



GOKALDAS
EXPORTS LIMITED

Future Ready

Q1 FY24

INVESTOR
PRESENTATION



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Q1 FY24

Highlights

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Management Commentary



“It is not the mountain we conquer but ourselves.” – Edmund Hillary

Our performance endorses the belief in our ability to sustain continued operating performance gains in a sluggish macro-economic environment. Global retail offtake has been slow resulting in overall imports of major consuming markets like the US, UK, and EU declining significantly in this period, owing to inventory overhang with customers. Apparel import data shows a y-o-y decline for April and May 2023 of 26% for the US and 20% for the UK and EU. Weak retail demand in Autumn-Winter 2022, inflationary trends, high-interest rates, and a mild winter, contributed to excess inventory, impacting offtake. Major brands are consciously liquidating excess inventory holdings and controlling their purchases. We continue to anticipate the demand to be sluggish for H1 FY24, with momentum picking up subsequently.

On the cost front, an increase in minimum wage and dearness allowance for factory employees resulted in an impact of about 2% on the operating margin. With an extraordinary focus on operations excellence, we offset the additional cost through productivity improvements, generating an operating margin of 13% in Q1 FY24 vs. 12.1% in Q1 FY23. We generated cash from operations, excluding working capital changes, of about ₹48 Crore and spent about ₹43 Crore on capital expenditure during the quarter securing a healthy growth base for the company.

Our new manufacturing unit in Madhya Pradesh started commercial production and we expect the production to ramp up in the next 9 months. Project work in the fabric processing unit in Tamil Nadu is in advanced stages. We are also progressing well in onboarding new customers.

While we continue to closely monitor potential macroeconomic risks and take measures focusing on customer relationships and service excellence, we are optimistic about the revival of the business in H2 and are bullish on the long-term prospects of the Company.

Quarterly Highlights

Summary of Consolidated Profit & Loss Statement

₹ in Crores

| KEY PERFORMANCE METRICS | Q1FY24 | Q4FY23 | Q1FY23 | YOY | QOQ |
|--|--------------|--------------|--------------|-----------------|------------------|
| Total Income | 522.2 | 530.1 | 612.7 | (14.8%) | (1.5%) |
| Revenue from operations | 514.6 | 523.0 | 610.6 | (15.7%) | (1.6%) |
| Other Income | 7.6 | 7.1 | 2.1 | 267.9% | 6.7% |
| EBITDA | 67.8 | 77.2 | 74.3 | (8.8%) | (12.2%) |
| EBITDA Margin (%) | 13.0% | 14.6% | 12.1% | 85 bps | (158 bps) |
| Finance cost | 5.5 | 7.4 | 6.4 | (14.2%) | (25.7%) |
| Depreciation and amortisation expenses | 19.1 | 19.0 | 17.1 | 11.7% | 0.5% |
| Profit before tax | 43.2 | 50.8 | 50.8 | (-15.0%) | (14.9%) |
| Less: Current tax | 11.8 | 9.2 | 14.8 | | |
| Less: Deferred tax credits | (1.2) | (5.7) | (3.3) | | |
| Profit after tax | 32.6 | 47.2 | 39.4 | (17.4%) | (31.0%) |

REVENUE

₹522 Cr.

The revenue trended in line with the current sluggish market condition where apparel imports by major buying countries i.e., the US, UK, and EU have declined by 26%, 23%, and 19% respectively during April - May 2023 over the same period of the PY. India's export during the quarter fell by about 17.8% YoY. Excess inventory with major brands, coupled with slower retail offtake has affected the fall in demand.

-14.8% Y-o-Y

-1.5% Q-o-Q

EBITDA

₹68 Cr.

EBITDA MARGIN

13.0%

Superior productivity offset the impact of an increase in minimum wage and dearness allowance for the workmen category in Karnataka compared to the PY, resulting in YoY margin growth.

-8.8% Y-o-Y

+85 bps Y-o-Y

-12.2% Q-o-Q

-158 bps Q-o-Q

PBT

₹43 Cr.

In line with Revenue. Prudent cost management and superior productivity offset cost inflation.

-15.0% Y-o-Y

-14.9% Q-o-Q

Financial Year Highlights

Analysis of Financial Position

₹ in Crores

| KEY PERFORMANCE METRICS | 30 th Jun 2023 | 31 st Mar 2023 | 30 th Jun 2022 |
|--|------------------------------|------------------------------|------------------------------|
| NON CURRENT ASSET | | | |
| PPE and other fixed assets | 313.0 | 275.1 | 192.3 |
| Other non-current assets | 67.9 | 74.6 | 74.4 |
| Total non-current assets | 381.0 | 349.7 | 266.7 |
| CURRENT ASSET | | | |
| Inventories | 249.6 | 293.0 | 383.7 |
| Trade receivables | 103.8 | 135.8 | 58.3 |
| Other current assets | 73.8 | 83.0 | 139.7 |
| Total current assets | 427.2 | 511.8 | 581.6 |
| Less: Current Liabilities | | | |
| Trade payables | 67.2 | 84.0 | 89.8 |
| Other current liabilities | 208.1 | 203.9 | 244.7 |
| Total current liabilities | 275.3 | 287.9 | 334.5 |
| Net Current Assets | 151.9 | 223.9 | 247.1 |
| CAPITAL EMPLOYED* | 532.8 | 573.6 | 513.8 |
| SOURCES OF FUNDS | | | |
| Equity | 945.2 | 886.3 | 725.5 |
| Long term Borrowings | 11.6 | 9.6 | 1.2 |
| Short term Borrowings | 33.0 | 25.8 | 14.7 |
| Total Borrowings | 44.6 | 35.5 | 15.9 |
| Less: Fixed Deposits held with Banks | 7.6 | 9.3 | 21.0 |
| Less: Cash and cash equivalents includes investment in MFs | 470.0 | 358.7 | 214.7 |
| Net Borrowings / Net Debt | (433.0) | (332.5) | (219.8) |
| Long term provisions | 13.5 | 13.5 | 6.7 |
| Lease Liabilities (Net)# | 7.2 | 6.4 | 1.3 |
| TOTAL SOURCES OF FUNDS | 532.8 | 573.6 | 513.8 |

Note: *Capital employed does not include cash and cash equivalents including investment in mutual funds.
#Lease liabilities are net of a right of use of assets and liabilities.

CASH FROM OPERATIONS

During the quarter the company generated ₹48 Cr. as cash from operations excluding cash generated out of working capital changes. The company's liquidity position has been strong and sufficient to meet its current obligations.

NET CASH

₹433 Cr.

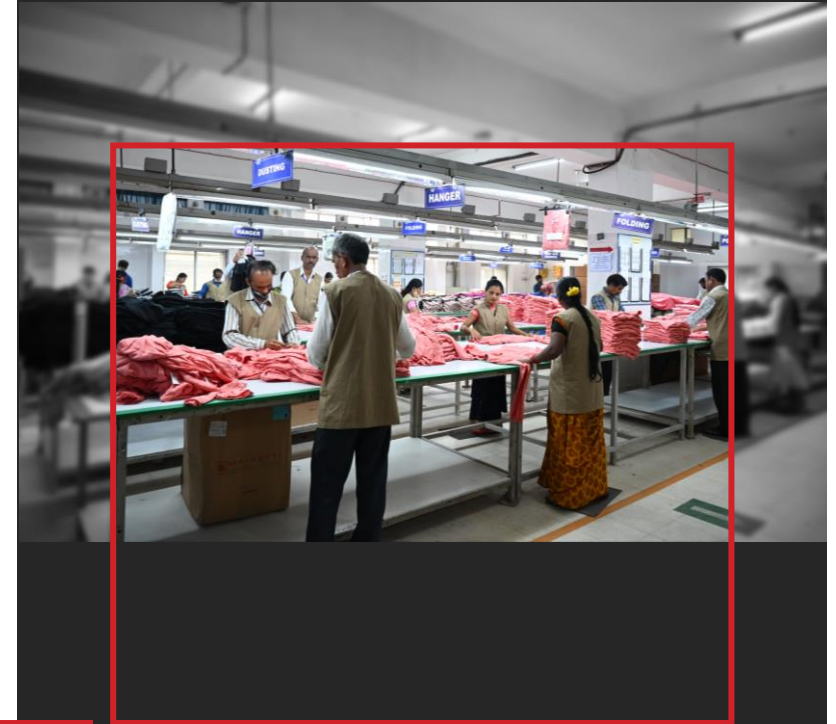
The company continues to be a **ZERO NET DEBT** company. The company's gross borrowing has increased by ₹ 9 Cr. over the balance as of 31-Mar-23 and adjusting the cash on hand, fixed deposits, and investments in liquid mutual funds, the company has a net cash surplus of ₹433 Cr., compared to net cash of ₹333 Cr. as of 31st March 2023.

Continue to Invest in Machinery for Expansion and Upgradation

Capital Expenditure

(In ₹ Crore)

| YEAR | MODERNIZATION AND UPGRADES | NEW CAPACITY AND NEW PROJECTS | TOTAL |
|-----------------|----------------------------|-------------------------------|------------|
| FY22 | 28 | 56 | 84 |
| FY23 | 38 | 97 | 135 |
| Q1 FY24 | 16 | 27 | 43 |
| 9m FY24 planned | 15 | 87 | 102 |
| Total | 97 | 267 | 364 |



The company intends to exercise judicious control over capex spending taking into consideration the market conditions.

₹145 Cr.

CAPEX PLANNED DURING THE YEAR



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Global Apparel

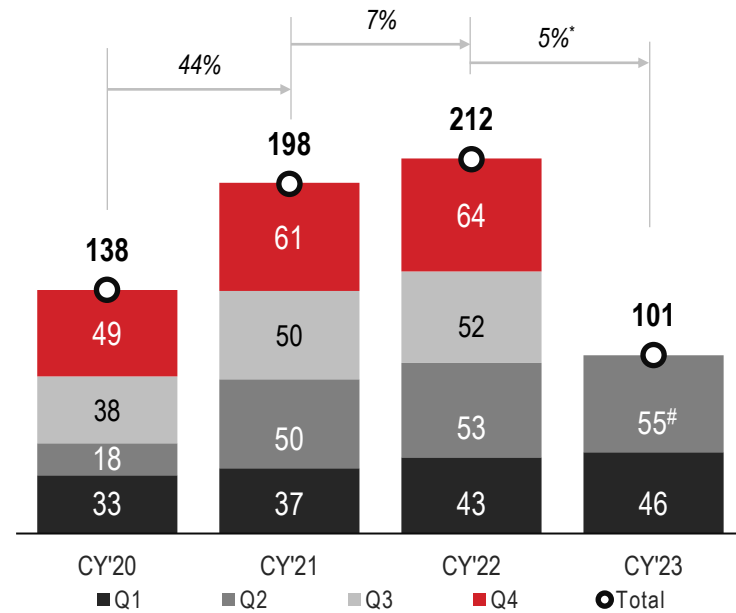
Industry Trends

02/

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US Consumer Sales Softened Slightly

US Clothing Retail Store Sales
(IN US\$ BN)



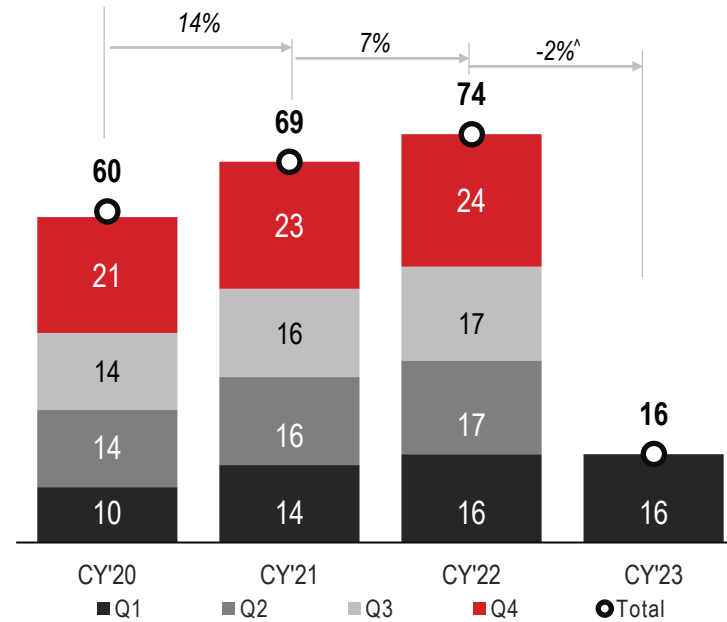
Retail Store Sales remain Resilient

US monthly apparel store sales continue to remain resilient despite the rising inflation and the central bank's effort to contain the same by increasing interest rates.

^{*}Note: Represents 1H CY2023 v/s 1H CY2022
[#]Note: Data for the month of June in the quarterly figure as per Wazir estimates.

Source: US Census Bureau

US E-com Clothing Sales
(IN US\$ BN)



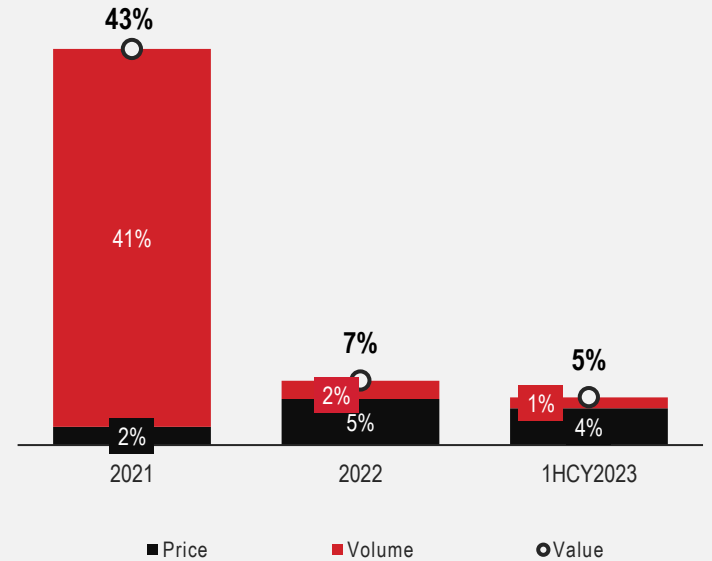
The Continuing Trend of Rising Contribution from E-com

US E-com clothing and accessories sales has stagnated in early CY23.

^{*}Note: Represents 1Q CY2023 v/s 1Q CY2022

Source: US Census Bureau

Price v/s Volume Contribution
(IN %)



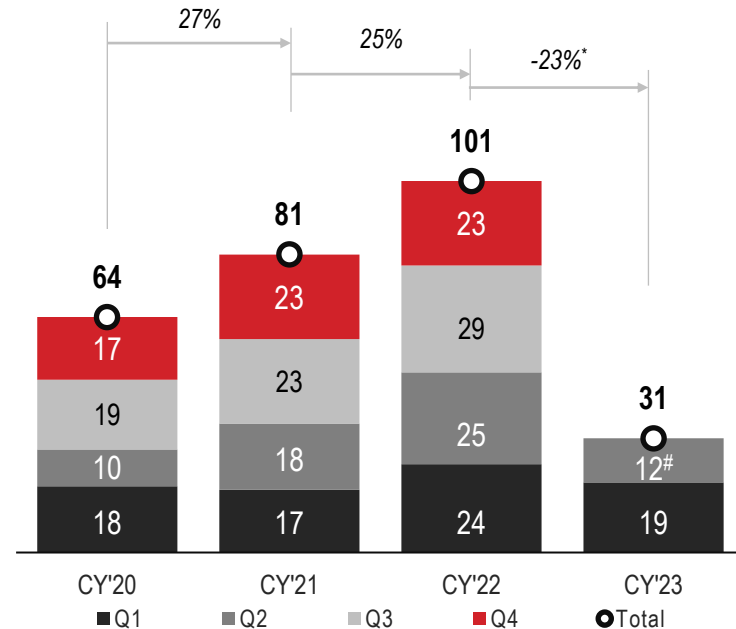
Retail Sales in 1H2023 Driven by Price Increases.

Overall retail sales value was mainly contributed by the price increases compared to the increase in volume. The resilient consumer sales and lower discounts lead brands to realize higher prices.

Source: US Census Bureau

US & EU Apparel Imports Trending Down

US Apparel Imports (IN US\$ BN)



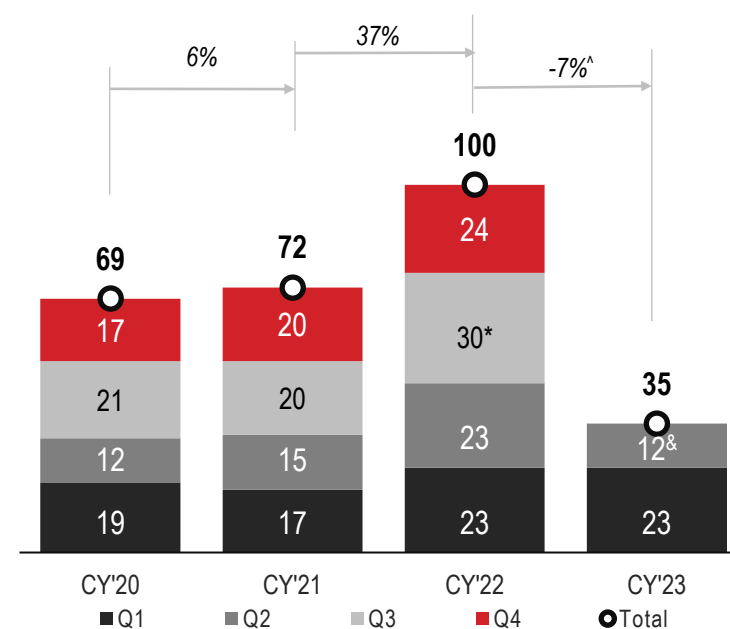
US Apparel Imports Continue to Decline

US monthly Apparel imports have been on the decline since the start of 2023. YTD May 2023 Apparel imports declined by 23% compared to the same period previous year.

^{*}Note: Represents YTD May CY2023 v/s YTD May CY2022
[#]Note: Data represents April + May as June data is yet to release.

Source: Otexa

EU-27 Apparel Imports (IN EUR BN)



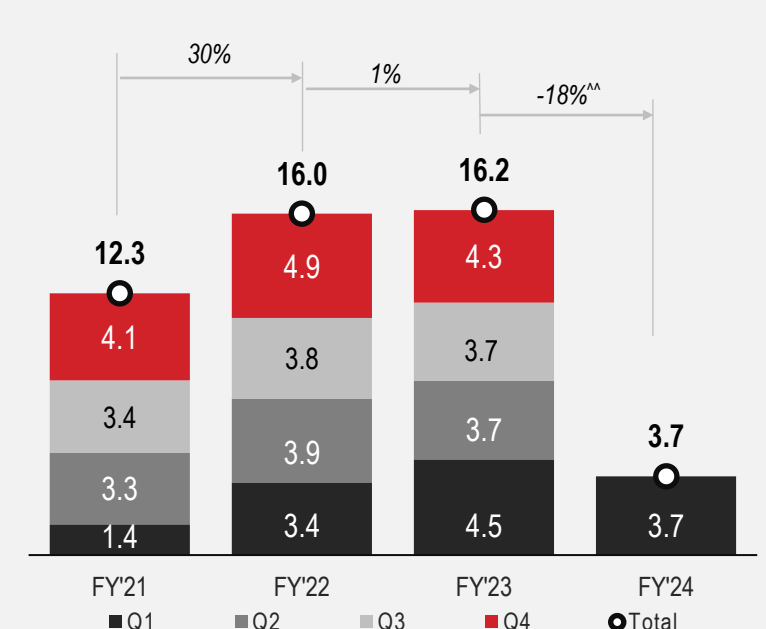
EU-27 Apparel Imports Show Gradual Deceleration

Apparel Imports by EU-27 for the YTD May 2023 declined by 7% compared to the same period last year.

^{*}Note: Represents YTD May CY2023 v/s YTD May CY2022.
[&]Note: Data represents April + May as June data is yet to release.

Source: Euro Stat

India Apparel Exports (IN US\$ BN)



Indian Apparel Exports Continue to Decline

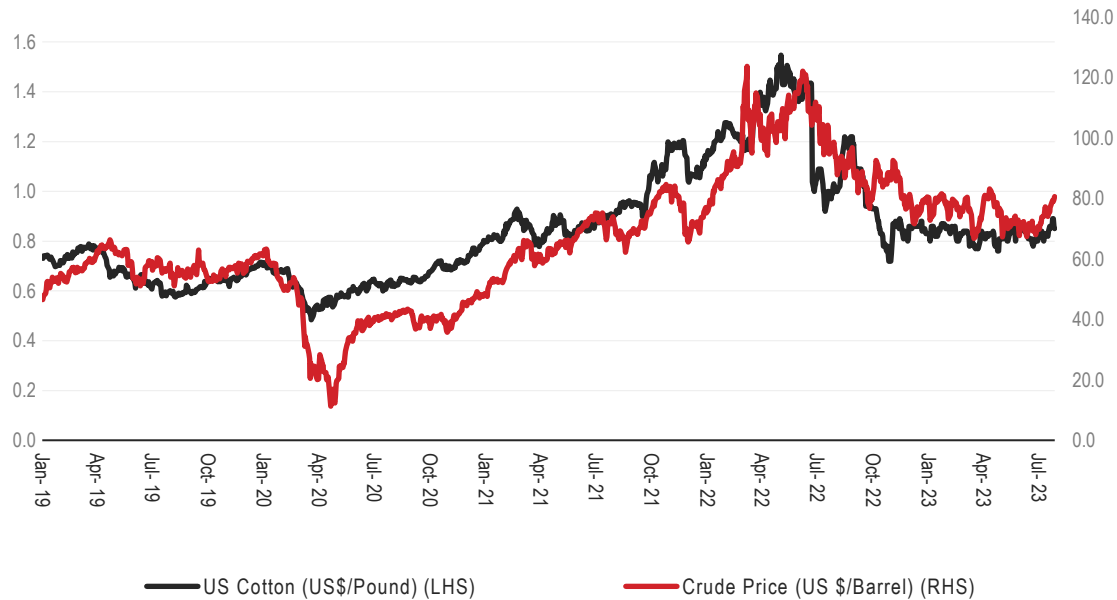
Overall Indian Apparel exports continued to remain weak as the brand continue to slow down their purchases. Apparel Exports in 1QFY24 declined by 18% compared to the same quarter last year.

^{^^}Note: Represents 1Q FY24 v/s 1Q FY23.

Source: Ministry of Commerce and Trade

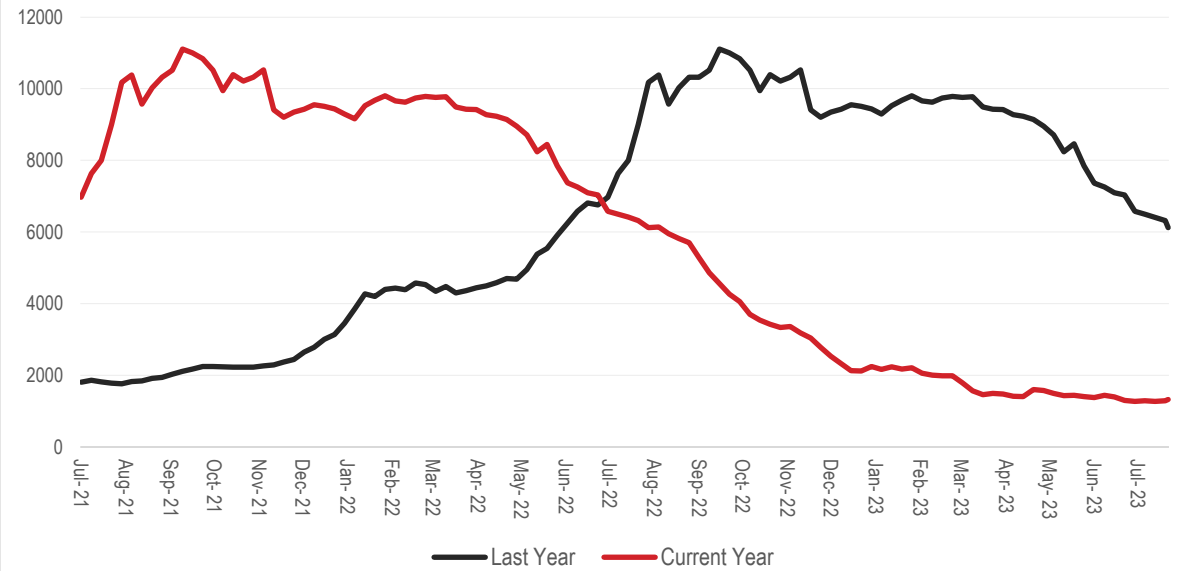
Value Chain to Benefit from Easing Input Costs

Commodity Prices Started Correcting



Source: Macrotrends

The Freight Prices Started Correcting in the Current Fiscal
(FREIGHT PRICE PER CONTAINER)



Source: Freightos limited. Licensed under freightose master services agreement

The recent development in the macro-economic factors signals that key textile commodities like Cotton and Crude oil have started to decline (by ~35% and 45%, respectively from the recent high) easing price pressure on the textile value chain. Further, there is evidence of decongestion of the supply chain. Freight costs also may continue to decline.

Industry to Balance Near-term Obstacles with Long-term Prospects

Long Term Opportunity

- US, EU & China to drive apparel consumption in the coming decade.
- China expected to become the largest apparel consumer by 2025.
- China losing market share due to rising labour costs, geopolitical tensions, and US-China trade issues.
- Buyers seeking alternate production bases outside China, creating opportunities for major Asian suppliers like India. Bangladesh is impacted by foreign exchange crisis and Vietnam by high factor costs.
- Key raw material prices have stabilized, and logistics costs have decreased.
- India well-positioned to capitalize on the opportunity
 - Government incentives and support from state governments for low-cost locations.
 - Policy regime in place till FY2024.
 - PLI scheme to boost investments in MMF & technical textile ecosystem.
 - Proposed Textile Technology Development Scheme (TTDS) with an allocation of ₹16,634 Cr.
 - FTAs with the UK, Canada and EU, has a huge potential for increased textiles trade.

Near-term Challenges and Opportunities

- Pressure on personal incomes, and higher mortgage outgo in the US because of elevated inflation..
- Similar challenges in the Eurozone.
- Fashion retailers aiming for lean inventory, resulting in delayed purchase plans.
- However, with some relief from the reopening of the Chinese economy.
- Q3 will pivot towards India, as the product category during this period is dominated by cotton. Revival in demand from Spring 24 is expected.



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Performance

Track Record

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Financial Highlights

Summary of Consolidated Profit & Loss Statement

₹ in Crores, unless specified

| KEY PERFORMANCE METRICS | FY19 | FY20 | FY21 | FY22 | FY23 | YOY |
|-------------------------------------|----------------|-------------------|----------------|--------------------|--------------------|----------------|
| Total Income | 1,196.2 | 1,387.2 | 1,222.9 | 1,801.0 | 2,247.2 | 24.8% |
| Revenue from operations | 1,177.5 | 1,370.9 | 1,210.7 | 1,790.3 | 2,222.2 | 24.1% |
| Other Income | 18.7 | 16.3 | 12.2 | 10.7 | 25.0 | 134.2% |
| EBITDA | 83.5 | 102.1 | 113.7 | 216.2 | 295.8 | 36.8% |
| EBITDA Margin (%) | 7.0% | 7.4% | 9.3% | 12.0% | 13.2% | 116 bps |
| PBT before exceptional Items | 31.2 | 10.4 | 26.6 | 117.0 | 198.3 | 69.5% |
| PAT before exceptional Items | 25.7* | 10.4 [#] | 26.5 | 117.1 ¹ | 166.9 ² | 42.6% |
| PAT Margin (%) | 2.1% | 0.8% | 2.2% | 6.5% | 7.4% | 93 bps |
| Basic EPS in Rupees | 6.08 | 7.10 | 6.18 | 23.08 | 28.60 | 5.52 |

Note: *Adjusted for 4% MEIS income of FY2019 reversed pursuant to the Govt. notification

[#]Declined due to a series of headwinds like a retrospective reversal of 4% MEIS, revision of minimum wage in Karnataka retrospectively, and one-off expense

¹ After exhausting carried forward tax loss during the financial year the company recognized deferred tax asset, as per Ind AS 12, giving rise to a deferred tax credit of ₹ 11.8 Cr in Q4 FY22 inflating the Net Profit accordingly. The Adjusted Profit after tax was ₹105.3 Cr

² excludes the exceptional income of ₹ 6.05 Cr

Financial Highlights

Analysis of Financial Position

₹ in Crores

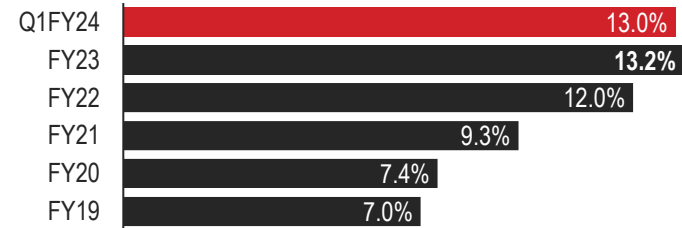
| KEY PERFORMANCE METRICS | FY19 | FY20 | FY21 | FY22 | FY23 | YOY |
|--|--------------|--------------|--------------|----------------|----------------|----------------|
| NON-CURRENT ASSETS | | | | | | |
| Investment in Fixed Assets | 108.8 | 130.1 | 127.2 | 169.1 | 275.1 | 106.0 |
| Other non-current assets | 40.6 | 49.7 | 45.8 | 68.5 | 74.6 | 6.1 |
| Total non-current assets | 149.4 | 179.8 | 173.1 | 237.6 | 349.7 | 112.1 |
| CURRENT ASSETS | | | | | | |
| Inventories | 262.7 | 289.2 | 259.2 | 433.6 | 293.0 | (140.6) |
| Trade receivables | 161.7 | 143.5 | 179.8 | 92.2 | 135.8 | 43.6 |
| Other current assets | 91.9 | 82.3 | 68.7 | 135.9 | 83.0 | (52.9) |
| Total current assets | 516.3 | 515.1 | 507.7 | 661.7 | 511.8 | (149.9) |
| LESS: CURRENT LIABILITIES | | | | | | |
| Trade payables | 85.7 | 114.3 | 86.0 | 117.8 | 84.0 | (33.8) |
| Other current liabilities | 98.4 | 137.6 | 130.1 | 185.5 | 203.9 | 18.3 |
| Total current liabilities | 184.1 | 251.9 | 216.1 | 303.4 | 287.9 | (15.5) |
| Net Current Assets | 332.2 | 263.1 | 291.6 | 358.3 | 223.9 | (134.4) |
| Capital Employed * | 481.6 | 442.9 | 464.7 | 595.9 | 573.6 | (22.3) |
| Sources of Funds | | | | | | |
| Equity | 240.4 | 226.6 | 290.1 | 708.2 | 886.3 | 178.1 |
| Long term Borrowings | | | 18.8 | 2.4 | 9.6 | 7.3 |
| Short term Borrowings | 380.7 | 391.0 | 346.4 | 60.7 | 25.8 | (34.9) |
| Total Borrowings | 380.7 | 391.0 | 365.2 | 63.1 | 35.5 | (27.6) |
| Less: Fixed Deposits held with Banks | 132.4 | 139.0 | 146.9 | 15.0 | 9.3 | (5.7) |
| Less: Cash and cash equivalents includes investment in MFs | 11.2 | 47.8 | 52.1 | 167.1 | 358.7 | 191.6 |
| Net Borrowings / Net Debt | 237.1 | 204.1 | 166.2 | (119.0) | (332.5) | (213.5) |
| Long term provisions | 4.1 | 4.6 | 5.3 | 6.7 | 13.5 | 6.8 |
| Lease Liabilities (Net) [#] | - | 7.6 | 3.1 | 0.1 | 6.4 | 6.3 |
| Total Sources of Funds | 481.6 | 442.9 | 464.7 | 595.9 | 573.6 | (22.3) |

Note: *Capital employed does not include cash and cash equivalents including investment in mutual funds.

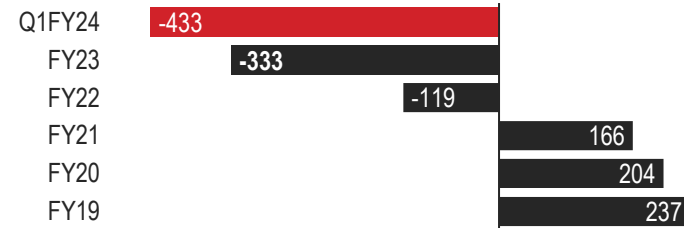
[#]Lease liabilities are net of a right of use of assets and liabilities.

Ratio Analysis

EBITDA Margin (IN %)

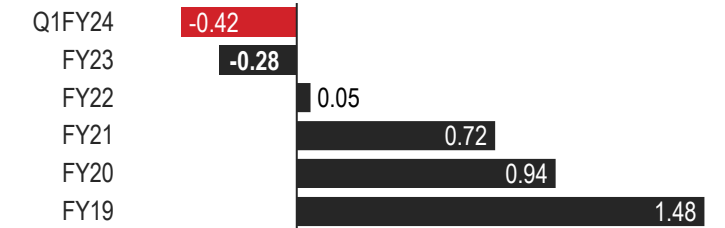


Net Debt (₹ CRORES)



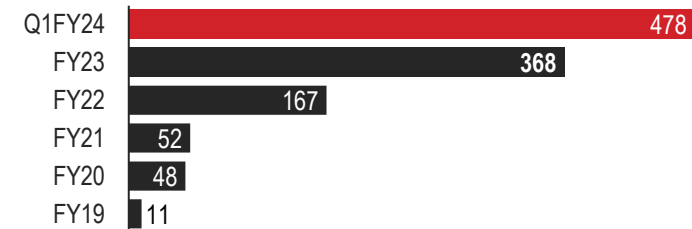
Note: Net debt is gross borrowings reduced by cash and cash equivalents

Net Debt / Equity (IN TIMES)

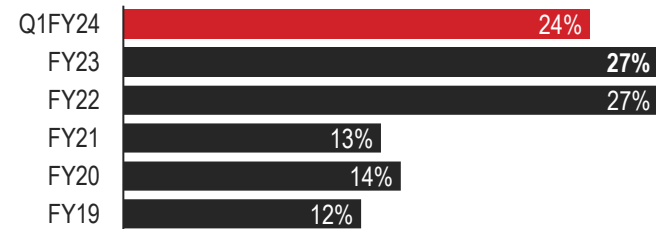


Note: Average net debt/ average equity.

Cash and Cash Eq. (₹ CRORES)

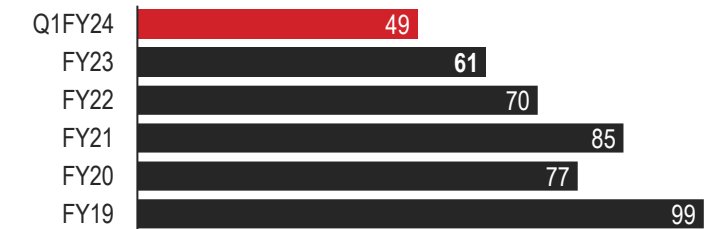


Return on Capital Employed (IN %)



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

Net Working Capital (IN NUMBERS OF DAYS)



Note: Cash and cash equivalents (other than funds committed for Capex) and lease assets are not included in working capital.



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About the
Company

04/

04

Gokaldas Exports at a Glance

A leading apparel manufacturer since 1979, designing, manufacturing, and exporting a diverse range of apparel products for all seasons.

The Company exports to a number of the world's most prestigious fashion brands and retailers in more than 50 countries.

4+ decades

Of manufacturing
Excellence

**Fully
Integrated**

Apparel Manufacturing
Operations

20+

State-of-the-art
manufacturing units

**Sustainability
focused**

Operations

29,000+

Strong workforce
with 80% women

15,000+

Operational Machines

50+

Countries Exported to

**Reliable
supplier**

Demonstrating consistency in
customer delivery

36M pieces

Of Annual Apparel
Manufacturing Capacity



Strong In-house Capabilities

Gokaldas Exports' strength lies in its robust in-house capabilities, which encompass its skilled labour and its manufacturing facilities, that are equipped with state-of-the-art technologies.

Our integrated manufacturing facilities enable us to be present across the entire value chain, thus also facilitating us to cater to myriad requirements of our customers. We consistently strive to improve ourselves by enhancing our capacities and capabilities through investments in people, process and automation. The quality of our products, reliability and our expertise sets us apart.



Robust product development and sampling set-up



World class design studio with 3D design capabilities



Pneumatic fiber filler for making puffer jackets



Capable of executing innovative wash on denims and non-denims

- Combined capacity of producing 1,50,000 pieces/day, including garment dyeing and all kinds of dry processes
- Modern ETP with a capacity to treat 0.7 million litres / day
- Zero liquid discharge plant for washing



In-house testing lab accredited by our leading customers



Integrated embroidery set-up



Polyfill manufacturing with the latest technology



Modern printing set-up with 12 state-of-the-art automatic machines

- Capacity to produce 54 million impressions/annum
- Capability to print multiple options on all types of fabric qualities

Integrated Value Chain

Over the years, we have enhanced our capabilities to include a vast array of processes within our manufacturing set-up. Our strong presence across the value chain, enables us to become the preferred partner of choice for some of the most distinguished brands across the globe.



Investment Merits



Well diversified across geographies, products and clients



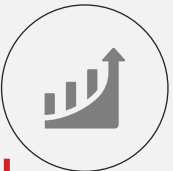
Globally recognized vendor of complex value-added garments



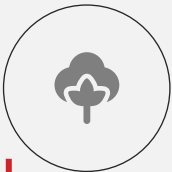
Professional management



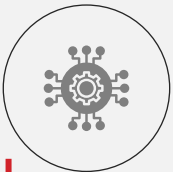
Benefiting from China +1 and other industry tailwinds



Incremental Capacities to accelerate growth momentum



Sustainability focused operations



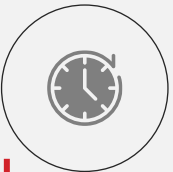
Fully integrated manufacturing operations, including design services



Long standing relationships with eminent global brands spanning over decades



Adhering to high standards of EHS compliance



Credible track record on client servicing metrics and a preferred choice for large brands



GOKALDAS
EXPORTS LIMITED

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Thank You

