



**gokaldas exports ltd.**

**Investor presentation –  
Q1 FY20**

**29<sup>th</sup> July 2019**



# Disclaimer

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In this presentation we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. We periodically make forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

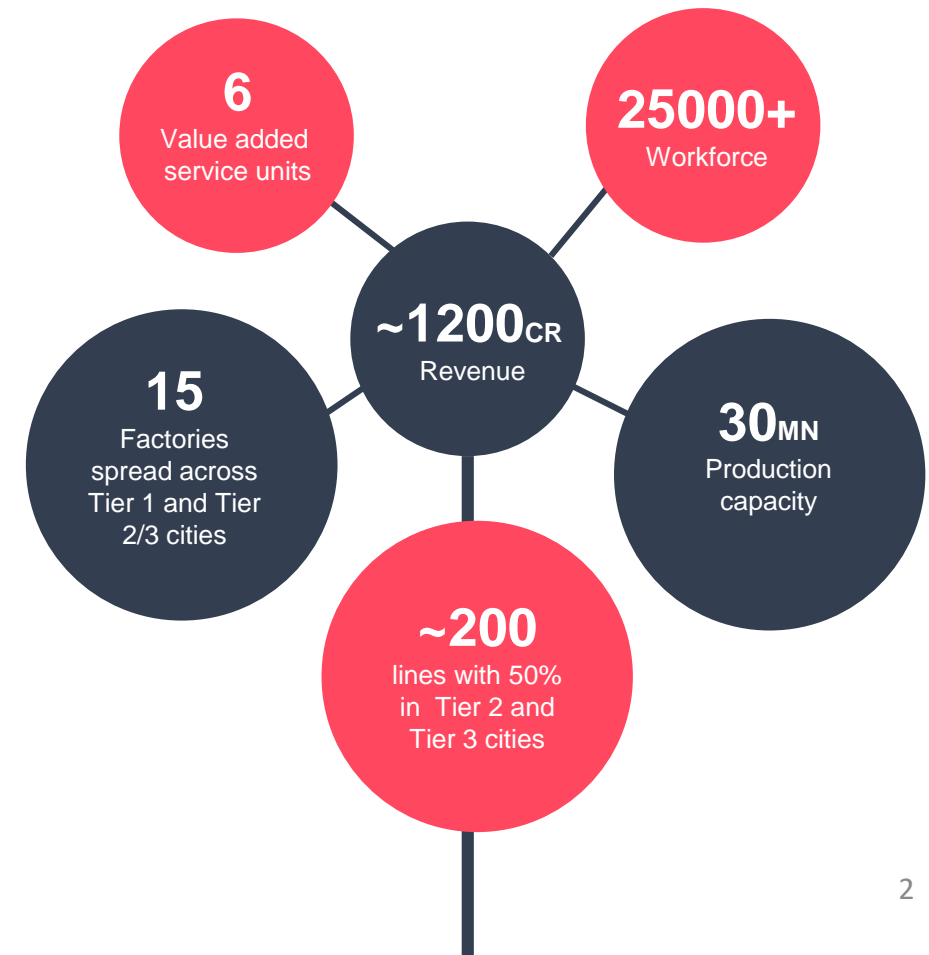
We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



# A leading apparel exporter since 1979

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- Caters to customers across all international markets including the US, Canada, Europe, Japan, Russia, Middle East, South Africa and South America
- Has a large diversified customer base of leading global branded apparel players, serving their requirement across several product categories
- Is one of the largest producer of outerwear and sportswear in India
- Has dedicated design teams for major product categories and brands
- All factories are socially compliant with complete transparency
- Has won numerous awards from industry bodies and customers over the years





# Partnering with leading apparel brands

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OLD NAVY



ZARA

H&M



MUJI  
無印良品

EST. 1892  
Abercrombie  
& Fitch  
NEW YORK



celio\*

KAPORAL  
JEANS

STYLEM

JCPenney

MATALAN



BESTSELLER®



LANDS' END

DECATHLON

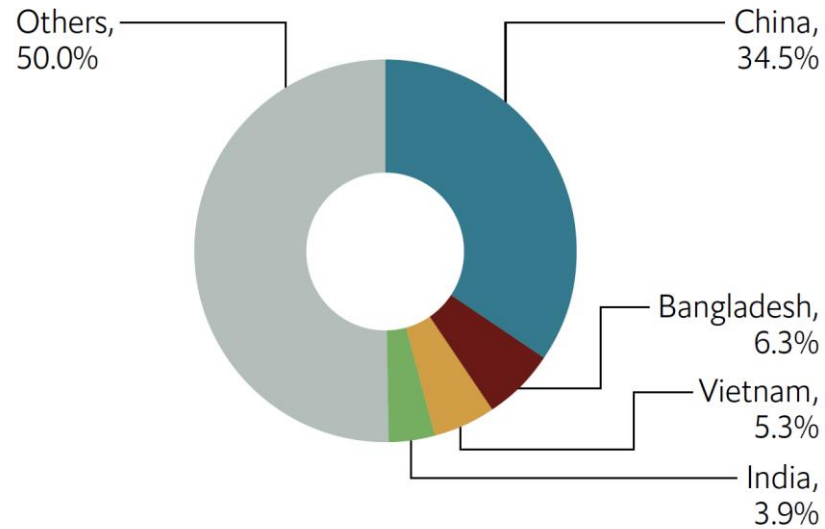


# India has considerable opportunity to grow

## Trade wars and changing priorities impact China's exports

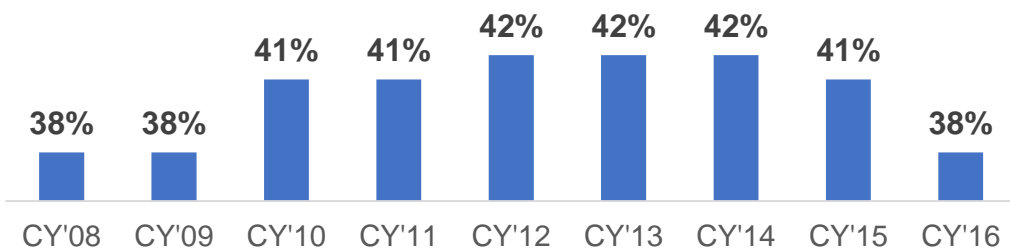
### Top clothing exporting countries, 2016

(% of global share)








Sources: World Trade Statistical Review; World Trade Organisation.

### China's share of Apparel exports



- US China trade war creates significant opportunities for rival countries
- China's increasing labour costs, declining working age population, improved social security benefits and declining interest in producing low-value exports such as garments, gives a further tailwind to the trend
- Although Vietnam and Bangladesh are already important garment production centres, in the longer term neither will be able to produce at a scale that matches China, both in terms of volume and integration of supply chains
- India benefits from its integrated presence in the cotton and rayon textiles sector

Strong benefits		Mild benefits	
Bangladesh		Sri Lanka	
Vietnam		Pakistan	
India			

Source: The Economist: US China Trade War Analysis Nov 18



# Our growth strategy is predicated on 4 major thrust areas

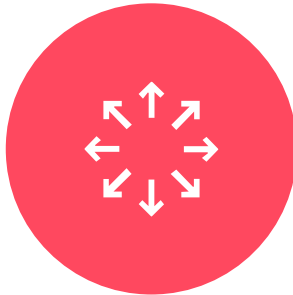
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Strengthen  
customer  
relationship



Drive  
operational  
excellence



Cost effective  
capacity  
expansion



Upgrade  
business  
infrastructure  
and technology



# Essentials levers to sustainable revenue growth

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## Revenue growth

- ❑ As a strategic supplier, partner our top customers in their growth
- ❑ New customer addition to help address revenue concentration and de-risk it
- ❑ Explore product categories for opportunity to deliver higher realisation

## Operational Efficiency

- ❑ Focus on higher operational leverage
- ❑ Continue drive for higher productivity in FY20 and FY21 from existing level to drive down cost and directly increase EBITDA
- ❑ Profitability is not that sensitive to raw material price and forex fluctuation. Increase in material cost can be absorbed in price and forex fluctuation hedged

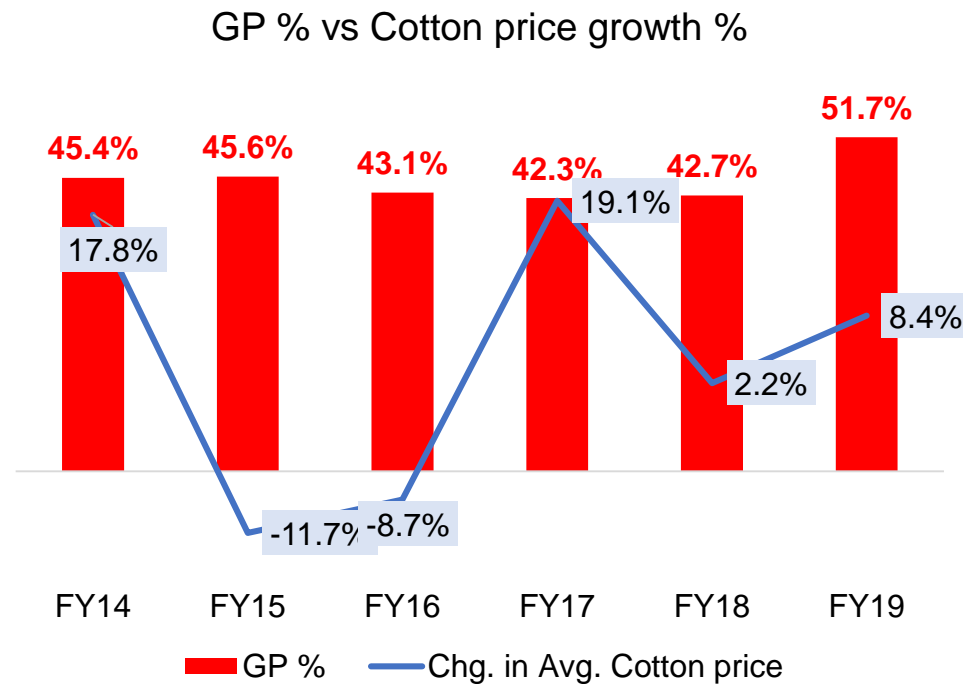
## Capacity Plan and Infrastructure

- ❑ Expand existing capacity in tandem with the growing order book.
- ❑ Focus on creating low cost capacity as far as possible
- ❑ Explore inorganic growth as well for capacity addition



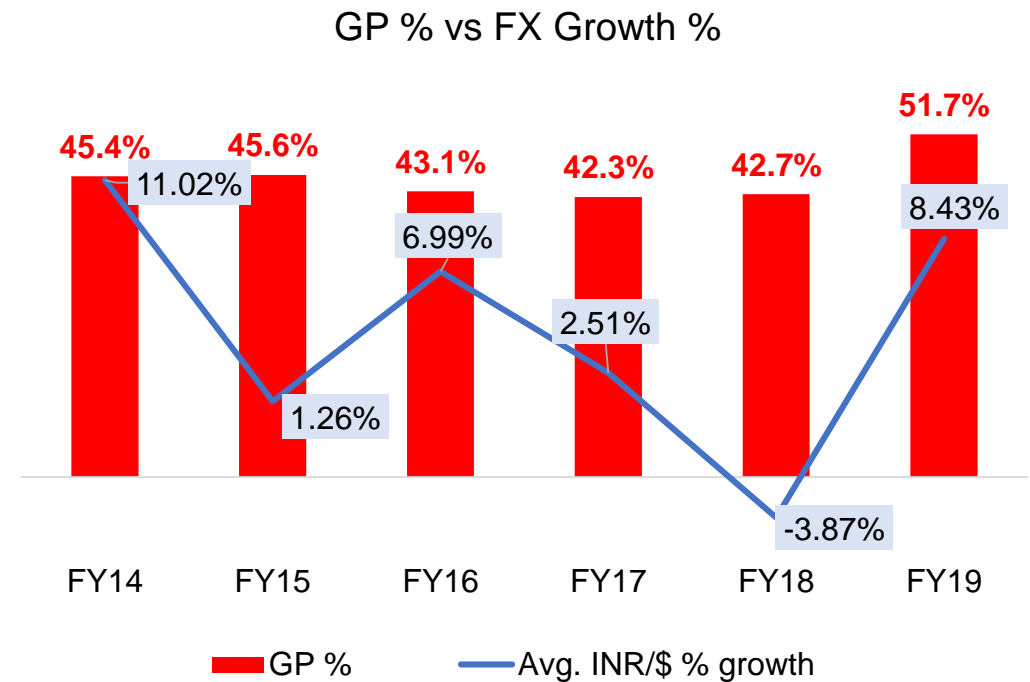
# Margins are resilient to changes in RM prices and FX

Impact of cotton and raw material prices is insignificant as it is a pass-thru most times



Impact of exchange fluctuation on GP is minimal

Figures in INR Mn.





# Standalone Financial Performance over last 3 years

Figures in INR Mn.

Parameters	FY17	FY18	FY19	Growth Y-o-Y	
				FY18	FY19
Sale of finshed goods	8,441	9,413	10,821	12%	15%
Other operating revenue	750	901	913	20%	1%
Exchange fluctuation - gain	148	255	-	72%	
Govt. grant & other income	144	128	108	-11%	-16%
Income on bank deposits and MF investments	101	88	108	-13%	23%
<b>Total income</b>	<b>9,585</b>	<b>10,785</b>	<b>11,950</b>	<b>13%</b>	<b>11%</b>
Materials consumed	4,874	5,372	5,226	10%	-3%
Employee expense	1,079	3,355	3,945	211%	18%
Other expenses	3,551	1,820	1,788	-49%	-2%
Exchange fluctuation - loss	0	0	157		
<b>Total Expenses</b>	<b>9,504</b>	<b>10,547</b>	<b>11,116</b>	<b>11%</b>	<b>5%</b>
<b>EBITDA (I-II)</b>	<b>80</b>	<b>239</b>	<b>833</b>	<b>197%</b>	<b>249%</b>
<b>EBITDA %</b>	<b>0.8%</b>	<b>2.2%</b>	<b>7.0%</b>		
<b>Less:</b>					
Finance costs	364	374	329	3%	-12%
Depreciation	175	164	192	-6%	17%
<b>PBT before excep. items</b>	<b>-458</b>	<b>-300</b>	<b>313</b>	<b>-34%</b>	<b>-204%</b>
Exceptional Items	0	0	-63		
<b>PBT</b>	<b>-458</b>	<b>-300</b>	<b>250</b>		
Tax expenses	2	9	-6	376%	-172%
<b>PAT</b>	<b>-460</b>	<b>-309</b>	<b>256</b>	<b>-33%</b>	<b>-183%</b>



# Consolidated Statement of Profit and Loss, Q1 FY20

Parameters	Q1 FY20	Q1 FY19	YoY (%)
Exports Sale	2,658	2,304	15%
Domestic Sales	461	338	37%
Sale of finished goods	3,119	2,642	18%
Other operating revenue	303	220	38%
Exchange fluctuation - gain	51	-	100%
Govt. grant & other income	18	5	256%
Income from bank deposits & MF investments	27	23	20%
<b>Total income</b>	<b>3,519</b>	<b>2,889</b>	<b>22%</b>
Materials consumed	1,709	1,277	34%
Employee expense	1,151	933	23%
Other expenses	366	467	-22%
Exchange fluctuation - loss	-	46	
<b>Total Expenses</b>	<b>3,226</b>	<b>2,722</b>	<b>19%</b>
<b>EBITDA (I-II)</b>	<b>293</b>	<b>168</b>	<b>75%</b>
<b>EBITDA %</b>	<b>8.3%</b>	<b>5.8%</b>	<b>3%</b>
<b>Less:</b>			
Finance costs	90	91	-1%
Depreciation and amortization	127	39	227%
<b>Profit/(Loss) before tax before excep. items</b>	<b>76</b>	<b>38</b>	<b>100%</b>
Exceptional Items	260	-	100%
<b>Profit/(Loss) before tax</b>	<b>337</b>	<b>38</b>	<b>784%</b>
Tax expenses	-	-	0%
<b>Profit/(Loss) After tax</b>	<b>337</b>	<b>38</b>	<b>784%</b>
<b>Net Profit Margin</b>	<b>9.6%</b>	<b>1.3%</b>	<b>8.3%</b>

Figures in INR Mn.

\*One-time gain from sale of un-utilised property.



# Q1 FY20 Highlights

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- Total Income of Rs. 3,519 Mn, growth of 22% over the previous year (PY) Q1. This is highest ever Q1 Total Income in last 10 years.
- EBITDA of Rs. 554 Mn (vs. Rs. 168 Mn in the PY Q1), 15.7% of total revenue as against 5.8% in PY Q1.
- PAT of Rs. 337 Mn (vs. Rs. 38 Mn in the PY Q1) after considering Rs. 260 Mn of one-time gain from sale of un-utilised property.
- Productivity growth of 8% over PY Q1.
- Net debt excluding bill discounting of Rs. 1,632 Mn at the end of quarter. Reduction of Rs. 228 Mn in the quarter.
- Healthy order book for Q2 FY20.
- ICRA upgrades credit rating to 'BBB Outlook Positive' (from 'BBB Minus Outlook Stable') on consistent improvement in operational and financial performance. According to ICRA:
  - The upgrade reflects the consistent improvement in operational and financial performance. The improvement in performance is expected to continue over the medium term due to strengthening operational profile with improving customer diversification and operating efficiency.
  - Steady growth in earnings has supported improvement in credit metrics, with key ratios like net debt to operating profits and interest coverage likely to become better.
  - The ratings could be revised upwards if the company continues to record healthy growth in revenues and earnings, thereby supporting further improvement in its credit profile.



# Thank you



In case of any clarification / queries pls contact :

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