

## Chairman's Speech

Dear Shareholders,

I am pleased to inform you that, the Company has received an 'in-principle' approval from BSE dated July 13, 2018, for preferential allotment of Equity shares and Equity Convertible Warrants. On July 27, 2018, the Company has allotted 4,87,000 Equity shares and has received an amount aggregating to Rs.7.54 crores. The same is held in an Escrow account in a bank.

The Company has also issued 7,50,000 Equity Convertible Warrants, out of which the Promoters have subscribed to 2,00,000 Warrants amounting to Rs.3.10 crores and equal number of warrants have been subscribed by SOMO Vision Co., Ltd., South Korea and the balance 3,50,000 warrants have been subscribed by other Indian investors. From all these parties we have received 25% of the issue price of the Warrants upfront, aggregating to Rs. 2.90 crores.

The Company is in the advance stage of incorporating a new Joint Venture by the name GSV Ophthalmics Private Limited, with SOMO Vision Co. Ltd., South Korea, in which the Company will hold 50% plus 1 share and SOMO Vision Co., Ltd., will hold 30% shares. The remaining 20% will be held by other domestic investors who would be our potential customers..

The existing Plant and Machinery of SOMO Group, manufacturing Hi-Index lenses will be relocated from South Korea to India and their staff will train our staff to use the machines. This will enable us to produce most advanced plastic lenses with latest technology.

During the year under review, the turnover of the company was lower to the tune of Rs.3,848.66 lakhs compared to Rs. 4214.26 lakhs in the previous financial year. There was a net loss from operations of Rs. 265.42 lakhs during the current financial year compared to a net profit of Rs. 63.23 lakhs during the previous financial year. The demand for glass lenses has dropped drastically. The drop in sales of glass lenses has been partly made up by plastic lenses.

The Company has gone through a changeover from manufacture of glass lenses to plastic lenses and this transformation was in process for nearly a decade. Since we have come out of that phase, I want to share with the shareholders about this difficult transition from glass to plastic lenses which your company has gone through..

GKB Ophthalmics was a prime Company selling its manufactured glass lenses all over the world, receiving awards after awards for our export performance right from its inception. The Company was established as a glass lens making Company but since last



10-12 years, the glass lenses were being replaced by plastic lenses. It started in USA, where there was great concern about the safety of the eyes of children and sports people wearing glass lenses. It was therefore recommended that their spectacles be fitted with plastic lenses only. Plastic lenses were unbreakable and also lighter in weight.. Initially, the changeover to plastic lenses was slow because of certain shortcomings of plastic lenses. They would get scratched easily. They were not as clear in vision as glass lenses. And they were quite expensive.

With technical advancement, plastic lenses are now made scratch resistant, their visual acuity has improved and the cost has been brought down. So now there is much wider acceptance of plastic lenses and glass lenses have no takers. Your company has gone through the process from reducing demand to virtually nil demand. Closing down of the glass lens plant has resulted in junked equipment and big inventory of raw material, consumables and finished glass lenses with almost zero value. This resulted in big losses, which your company had to absorb in past years. During this period Company was simultaneously setting up plant for producing plastic lenses. It was absolutely different technology and called for fresh investment.

With the manufacture of glass lenses behind us, we now look forward for better days ahead of us. During the current year, the production of plastic lenses is to the tune of 24,000 pieces per day and is expected to be increased to 40,000 pieces per day during next 12 months. Most of the infrastructure and equipment is in place and with an additional investment of around Rs.3.50 crores by way of Capex, we shall be reaching our target of 40,000 pieces per day production..

With our present plant running to full capacity in next 12 months and also new JV project with Korean collaboration, being set up again in next 12 months, we assure our stakeholders that the company will achieve new heights in 2019 and onwards.

Yours Sincerely,



K.G Gupta

Chairman - GKB Ophthalmics Limited