

## 1.2 Nature of business

### Income Structure

Sale revenue	2021 (ML. Baht)	%	2020 (ML. Baht)	%	2019 (ML. Baht)	%
<b>Domestic :</b>	<b>449.33</b>	<b>73.35</b>	<b>463.53</b>	<b>84.51</b>	<b>595.02</b>	<b>85.41</b>
Garment	431.13	70.38	446.08	81.33	552.02	79.24
Knitted fabric	18.20	2.94	17.45	3.18	43.00	6.17
<b>Overseas :</b>	<b>163.28</b>	<b>26.65</b>	<b>84.97</b>	<b>15.49</b>	<b>101.62</b>	<b>14.59</b>
Garment	160.81	26.25	78.91	14.39	94.31	13.54
Knitted fabric	2.47	0.40	6.06	1.10	7.31	1.05
<b>Total</b>	<b>612.61</b>	<b>100.00</b>	<b>548.50</b>	<b>100.00</b>	<b>696.64</b>	<b>100.00</b>

## Products

### Product and service characteristics and innovation development

People's Garment Public Company Limited started its business as a ready-to-wear garment manufacturer since 1980. Later, it invested in the production of knitted fabric, the Company's business operations were jointly with business partners to strengthen the business cycle from upstream to downstream, which the main products are as follows:

#### Textile product

The company has a production line for knitting fabrics at Kabinburi branch with modern machinery and technology to enhance the production process to be more efficient

#### Ready-to-wear product

The Company is principally engaged in the production of ready-to-wear garments, Men's and Women's wear, swimwear, sportswear, men's underwear and uniforms.

### Textile product

The company has developed innovations in raw materials to meet the needs of customers to achieve the highest satisfaction and value by creating products under the principle that "It is a product that is safe for consumers and environmentally friendly"

The company has carried out activities to maintain product quality standards and safety standards against harmful paints and chemicals including continually focusing on reducing environmental impacts such as:-

- : Certified to Quality System ISO 9001: 2008
- : Certified to Environmental Management System ISO14001 : 2015
- : Certified to Products that are certified to reduction of Global warming : (Cool mode)

-: Certified to Product for Energy saving “ Energy saving label No.5”

-: Certified to Green Industry Level 4 certification

To be a guideline to reduce the impact on the environment in a sustainable way and together to support the vision of the organization **“We are fully committed to be leader to create quality products and services with innovation of apparel in Thailand”.**

### **Functional Textile**

#### **"Electricity Saving Label No. 5"**

- **Fabric No. 5** : Safe, strong, durable, reduce heat, smooth and reduce hairiness.
- **Apparel number 5**: save electricity, comfortable to wear, no need to iron

It is made from chemicals and dyeing stuffs are safe from carcinogens and heavy metals. Strong fabric, durable color, sweat absorption and good heat transfer that makes it cool and comfortable to wear which can be washed and put on without ironing.

#### **“COOL MODE” the symbol of environmental friendly garments**

Products with special function to absorb sweat and heated-ventilation so it make them comfortable when wearing with less stuffy heat, it can be worn in buildings or rooms with air conditioning temperature 25 degrees without uncomfortable which have been distributed to Uniforms customer and customer who are interested to buy knitted fabric.

#### **“Recycle Polyester” Changing plastic waste into clothing products**

Products that transform plastic bottles to be recycled yarn with Environmental friendly innovation and it is developed to be value product. The company produces and distributes it in form of Polo shirt and T-Shirt for Uniforms customers and customer who is interested in buying knitted fabric both of domestic and overseas.

### **Ready-To-Wear Garment**

In 2021, the company has developed patterns and raw materials for products under the brand “ARROW” to be diverse and innovative in the T-shirt Collection “NEW YORK POLO and DRY TECH SMART POLO” to create value-added for existing and new customers. This is including the development of fabric Slacks to be diverse to respond to the needs of consumers for both quality and reasonable prices.

### **Medical textile products (For protection and prevention from infection)**

From the epidemic situation of the corona virus, COVID-19 that occurred around the world at the end of the year 2019, the company has produced fabric masks and PPE suits under the ability of companies that are garment manufacturers as follows

**: Fabric mask 100% Cotton**

- Prevent small dust particles 0.1 microns up to 54% and good ventilation, safe from chemical residue.

**: Water repellent fabric mask**

- Prevent aerosol from coughing, sneezing, can be washed up to 30 times
- Prevent small dust particles 0.1 microns up to 54% and good ventilation, safe from chemical residue.

**: PPE - Isolation Gown Model "We fight" with the Government Pharmaceutical Organization**

- The company received a license to manufacture medical devices from the Food and Drug Administration (FDA) by producing the PPE - Isolation Gown model "We Fight" which it is a 100% waterproof products. (Using waterproof thread), it can be reused at least 20 times.

**Marketing policy**

We are fully committed to be leader to create quality products and services with innovation of apparel in Thailand". The main policy is to produce products that are safe for consumers and environmentally friendly, The company has marketing strategies as follows:

- Produce quality products with reasonable prices
- Develop every step of the production process to increase both productivity and efficiency
- Manage risks of raw material procurement to control costs to be competitive and maintain profit margins at an appropriate level.
- Develop a variety of products to expand new market bases and maintain balance for both existing and new customers.

For 2021, the global economy continues to be impacted by the COVID-19 epidemic situation from a new wave of outbreaks since late 2020 and spreading widely in Thailand during the third quarter of the year. The economy was constrained under strict control measures for months, including closing department stores and during the last quarter of the year. The strict control measures have been relaxed, enabling some economic activities to resume operation. Moreover, the domestic consumption, especially the domestic tourism sector, which is still slowly recovering, affecting the number of tourists who are considered as the main group of apparel consumers are still less number. In addition, the purchasing power of domestic consumers has decreased because most consumers are still worried about future income so they are cautious in spending money.

At present, the behavior of consumers has changed to use more and more online channels continuously. The company therefore cooperates and supports customers to generate sales in both offline and online channels, including social media that can reach consumers quickly. Therefore, the company has developed products in terms of new forms and raw materials to expand the base to more new customers.

The company also pays attention to the direction of production and the demand for textiles and garments in the global market are changing that the demand for environmentally friendly products to reduce global warming is more increasing. Leading clothing brands have ordered apparel made from recycled fibers, reducing water used, energy used, and organic cotton raw materials as it is a Green Product that protects the environment which is an alternative for consumers selection.

The company realizes the importance of these things. Therefore, there has been a continuous cooperation with trade partners to produce such products under the brand ARROW and Uniform of various organizations such as Cool Mode shirts / energy-saving shirts 5 and Recycle shirts to support the organization's business strategy that is friendly to environment for sustainable growth.

### **Oversea markets**

In 2021, the company has exports to the United States, Europe and Asia accounting for 27% of total sales, which is a growth from exports to the United States and Europe through the Trading Firm, which is always a trading partner with good relationship each other.

- Customers have confidence in their potential and are confident in the quality of the products, including the development of product styles to be diverse and modern , although there is still price competition from neighboring countries such as China, Vietnam, Indonesia, Cambodia and Bangladesh, which have lower labor cost.

- The company has been aggressively marketing by offering a full range of products and new innovations from fabric design, fabric production, pattern creation until sewing into ready-made garments to offer them as an sample to customers (Original Design Manufacturer : ODM) in Asian customer, which is a strategy to enhance competitiveness.

In addition, the company is able to produce both small and large quantities (Small lot / Big lot) to meet the changing needs of today's customers.

### **Distribution channels for foreign markets**

1. Distributed through Trading Firm
2. Direct sales to customers in the United States, Europe, Asia and ASEAN.

For the year 2022, the company will continue to expand its market to the United States, Europe, Vietnam, Japan and the AEC group.

## **Domestic Markets**

Sales of domestic garment still continue to use marketing strategies in promoting sales that stimulate the market of various apparel brands by reducing prices at department stores and various commercial areas as well as imports of ready-made garments from China, Vietnam, Cambodia, Bangladesh and Korea. Most of them are fashion styles with all ranges of price. Moreover, there is also importing more new brand-name products from abroad to sell in huge volume causing high competition to gain more market share.

The company is aware of the importance of implementing proactive marketing strategies in conjunction with ICC International Public Company Limited, who is a key customer and distributor for the company.

- To regularly carry out surveys of customers' needs and satisfaction to ensure they are able to respond most of customers' requirements.
- Created marketing activities to attract target markets in consideration of brand image and the creating value for society.
- Developed and created innovation in order to response customers' needs for "to be safe products for customers and environmentally friendly".

As always, trademarks remain a key factor in business competition; customers are still fond of brand name products, but the company is confident that its products are well-known and are recognized quality as international standards.

## **Uniform**

As the company has expertise from design raw material selection producing quality products delivery of goods including having good service both before and after the sale; moreover, the company taking into account the principles of competition in terms of quality and reasonable price; as a result, the Company has become a manufacturer of Uniforms, both Work wear and Office wear for well-known organizations such as financial institutions, government sectors, state enterprises, private companies and many educational institutions.

The Company is aware of the importance of Product Quality, maintaining product quality standards and continually creating customer satisfaction, with a standardized and accepted QC system.

### **Domestic sales and distribution channels**

1. The company has assigned ICC International PLC, a significant company in the SAHA Group and a key customer of the company, to be a distributor. Its main distribution channel comprises department stores, discount stores, modern trade and, add online channels to be comply with the New Normal era.

2. Distribution via E-commerce
3. Distribution via Factory Outlet
4. Direct distribution to customers of corporate uniforms, Office wear, and Work wear to leading government, private organizations and state enterprises.

## Marketing Management

In order to provide more distribution channels to customers and consumers, the company applied the following strategies;

1. Create "Fashion Trend" in advance by creating story board concept such as color concept, and mix & match of all products group, together with doing pre-collection. These strategies help making purchasing decision easier as one stop service; as a result, the customers satisfy with these operations and respond by purchasing more. Since, they have clearly visual merchandise so it supports doing marketing plan in advance.

2. Cooperation with customers in cost management in case of high volume orders in order to increase competitive advantage for customer and gain more sale revenue both parties.

3. Adding distribution channel partners by selling products via **LAZADA/ SHOPEE/ JD and E-Thailand Best** for house brand products. This channel is able to expand more customer's base. Moreover, it can directly respond to customers' needs whose life style is modern and smartphone life style such as purchase goods via Smartphone.

The market of ready to wear garment is high competition in a wider range of distribution channels such as Department store, Modern trade and Convenience store included new distribution channels like E-Commerce and Modern trade. The competitive trend continually grows in every year as those channels are easily reached by consumers and faster response to the customers' needs. Moreover, TV shopping / O-Shopping channel provides manufacturers to completely show and communicate on products innovation. These channels are trending to grow continually so the company has been applying some strategies and still carry on continuously.

As the company has changed its strategy by offering a wider range of products and innovations that customers and consumers needed, together with seeking new customers to increase sales volume. The company also modifies working process to control overall costs including the reduction of raw material costs, production costs, administration costs and financial costs in order to have competitive cost and expenses leading to competition ability in both domestic and international market.

## **Textile and garment situation**

**Textile and garment industry:-** It is an important manufacturing and exporting industry of the country during the year 2020 that has been severely affected by the coronavirus. Overseas markets dwindled due to slowdown in trading partners' economies. negative exports More than 3,000 factories. Many factories in the industry have to change operation to produce face masks and PPE suits for sale in order to support their business but the textile and garment situation in 2021 has improved as follows:

**Export aspect,** it was worth 6,526.4 million US dollars. increased by 13.6 percent compared to the previous year, which are divided into:-

(1) **Textile group** valued at 4,235.5 million US dollars which increased of 17.1 percent.

- Artificial fibers grew by 31.3 percent from the US, Indonesia and China markets.
- Yarn grew by 35.8% from Japan, China and South Korea markets.
- Fabrics grew by 9.9 percent from Vietnam, Cambodia and Bangladesh markets.

(2) **The apparel segment** was valued at \$2,290.9 million. increased 7.8 percent year-on-year due to exports to the main market such as the United States increased by 9.3 percent, partly due to the US market, which accounts for one-third of exports. Overall, there was an increase in imports of products from Thailand by reducing imports from China as a result of the trade war.

**Import aspect,** the total value was 5,058.4 million US dollars increased by 17.1 percent, which are divided into

(1) **Textile group,** valued at 3,459.1 million US dollars., 24.4 percent increased.

- Yarn grew by 30.2% from the Chinese, US and Japanese markets.
- Fabrics grew by 20.3% from the Chinese, Vietnamese and Taiwanese markets.

(2) **The apparel segment** was valued at \$1,599.3 million increased by 3.9 percent and resulted in a surplus in the overall trade balance valued at \$1,468.0 million.

Meanwhile, garment imports in December 2021 were found that it declined from the previous month and compared to the same period of the previous year; as a result of domestic consumption especially the tourism sector in the country which is still slowly recovering. Affecting the number of tourists who are considered the main group of apparel consumers are still less number. Moreover, the purchasing power of domestic consumers has decreased because most consumers are still worried about future income. therefore they are cautious in spending money.

Overall aspect, apparel imports in 2021 showed that the total import value was \$925.8 million, decreased of 7.7 percent compared to previous year from the Chinese and Vietnamese markets while importing clothing/apparel from the Italian market increased by 25.0%.

## **Textile and garment industry trends in 2022**

Regarding to the trend of the export of garments and garments in Thailand in 2022 is expected to grow by 10%, while textiles will grow 20% from the export market that situation turn back to normal situation, If compared to the situation before the problem of the Covid-19 epidemic at the end of 2019. This comes from the demand for this product caused by problems between the United States and China, causing the United States changed decision to order products from other countries, this is an opportunity to export Thai products. As for other major markets, including Europe, Japan, after opening the country, there has been a growing demand for imported products as well.

### **Key issues: production costs that continues to increase**

As the delay in transportation and the higher cost of shipping which is more than usual, resulting in rising raw material prices that affected to the Thai textile and garment industry, it was found that the Producer Price Index in December 2021 increased (textiles +2.7%YoY and garments +0.6%YoY), decreased in profits of domestic manufacturers.

However; demand for products from major trading partners (USA, Japan, Vietnam and Indonesia) there is a tendency to increase demand for products. It is therefore expected to help Thai textile and garment exports in expanding in 2022.

In addition, there was a problem of workers who may not return to the manufacturing sector. There was a huge labor shortage, if this is not resolved, it will hinder the manufacturing sector. Manufactures have to adjust their work plans to be in line with incoming orders, for example, they may adjust working hours and increase overtime in order not to affect the orders and to keep customers so that they will not order from competitors.

As for the problem of raw material costs in 2022, there is a tendency to decrease, such as fiber, greige fabric, dyed fabric, and yarn, the price has decreased from the previous year that they price are increased. The price of cotton fell down by 20-40% from the previously which are increased to 60%, the price of polyester is expected to reduce the price by 10-20% from the original price that has risen by 30% previously.

**Source:** Industrial Data and Digital Center,  
Institute of Textile Industry Development  
and economic newspapers

## Product procurement

### 1. Characteristics of procurement of products

Regarding production policy, it is a production according to the orders of customers, and companies that act as distributors for the company, at present, the company has a head office and 2 branches which are

Business place	Location/branch
Headquarter	No.666, Rama3 Road, Bangpongpan, Yannawa, Bangkok, 10120. <b>Management &amp; Administrative center and Swimwear manufacturer</b>
Lamphun Plant	No. 77, M.6 Lampang-Chiangmai Road, Bannklang, Amphur Muang, Lamphun province, 51000. <b>Production of Ready-to-wear garments</b>
Kabinburi plant	No.216, M.5 Suwannasorn Road, Nontri, Amphur Kabinburi, Prachinburi province, 25110. <b>Production of Knitted fabrics and ready-to-wear garments</b>

### 2. Production capacity and production volume

	2021	2020	2019
<b>Production capacity (Unit : Piece)</b>			
- Men and Women's wear	1,200,000	1,163,770	1,464,000
- Swimwear	80,000	72,000	120,000
- Underwear	2,500,000	2,500,00	2,500,000
<b>Total</b>	<b>3,780,000</b>	<b>3,735,770</b>	<b>4,084,000</b>
<b>Actual production volume</b>			
- Men and Women's wear	1,112,494	794,091	844,136
- Swimwear	70,698	54,153	78,050
- Underwear	1,470,159	1,339,684	2,406,329
<b>Total</b>	<b>2,653,351</b>	<b>2,187,928</b>	<b>3,328,515</b>
<b>capacity utilization (%)</b>	<b>70.19</b>	<b>58.57</b>	<b>81.50</b>

### 3. Raw materials/products procurement(Supplier)

The company is committed to providing quality products to consumers. The company therefore pays attention to the selection of quality raw materials from both domestic and international production sources, which most of the raw materials are produced domestically. Regarding distributor selection, the company has established a process of checking and select distributors both in terms of quality checking before buying. Regarding the recruitment process, which the company will consider distributors that meet international standards and product certification standards, and etc., in accordance with the policy regulations and requirements relating to company procurement to ensure that the company's procurement process is transparent and fair to all distributors

In the year 2021, the company mainly procured and ordered raw materials in the country due to having confidence in quality and continuously developing with partners to support trade in the country. Regarding for the Knitted Fabric, we use the product from the company's knitted fabric factory, which is an advantage from that the company is a comprehensive Polo and T-shirt manufacturer initially from the design, knitting and fabrication to ready-made garments; moreover, the company has continuously developed both production processes and products that are environmentally friendly. The company's products have passed international standards for the use of chemicals that are safe for consumers and are accepted by customers both domestic and abroad. In addition, the company has received good cooperation from partners in controlling chemicals to meet REACH standards and under the environmental management system ISO14001 standards for the purchase of raw materials, knitting yarns in the country. The company will consider the upstream sources of raw materials, mainly from Australia and America, which are upstream raw materials and be accepted internationally.

Regarding raw materials for knitting and ready-made garments that mostly are natural fibers, which passed the selection process of supplier that has been certified through the Oeko-Tex Standard 100. This is a careful selection of chemical dye to avoid using formaldehyde and carcinogens, so the products are safe for consumers. In addition, the packaging materials are mostly recyclable.

#### **Ratio of raw materials purchasing both domestic and international**

In 2021, the company bought core materials and auxiliary materials for production from trading partners both domestic and international counted 73 percent from local sources and 27 percent from overseas. The company currently has suppliers both domestic and international more than 223 suppliers. The company applied criteria of suppliers' evaluation as ISO: 9001 standard in classifying partners to reach the international standard.

In addition, the company also acquires substitute raw materials of compatible quality from local and overseas sources in order to be environmentally friendly in accordance with ISO: 14001 standards and to remain consistent with the company's policies on sustainable business operation.

**Supplier Assessment Result : According to ISO 9001 Standard**

**(Number : Supplier)**

<b>Type of Supplier</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Group A	223	213	178
Group B	-	9	15
Group C	-	1	6
<b>Total</b>	<b>223</b>	<b>223</b>	<b>199</b>

Remark : Assessment Criteria

Group A Score 90 - 100 Score

Group B Score 80 – 90 Score

Group C Score less than 80 Score

**Operational Assets**

Details are in enclosure No. 4

**Work that has not yet been delivered**

- None –