

Gokaldas Exports

Quarter 1 Call

Gokaldas Exports Ltd. Q1 FY-20 Earnings Conference Call

- **Operator:**

- Ladies and Gentlemen, good day and welcome to the Gokaldas Exports Ltd. Q1 FY-20 Earnings Conference Call hosted by Prabhudas Lilladher Pvt. Ltd. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touchtone phone. Please note, that this conference is being recorded. I now hand the conference over to Ms. Charmi Mehta from Prabhudas Lilladher. Thank you and over to you Ms. Mehta.

- **Ms. Charmi Mehta - Prabhudas Lilladher Pvt. Ltd:**

- Thank you. Good morning everyone and thank you for joining us on Gokaldas Exports Ltd. Q1 FY-20 Results Conference Call. We have with us today, Mr. Siva Ganapathi - MD and CEO, Mr. Sathyamurthy – CFO and Mr. Harmendra Gandhi – VP, Corporate Development. I would now like to handover the call to Mr. Siva Ganapathi for his opening remarks after which we can open the floor for Q&A. Over to you sir.

- **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

- Good morning everybody. Thank you Charmi. It's a pleasure to have all of you on this call and a pleasure to discuss our Q1 financials as well as the developments in the industry and the company with all of you. So, let me get started. Gokaldas Exports is a leading apparel manufacturer based out of India with most of our operations in south of India. Last year's revenues were Rs. 1,195 crores. And we have about 15 factories manufacturing garments with 6 value added services ancillary units where we produce things like embroidery, printing, printing related work, polywadding, washing, etc, which aids the primary manufacturing facilities which make garments. We are growing. We have marquee customers. Our customers include the likes of GAP, Banana Republic, Old Navy, Japanese

customers Styles, Marks & Spencer, H&M, Columbia, American Eagle, so on and so forth. Several large, branded, global apparel retailers are our long term customers. Our relationship with our customers are growing. It's very strong and we are continuing to expand our relationships not just in terms of product range, but also in terms of expanding into additional brands that particular apparel company may have. For instance, when we were working with Old Navy, we extended the relationship to GAP and Banana Republic. While working with Columbia, we started expanding the relationship to other brands like Carhartt, so on and so forth. So we are expanding our relationship with our existing customers as well.

- Coming to Q1 in particular, in Q1 we had revenues of Rs. 351.9 crores that we clocked. It's a 22% growth over the previous Q1, which is a substantial growth considering how the industry is doing. So, we are doing really well from a growth perspective. It's a growth over our Q4 revenues as well, which is extraordinary in many ways because seasonality dictates that usually our revenue peaks in the Q4 quarter mainly because that's the quarter which works to India's strength of spring and summer wear. But we have had a good quarter in Q1, thanks to strong customer relationship, excellent execution and nevertheless, a good deal of planning which helps us ramp up our revenues in Q1.
- Our Q1 Net Profits After Tax is Rs. 33.7 crores. This was aided by an extraordinary income of Rs. 26 crores from the sale of an unutilized asset. We had a surplus land and a factory building in Hyderabad, which we sold in the 1st quarter in the month of April, and we realized some proceeds out of it. This is value adding to the company because the particular asset was not being utilized and was kind of a surplus asset for us. And by monetizing it, we can invest that in the business as well for further growth. So overall, I think from a revenue... If I keep that aside, if I keep the extraordinary transaction aside as well, our growth has been good. Our EBITDA margin, if I adjust for all these extraordinary items in the quarter, it's still about 7.9%. So that's also healthy and a reasonably good profit margin as well. So performance wise, we are sustaining the performance that we started over the last several quarters. We are on a steady growth in topline, as well as a steady improvement in operating parameters as well.
- If I look at the industry per se, the industry in India continues to show potential and there is momentum coming out of China where basically, because of their continuous wage pressure and lack of availability of people pressure as well and also trade related concerns, business is increasingly being diverted to Bangladesh and Vietnam, followed by India. We are seeing some early tractions. We hope to build upon it as well and see if we can take advantage of some of the tailwinds that are available globally. And that augurs well for future growth as well if we are able to leverage it well.
- As a company, we are primarily focusing on revenue growth by deepening our relationship with customers. Last year we added 7 new customers. We are completely focused on expanding those relationships and growing them. We are working with several other customers as well and they are in the pipeline this year, and as and when we onboard them, we'll let you know. But many of those relationships are at an advanced stage of discussion. So the good work is continuing as far as customer relationships, onboarding of customers as well as revenue growth is concerned. Operational efficiency is an important agenda for us and we're

working hard on it. We are continuously focusing on improving productivity in our existing factories, while expanding capacity in our existing units as well through the addition of 16 lines etc. We are also exploring new capacity of preferably low cost capacity, which we will work upon in the 2nd half of this financial year. And continuously investing in infrastructure in terms of upgrading our existing infrastructure. So machinery modernization, improvement in work practices and processes, etc. are continuing in full swing.

- So overall, I am reasonably confident of sustaining the performance that we have begun the year with, and hope to carry on the good work that we are doing. I also would like to inform you that ICRA, most recently did give us an upgrade in our credit rating. We were BBB- stable outlook. We have now been rated as BBB+ outlook. So it's a good sign that ICRA believes that our consistent improvement in operating and financial performance has really lead to improve our rating for now. So that's also an encouraging sign and a positive endorsement from the credit rating agency.

- So overall, I'm happy with the performance and we hope to continue the good work that we have done. Thank you very much and I'm open to any questions.

- **Operator:**

- Thank you very much. We will now begin the Question and Answer session. Anyone who wishes to ask a question may please press * and 1 on their touchtone telephones. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and Gentlemen, we'll wait for a moment while the question queue assembles. The first question is from the line of Sudhir Beda from Right Time Consultants. Please go ahead.

- **Mr. Sudhir Beda – Right Time Consultants:**

- Good morning sir and congratulations on a superb set of numbers, particularly super growth in topline considering the lean quarter. Sir, I have a couple of questions sir. Hello?

- **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

- Yes, please continue.

- **Mr. Sudhir Beda – Right Time Consultants:**

- First is, last time in the Q4 concall you had stated that revenue growth would be 16% for FY-20 and margin would be in the range of 9-10%. So in view of this strong topline growth in Q1, will you upgrade your revenue growth? And margin was slightly below 8%. So would it

be, at the end of the year because Q3 and Q4 would be good quarters... so would it be 9-10% then? That was my first question. And second, there is a 400% increase YoY on depreciation and amortization. Due to that the profit has gone down I think. Otherwise the profit would've been much higher. So how that cost has gone up? Q on Q it has gone up by 100% and YoY it has gone up by 400%. So can you clarify that?

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

- Okay, so to answer your first question, what is the expectation of revenue growth - we will continue to work on growing faster than what we have indicated in the past. That's always an effort from the company's side. The 1st quarter is a good indication with a 22% growth. We have started well. We intend to keep up the momentum. We will continue to work towards a high growth. So when I said 15%, we will put in our best efforts to grow better than that through the year. As far as profitability is concerned, you are right! In the 1st and 2nd quarter, usually the profitability is low because of the product mix that we work with. These are products which have got high material content. These are jackets and outer wear. So the manufacturing margins relative to the revenue will be slightly lower. That's a historical trend that we have. And that reversed in Q3 and Q4 where we switch to spring and summer wear, where most of the raw material that we use for the production are India sourced, which also allows us to get the full complement of export incentive, unlike in Q1 and Q2 where we import a lot of fabric and material where we don't get the full export incentives as well. So there is a combination of factors out there. But it suffices to say that Q3 and Q4 margins are generally healthier than Q1 and Q2. So going forward for the year, we will see an overall margin improvement that is purely because of the product mix as well as the seasonality that accrues to us. Regarding your question on depreciation and amortization, the real issue is that Ind AS 116 requires us to recognize rented properties, and several of our factories are in rented premises. Earlier we used to charge off the rent expenses above the EBITDA line. Now we have to capitalize it and then depreciate and amortize it. So the line items are because of Ind AS regulations which has come from April, and has resulted in rent expenses moving down to depreciation and amortization items. So it has got a very little impact at a PBT and PAT level. But EBITDA will be slightly improved to the extent of about Rs. 7 odd crores...Rs. 7.2 crores because of the higher... because the rent expenses has now been capitalized and considered as depreciation and amortization. So that explains the higher depreciation and amortization.

– **Mr. Sudhir Beda – Right Time Consultants:**

- Okay, thank you sir.

– **Operator:**

- Thank you. The next question is from the line of Hardik Solanki from Moneybee Group. Please go ahead.

– **Mr. Hardik Solanki – Moneybee Group:**

– Good morning sir. Congratulations on good set of number. Sir basically I just want to understand, employee costs are going up, that is one. Secondly, as you mentioned, the rent expenses would be considered below EBITDA level. So if you compare EBITDA to EBITDA for the previous quarter, if we even consider the remaining cost, the other expenses have gone up. So can you just help me understand that metrics?

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

– Your first question is employee expenses, correct?

– **Mr. Hardik Solanki – Moneybee Group:**

– Right.

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

– Employee expenses has gone up because of a few reasons. One, our wage cost increased from April to the extent of variable DA increase, which has gone up by Rs. 1.4 crores in this quarter over last year. That's because there is a 5% DA increase which the government mandated for all the labour force. We have also provided another Rs. 5 crores for any expected wage revisions. There is no...the minimum wage revision has not happened. There is no clarity on the timing and when it will happen as well. But from a prudent accounting policy and accounting principle perspective, we have provided an additional Rs. 5 crores in this quarter for a future wage increase, which might be effective from April. So we have been conservative, in that sense, in this quarter. So that as well has increased the wage cost. We have also had another Rs. 1 crore extraordinary cost item which has come through because of an excess reimbursement that we got on a PMRPY scheme - Pradhan Mantri Rojgar Protsahan Yojana where they provide us some benefits for PF and ESI for first time employees. So we used to take declaration from employees who were first time employees. However, the government when they did a scan using Aadhaar card, etc, some of them turned out to be not the first time employees and a lot of industry people got notice saying that there has been an excess benefit of transfer, which also got reversed. So a combination of all of this increased our employee cost in this financial year. I hope that explains.

– **Mr. Hardik Solanki – Moneybee Group:**

– Yeah. If you can also explain us more about the impact of Ind AS. And secondly, the revenue has gone up. So I just want to understand whether the product mix has gone up, material utilization has gone up or I came up with some new expansion of improving material utilization efficiency...how?

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

– So it's a combination of all of the above. The product mix has changed. Usually in Q1 we produce more of outer wear which is not a higher realization or realizable value, because these garments are more expensive. They are \$25-30 dollar garments. So these are expensive ones. The second point pertains to your export incentives as well, where if the material content and if the FOB values go up... and we had higher RoSCTL which came in the month of March, we had little benefits on account of that. The third is from a pure production perspective itself. We added incremental lines in our existing factories. Over the last year, we expanded our lines by about 12% and that growth is continuing in the 1st quarter itself. In the 1st quarter we had another 3% increase in capacity. This is not including the capacity increase due to productivity increase. So our productivity also increased through the quarter by about 3%. So all of this is contributing to a better output resulting in higher revenue. And obviously, improvement in productivity, etc also helps from a margin perspective.

– **Mr. Hardik Solanki – Moneybee Group:**

– Also, what would be our current capacity utilization rate?

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

– Our factories are going on full capacity. Fully utilized.

– **Mr. Hardik Solanki – Moneybee Group:**

– Okay. Thanks. We'll get back in queue.

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

– Thank you.

– **Operator:**

– Thank you. The next question is from the line of Vipul Shah, an individual investor. Please go ahead.

– **Mr. Vipul Shah (Individual Investor):**

- Hi, good morning sir. Congratulations for good numbers. My question is, designs are provided by clients or are some garments also manufactured as per our designs also?

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

- Our designs are usually provided by the customers. That is because the product risk is usually taken by the customer. So when we supply X number of garments to our customers, if it sells or it doesn't sell, that's the customer's lookout. We don't take any risk. We get paid in full for the amount of garments that we have supplied to them. So they obviously would have to have a big say in the design that goes in, because they are taking the product risk. Having said that, there is a lot of design inputs that we provide to our customers. And many of our customers are relying on our designs, practically because we can contribute to it and also we can optimize it during the construction phase and manufacturing phase. So I would reckon that about 10-15% of the products go with our design, but a larger majority of them go with the customers' designs.

– **Mr. Vipul Shah (Individual Investor):**

- And sir secondly, how do you measure productivity? I'm curious to know how you can quantify the jump in productivity, you mentioned 3% increase in...

– **Mr. Siva Ganapathi - MD and CEO, Gokaldas Exports Ltd:**

- So the way it works is that, we have a standard time taken for manufacturing a particular garment of a particular style. Our industrial engineers compute it, and then determine that... Let's say this particular shirt takes 21 minutes to make, for example, depending on the construction, the number of pockets, flaps, plackets, etc. Now based on that, we look at the number of work stations that are there in the assembly line, we look at how many people are involved in manufacturing it. And in a shift there are 8 hours of 60 minutes each. So 480 minutes are available in shift. So 480 minutes times the number of workers is the production output available or the number of minutes available. And how many shirts are produced, will indicate what is the kind of output I'm getting from the line v/s how many shirts should be produced based on the 30 minute time taken to manufacture. So basis this, we calculate what is our productivity. And we work on continuously demanding higher and higher productivity. So effectively what it means is, based on a particular assembly line, we determine that for this assembly line, for this product, I need an output of 600 shirts or 680 shirts or 700 shirts, depending on it.
- And if I am producing you know more than that or less than that it you know we determine the productivity level.

– **Mr. Vipul Shah – Individual Investor**

- Okay, and what is the progress for relocating some of your factories to remote locations where you have a lower cost advantage?
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Our endeavor is to increase capacity or put up new capacity in lower cost locations and we are actively working towards that. So you will get to know more, as some of these initiatives fructify. While in the existing locations you know today half of our factories are in Bangalore and the other half of the capacities are in smaller towns in Karnataka and Andhra Pradesh. So in our existing locations wherever feasible we have continued to expand where additional capacities can be built up by adding more lines within a building or even adding a shed in our existing factory campus, we are doing that. That incremental cost for that is very low, so you know to that extent a Brownfield expansion we are being, you know, we are considering in any locations available. As long as all the factories are profitable I don't see any reason for us to shift capacities out of our existing facilities. So incremental capacities will come in low cost location. There is no reason to tinker around with existing capacities as long as they are profitable.
- **Mr. Vipul Shah – Individual Investor**
- Okay, sir, thank you and all the best for the future.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Thank you.
- **Operator**
- Thank you. A reminder to all the participants, anyone who wishes to ask a question may please press * and 1 on their touch tone telephone. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- **Mr. Sarvesh Gupta, Maximal Capital**
- Thank you, sir, for taking my question. Sir, first this depreciation item, so what you are saying around 7 crores was paid as rent but has been accounted in depreciation line.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Again you said 7, can you repeat the question.
- **Mr. Sarvesh Gupta, Maximal Capital**
- Yeah, just one second. Hello, can you hear me?
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Yes, I can hear you.
- **Mr. Sarvesh Gupta, Maximal Capital**
- Sir, my question was you said around 7 crores in fact in depreciation line is because of the rent paid.

- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- That is correct, tell me.
- **Mr. Sarvesh Gupta, Maximal Capital**
- What was the equivalent rent amount in the previous same quarter last year.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So our rents are, you know about 9.4 crores, and depreciation and so the way INDAS works and you know my CFO probably can clarify it better you know this question, the rent is about 9.4 crores per quarter, the way Ind AS 116 adjusts it is that they capitalize the rent, the accounting norms require us to do so from April 1, 2019 onwards, and then we do a depreciation and amortization of the capitalized amount along with an interest as well, because there is a cost of money which also needs to be you know taken out. So depreciation increases by about 7.2 crores and another interest cost for this also increases by 1.6 crores. So effectively the rent expense which goes away from above the EBITDA line is nullified by depreciation and interest which increases below the line, below the EBITDA line.
- **Mr. Sarvesh Gupta, Maximal Capital**
- When you had guided for 9% margin, you had guided it as per Ind AS because that's a substantial benefit that you are having on the EBITDA margin.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So I am not, when we were talking last year we were not considering all of this, this is an accounting related, you know, change. We have to follow the accounting standards, but when we were talking about the percentage margins we were not considering all these changes.
- **Mr. Sarvesh Gupta, Maximal Capital**
- So you stand by your 9% EBITDA margin...
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- We will work towards it, and as I said going forward Q3 Q4 usually there is a bit of a margin improvement....
- **Mr. Sarvesh Gupta, Maximal Capital**
- That I understood, sir.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Certainly subject to, sorry.
- **Mr. Sarvesh Gupta, Maximal Capital**

- That I understood, sir, my question is you are talking about 9% adjusted EBITDA margins, when your current margin in this quarter is around 6%, not 8.3% because of the rent benefits. So that 9% guidance stays even with the 6% performance in Q1, is that understanding right.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So my understanding is the current EBITDA margin is 7.1%, not 6%, but we can look at that offline. Having said that we are working towards, you know better margins. Keep in mind that there has also been wage related provisions that we made this quarter of an additional 5 crores. So that also has an impact of about 1.4% margin. So there are, these points which also we are working with going forward.
- **Mr. Sarvesh Gupta, Maximal Capital**
- Understood, so basically your guidance would be some 10 to 10.5% on a current accounting provision.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- 10?
- **Mr. Sarvesh Gupta, Maximal Capital**
- Yeah, because 9 will, 9 was your earlier guidance and then you are getting around 1.5% benefit because of the Ind AS adjustment so you were [8.3%] is that the right understanding, sir?
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So, we are working towards it as I said and we will work towards that direction, a lot depends on you know how the wage movement happens, minimum wage movement happens, as well as you know how the incentive schemes also work out going forward because there is a lot of work that is going on with the government on sustenance of the incentive scheme, so it is all subject to some of those variables, yes.
- **Mr. Sarvesh Gupta, Maximal Capital**
- Understood. And, sir, secondly this property which we sold that was, that is in Bangalore, the 20 crore benefit that we got.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- It was in Hyderabad.
- **Mr. Sarvesh Gupta, Maximal Capital**
- So, sir, because we have 50% of our capacities in Bangalore which is a very high cost location in terms of the real estate value. Is there is a plan to kind of gradually sell all these manufacturing areas and capacities in such a neighborhood and move to much lower cost, because that can give us substantial unlocking on real estate in some way if we have own property.

– **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

- See, when you talk of shifting, it is actually shutting down a capacity and building up a new capacity, you have to view it as two different events. Now building up a new capacity in lower cost location is a no-brainer and we must continue to do it. Question of shutting down an existing capacity occurs when you feel the existing capacity is non-profitable, you know, per se. If I am, if my existing facilities in Bangalore are also financially remunerative, I don't see any reason for us to shut it down, until and unless you know circumstances forces us to do that, when the wage increases beyond a point, or there are certain other market related events, which impact the profitability of those factories. At the moment I don't see the need for that. So incremental capacity will come in different low cost locations. Shifting per se which means shutting down an existing facility, will be done only when the need arises, at this point you know, the factories are profitable.

– **Mr. Sarvesh Gupta, Maximal Capital**

- And, sir, my understanding of this minimum wage which the government trying to come with minimum wage for the entire country, my understanding would be that there was the lower cost real estate would probably stand to lose much more because there the wages would be high so there the competitive advantages would go. Now given that we are mostly in South India where the income is generally higher than the median income of the entire country, so we should not get affected as much because the minimum wage for the entire country would probably be lower than the minimum wage which is already in existence for these South Indian states.

– **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

- Please keep in mind that you know there is always the clamour from the labor force to increase minimum wage regardless of where we are. So south India, yes, has higher minimum wages compared to many other parts of India. Having said that even here, the labour force would push and expect a proportionate increase in minimum wages and that is what we have seen. Generally there would be a political pressure on the government to increase minimum wage, and usually the government will also be very sympathetic to the labour force when it comes to increase in minimum wage, because after all it is going from the private sector companies' pockets. So obviously you know we will have to find a way to handle this but the pressure on minimum wage going up regardless of where it is currently is there and will happen.

– **Mr. Sarvesh Gupta, Maximal Capital**

- Understood, sir, and given that, sir, are we also contemplating putting up like many of the Indian textile exporters or apparel exporters have put up facilities in Bangladesh, Vietnam, etc. so are we also thinking on those lines where we can put up some capacity outside of India.

– **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

- So these are all in the strategic realm at this point in time, we have not taken a call one way or the other on this.

– **Mr. Sarvesh Kumar, Maximal Capital**

- Understood, sir. Sir, one final question the gross percentage say I have not been tracking this earlier, but in FY19 your gross profit margin looked to be much higher compared to the previous four years, as per the presentation. Any particular reason of the same.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- That is because we worked on improving our productivity, improving our consumption norms, etc. So a lot of efficiency related you know metrics improved in FY19 over the previous years, so that's why you find FY19 gross profit margin to be a bit better.
- **Mr. Sarvesh Gupta, Maximal Capital**
- So that is sustainable, sir?
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- You know it is sustainable to the extent as I said you know when you look at gross profit margins if there is pressure on let's say pricing, then your gross profit margin may come down. Why would a pressure on pricing happen, it may happen when the customer tends to reach into your forex advantage or you know depreciating rupee. If your material cost you know we are able to negotiate or we are able to bring it down and then there is we are a positive contribution to gross margin. So there is a combination of all these factors always at play, our effort will be to sustain it as far as possible. You know but there will always be a counter pressure in order to eat on it, eat upon it as well by the customers, by pushing for a lower pricing. Keep in mind at the end price of the government in the customer market are not going up, on the contrary there is a slightly you know downward pressure on those. So somewhere or the other, you know the pressure of that will be, people will try to shift.
- **Mr. Sarvesh Gupta, Maximal Capital**
- Thank you, sir, and I will try to join back in the queue.
- **Operator**
- Thank you. Ladies and gentlemen, in order to ensure that management is able to address questions from all the participants in the conference, please limit your questions to two per participant. Should you have a follow up question we request you to rejoin in the queue. The next question is from the line of Mr. Keyush Shah from MK Global Financial Services, please go ahead.
- **Mr. Keyush Shah, MK Global Financial Services**
- Thank you, sir. Sir, you had mentioned earlier that you are running at about 100% capacity utilization and you expect to grow by 12 to 15%, that is what you aim at. So I was wondering what kind of capacity expansion you are planning for and what would be the capex required for the same.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Okay, so obviously capacity expansion will be in line with this year's growth and the next year's growth. A large part of this year's growth will be taken care of by the incremental capacity that we are adding in all our, in many of our existing factories while we will start

working on you know new capacities for next year's growth as well that is FY21 growth, we are looking at two factories at the moment, you know and a lot of work has happened but it has not reached a stage of fruition. So it is all work in progress where we are looking at additional factories. If we are looking at brand new factories we are talking of a capex of the order of 40-45 crores for two factories. Having said that a lot of it will be incurred this year, some of it will be incurred in the next financial year as well. In addition to that there will be some capex close to 20 crores in modernizing our existing factories as well. So upgrading our machinery, or bringing in automation etc. So some of that capex will also go into our existing facilities, so that's the plan for now.

– **Mr. Keyush Shah – MK Global Financial Services**

– Okay, what about this incremental lines that you are speaking of for this year, how much would that capex be?

– **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

– That capex would be very, very minimal because you know there is no factory or building, etc. that is required for 15 lines, it will only be the cost of machinery for those lines so their incremental capex let's say give me a moment, so about 8 crores will be required for Brownfield expansion.

– **Mr. Keyush Shah – MK Global Financial Services**

– And what kind of capacity are you expecting to increase for FY 21, same about 15%?

– **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

– Yes, 15 to 20%, yes.

– **Mr. Keyush Shah – MK Global Financial Services**

– Okay, and this 20 crores for modernizing of your existing facility that you would incur in FY20 or 21?

– **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

– FY20.

– **Mr. Keyush Shah – MK Global Financial Services**

– Okay, and do you mean how do you expect to manage your working capital going ahead, like what is your aim for that?

– **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

– So we have working capital financing line from the bank, so as the business grows we do get working capital funding from them. And we also have internal accruals from operations. So all of that will take care of our working capital requirements going forward.

– **Mr. Keyush Shah – MK Global Financial Services**

- Okay. You are saying that it will be at similar levels for this year as well.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Because as you can see that our working capital, we have tried to shift our working capital date in the business so we have already brought it down close to 95 days now in terms of working capital that is deployed in the business. We will try to keep it within that or continue to work towards tightening it to the extent possible, you know, we are well closer to doing that.
- **Mr. Keyush Shah – MK Global Financial Services**
- Okay, that's it from me, thank you.
- **Operator**
- Thank you. The next question is from the line of Jayant Mamania, from Care Portfolio Managers. Please go ahead.
- **Mr. Jayant Mamania, Care Portfolio Managers**
- Yes, sir, congratulations for the robust sales of revenue growth.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Thank you.
- **Mr. Jayant Mamania, Care Portfolio Managers**
- Sir, during last 5-10 years the company was into bad financial shape, so due maintenance cost must not have been provided, do you think the machineries are in a bad shape and will require more maintenance cost than other competitors.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Good question, actually the answer is correct, not much of capex has gone into the company in the past resulting in a bit higher maintenance cost, and bit higher levels of machinery breakdowns that has happened for us. We have been managing it very well, by improving our maintenance protocols strongly. That's the reason why both last year and this year we are continuing to invest in upgrading our existing machinery as well which will help in you know bringing it to par levels you know going forward. So continuous investment in upgrade or machinery modernization will be called for, as it not only improves, I mean reduces maintenance cost that is the small pay off from the whole thing, it really improves productivity and really improves quality of the product, and thereby it pays off very quickly, that is a much higher level of productivity that comes with it, and much lower extent of wastage. And that's the reason why machinery modernization is required and an important task for us to do.
- **Mr. Jayant Mamania, Care Portfolio Managers**
- Sir, since last year we continuously focusing on reducing the operational cost, so what kind of scope still is there to reduce our expenses.

- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- See, productivity has to go up and we are continuously working on it, so for instance if a line was producing 1000 garments for example of a particular type, if I am able to produce 1050 garments I have reduced my cost per garment, correct, because my manufacturing cost has come down. Now can I stretch it beyond, answer is yes, and so effectively can I get an additional 5 to 7% incremental productivity from the existing system, and the rest you know we are working towards it. We are somewhat confident that we will be able to pull it off over and above the productivity increases that we have done so far. It will require machinery modernization as well and that's what we are doing as we speak and that will help us get that incremental productivity.
- **Mr. Jayant Mamania, Care Portfolio Managers**
- Sir, last question. At present we are not into tax net, so when we are expected to come in the income tax net.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So our belief is that in FY20 we may not be in the tax net, we could be in tax net in FY21. Satyamurthy, you want to add something here.
- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- Already we are in MAT rate, we are already charged and we have paid MAT in this year itself, for the next year, we are taking a MAT Tax credit in this year, next year definitely we will be into the tax bracket.
- **Interviewee**
- Okay, thank you, thank you.
- **Operator**
- Thank you. The next question is from the line of Govind Sabu from India Nivesh PMS, please go ahead.
- **Mr. Govind Sabu, India Nivesh PMS**
- Sir, I just wanted to know the gross debt figure, and the breakup of the debt plus the bill discounting whatever facilities outstanding as on the quarter end.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Satyamurthy, you want to go ahead.
- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- My gross debt is 405 crores, of which 95 crores is post shipment, that is my net debt if you really remove the bill discount and my fixed deposit we are around 163 crores level.
- **Mr. Gobind Sabu, India Nivesh PMS**

- So 405 crores include your post shipment 95 crores.
- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- Correct.
- **Mr. Gobind Sabu, India Nivesh PMS**
- And balance 310?
- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- And 310 is in the form of pre-shipment as well as my overdraft for my domestic receivables.
- **Mr. Gobind Sabu, India Nivesh PMS**
- Okay, got it. So 95 crores is the bill discounting which you are saying.
- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- Correct.
- **Mr. Gobind Sabu, India Nivesh PMS**
- Sir, my second question is what is our cash flow from operations during the quarter.
- **Mr. Satyamurthy – CFO Gokaldas Exports Limited**
- 40 crores, 41 crores.
- **Mr. Gobind Sabu, India Nivesh PMS**
- 41 crores, okay. And how much is it from the release of working capital?
- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- No, in fact we deployed it in working capital close to 35 crores, in this quarter, because we have producing and since the order book is much better and to the extent the inventory we are, and the receivables has gone up in this quarter, it gets released in the next quarter.
- **Mr. Gobind Sabu, India Nivesh PMS**
- Okay, so 35 crores, so I mean the cash profit would be 41 plus 35, right, the operating cash profit.
- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- The operating cash profit is 41 of which 35 has been deployed.
- **Mr. Gobind Sabu, India Nivesh PMS**
- 35 has been deployed so 6 is the cash flow from operations, net cash flow from operations.

- **Mr. Satyamurthy – CFO, Gokaldas Exports Limited**
- Correct.
- **Mr. Gobind Sabu, India Nivesh PMS**
- Sir, my second question is from the business side, so, sir, since cotton prices are quite high in India as compared to globally. Is it having any impact on our business.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- At the moment no, because as soon as we get an order we place you know, we price in whatever is the raw material price in the order and pass it on to the customer, so if cotton prices are high then you know the customer ends up bearing the higher cost of cotton price. We don't take it on our books.
- **Mr. Gobind Sabu, India Nivesh PMS**
- But is India that way becoming a cost I mean a costlier destination as compared to the rest of the world because of higher cotton prices, for your customers.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- See, again Indian cotton quality is also good so it all depends on cost versus quality, right. So that factor has to be kept in mind and also India is able to cater to you know lead time requirements of first fashion customers a bit better than say Bangladesh which has got congested ports and others to deal with. So having said that you know the cost of manufacturing in Bangladesh is far, far lower than that of India, it will continue to be below that of India. Vietnam also enjoys a little lower cost particularly when going into certain countries where it has got an FTA advantage or Free Trade Agreement advantage, so both Bangladesh and Vietnam have got certain cost benefits from inherent perspective as well as FTA perspective which India lacks. So that's the reason why Indian apparel manufacturers look at specific areas where we are competitive for example, exports to the US or fast fashion etc, where we have certain strengths of our own, and that's where we draw our business from.
- **Mr. Gobind Sabu, India Nivesh PMS**
- Okay, thank you sir.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Thank you.
- **Operator**
- Sir, are we done with the questions?
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- Hello.
- **Operator**

- We move to the next question which is from the line of Ashwin Reddy from Samadva Investments, please go ahead.
- **Mr. Ashwin Reddy, Samadva Investments**
- Hi, good morning, thank you for the opportunity. I have a few questions. Firstly can you talk about the gross margins on what we expect on an annualized case, because I understand the but what should we expect the annualized margins to be in FY20.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So, you know, our current gross margin is about you know 46%, we are expecting it to go upto about 49% or even we will try to push it to 50% if possible, by the time we go to Q3Q4.
- **Mr. Ashwin Reddy, Samadva Investments**
- Okay, so and when you say gross margins, you don't include government incentives, is it, or how do you measure the gross margin from your end because I have a different number somehow.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So, it does not include the government incentives, government incentives is outside of the gross margin, that's the way we calculate.
- **Mr. Ashwin Reddy, Samadva Investments**
- Okay, understood. So and linked to that because there has been some recent news about government changing the import incentives, right, I mean to be in line with the World Trade Organization norms, there has been some talk about government trying to change export incentives, so what would be the, what would be the effect of that on our numbers on the net incentive that we get.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So the expectation is that MEIS which is currently amounting to 4% of our export sales, is going to continue until December 2019. All efforts are on to see if we can extend it further as it impacts the competitiveness of the Indian industry as a whole, and it definitely impacts competitiveness vis-à-vis other countries. So at this moment there is no clarity on the continuation of MEIS of 4% beyond December 2019, we are working on it. It is an important element in the profitability matrix for us. So efforts are on it. So that's the only risk at this moment from an export incentive perspective.
- **Mr. Ashwin Reddy, Samadva Investments**
- But can that be compensated by some other incentives because for the kind of margins that we enjoy in this business, it can be a big load to the entire industry I mean in case that is not compensated by some other mechanism.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**

- That's correct, and that's the reason why the textile ministry and commerce ministry and all are working on it, and obviously one of the ways is to look at some other alternative means to provide that same incentive going forward. Work is going on with the ministries concerned because they have to take it up with WTO and get it all through, and so you know it can be identified in all of that but it is all WIT.
- **Mr. Ashwin Reddy, Samadva Investments**
- Fair enough, got it. So just to understand this again, so you have been in this industry and in this company for two years, so I am just curious has there been any change in terms of the engagement that you or the industry has had with the government in terms of the government being more receptive or less receptive to the industry as such because industry has actually been dealt a rough hand for the last so many years, but I am just trying to say how it is changing or how does one think about it.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- The industry like any industry is continuously engaged with the government and we are having our dialogues with the government all the time, the government is also very supportive as well and understanding of the issues. Obviously the government has also its own issues to take care of as well as global trade you know understanding that needs to be factored in. so nothing as much has changed from a level of engagement with the government, it has been good and continues to be good.
- **Mr. Ashwin Reddy, Samadva Investments**
- And my last question, this is on the company and so the company has clearly been on a path of improvement and it has kind of probably kind of things have stabilized and things are looking much better now. So for you and really for us investors what are the key milestones to look forward to in the next one two years wherein we can, wherein you can show that the company has moved to the next level of growth or things are becoming better. What are the key milestones you would kind of want us to look out for.
- **Mr. Siva Ganapathi – Managing Director & CEO, Gokaldas Exports Limited**
- So you know customer diversification would be a good milestone looking at capacity expansion in terms of effectively leading to higher revenue growth is another milestone. Productivity improvement is yet another milestone so, you know, some of these are good milestones to look at some things from a longer term perspective would be, you know, how well are you diversifying into low cost locations because that's where your continued margin sustainability will be there. So, you know, those are some good microphones to watch out for.
- **Analyst**
- Okay, all right, thank you so much and good luck.
- **Management, Gokaldas Exports Limited**
- Thank you.
- **Operator**

- Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- **Saket Kapoor, Kapoor & Company**
- Yes, thank you sir for the opportunity, and it's now good noon sir. Firstly sir, if you could give us the geopolitical break up for the revenues, which geographies are we catching to?
- **Management, Gokaldas Exports Limited**
- Okay. So, our export is almost about 80% of our total revenue and out of our exports, you know, US is about 70% and followed by Europe and Asia. Europe will be closer to 15% or thereabout and the rest will be other countries a wide variety of other countries.
- **Saket Kapoor, Kapoor & Company**
- You were telling that 80% of the 100% of the revenue, 80% skewed towards exports.
- **Management, Gokaldas Exports Limited**
- Correct.
- **Saket Kapoor, Kapoor & Company**
- And out of that 80%, 70% is US. Sir US now being a protectionist nation under the current administration how well are we positioned sir?
- **Management, Gokaldas Exports Limited**
- So, you know, for the moment I don't see much of a threat as far as protection related issues are concerned, because all the products that we produce and supply to the US go with full duty. So, there is no duty protection which US is offering to there you know, there is a potential risk of you know, the subsidy or some advantage being given to us being pulled back. There is no such risk whatsoever from the product that we supply to the US or any other country. So, we are having zero you know, benefits that are being given by the buyer countries. So, from that perspective, I don't see any problem now, if US goes through a recession or some other problem of that nature happen, it may have a cascading effect on the exports into the US, in which case we may have to look at diversification to other countries.
- **Saket Kapoor, Kapoor & Company**
- Okay and what is the GST rate applicable for us?
- **Management, Gokaldas Exports Limited**
- Is your question, what is the GST applicable?
- **Saket Kapoor, Kapoor & Company**
- Yeah, yeah GST rate applicable and the input credit part also sir what is the net impact sir?
- **Management, Gokaldas Exports Limited**

- For GST is (5% and no GST) we get the credit back for exports. So, there is no issue from a GST perspective, except from a working capital blocking perspective.
- **Saket Kapoor, Kapoor & Company**
- Right sir, we find that as of now, sir this exchange party is also adding a larger part to your profit duty if we take for this quarter gain on account of foreign exchange...
- **Operator**
- I am so sorry to interrupt Mr. Kapoor the queue is really long I would request you to come down to the queue.
- **Saket Kapoor, Kapoor & Company**
- I have not asked my second question sir because we are allowed to...
- **Operator**
- Yes sir.
- **Management, Gokaldas Exports Limited**
- Okay. So, just to... I will probably answer this question, and then we will move on you know, when you talked of exchange gains that is because purely from a ForEx perspective, but keep in mind that most of the customers are deploying back into the exchange gains. So, when rupee depreciates, they tend to take advantage of the depreciated rupee and we see a lesser realization of you know, in terms of pricing. So, some of the rupee depreciations related advantage is taken away in terms of lower pricing, the accounting line, you will see a ForEx gain that's a different matter, because we have a certain hedge rates at which we hedge and a rate at which we the spot rates are, having said that the foreign gain is usually... is getting eaten up in, you know, by the customers taking advantage of the depreciating rupee.
- **Saket Kapoor, Kapoor & Company**
- And for the appreciation sir, what happens when rupee appreciates?
- **Management, Gokaldas Exports Limited**
- See, we tend to be able to pass on the pricing, all of this does not happen immediately, it comes with the face life. So, when rupee started depreciating last year, we tend to keep some benefit last year, but this year, benefits are being taken up by the customers. Like if it goes vice versa, immediately, we may get a hit and after that we tend to pass it on to the customers.
- **Saket Kapoor, Kapoor & Company**
- Note number 4 and 5... 5 and 6 you please explain, I am in the queue sir, thank you.
- **Management, Gokaldas Exports Limited**
- I don't know note number...

- **Saket Kapoor, Kapoor & Company**
- 5 and 6.
- **Management, Gokaldas Exports Limited**
- Sathyamurthy you will have to look into five and six notes. Can we get back to you? I will have to look at the...
- **Saket Kapoor, Kapoor & Company**
- Yes sir, I want to listen only.
- **Management, Gokaldas Exports Limited**
- Or we can handle it offline maybe.
- **Saket Kapoor, Kapoor & Company**
- Any which way you want sir, whatever is comfortable for you, let me know.
- **Management, Gokaldas Exports Limited**
- So can we move on?
- **Operator**
- Sure.
- **Saket Kapoor, Kapoor & Company**
- Yes sir, please.
- **Operator**
- The next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.
- **Kaustubh Pawaskar, Sharekhan**
- Yeah, good afternoon sir. Thanks for giving me the opportunity. Most of my questions have been answered. Sir, this quarter we have seen your debt, you know, coming down about 20 crores compared to the figure what it was at the start of the year. So, for the entire... what is your expectation in terms of reduction in debt, because your working capital days are also reducing so in that term and you're expecting your cash flows to improve considering the better revenue growth and margin. So, in that terms, what will be your you know, debt coming down?
- **Management, Gokaldas Exports Limited**
- Sathyamurthy, you want to handle this? Sathyamurthy, you want to handle this? Okay. We might have lost our CFO. So, as I said, you know, we would be operating at about 90 to 95 days of you know, working capital and clearly as the revenues go up to that extent, you

know, money... you know, working capital requirements to that extent will be required I am not forcing too much of an expansion in the working capital requirement going forward.

– **Kaustubh Pawaskar, Sharekhan**

– But, in terms of date, do you expect your date to come down further?

– **Management, Gokaldas Exports Limited**

– Debt no, it will not come down further because, as you know, we are expanding in our revenue. So, our net debt we do not expect it to come down much further.

– **Kaustubh Pawaskar, Sharekhan**

– Right so it will be required for your CapEx, whatever CapEx program you have going ahead?

– **Management, Gokaldas Exports Limited**

– So, currently, we don't have term debt in the company right, we have only working capital debt in the company, we might go for a term debt going forward for our new factory's CapEx plan, we are looking at anywhere from 40 to 50 crores of term debt going forward for expansion of new capacities, but that will happen towards the second half of the year, when we actually look at you know, when some of these plans will get crystallized, but at that point in time, we may look at a term debt and that may increase the term debt, that may increase the overall debt by about 40 to 50 crores.

– **Kaustubh Pawaskar, Sharekhan**

– Sure and sir you mentioned that your working capital days improved to 90, 95 days. So, what was it earlier?

– **Management, Gokaldas Exports Limited**

– Oh we were, last year, there was a time when we were at almost 110 days from that level last quarter we were at 99 days this quarter we have come down to 95 days.

– **Kaustubh Pawaskar, Sharekhan**

– Right sir okay. Thank you.

– **Operator**

– Sir, are we done with the question?

– **Management, Gokaldas Exports Limited**

– Yes. We have done with the question. Thank you.

– **Operator**

– Sure. The next question is from the line of Hardik Solanki from Moneybee Group. Please go ahead.

- **Hardik Solanki, Moneybee Group**
- Yes, sir the most of the questions got addressed. I just want to understand the CapEx part of it, how the cash flow will move, you know the CapEx share if you can just help us understand that?
- **Management, Gokaldas Exports Limited**
- Okay. So, I had discussed this, as I said, this year we will be looking at about 20 crores of modernization CapEx and we will look at about 40 to 50 crores of CapEx for expansion of new capacities. So, that's the planned CapEx going forward.
- **Hardik Solanki, Moneybee Group**
- Okay. Thank you.
- **Operator**
- Thank you. The next question is from the line of Sudhir Bheda from Right Time Consultancy. Please go ahead.
- **Sudhir Bheda, Right Time Consultancy**
- Sir Sudhir Bheda again, when you're talking about the capacity expansion will it be greenfield facility at Andhra and how you are... you're talking about taking two factories on lease so how about this plan?
- **Management, Gokaldas Exports Limited**
- Right so, when I talked about the current CapEx, I meant Greenfield capacities, the lease capacity is also being discussed at the moment, some of the leased capacities that we are, we were looking at and they continue to be available, but they seem to have some legal issue or the other, which is preventing us from going wholehearted... going in a wholehearted way and taking it over. You know, some of the existing facilities have some dues to employees, past employees who were working, they're still pending. So, you know, getting a factory's registration was going to be difficult in one particular instance, another instance there were some other legal issues that they had with you know, with the government on the land that they were at, so on and so forth. So, we are working with them for them to sort out some of the legal issues that they have had. So this is taking a bit of a time in terms of looking at leased facilities. In the meanwhile we are also looking at fresh Greenfield facility as they are far more easier without any legal obligations.
- **Sudhir Bheda, Right Time Consultancy**
- When it will start Andhra facility?
- **Management, Gokaldas Exports Limited**
- From a capacity perspective, they will all be effective only in 2020... FY 2021 we will have to start work sometime in the latter half of the year, start building it up so that we can get some production out of that unit by the next financial year. So, this financial year we are not looking at new facilities giving us any revenue.

- **Sudhir Bheda, Right Time Consultancy**
- So are we back in place considering the Brown and Greenfield expansion to block '21 revenue of around 1800 crores at the growth rate what we are blocking now?
- **Management, Gokaldas Exports Limited**
- Can you repeat this question?
- **Sudhir Bheda, Right Time Consultancy**
- With sir brownfield expansion and Greenfield expansion in Andhra which will may start in '21 are we in a better place or comfortably placed to achieve 1800 crores of revenue by '21 now there would be any capacity constrain?
- **Management, Gokaldas Exports Limited**
- No so as I said the capacity growth happens in multiple ways one is of course, there is new capacity right. So, combination of Greenfield plus lease and all of that will happen plus incremental productivity plus continued brownfield expansion in existing facilities all of that will continue. So, are we comfortable with the capacity expansion plans that we are working on? The answer is yes for our sustained revenue growth.
- **Sudhir Bheda, Right Time Consultancy**
- Okay. Thank you sir.
- **Operator**
- Thank you. The next question is from Dhwanil Shah from I-Wealth Management. Please go ahead.
- **Dhwanil Shah, I-Wealth Management**
- Good afternoon sir and congrats on a good set of numbers.
- **Management, Gokaldas Exports Limited**
- Thank you. Good afternoon.
- **Dhwanil Shah, I-Wealth Management**
- Sir couple of questions sir, first on the sales growth which you said that we did around 20 odd percent so sir can you just give me the volume growth what we would have done this quarter?
- **Management, Gokaldas Exports Limited**
- Okay. So, this quarter our sales growth was 22% overall sales growth right and volume growth was to the extent of about 14.5... no 14.6% our raw sales growth that is without export incentives grew by about 18.1%, 14.6% was the volume growth out of that rest was the rate growth.

- **Dhwanil Shah, I-WealthManagement**
- And how much would be in export incentives sir for this quarter?
- **Management, Gokaldas Exports Limited**
- Export incentives for quarter one was, just a minute, 24 crores.
- **Dhwanil Shah, I-WealthManagement**
- 24 crores?
- **Management, Gokaldas Exports Limited**
- That is correct, total export incentives all put together.
- **Dhwanil Shah, I-WealthManagement**
- And sir same time last quarter?
- **Management, Gokaldas Exports Limited**
- Same time last quarter was 15 crores.
- **Dhwanil Shah, I-WealthManagement**
- Okay, great. And sir on the gross margin as you said that the product mix keeps on changing Q1 is generally more outerwear, so assuming sir, Q1 of last year was also the similar product mix. And when we compare YOY there has been 4, 4.5% decrease in gross margins. So is it that that with the newer orders we are taking at a slightly lesser profitability, if you can just explain sir this difference?
- **Management, Gokaldas Exports Limited**
- So compared to last... you are talking about compared to the previous year you're saying?
- **Dhwanil Shah, I-WealthManagement**
- Yes sir Q1 of FY19.
- **Management, Gokaldas Exports Limited**
- Q1 of FY19 yeah so that is correct. You know, and the reason is multi fold. One is, you know again, while we're generically talking of outerwear, the proportion of outerwear has gone up a little bit more in this Q1 over previous Q1. You know, it's not like 100%, we do outerwear, right so we have outerwear as well as undergarments. So the proportion has relatively increased in this Q1 over previous Q1 as we have substantially ramped up the revenue. The second portion is that in this financial year, customers have tended to take advantage of the rupee depreciation, so some of the pricing has also been passed on to the customers, which when rupee started depreciating last year, we could manage to keep some of the benefit to ourselves, resulting in a little higher gross margins whereas some of that got surrendered in this financial year to the customers. So combination of these two impacted the gross margin this year.

- **Dhwanil Shah, I-WealthManagement**
- So sir for the rest of the year, we can take the similar kind of the difference over YOY, I mean so this 3, 3.5 or 4% difference, which was there in Q1?
- **Management, Gokaldas Exports Limited**
- You might be able to you know, maybe yeah a bit of that you could take. It again depends on product mix and other thing as I said. So not the entire differentiation... difference, but smaller difference you can take.
- **Dhwanil Shah, I-WealthManagement**
- Sure, and sir just last question sir on the again...
- **Operator**
- Sorry to interrupt Mr. Shah, you have already exceeded two questions.
- **Dhwanil Shah, I-WealthManagement**
- No problem, I will get back into the queue. Thanks.
- **Operator**
- Thank you. The next question is from the line of Vinay Arya an Individual Investor. Please go ahead.
- **Vinay Arya, Individual Investor**
- Yeah, hi, thanks for taking my question. I just wanted to know the extent of imported raw material in this quarter. You said that it is a little up because the proportion of outerwear is more so I mean, so I want to know the impact of it on the margin. So how much was the imported raw material this quarter?
- **Management, Gokaldas Exports Limited**
- You see... it's a...
- **Vinay Arya, Individual Investor**
- Hello?
- **Management, Gokaldas Exports Limited**
- Sorry, Sathyamurthy are you there?
- **Mr. A Sathyamurthy, Chief Financial Officer, Gokaldas Exports Ltd**
- Yeah, the imported raw material content is almost close to 55% in this quarter.
- **Vinay Arya, Individual Investor**

- Sorry it was 55%.
- **Mr. A Sathyamurthy, Chief Financial Officer, Gokaldas Exports Ltd**
- Yeah, in this quarter.
- **Vinay Arya, Individual Investor**
- And how much was it in one... in first quarter of FY19?
- **Mr. A Sathyamurthy, Chief Financial Officer, Gokaldas Exports Ltd**
- In FY19 the proportion of imported was in the range of around 30% to 32%. Now in this quarter it is relatively high.
- **Vinay Arya, Individual Investor**
- Okay, okay. All right. Thank you.
- **Operator**
- Thank you. Ladies and gentlemen due to time constraints, that was the last question for today. I would like to hand the conference over to Ms. Charmi Mehta for closing comments.
- **Ms. Charmi Mehta, Prabhudas Lilladher Private Limited**
- Thank you. I would like to thank the management for joining us today. Thank you sir for answering everyone's questions so patiently. And I thank everyone for joining the call today. Thank you.
- **Management, Gokaldas Exports Limited**
- Thank you so much.
- **Operator**
- Thank you. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

END OF TRANSCRIPT

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