



GOKALDAS EXPORTS LTD – Q-3 Performance review

Industry Scenario

The year 2005 has been another year of strong growth for the Indian Textile and Clothing sector. The domestic economy has exhibited robust growth which is also reflected in the clothing sector where expansions and enhanced manufacturing activity dominated the scene. This was driven by both, the increased export opportunity from India with the dismantling of quota as well as the robust domestic demand. Apparel export from India grew by almost 20% to 25%, the main areas of growth being the EU and US markets.

A Jan-Sept comparison table is given below to illustrate INDIA's position.

Textile and Apparel Exports to U.S.A.

Exporting Country	Jan-Sept '04 (\$ Million)	Jan-Sept '05 (\$ Million)	Change %
China	10,907	17,591	61.28
India	2,764	3,473	25.63
Bangladesh	1,547	1,840	18.93
Indonesia	2,011	2,320	15.37
Pakistan	1,908	2,130	11.64
Honduras	1,967	1,969	0.09
Mexico	5,922	5,551	- 6.26
Canada	2,344	2,164	- 7.68
Taiwan	1,602	1,242	- 22.46
South Korea	1,969	1,444	- 26.66

The global dynamics of the textile & clothing business has changed dramatically. The Indian Textile industry is growing, with certain product categories showing a very high (100%) growth rate. With China under quota restraints till 2008 and a floating Chinese currency, India is poised to grow in a big way.

Performance Review:

Gokaldas Exports Limited has seen another quarter of strong growth. We have achieved sales of Rs.214 Crores in Q-3 FY 2006 as against Rs.140 Crores in the previous year (Q-3 of FY 2005) indicating a growth of 53%. However, it is pertinent to note that in the previous year the volumes of Q-3 were on the lower side (because of the fag end of the quota year) and this year since no quota restrictions are there, Q-3 has been much more stronger. Our Company was listed only in the current financial year and hence last year sales figures are provisional since we were not preparing quarterly accounts then.

Export sales for Q-3 have been Rs. 211 Crores and domestic sales Rs. 3 Crores. Our sales to the US has been 70% and to the EU 25% and to other countries 5%.

Our PBIDT for Q-3 stands at Rs.24.04 Crores and the PBIDT Margin (OPM) stands at 11.22%. Our PAT for Q-3 stands at 15.72 Crores which works out to 7.33% of the turnover.

Depreciation for the Q-3 stands at Rs.4.99 Crores as against Rs.4.23 Crores of Q-2. The increase in depreciation is due to the additional capex made during the current financial year. During Q-3, the depreciation has increased by 31% over the H-1.

The net profit (after tax) of Q-3 achieved is Rs. 15.72 Crores which works out to 7.33% of the sales of Rs.214 Crores as against Rs. 30.13 Crores in H-1 which works out to 7.23% of the sales of Rs. 417 Crores.

The volatility of the Indian Rupee did not make an impact on our realizations because of a good portion of the exposure being hedged and also because of our considerable imports.

Other Developments

1. Our Doddaballapur jeans / bottoms plant is (called INDIGO BLUES) growing rapidly. Out of the planned 90,000 sq.ft. 60,000 sq.ft. is ready and is humming with activity.
2. To dilute our concentration at Bangalore, we are in the process of acquiring 10 acres of Industrial Plot at Hyderabad to establish a garment plant.
3. We have purchased 4 acres of industrial land at Mysore to establish an apparel factory.

4. The SEZ unit at Chennai is under construction and we expect to start production by June, 2006.

5. Washing Unit : Global Garments - Unit 3.

Our new laundry facility at Bangalore is under construction and as informed earlier, this unit will be operational by April, 2006.

6. Our new unit at Yelahanka (Venkateswara Clothing Company - Unit 3) is under construction and should be able to start by June, 2006.

7. Triangle Apparel - Unit 5.

During the last month, a new factory in the name of Triangle Apparel - Unit 5 has been established, which is part of one of our subsidiary companies, to manufacture trousers and shorts. This new unit was started to augment the pressure of orders on hand.

8. The company has acquired a private limited company (Robot Systems) located at Peenya Industrial Estate for a consideration of Rs.3.25 Crores. The intention is to demolish the existing structure and establish a new garment unit. Accordingly, the construction work has commenced.

Our employee strength as of end December, '05, stands at approx. 40,500.

Outlook

A comfortable order position is on hand. Our client addition continues to be strong. Our initiatives in capacity growth and improved productivity are all on track. Pricing pressures are declining and a conducive atmosphere for growth is anticipated. We expect to grow our business at 15% to 20% and believe we should meet this target in the current financial year 2005-06.