

**SPEECH DELIVERED BY Mr. L VINAY REDDY, CHAIRMAN AND  
MANAGING DIRECTOR OF LOVABLE LINGERIE LIMITED AT 24<sup>TH</sup>  
ANNUAL GENERAL MEETING OF THE COMPANY**

Dear Shareholders,

It gives me great pleasure to welcome you to the 24<sup>th</sup> Annual General Meeting of Lovable Lingerie Limited.

The Company's accounts for the year ended March 31<sup>st</sup>, 2011, along with the Director's and Auditor's Report, a letter to shareholders and Management's Discussion and Analysis, have already been circulated to you.

**1. Tribute**

I address you today for the first time as the Chairman and Managing Director of your Company post the overwhelming response to its public offering. I am thankful for your wholehearted support. It has been a proud moment wherein your enthusiastic subscription has vindicated the fundamental principles on which our team has built a solid consumer business. And it has been humbling for us to receive this degree of appreciation and expectation.

Our team has committed to reciprocate by growing our business to enhance the value of your investment.

**2. Financial Performance**

The financials for 2010-11 have been already published and available with you. Consequently, Lovable surpassed previous records in financial performance:

- Gross turnover increased to Rs. 10403.69 Lacs
- Profit After Tax was higher at Rs. 1412.15 Lacs
- Net worth climbed to Rs. 14,122 Lacs

Lovable has achieved this growth while maintaining a careful and conservative financial profile.

**3. Global Economic Context**

2010-11 started with stable conditions in consumer markets.

Accommodative monetary policies promoted by G-7 central banks led to high liquidity and copious flows into commodity markets which are now seamlessly Global.

In the commodities which your company consumes, the scenario was such : Crop damages in most cotton growing countries like, Pakistan & China gave the trigger for speculators to ramp up prices of cotton fiber from 70cents to \$2.60 / pound. Synthetic fiber makers who produce the substitutes for cotton fiber used this opportunity to take polyester, nylon & viscose fiber prices to recent highs.

**4. Indian Economic Context**



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The Indian textiles raw material markets saw such unprecedented hikes which weren't experienced prior to this in your company's history. The Union Agriculture & Commerce Ministries' flip-flops on fiber exports added to the volatility and made our purchase managers' Job very complex.

Yet I am pleased to inform you that our company was able to cope with these stresses & emerge with its financials in better shape. Your management agility and our customers continued patronage of our Value-Added products only could make this possible.

## 5. Sales

During the year both our flagship brands registered solid growth, market expansion and improved fundamentals. Your company successfully increased distribution width in our traditional MBO/Lingerie retailers format and also increased the numbers of Shop-In-Shops in Departmental Stores which is our modern retailing format of focus.

Our new brand College Style which is an innovation-based brand was also successfully test-marketed in selected markets. This success has encouraged us to expand capacity under this brand. It is also important to note that your company's production capacities were close to peak utilization for most months of the year and your company has expedited the creation of additional manufacturing capacity.

## 6. Roadmap for Value Creation

Let me turn to an aspect that is at the core of Lovable – value creation.

Lovable is uniquely placed to pursue multiple growth opportunities.

Lovable is endowed with a strong balance sheet and depth of talent.

And Your Company's Team has resolved:

To generate more Value-Add every moment

Achieve Market-defining Leadership in our chosen segments

To continue to pioneer and bring to the Indian market each major innovation / paradigm shift in lingerie

To populate each viable segment of the lingerie market with our brands

To drive long term profits and sustainable growth by nurturing healthy brands operating in valuable segments

To create sustainable competitive advantage by focusing on the evolving consumer

And use Differentiated Marketing to rise above parity in product markets.

## 7. Business Outlook

During the year under review, the Indian Consumer economy has performed well with good growth rates reflecting strong consumer demand for Brands that deliver benefits and innovation but at appropriate price points. Your company's value added products have enjoyed a high success rate and your company is confident to adding to its success. Your company is very well placed with its product launches and it is also increasing its focus and resources on product categories extensions which will be Revenue-driving new Verticals in time to come.

"Lovable" and "Daisy Dee" are our flagship brands. Our brand "Lovable" is amongst the top three most preferred brand in women's innerwear in India. As part of our growth strategy, we have diversified our portfolio of brands with introducing of newer sub-brands like Ventil, Prima Donna & the Leisure line of home wear.



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Your Company's core competence lies in understanding the prevailing trends in the women's innerwear market and the buying preferences of our customers and accordingly manufacturing quality innerwear garments to assure our customers of product quality and fit consistency in trendy women's innerwear. In addition, our competency also lies in identifying the gaps and exploiting the untapped women's innerwear market segments with unique products. Our initiative in the best quarter with our premium Fiona range and our widely-distributed "Cotton Essensuals" range are renditions of this Strategy.

Your Company segments the customer as per their psychographics, biases and affinities, and the look and fit and features desired. Our Company has established strong sub brands like **All Day Long, Cotton Essensuals, Encircle and Tease**, at a time when women's innerwear market was at a nascent stage. We believe the customer franchise of these sub-brands remain our strength till today. Similarly, your company is working on a new product category in innerwear which will be developed further and exposed at the appropriate time.

Going forward, we have commenced work at the project for capacity expansion and integration at a new location in Uttarhalli Hobli, Bengaluru which will result in increase in capacity and value-addition by 25 lacs pieces per annum of finished products and an even larger capacity in components stages like lamination, moulding , elastics and sewing preparatory. This new Plant will also feed the increased capacity which our dedicated outsourced vendors are adding.

Even as we approach the ongoing year and thereafter with confidence in our strengths and backed by aggressive plans, it is also true that the economic fundamentals will present some headwind. The peak interest rates and the liquidity squeeze imposed will reduce the purchasing power of our dealers and distributors and this we will need to combat.

I urge the Government to focus on the supply-side: on providing Inputs, Resources, finance, land, etc to consumers and businesses at favorable prices. That is the key to economic prosperity and uplift in living standards.

## 8. Concluding Remarks

Dear shareholders,

Finally, I will like to appreciate the efforts and capabilities of my colleagues at Lovable who comprise the wining team that we have with us and is a pillar of strength of your Company, just like our brands and know-how are. Most of them have served your company since long and we are committed to providing them growth opportunities, nurturing their talent and rewarding their achievements.

I also wish to record the invaluable contribution of our founding chairman Shri Jaipal Reddy from the inception of our business. And the stellar role of Shri Ashok Reddy who has headed the operations.

Sd/-

L Vinay Reddy  
Chairman & Managing Director



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