

CIEL TEXTILE BUSINESS MODEL

INPUT VALUE WE DRAW FROM



FINANCIAL CAPITAL

Reliable operational cash flow; easy access to capital given low gearing ratio



SOCIAL & RELATIONSHIP CAPITAL

Long-term business relationships with trusted suppliers and clients including Marks & Spencer, ASOS, Levi's, Celio, or J.Crew



HUMAN CAPITAL

Learning and development organisation with a decentralised approach empowering 20,000 people to manage their tasks and factories as if it was their own



INTELLECTUAL CAPITAL

- Technical expertise
- Strategic and managerial knowhow to run global textile company
- Unique culture



MANUFACTURED CAPITAL

20 production sites equipped with automated manufacturing equipment



NATURAL CAPITAL

Raw materials (wool and cotton), water, energy (HFO, diesel, LPG, electricity)

Our Value Proposition

- High quality designed products
- Deliver unbeatable value to medium and upmarket retailers
- Vertically integrated business across 3 clusters (Knits, Knitwear and Woven)
- Excellent quality and service at competitive price
- Multi-location sourcing platforms (Mauritius/Madagascar, India and Bangladesh)
- Duty free access to EU and US from Mauritian and Malagasy markets
- Member of Sustainable Apparel Coalition
 - Listed on The Development and Enterprise Market and The Stock Exchange of Mauritius Sustainability Index

WHO WE ARE

World-class global player in textile and garments operations

VISION

TBe the best alternative to China with the objective to deliver unbeatable value to medium and upmarket retailers

4 
Countries

3 clusters

34M
Garments
exported every year



Knits



Knitwear



Woven

20
production
units

Our
Activities

MAIN OUTPUT DURING THE YEAR



FINANCIAL CAPITAL

- Turnover: MUR 10,5bn
- Profit after tax: MUR 562M
- Consistent and solid dividend



SOCIAL & RELATIONSHIP CAPITAL

- Successful launch of Act for our Community global initiative
- World Environment Day celebrated throughout operations
- 10th Edition of CIEL Textile Chairman's Manufacturing Excellence Awards rewarding best practices



HUMAN CAPITAL

- Learning and development investment and launch of unique leadership academy
- Appointment of Chief Operation Officer and new CEO for Floreal Knitwear



INTELLECTUAL CAPITAL

- Innovative designed products winning customers' hearts
- Implementation of digital tools to facilitate customer interactions
- First member of the Sustainable Apparel Coalition in Africa



MANUFACTURED CAPITAL

- 34M garments exported
- Building works for new Aquarelle factory in India to be delivered in 2018



NATURAL CAPITAL

- Fabric waste, wastewater, CO₂ emissions, energy consumption

MAIN OUTCOMES DURING THE YEAR

- Reinforced leadership team including the nomination of a Chief Operating Officer of CIEL Textile as of 1 October 2017
- Highly structured design capabilities
- Laguna Clothing back to profitability
- Successful launch of garment dipping in Madagascar for Aquarelle
- Coordinated sustainability approach gaining recognition with all stakeholders
- Successful launch of *winning well** philosophy through key employee initiatives
- Improved shareholding with CIEL as majority shareholder at 88.48%

TARGETS



- Reposition Floreal Knitwear operations
- Improve India operations for Knits cluster
- *Winning well** concept deeply rooted in employee behaviors
- Innovative products and processes in anticipation of fast evolving consumer trends (ecology, technology, connectivity, etc.)
- Launch new factory for Aquarelle in India
- Maintain cost-competitive operations in the region despite labour costs

* Delivering excellent results while nurturing a win-win environment for all stakeholders

Progress Report

Last Year's Priorities

Pursue CIEL Textile globalisation strategy

Engineer an upmarket move for Aquarelle's operations in Mauritius and Madagascar

Consolidation of operations and costs competitiveness improvements for Floreal's regional operations

Focus on Tropic Knits' new operations in India

Talent management to accompany CIEL Textile's dynamism

Progress Report

Tropic Knits has started its new production unit in India and Aquarelle has started building works for a new factory in Bangalore, India which will be delivered in 2018; Aquarelle is also looking at having a new production base in South East Asia to better serve China, Japan and US markets. Country and targets have been identified but timing is subject to market conditions.

Aquarelle is leveraging its speed to market capabilities in Mauritius and its increased capacity in Madagascar to serve upper segments; design capabilities and presentations have been upgraded leading to an increased sale of Aquarelle own design to customers.

Floreal's production centers have been regrouped around 3 factories (2 in Madagascar and 1 in Bangladesh); strategic, design, marketing and planning functions will be centralised in Mauritius in new location; new management is in place but more needs to be done to improve operational excellence, attract upper segments with higher value customers.

Tropic's new factory in India is well set-up but showing delay to run at full capacity and according to Tropic's operational excellence standards; The management will continue to focus on this operation in FY18.

MOE academy is being launched throughout the Group to nurture leaders internally; key investments have been made for learning and development; Oracle Human Capital Management system software will be implemented in 2018 at Aquarelle. Eric Dorchies has been appointed Chief Operating Officer of CIEL Textile while he will continue to lead Aquarelle; Guillaume Dalais has taken the leadership of both Tropic Knits and Floreal Knitwear; Jean-François de Comarmond and Ayaz Tajoo have been appointed General Managers of Aquarelle's operations in Mauritius and Madagascar respectively; key mid-managers have been recruited throughout CIEL Textile.

2017 Financial Performance

Income Statement	MUR 'M	MUR 'M	MUR 'M
	2017	2016	Var
Revenue	10,527	10,508	19
EBITDA	1,015	1,153	(138)
Profit after Tax	562	704	(142)
Profit attributable to owners of parent	258	353	(94)

- The Woven cluster continues to excel on the operational front in the Indian Ocean region and in Asia. Benefitting from a strong sales momentum, profitability continues to improve while customer satisfaction remains high.
- The Knits cluster's performance was adversely affected by the activities of the factory in India. The Knitwear cluster has experienced a tough year owing to challenges posed by the upcoming departure of the UK from the EU, lower sales volumes and margins and reorganisation costs incurred.
- The current international retail environment and the foreign exchange risks are putting pressure on margins. The recent fiscal and monetary policies set by the Mauritian government, should however benefit the Textile industry through enhanced competitiveness and more modern processes.
- The plan is to restore the Knitwear cluster's profitability and turn around the Knits operations in India while establishing more effective marketing platforms to support front end activities across all segments.

Focus Areas for 2018

While CIEL Textile performed relatively well in 2017, the company will continue its journey towards excellence and will focus in particular on the following priorities:

- Focus on Tropic Knits India and Floreal operations to return to profitability
- Nurture sustainable development of operations as a key differentiator while maintaining competitiveness
- Continue product-led marketing approach versus manufacturing-led approach
- Marketing towards emerging and fast growing e-commerce retailers (shifting existing markets)
- Manage globalisation strategy
- Facilitate customer interactions through digital transformation, reducing production time and offering innovative products

Outlook

Current Market Dynamics

- Shift of retail industry with new e-commerce retailers
- Growing captive markets in emerging markets (Africa, India and Asia)
- Currency fluctuations including depreciation of Pound Sterling and US Dollars
- Talent shortage
- Regulations and trade barriers

- The Aquarelle group which has reported record earnings this year, is facing reduced margins in its order book. On the other hand, CIEL Textile expects to reduce its losses in the Floreal group and Tropic Knits India operations.
- Based on current order books, CIEL Textile expects a first semester which is close to last year's results. The full year results will depend a lot on the marketing teams' ability to deliver on the sales and margins objectives in a difficult and volatile market.

