



STEPPING-UP **TO THE CHALLENGE**

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Q1 FY22 HIGHLIGHTS

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MANAGEMENT COMMENTARY



SIVARAMAKRISHNAN GANAPATHI

MANAGING DIRECTOR



A strong order book and a severe production constraint! This was our predicament in the first quarter of FY22. The severe second wave of Covid-19 tested the durability of our customer relationship, our intrinsic manufacturing prowess and above all our entrepreneurial spirit.

We faced a stringent state-wide lockdown announced by the Government on account of a severe second wave of COVID-19 in the state of Karnataka where the company has most of its operations. The company's manufacturing units were completely-shut / severely-restricted between April 29 and July 4, 2021. Following Government directives, the operations remained shut for most of May and worked at 30% capacity in June. Effectively, the company lost about 54% of its total capacity in the quarter to the lockdown.

We displayed our real potential by successfully aligning our customers, stepping up our production within the constraints imposed by the lockdown and working on creating additional capacities. We dealt with the challenges of the sudden, unplanned and protracted lockdown by carrying a huge inventory of raw material meant for the planned production, supporting a large manpower on standby to ramp up production at short notice, and effectively managing our cash flow well.

Post easing of restriction from July 5, 2021, we have stepped up production to peak levels and are working towards clearing the order backlog at the earliest and ramping up the business for continued growth.

QUARTERLY HIGHLIGHTS

CONSOLIDATED REVENUES

243 CR ↑ 2.4% ↓ (34.8%)

Impacted by prolonged lockdown and restrictions imposed by the State Government consequent to the second wave of COVID. Export revenue during the quarter grew by 26% YoY.

CONSOLIDATED EBITDA

20 CR ↑ 7.8% ↓ (47.5%)

Generated higher operating profit, compared to the similarly impacted Q1 in the previous year.

CONSOLIDATED PAT

-2.6 CR ↑ 40.1% ↓ (115.9%)

PAT grew by Rs.1.7 Cr, compared to Q1FY21 (Rs.4.3 Cr), which was a similar COVID impacted quarter.

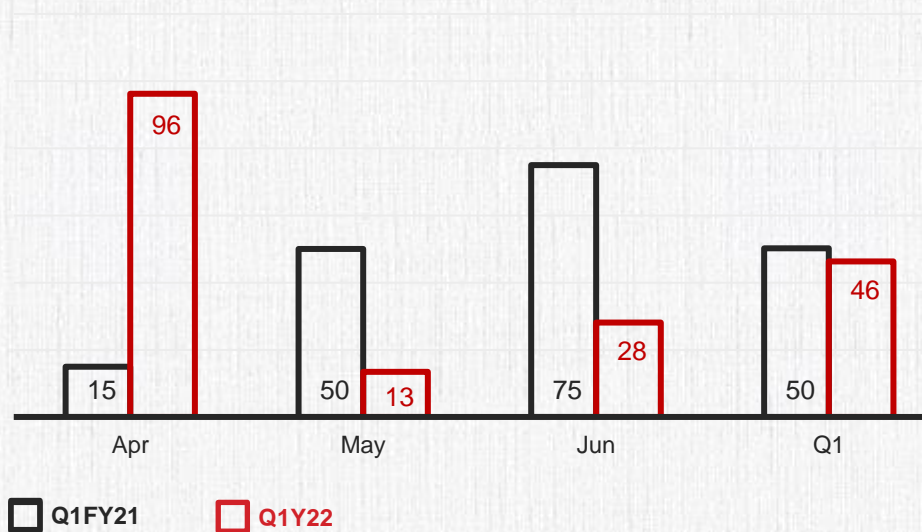
↑ Y-O-Y

↑ Q-O-Q

EFFECT OF SRTICKER LOCKDOWN / RESTRICTED OPERATION ON QUARTER'S PERFORMANCE

CAPACITY UTILIZATION

In %



As per the directive of the Government of Karnataka, the company's manufacturing units were completely shut to severely restricted between 29th April 2021 and 4th July 2021. Following Government directives, the operations remained shut for most of May 2021 and worked at 30% capacity in June 2021. The Company resumed full operations from 5th July, 2021.

The overall drop in revenue in both the quarters is as a result of underutilization of total production capacity.

QUARTERLY FINANCIAL HIGHLIGHTS

SUMMARY OF PROFIT AND LOSS STATEMENT

₹ in Crores

KEY PERFORMANCE METRICS	Q1FY21	Q4FY21	Q1FY22	Q-O-Q	Y-O-Y
Revenue from operations	233.9	369.9	241.0	(34.9%)	3.0%
Other Income	3.4	2.8	2.0	(26.6%)	(40.3%)
Total Income	237.3	372.7	243.0	(34.8%)	2.4%
EBITDA	18.5	38.0	19.9	(47.5%)	7.8%
EBITDA Margin (%)	7.8%	10.2%	8.2%	(2.0%)	0.4%
Finance cost	9.8	9.3	10.1	8.0%	2.8%
Depreciation and amortisation expenses	13.0	12.5	12.4	(0.7%)	(4.2%)
PAT	(4.3)	16.0	(2.6)	(115.9%)	40.1%

REVENUE

The company had a strong performance in April with a robust orderbook and factories working at capacity. Stringent lockdowns in May and June set back the revenue for the quarter, as production almost came to a standstill. On account of lockdown, the company could not ship all of what it produced in the quarter.

US and EU retail demand continued to be robust resulting in a huge pressure on the company to deliver the backlog created by lockdown. Retail sales in these markets have almost reached pre-covid levels.

The company also recognized the pending export incentives of about Rs.4 Cr of the previous quarter since RoSCTL rates were notified in July 2021.

EBITDA Margin

Delivered 8% YoY growth in a constrained quarter. The company had to incur a significantly higher wage cost for the planned production in quarter in comparison to the same quarter in the previous year.

QUARTERLY FINANCIAL HIGHLIGHTS

ANALYSIS OF FINANCIAL POSITION

₹ in Crores

	Q1FY21	Q4FY21	Q1FY22	Y-O-Y change	Q-O-Q change
NON-CURRENT ASSETS					
Investment in Fixed Assets	124.9	127.2	130.0	5.1	2.8
Other non-current assets	57.5	45.8	50.5	(7.0)	4.7
Total non-current assets	182.4	173.1	180.5	(1.8)	7.5
Current assets					
Inventories	282.6	259.2	332.3	49.8	73.1
Trade receivables	114.7	179.8	73.0	(41.7)	(106.8)
Other current assets	77.3	68.7	74.9	(2.4)	6.2
Total current assets	474.6	507.7	480.3	5.7	(27.4)
Less: Current Liabilities					
Trade payables	109.8	111.7	125.4	15.6	13.7
Other current liabilities	109.4	104.4	109.3	(0.1)	4.9
Total current liabilities	219.3	216.1	234.7	15.4	18.6
Net Current Assets	255.3	291.6	245.6	(9.7)	(46.0)
Capital Employed	437.7	464.7	426.1	(11.6)	(38.6)
SOURCES OF FUNDS					
Equity	235.1	290.1	282.0	46.9	(8.1)
Long term Borrowings	-	18.8	30.3	30.3	11.5
Short term Borrowings	389.3	346.4	294.0	(95.3)	(52.4)
Total Borrowings	389.3	365.2	324.3	(65.0)	(40.9)
Less: Fixed Deposits held with Banks	139.4	146.9	148.5	9.1	1.6
Less: Cash and cash equivalents includes investment in MFs	60.6	52.1	41.4	(19.2)	(10.7)
Net Borrowings / Net Debt	189.4	166.2	134.4	(55.0)	(31.8)
Long term provisions	4.6	5.3	5.3	0.7	0.0
Lease Liabilities (Net)#	8.7	3.1	4.5	(4.2)	1.4
Total Sources of Funds	437.7	464.7	426.1	(11.6)	(38.6)

Note: # lease liabilities are net off right of use of assets and liabilities.

- Capital employed does not include cash and cash equivalents including investment in mutual funds

LIQUIDITY POSITION

The company is in a better position to meet its short term obligations keeping its current ratio at 1.87, although, it has marginally decreased from 2.35 compared to the previous quarter.

DEBT

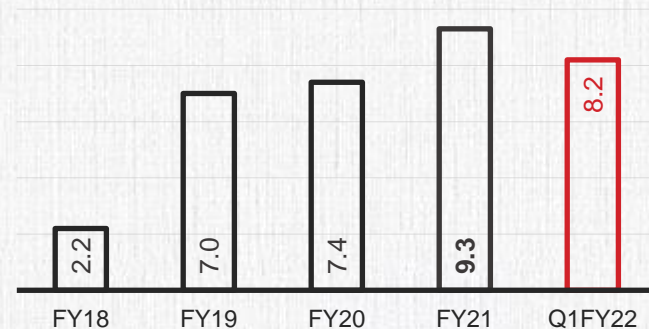
The company has reduced the net debt by Rs.32 Cr during the quarter keeping it at Rs.134 Cr compared to Rs.166 Cr as of 31-Mar-21.

The net debt to equity is 0.53 in Q1FY22 compared to 0.72 in Q4FY21.

FINANCIAL RATIOS

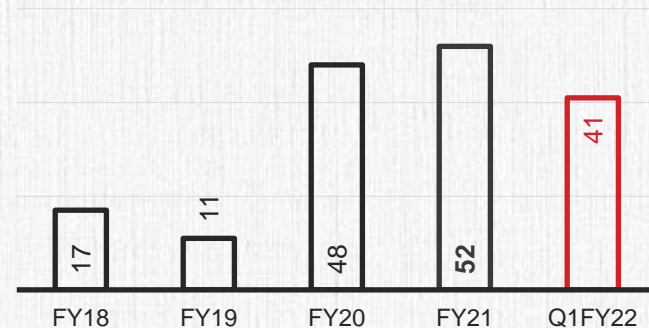
EBITDA MARGINS

In %



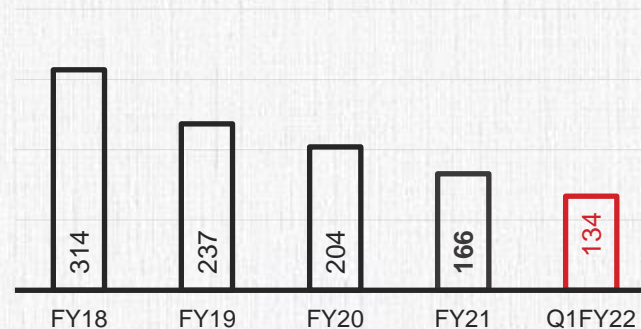
CASH AND CASH EQ.

₹ in Crores



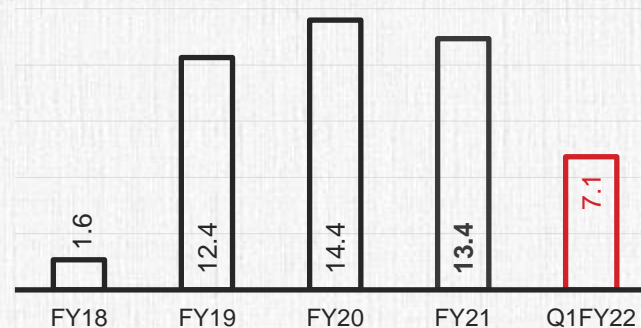
NET DEBT

₹ in Crores



RETURN ON CAPITAL EMPLOYED

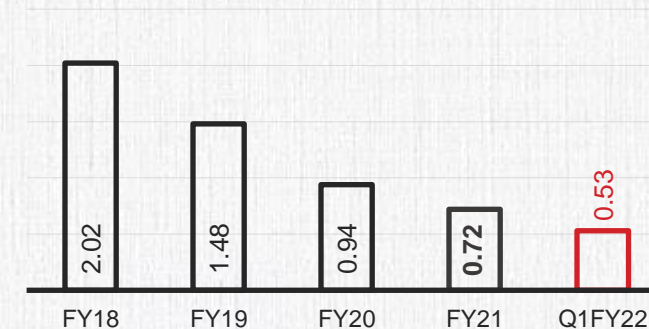
In %



Note: Lease assets and liabilities, cash and cash equivalents, fixed deposits held against loan etc. eliminated for capital employed calculation

NET DEBT/EQUITY

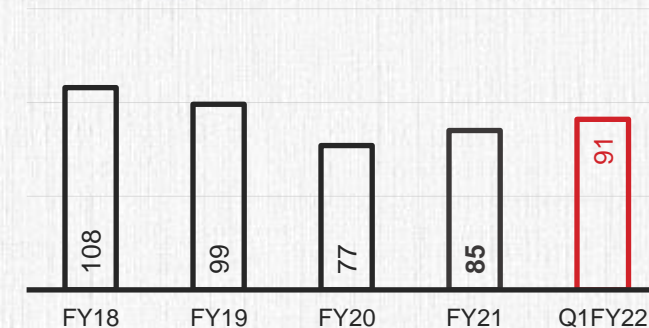
In times



Note: Average net debt / average equity

NET WORKING CAPITAL

In number of days



The working capital days in Q1FY22 have increased due to higher raw material inventory holding for Q2 production and goods produced could not be dispatched due to lockdown

Note: Cash and cash equivalents, lease assets are not included in the working capital

COPING UP WITH **SECOND WAVE OF COVID -19**



CHALLENGES FACED DURING THE 2ND WAVE

- Factory operations completely shut / operated with reduced capacity for about 2/3rd of the quarter following Government's directive on COVID guidelines.
- Intermittent production runs and disruption in people movement resulted in sub-optimal utilization of available capacity.
- Disruption in supply chain, impacted outbound logistics and supplies.



MEASURES TAKEN TO OVERCOME THE CHALLENGES

- To mitigate the production loss, explored sub-contracting opportunity
- Followed up with customers for faster realization of receivables. Engaged with suppliers for extended credit without affecting committed supplies.
- Expenses were revisited and allowed on the basis of zero base budgeting. Barring production centric capex, rest of the requirements were deferred.
- Lowered dependencies on borrowings, however additional credit lines were held as stand-by.



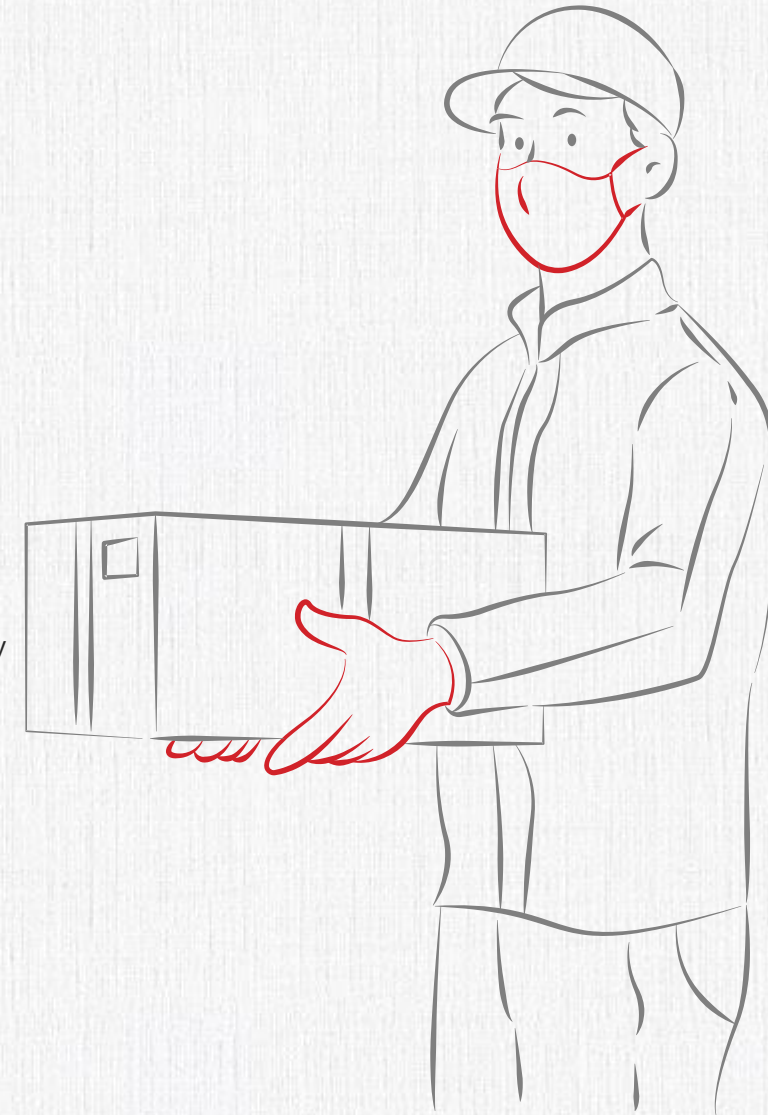
ADHERENCE TO GOVERNMENT GUIDELINES

- Factories and offices were regularly sanitized.
- Factories operated with adequate social distancing.
- Employee help desk created to provide quick support to any employee in need.
- Facilitated vaccination drive across factories and offices to keep employees safe.



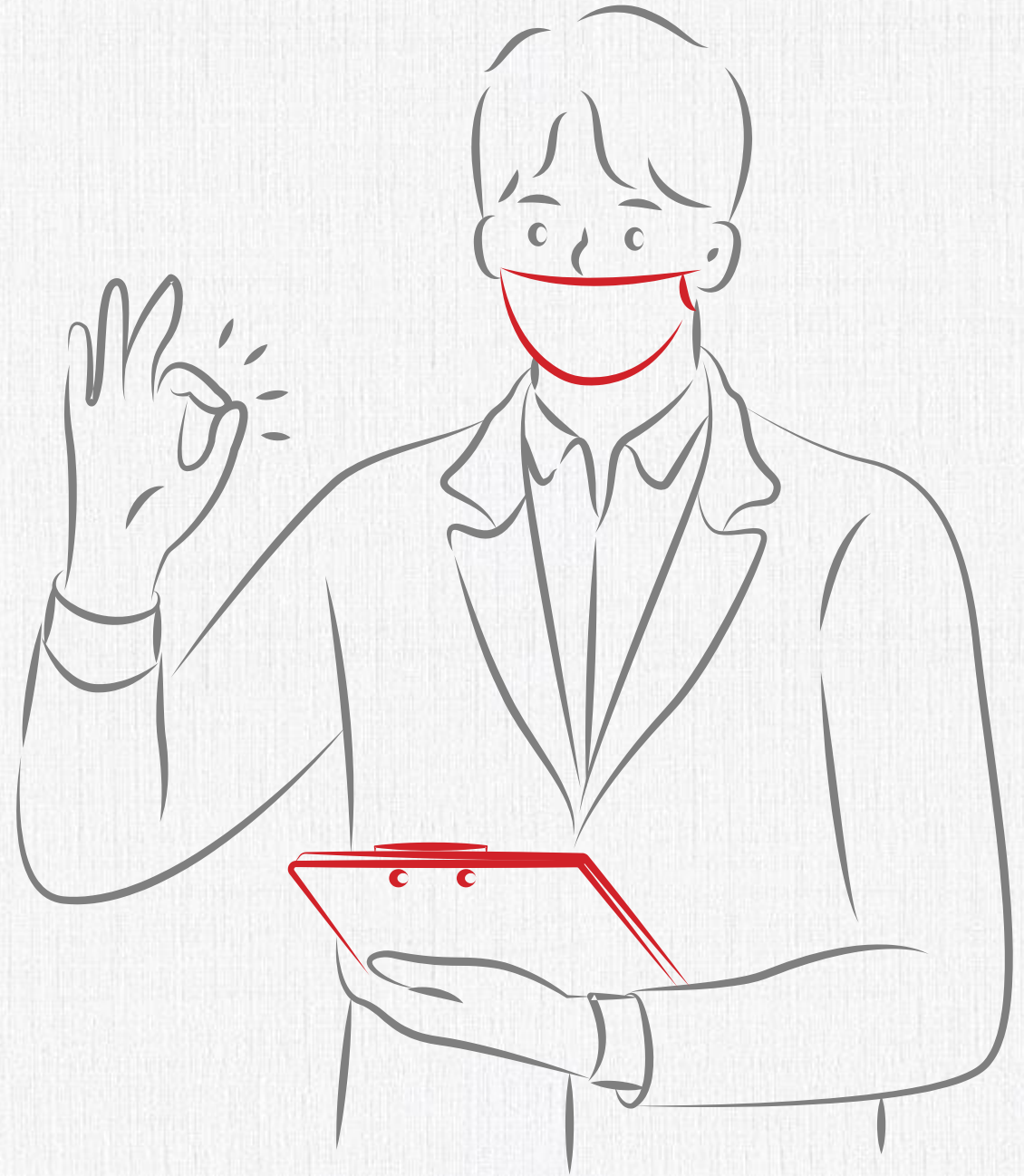
HOW WE ADDRESSED THE BUSINESS IMPACT

- Aligned with customers for extension of delivery dates.
- Ensured committed dispatch dates for Q1 were honored despite huge challenges which strengthened customer's confidence.
- Worked closely with customers for their business needs to ensure a sustainable growth of the business.
- Planned additional capacity for immediate growth to clear backlog and meet demand.



ABOUT THE **COMPANY**

- ABOUT GOKALDAS EXPORTS
- STRONG IN-HOUSE CAPABILITIES
- THE GOKALDAS ADVANTAGE



ABOUT **GOKALDAS EXPORTS**

Established in 1979, Gokaldas Exports is one of the largest organized apparel manufacturers catering to a wide range of apparel needs of eminent global brands.



4+ decades of
manufacturing excellence



Catering to brands in
over **50** countries



Strong workforce of 24,000+
people with about **80%** of
them being women



20 State-of-the-art
manufacturing units equipped
with **13,000+** machines



Fully **integrated**
manufacturing operations



Committed to
Sustainability

STRONG IN-HOUSE CAPABILITIES



Worldclass
Design Studio with 3D
capability



In-house Testing Lab
Accredited by GAP, H&M,
Adidas, Puma.



Robust **Product
Development and
Sampling**
set-up



Polyfill manufacturing using
latest technology.
Quilting with a capacity to quilt
15,000 meters/day



Modern Printing set up
with 12 state of art automatic
machines from M&R-USA,
and TAS-Australia

- Capacity of 43 million impressions / month
- Capability of printing multiple options on all types of fabric qualities



Laundry with state-of-the-art machinery from YILMAK-Turkey, Jeanologia from Spain

- Capability to execute innovative washed on denims & non-denims.
- Combined capacity of 1,50,000 pcs./day including garment dyeing and all kinds of dry processes.
- Morden ETP with a capacity to treat 0.7 million ltrs. / day
- Zero liquid discharge plant for washing.



Integrated Embroidery
set-up



Pneumatic fibre filler for
making puffer jackets



THE GOKALDAS **ADVANTAGE**



Diversified across geographies, products and clients



Globally recognized vendor of complex value-added garments



Fully integrated manufacturing operations (also ability to offer design services)



Long standing relationships with eminent global brands spanning over decades



Adhering to high standards of EHS compliance



Credible track record of quality and delivery metrics leading to becoming the preferred supplier for large brands.

A RESPONSIBLE **CORPORATE**

- A PEOPLE FIRST COMPANY
- ONLINE VACCINATION DRIVE
- EMPLOYEE ENGAGEMENT
- ENVIRONMENTALLY CONSCIOUS



A PEOPLE FIRST COMPANY

At Gokaldas, we put our people first and prioritized overall physical and mental wellbeing of our employees along with business sustainability.

Conducted a number of initiatives aimed at promoting self reflection and personal growth.



EMPLOYEE WELLNESS PROGRAMS



BEHAVIOURAL SKILL TRAINING



LEADERSHIP DEVELOPMENT



PEOPLE MANAGER SKILLS

COVID CARE in Q1FY22

- Onsite Vaccination Service
- Oxygen Concentrator & Ambulance Service
- Hospitalisation support
- Financial Support to COVID affected employees
- Awareness on COVID appropriate behaviour
- Transport Facility during partial lockdown



VASANTHA

SEWING OPERATOR

One of my relatives needed hospital admission at midnight. The COVID task force at the Unit provided ambulance assistance with oxygen support and helped in securing a bed in the nearby hospital. I am indebted to the organization for the support.



HARISH SHETTY

OPERATOR - STRAIGHT KNIFE

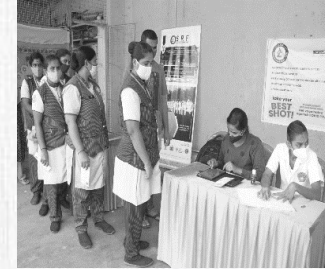
I struggled to get vaccination and I was really worried about my health during second wave of the pandemic. I am grateful to my factory for organizing onsite vaccination, this has given me confidence and ensured my safety.

ONSITE **VACCINATION DRIVE**

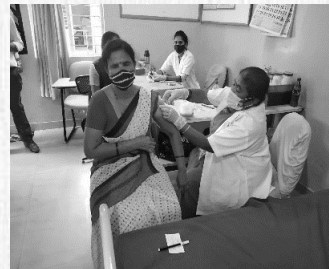
The company conducted vaccination awareness events during the quarter and set-up vaccination camps in all the Units for the welfare and safety of the employees and their families.



AADHAR CARD VERIFICATION



REGISTRATION FOR VACCINATION



VACCINATION FOR ALL



60% EMPLOYEES VACCINATED

EMPLOYEE ENGAGEMENT



PERSONAL ADVANCEMENT & CAREER ENHANCEMENT

Training on Life Skills such as Health, Hygiene, Financial Literacy, Communication & Well Being.

Conducted by certified trainers.

Rolled out across 10 units.



WOMEN SUPERVISOR DEVELOPMENT MODULE

To promote diversity at supervisory level.

Volunteers enrol and complete a 9 days program, including a learning application project. Piloted two batches at one unit.

Target to achieve 30% women representation in supervisory level by FY22.



DRIVE RIGHT BEHAVIOR AT WORK PLACE

Employees are given awards for exhibiting right behaviour at workplace.

The process is gamified for engagement.

Key metrics such as attendance, late coming, individual productivity, quality & safety parameters are covered. Piloted at 2 units, extended to 3 more units.

ENVIRONMENTALLY CONSCIOUS

We are focused on reducing our ecological footprint by investing in resource conservation and efficiency across water, energy and chemical waste.

NOTABLE INITIATIVES		
Zero Liquid Discharge Plant	Rainwater Harvesting	Sweden Textile Water initiative (STWI) Projects
CERTIFICATIONS		
		
		

4 R APPROACH TO SUSTAINABILITY



RESTORE

Rainwater harvesting



REDUCE

Replacement of Oil and fossil fuels with organic biomass



RECYCLE

Zero Liquid Discharge water recycling unit at our washing facility



RENEWABLE

Roof top solar panels providing clean energy

BUSINESS **OUTLOOK**

- MARKET RECOVERY
- FY22 OUTLOOK



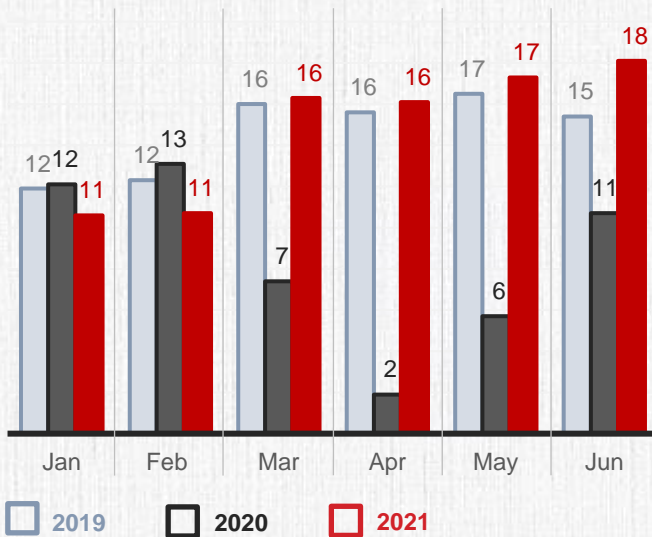
MARKET RECOVERY

SUPPORTING GROWTH

APPAREL MARKET IN THE US

US APPAREL STORE SALES

Value in US\$ Billion

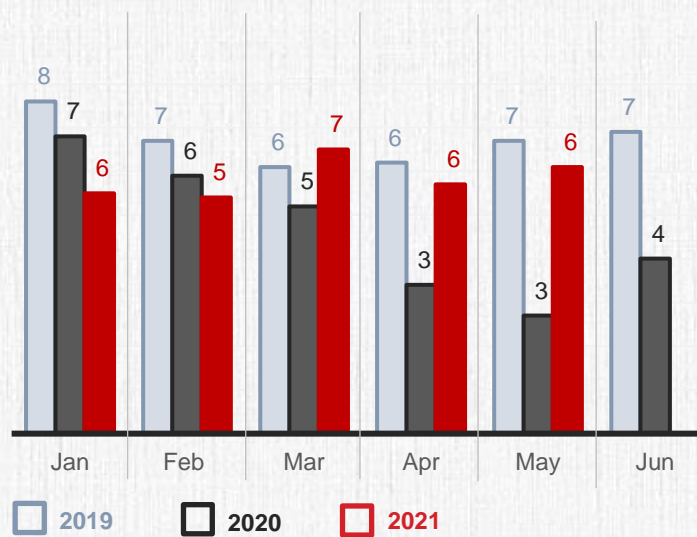


Data source : U.S. Census Bureau

US monthly apparel store sales has been on the rise for 4 months in a row crossing pre-covid level in June. YTD sales in 2021 are 75% higher than 2020 and 2% higher than 2019. This shows there is good sign of market recovery. US being the largest for us, an increase in retail off-take results in higher demand for our capacity.

US APPAREL IMPORTS

Value in US\$ Billion



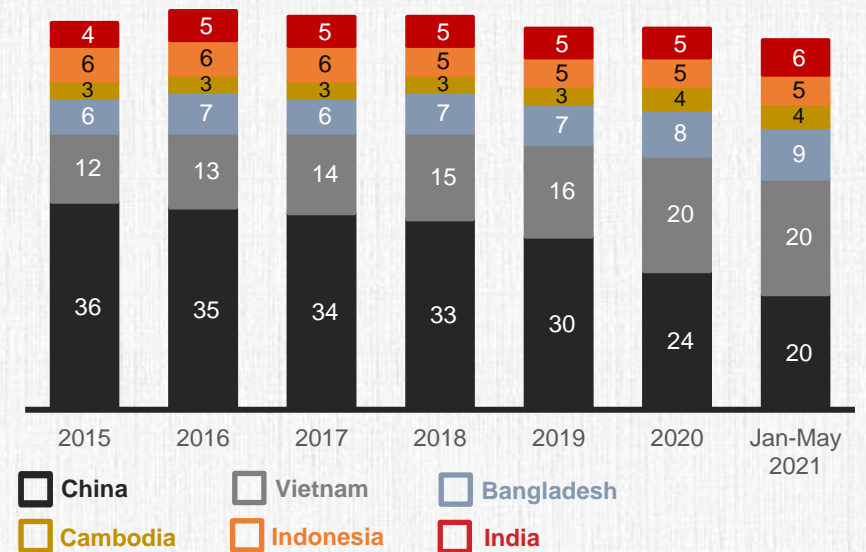
Data source : The Office of Textiles and Apparel (OTEXA), USA

US apparel imports in May 2021 were 7% higher than last month. YTD imports are about 22% higher than last year but has still not recovered to pre-covid levels.

With end user demand continuing to be robust, the imports is expected to catch up soon.

CHANGE IN SHARE OF MAJOR APPAREL SUPPLIERS TO US

In %



Data source : The Office of Textiles and Apparel (OTEXA), USA

It is evident that over the last six years, China's export share to the USA has declined by ~16% with a sharp fall in the last two years. This has benefited countries like Vietnam and Bangladesh.

India has managed to gain 2% over since 2015 and 1% market share since 2019. Specific producers in India with strong product development and manufacturing capabilities have an opportunity to leverage the sharp drop in China's market share.



FY22 **OUTLOOK**



Indian textile exports is on the threshold of a strong growth. Retail stores and ecommerce demand in key markets like US and EU are boisterous. Consequently, apparel imports by these regions are growing.

With China's export share on a decline, particularly to the US market, the opportunity for India remains high. India's share hitherto has been small in the global apparel trade, This could see a correction with large brands realigning their supply chain to derisk from effect of Covid and balancing their sourcing more evenly.

The Government of India has announced continuance of RoSCTL up to FY24. This provides clarity to exporters and over a longer term helping the growth of the sector. PLI scheme could provide additional support to growth.

The company has a strong order book and is in the process of augmenting its capacity over the near term to meet the demand and clear the backlog of production from the first quarter of this year. The company anticipates a sizeable revenue growth in this FY in line with these trends.

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THANK YOU

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