

PERFORMANCE REVIEW

Gokaldas Exports Ltd reported Revenues of Rs 179.77 Cr and Profit after Tax of Rs. 11.63 Cr for the quarter ended June 30, 2005. Comparable data for the previous financial year is not available since the company was not preparing quarterly financial statements in the previous year.

Our business is seasonal with shipments for the Autumn/Winter season being made in the first half (April – September). Exports for the Spring/Summer season are done during the second half (Oct-March). We have historically focused on outerwear which had lower incidence of quotas. These are winter wear and hence our first half is much better than our second half. Within each half year, shipments tend to be higher in the second quarter (i.e. Q2 and Q4). The results for the quarter should thus be seen in this perspective.

Revenue Analysis

Our export revenues during the first quarter stood at Rs 173.89 Cr. North America at 59.74 % and Europe at 37.98% continued to be our dominant markets.

We added several new customers during the quarter, two European Large Retailers, two American Specialty Stores and also enhanced our product portfolio.

Operational / Financial Analysis

We reported Profit before Interest Depreciation and Tax (PBIDT) of Rs 18.72 Cr during the quarter, reflecting a PBIDT margin of 10.41%.

While we have a natural hedge to the extent of imported raw material, and also cover a substantial part of our balance foreign exchange exposure, continued weakness of the US\$ impacted our margins.

With opening of new factories in the current quarter, our total capacity gone up to 294 lines by June 30, 2005 as against a total capacity of 270 lines at the end of FY 2005. Our total capex during the quarter was Rs 21.88 Cr.

We have employed additionally 3,589 employees during the quarter.

Currently, we have partly utilized the proceeds of our Public Offering to meet our planned capex requirements and working capital requirements.

Interest free unsecured loans received from the promoter group continues to be carried at zero interest.

Profits

We reported profit before tax of Rs 11.98 Cr. Profit after current tax was Rs 11.63 Cr. We continue to enjoy tax exemption on our 100% EOU units, which accounted for over 88% of our sales, till FY 2008-09.

Outlook

Business outlook continues to be positive with a healthy order book, and expected growth of about 15 % to 20 % in sales for the full year as compared to the previous year.

Pricing environment continues to be volatile although we are now witnessing initial signs of some stabilization. However, given that these are early days after the removal of quotas, we are consistently evaluating all opportunities with long term potential and profitability in mind.

Post quota dismantling the Company has progressed in catering to most of sensitive quota categories which were constrained during the quota regime like bottoms, knitwear etc.,

Recently the Chinese currency has been de-linked from dollar and the 2% revaluation made it in India's favour. Going forward it is the step in the right direction. Further appreciation of the Chinese currency in coming years will make Indian products more competitive.

Our thrust is always to bring-in more new lucrative customers and to make it one-stop-shop for our customers. We are in the process of commissioning knitwear-manufacturing facilities, thereby enhancing the product capabilities of the Company.

The new Knitwear plant is expected to be commissioned shortly at Bangalore.

Land for our unit in the SEZ at Chennai has been acquired and construction is expected to start shortly.