

### **Performance Review – Q 3 of 2009-10**

Despite the sluggish consumer spending in the U.S. and European markets, Gokaldas Exports Limited has posted a total revenue of Rs.285 Crores against Rs.291 Crores of last year, Quarter on Quarter. The PAT of this Quarter is Rs.0.53 Crores as against a loss of Rs.15.53 Crores in the corresponding Quarter of last year.

Though buyers from the western markets have increased their purchase volume, the prices offered by them are similar to the one offered during the downturn. Indian raw material prices have increased by 15% to 18% (especially the cotton fabric prices) and the export prices have not correspondingly increased. As a consequence of this situation, the profitability has been hit and a net profit of Rs.53 Lakhs has been achieved.

Clients have shown encouraging signs in terms of new volumes of purchases. Given the economic environment, the apparel exporters are facing challenging times, especially with the Indian Government withdrawing the earlier incentives given to exporters. The Government had given a 2% incentive on FOB value for all apparel exports to the U.S. and Europe and this has been withdrawn from 1st October, 2009.

Business is being taken away from India by Vietnam and Bangladesh as India is not able to supply at the prices offered by these countries. As a result, Bangladesh has overtaken India for the first time in apparel exports. In fact, their apparel exports is growing at 10% annually whereas India is down by 15%. Bangladesh has displaced India from the 5th largest apparel supplier in the world.

The U.S. and Europe will take longer to come out of this downturn and their growth to normalcy will take a couple of years. We at Gokaldas Exports have put all efforts to improve productivity and are adopting various new methods of production where higher manufacturing efficiencies have been achieved.

Our order book position for Q4, and Q1 of next year, is at a comfortable level and efforts are on to achieve better prices from customers. Talks are also in progress with a few new customers who can pay better prices for value added apparel. This can, in turn, improve the net profit.