initiatives to strengthen our infrastructure, balance sheet, processes, and people to capitalize on the huge growth opportunities in the sector."

Results Update

Business Updates

Financial Performance & Operational Updates

- Robust top line growth of 39.8% for FY2011 on the back of strong order inflows
- FY2012 to see a strong earnings growth marked by improved pricing due to robust order flow from key markets
- Working on financial initiatives to substitute high cost rupee based loans
 - New international credit lines to improve costs of funding
- Q4 FY2011 reflects conscious deferment of new orders and execution of lower margin older orders as the company focuses on more remunerative contracts moving into the next financial year
- Implementing new lean manufacturing and 'Six Sigma' production techniques to optimize efficiency of operations and quality of process outputs
- Disinvestment of two subsidiaries viz. M/s. Villa B.O.S. Leathers Ltd. and M/s. Crew B.O.S. Far East Ltd., Hongkong, to benefit operating performance as they were reporting negative results

Balance Sheet

- Working on measures to strengthen balance sheet position which will help the high potential businesses to grow substantially
 - Considering options to infuse equity to strengthen capital structure that can enable Crew B.O.S. tap huge growth opportunities available to the company and move operations to the next level

Order Flows

- Order flows continue to remain very strong and capacities overbooked as global brands look to de-risk their production by shifting from China and Europe to India
- New business coming in at healthy margins

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Operating Environment

- Operating environment improving with new orders from existing and new clients booked at higher prices and better profitability than the historical rates and margins
- Government initiatives to augur well for leather industry and Crew B.O.S.
 - Targeting to double the exports of leather and leather product to over \$8 billion a year in the next two years
 - Envisaging establishment of seven mega leather clusters
 - Full exemption granted to enzyme-based preparations for pre-tanning
- Balance of international leather trade shifting towards India as major brands seeking alternative to China
 - Failure to abide with social and environmental compliances
 - Anti-Dumping duties on footwear
 - Capitalizing on this opportunity to make gains in the lucrative leather trading business

Brand Crew Republica - The perfect extension for Crew B.O.S.

- Stores in Mumbai and Delhi have received an overwhelming response and exceeded performance estimates
- More stores are to be rolled out in a phased manner across India with marketing and advertising support
- Roll out plan involves setting up of Exclusive Brand Outlets (EBO), Multi-Brand Outlets (MBO) and Shop-in-Shop (SIS)

Results Update

Outlook

Operational Excellence

- Continued focus on design led manufacturing with strong association with leading global brands
- Improving utilization efficiency in line operations

Order Inflows

- To witness healthy volume growth robust demand from key markets
- New orders coming in at higher prices which will lead to margin expansion

Capacity Expansion

- Capacity expansion across all product categories
 - Capex of ₹ 550 million planned over three years
 - Integrated finishing, designing unit along with the production plant planned at the 30 acre land acquired in Neemrana (Rajasthan) will enable the company to increase capacities and save lease rentals

Brand Crew Republica

- Crew Republica to cater to domestic retail market with launch of stores across the country in a phased manner

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Crew B.O.S. Overview

Crew B.O.S. – Driving Excellence through Design

Crew B.O.S's leadership in the global arena of leather exports has been a result of not only its excellence in manufacturing but also its orientation towards design and innovation. A fact that 55% of the exported designs are original Crew B.O.S designs is a testament to the expertise in design led manufacturing. As Crew B.O.S moves from a manufacturing to a services driven model, designing will play a very important role going forward.

Crew B.O.S. has built a state-of-the-art in-house design and development studio which is driven by over 18 designers from premier fashion institutes like NIFT, NID, FDDI (Foot Development Designing Institute), London School of Fashion and Pearl Academy of Fashion. The Design House aims to breathe fresh life into the existing product range and tries to gauge the look and feel for the season almost a year in advance. Crew B.O.S aims to take design led manufacturing to the next level as it ventures into designing luxury leathers and leather fabrics for the super luxury designer brands. This will ensure that Crew B.O.S. continues to grow as a brand where one finds excellence in design and manufacture.

Crew B.O.S. Academy provides in-house training as well as skill assessment tools for its operators and skilled craftsmen. This Academy aims to be a training platform for qualified, proficient and capable pool of committed workers across all divisions. In order to uplift the skill levels to a global standard, Crew B.O.S. Academy has hired highly experienced technical trainers from Romania and Italy who bring with them the technical skills and work discipline which when imbibed in the new trained workforce will result in greater operational efficiencies and reduce wastage of material and man-hours. The Academy will also retrain old workers to improve and update their skills. The initiative is set with the long term objective of pioneering a change in the resource pool across the leather industry in India, so that Crew B.O.S. becomes the industry's recognized supplier of well trained human capital. As the Company acquires scale, Crew B.O.S. Academy, which trains workers, will ensure a constant supply of skilled manpower. For a labour intensive company this brings benefits of

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Labour Satisfaction as well as important benefit of Labour Quality and Productivity. The Company's design excellence is endorsed by some of the prestigious global brands, including Coach, Esprit, Armani Exchange, Fossil, Zara, Massimo Dutti, Gap, Banana Republic, Next Plc., Chico's, H&M in Europe, GAP, Old Navy, to name just a few.

Crew B.O.S. Ideally Positioned to Capture the Great Indian Opportunity

Brands are seeking an alternative to China due to a variety of reasons. Rise in wage rates as Chinese seek more paying Industries, reduction in incentives, appreciating Yuan, failure to abide with social and environmental compliances, anti-dumping duties on footwear, increase in depreciation & logistics costs due to relocation of leather industries to remote areas, aging population. Besides China, the E.U. is becoming unaffordable whereas other S.E. Asian countries do not offer scale.

India is the only country that offers a wide range of inherent advantages, owning 10% of the world's raw material, 21% of the world's cattle and buffalo and 11% of world goat & sheep population. It is endowed with the largest skilled labour force after china at competitive wage rates, modernized manufacturing units and a presence in major markets. The Government has regarded the Leather Industry as a "Focus Sector" under Foreign Trade Policy and given an impetus through duty neutralization/exemption/remission schemes, simplified import/export procedures and funding support provided towards export promotion. India is an emerging destination for high value and quality finish products at low cost. All the leading brands have entered or are entering India to seek production capacities. This will increase further as these brands further de-risk the outsourcing model from China to India. Crew B.O.S. is ideally positioned to accept this increased interest in excellence of manufacturing of leather products.

Crew B.O.S. has established itself as a benchmark in India being regarded as a leading exporter of fashion leather products and registering significant domestic sales. It is present across the value chain with its capabilities of converting raw material, in-house design ability, manufacturing expertise for all finished leather goods and a team for Global

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sourcing of components. Crew B.O.S. has an attractive clientele with over 30 marquee names from across USA, Europe, Gulf and South East Asia like Mark & Spencers, Armani Exchange, Gap, Inc. Espirit, Fossil and Old Navy. Additionally, Crew B.O.S. has showcased a strong financial performance with Sales growth of 38% over the period of global slowdown of 2008 – 10. Crew B.O.S. is the only company in India with a complete manufacturing set up, full backward integration and manufacturing all products, and hence is ideally positioned to capture the opportunity present.

Crew Republica

Crew B.O.S. is well equipped across the entire value chain with Finishing and Designing infrastructure, the largest capacity for manufacturing finished leather goods and exporting to some of the world's best known leather brands. Capitalizing on its extensive experience in international fashion accessories and a deep understanding of shoppers' habits, Crew B.O.S. is ideally positioned to capture a huge chunk of this lucrative market and forward integrate, utilizing its existing infrastructure, and provide an affordable range of fashion accessories launched under its own brand 'Crew Republica'.

'Crew Republica' is a unisex brand selling bags, leather footwear, belts and fashion accessories targeting the fashion conscious Generation Y (18-35 years). India represents the youngest market in the world with a median age of 25 in which youth brands are known to be the top performers. There is a great demand for Bags, Belts, Small Leather Goods & Footwear emerging and an ideal start-point for a revolution in leather accessories. The rising disposable incomes, multiple income households, increased exposure to premium lifestyles & media, easier financial credit and higher discretionary spends on fashion represents a huge opportunity for Crew Republica given the niche space it operates in. The two stores which have been operational in prime locations in Mumbai and New Delhi have received a tremendous response. More store openings are in the pipeline and these will be rolled out across cities in a phased manner.

Crew Republica aims to provide the global youth population a CULT fashion brand centered around accessories, based on the three fundamental principles of STYLE, QUALITY & VALUE.

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It envisages being the number one brand for fashion accessories across the world, starting from India, by consistently delivering market-defining trends at an affordable price & quality that always remains a global benchmark and Understanding & Adapting to the changing usage & attitudes of target audiences across the world.

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About Crew B.O.S. Products Limited

Crew B. O. S Products Limited (BSE: 532542, ISIN ID: INE514G01019) is in the business of design-led manufacturing and export of leather fashion accessories to global retailing majors. It is regarded as a benchmark in the country being India's leading exporter of leather products and serving more than 30 marquee names including Mark & Spencers, Armani Exchange, Gap, Inc. Espirit, Fossil, Zara, Debenhams, Coach, Hush puppies, Next, Monsoon Accessorize, Liz Clairborne, Old Navy etc. Its attractive clientele is spread across USA, Europe, Gulf and South East Asia. The company's orientation is towards designing and innovation, highlighted by the fact that 55% of the exported designs are original Crew B.O.S designs, and validates the Company's expertise in the field. The company's product profile ranges from belts, bags, portfolios, business cases, footwear, wallets, boxes, furniture to home furnishings. Crew B. O. S. is constantly engaged in broad basing its product portfolio in order to keep itself abreast with the latest changes in fashion trends around the world.

Crew B.O.S. has a striking presence across the value chain with in-house capabilities for leather tanning, seven manufacturing locations for all kinds of leather products, a strong team of designers and craftsmen and infrastructure and manpower for global sourcing of components. The company operates from its facilities in Gurgaon, Manesar, Jalandhar, Neemrana and Chennai for manufacturing various fashion products. It has several marketing offices in Hong Kong, Milan, Cairo as well as other sourcing associates across the world. It was rated as top exporter by Council of Leather Exports for the financial year 2008-09 in the 'Above US\$ 15 million' category of leather goods and accessories, amongst several other awards and recognition for exceptional performance over the years.

Keeping in line with its design prowess, Crew B.O.S. has launched its own brand of fashion accessories, 'Crew Republica' to facilitate the needs of the increasingly fashion-conscious Indian youth.

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