

CHAIRMAN SPEECH

Ladies & Gentlemen

It gives me great pleasure to welcome you to the 15th Annual General Meeting of your Company.

The financial year 2006-2007 has been a year of stupendous growth and consolidation for the company. During the year under review, the Company significantly expanded its manufacturing capacities through three acquisitions and low cost brown field expansions at two existing plants. The cost effective expansion has further enhanced the Company's competitive edge, and attuned to its core belief of "Going Beyond Tomorrow".

The year under review was marked with mergers and acquisitions. During the year under review your Company acquired two Companies viz. Amit Spinning Industries Ltd. and Indo Rama Textiles Ltd. and the assets of Tashkent Toytepa Tekstil LLC, Uzbekistan. Subsequently Indo Rama Textiles Ltd. was amalgamated with the Company in December 2006.

PERFORMANCE REVIEW

During the year under review, your Company has achieved 154.79% increase in its consolidated sales turnover which stood at Rs.897.50 crores compared to Rs.352.25 Crores in the previous year. Your Company has also achieved EBITDA of Rs.113.57 crores as against Rs.29.00 crores in the previous year.

Your Company has recorded a consolidated Profit after Tax of Rs.12.58 Crores, an increase of 25.05% over the previous year.

ECONOMIC SCENARIO

India has competitiveness in yarn manufacturing business given repository of highly trained technical and managerial manpower, Raw material and competitive wages. It is heartening to note that the Global Textile & Clothing Industry which is currently a \$ 422 billion market is expected to grow about \$650 billion by the year 2010 which gives us enough opportunity to grow. With the abolishment of quotas in 2005, Indian Textile and Apparel exports have grown significantly and in 2006-07 it has crossed over \$19.2 billion.

Govt. of India has recognized manufacturing sector for a leading role through its current budget by way of giving focus on TUFs(Textile Up gradation Fund) by extending it for 5 more years and

SITP(Scheme for Integrated Textile Park) by way of creating 30 textile parks to provide world class facilities.

Accordingly, your Company is amongst the front runners in exploiting newer opportunities on global scale. New markets have been identified with a wider product range and accordingly acquisitions have been made in the recent past to reshape the business landscape encircling your company.

In the last few months there has been steep appreciation of the Rupee, however, your Company has been taking various measures to insulate it against such risks. Your Company's strategy is to achieve global expansion through value accretive acquisitions.

Your Company's endeavor is to acquire and/or build high quality manufacturing facilities in strategic regions across the world, where it has access to raw materials, energy and labour at competitive costs, and avail of high quality infrastructure in order to get into the most remunerative markets for its products. Your Company believes that besides ensuring faster scaling up, this strategy will enable lower capital costs, high operating margins and achieve sustainable return on the Company's capital inspite of currency appreciation as we are operating in Rupee/Dollar/Euro environment.

NEW ACQUISITIONS

In line with professed business strategy of your Company, Spentex has recently acquired Schoeller Litvinov k.s. (Schoeller Tekstil) in Czech Republic after the balance sheet date. The acquisition of Schoeller was completed for a consideration of Euro 25 million with net CA of Euro 9 million. This acquisition will enhance the top line of Spentex by about Euro 55 million and add another Euro 6 million per year in cash flows. All the revenues including assets and liabilities of the said Schoeller Textile shall form part of the consolidated financial results of Spentex Industries Ltd. w.e.f. 1st July 2007.

The above acquisition provides Spentex with a strong European presence in the high end yarn segments including special sewing thread yarns, carpet warp yarns and core yarns for weaving mills. With this acquisition, Spentex will gain access to a large customer base in over 30 countries and further add an annual volume of about 19,000 tons.

NSE LISTING

Keeping in view the best interest of the shareholders the securities of the Company have been listed on NSE w.e.f. 20th December 2006, which is having nation wide trading terminals.

ACKNOWLEDGEMENT

I take this opportunity to thank all the members on the board for their unstinted support and guidance and my deepest appreciation goes to all the employees of the Company for their dedication and valuable contribution in fulfilling the objectives of the Company besides facing and surmounting the ever changing business challenges, resulting in the all round growth and progress of your company. Last but not the least, I would like to extend my special thanks to all our shareholders, customers, suppliers, bankers for their whole hearted support and I am confident that Spentex would grow from strength to strength in the years to come.

Thank you