

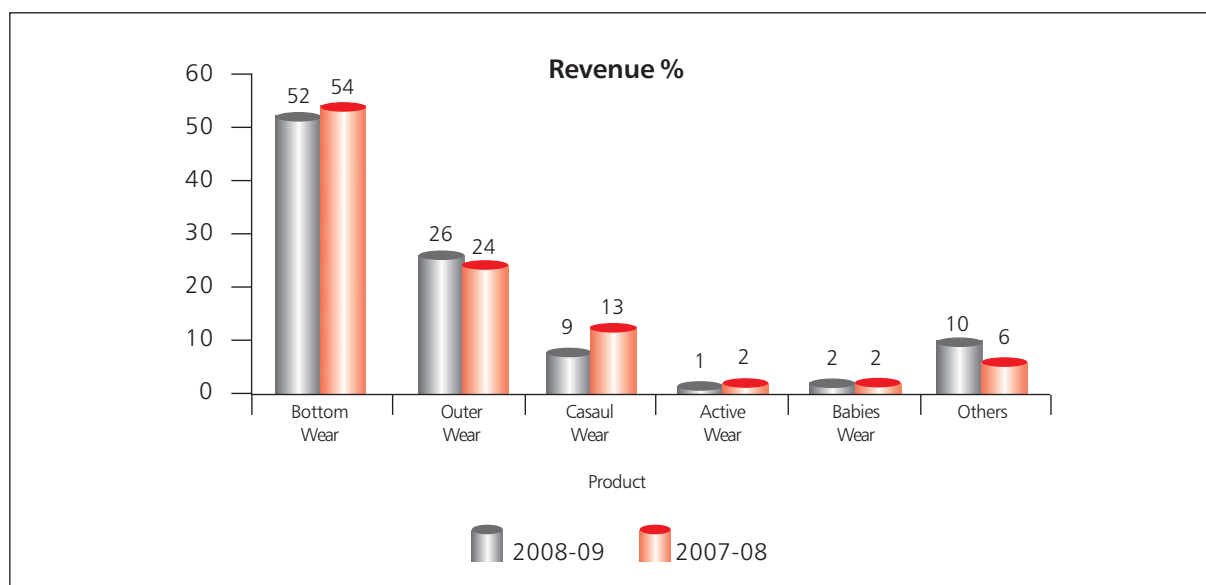
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Gokaldas Exports Limited (GEL) is the largest and one of the leading exporter of apparel in India having worldwide presence with established manufacturing, marketing and research capabilities and is a ISO 9001:2002 certified company. GEL is vertically integrated with a presence across the apparel and textile products. GEL has more than 46 factories spread in 45 locations in Bangalore, Chennai, Mysore and Tumkur manufacturing more than 2.5 million garments per month.

The principal products that GEL produces are outer wear and bottom wear. Outerwear includes both sports wear and winter wear and bottom wear include casual pants, chinos, linen trousers, denim jeans etc. The following pie graph depicts the product mix for the year 2008-09:

Graphical representation of product mix



Industry Structure and Developments

The ongoing global crisis has hit Indian textile exporters hard. India's textile industry is the second largest in the world, next only to China, with annual shipments of USD 20 billion (it was targeted at USD 25 billion but suffered due to the economy meltdown in the developed countries) and a work force of 20 Million people.

The global recession has significantly lowered the demand from the United States and the European Union. The US demand has declined by more than three percent while the EU's imports have stagnated. India has witnessed the impact of slowdown in these markets even when Bangladesh and Vietnam are recording growth. Reeling under the impact of the global recession, Indian textile and clothing industry is looking for effective but non-cosmetic, medium term policy support. The shrinking T & C exports from India, particularly to major markets like USA, EU and Japan and falling unit value realization, have been posing a survival test to several leading units.

The sagging textile industry awaits the much needed intervention by the government with a slew of measures which can restore the confidence of the industry to meet the growing challenges of global slowdown. Although the government brought out two stimulus packages to the highly employment intensive export segments, these were piece meal and ineffective for the textile and clothing industry.

Contrary to our expectations of 15% growth in exports, our exports are feared to fall by 3% in 2008-09, owing to a drastic fall in demand from the US and the EU markets. Even in the domestic market, against the growth of 10%, we expect to see a mere 2-3% growth in the current fiscal owing to lack of consumer confidence in the current economic crisis.

Opportunities and Threats

India seems to benefit due to raw material, design skills and skilled labour advantages. India is the world's second largest producer of cotton, second largest producer of cotton yarn, third largest exporter of cotton fabric and fourth largest exporter of synthetic fabric. With the establishment of training institutions like National Institute of Fashion Technology (NIFT), many high quality designers, who are able to create modern designs and interact with the buyers, are emerging. This is a distinctive advantage that Indian companies have, and not yet exploited.

MANAGEMENT DISCUSSION AND ANALYSIS

The U.S. and EU markets constitute 86% of our company's exports and the slow down in these markets have impacted our exports in a significant way. Consumers in these major markets also seem to have shifted towards cheaper products and therefore more economic sources of supply. Countries which are able to supply cheaper goods have therefore been less affected. Several of the leading manufacturing countries have taken various steps to mitigate the hardship faced by their respective garment industries.

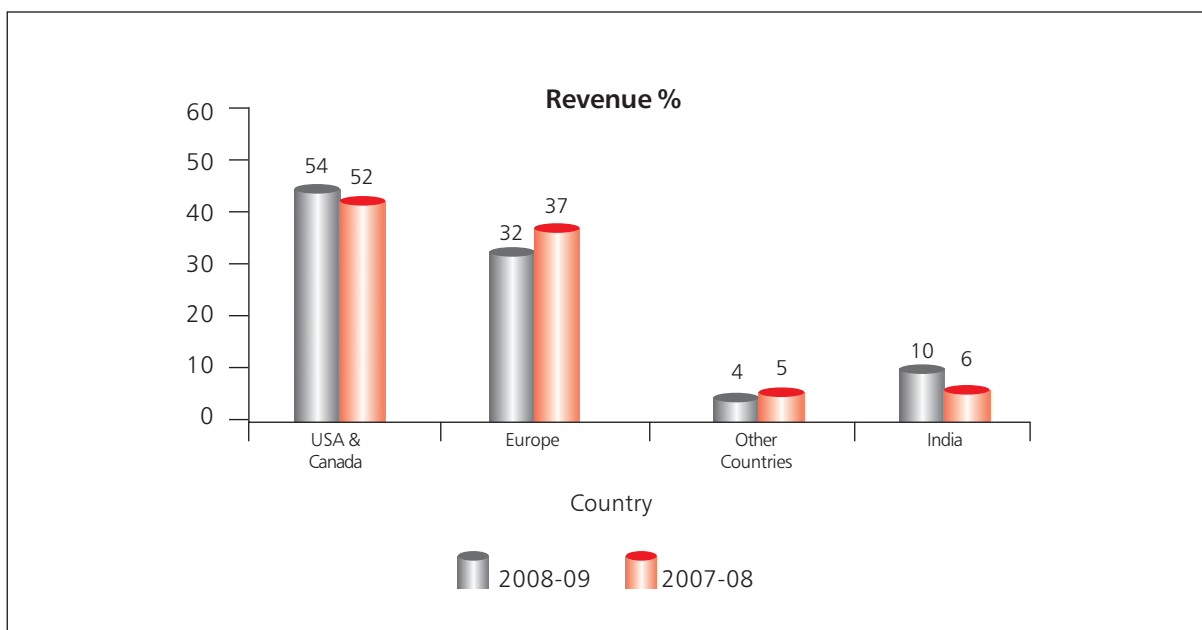
Operating Results / Financial Highlights

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and generally accepted accounting principles (GAAP) in India. The management accepts the responsibility for the integrity and objectivity of these financial statements and the basis for the various estimates and judgments used in preparing the financial statements.

During the year, the Company has achieved a revenue of Rs. 1,17,494.20 lakhs, out of which 85.52 % is in the form of foreign exchange. Profit before tax was at Rs 345.00 lakhs and net profit after tax stood at Rs. 336.48 lakhs.

The lower net profit margin is due to hedging of Foreign Currency and forex loss of Rs.70 Crores. However, the EBIDTA registered a growth of 30% and stood at Rs.154 Crores. During 2008-09, USA & Canada dominated with a share of 54% of total turnover and Europe stood in the second with 32%.

Graphical representation of revenues from various geographical locations / countries:



Some of the key performance indications are given below:

Particulars	(Rs. in lakhs)	
	2009	2008
Gross revenue	1,17,494.20	1,07,058.91
Profit before tax (PBT)	345.00	5,120.37
Ratio of PBT to Gross revenue (%)	0.29%	4.78%
Profit After Tax (PAT)	336.48	4,760.87
Ratio of PAT to Gross revenue	0.29%	4.45%
Earnings Per Share (EPS) (Rs.)	0.98	13.85

MANAGEMENT DISCUSSION AND ANALYSIS

Risks and Concerns

We are exposed to foreign currency risk. The company is an export oriented apparel manufacturer and approx. 90% of its revenue comes as foreign currency. Since the buyers compare our products with that of competitors in USD denominated rate, appreciation of Indian rupee vis-à-vis USD would weaken our competitive position and similarly, our profits would depend on the Indian rupee appreciation/depreciation. Since the Company is Bangalore based and most of the factories/units are located in and around Bangalore, if there is any localized social unrest, break down of services and utilities, it may affect the business and consequently its revenues. To minimize the locational risks, the Company set up factories / units in Chennai, Mysore and Tumkur.

The Government of India has instituted several policies to promote the growth and these include interest rate subsidies, duty/tax reimbursement schemes etc. Withdrawal/ termination of any of these policies / schemes may adversely impact the profitability of the Company. Also wage costs in India have been significantly lower than the wage costs in the developed countries for skilled professionals in the textile industry, which has been our competitive strength. Wage increase in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins.

However, the Company has put in place a Risk Management Document which has the objective to create awareness about various risks associated with the business of the Company. It defines the risk policies, lays out the risk strategies and methodology to decide on the risk taking ability of the Company. The risk management process involves risk identification, risk measurement, risk prioritization, risk monitoring, risk escalation and risk mitigation. The Audit Committee and Board have approved this risk management document during last fiscal.

Internal Control Systems and their adequacy

The Company is committed to maintaining an effective system of internal control for facilitating accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with all laws and regulations. The Company has an internal control department to monitor, review and update internal controls on an ongoing basis. The Company has put in place a well defined organization structure, authority levels and internal guidelines for conducting business transactions.

The Company appointed independent internal auditors, who would monitor and review all transactions independently to get higher level of efficiency and would report directly to the Audit Committee, which consists of entirely independent directors, on quarterly basis. The Internal Auditors conducts audit all key business areas as per the pre-drawn audit plan. All significant audit observations and follow up actions are reported to the Audit Committee along Internal Audit reports and management's responses/replies. The minutes of Audit Committee would be reviewed by the Board for its suggestions/recommendations to further improve the internal control systems.

The Audit Committee periodically reviews audit plans, observations and recommendations of the internal auditors as well as external auditors with reference to significant risk areas and adequacy of internal controls.

Human Resources / Industrial Relations

The Company believes that its people are a key differentiator, especially in knowledge driven, competitive and global business environment. Adapting work culture to suit the dynamic balancing of people requirements and employee needs is an ongoing process. Fundamental HR processes which enable higher performance orientation, speed, skill and competency development, talent management and human asset refreshal are corner stones for the success of any organization.

As in the past, the industrial relations continued to remain cordial at all factories / units of the Company. The Company has about 37000 employees as on 31st March 2009

Caution Statement

Investors are cautioned that this discussion contains statements that involve risks and uncertainties. Words like anticipate, believe, estimate, intend, will, expect and other similar expressions are intended to identify such forward looking statements. The Company assumes no responsibility to amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Besides, the Company cannot guarantee that these assumptions and expectations are accurate or will be realized and actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements.