

gokaldas exports ltd

GEL/SEC/2019-20

Date: 29th May, 2019

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GOKEX

Dear Sir,

Sub: Q4 FY 2018-19 Earnings Conference Call Transcript – reg

Ref: Reg. 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We refer to our letter dated 22nd May 2019 regarding the intimation of Analyst/Investor Conference Call that was scheduled on 21st May 2019 at 4.00 P M (IST) as regards the audited financial results of the Company for the fourth quarter and year ended 31st March 2019.

In this regards, we herewith enclose the text version of the Con-call.

The audio transcript and the text version of the Con-call is available on the website:
www.gokaldasexports.com

Kindly take the above information on records and acknowledge the receipt.

Thanking you,
Yours Faithfully.

For Gokaldas Exports Ltd



Sameer Sudarshan RV
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**“Gokaldas Exports Limited
Q4 FY2019 Earnings Conference Call”**

May 21, 2019



**ANALYST: Ms. SHRADHA AGARWAL - RESEARCH ANALYST
- AMSEC**

**MANAGEMENT: Mr SIVA GANAPATHY – MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER - GOKALDAS
EXPORTS LIMITED
Mr. SATHYAMURTHY – CHIEF FINANCIAL
OFFICER - GOKALDAS EXPORTS LIMITED
Mr. HARMENDRA GANDHI - VP CORPORATE
STRATEGY & IR - GOKALDAS EXPORTS LIMITED**

Moderator: Good day ladies and gentlemen and a very warm welcome to the Gokaldas Exports Limited Q4 FY2019 Earning Conference Call, hosted by Asian Market Securities Limited. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mrs. Shradha Agarwal from Asian Market Securities. Thank you and over to you Shradha!

Shradha Agarwal: Thank you Ali. Good evening everyone. On behalf of Asian Market Securities, I would like to welcome you to Q4 FY2019 Results Conference Call of Gokaldas Exports Limited. On the call, we have with us the senior management of Gokaldas including Mr. Siva Ganapathy, MD and CEO, Mr. Sathyamurthy CFO and Mr. Harmendra Gandhi, VP Corporate Strategy and IR. I would now like to handover the call to the management for their opening remarks. Thank you and over to you Siva!

Siva Ganapathy: Thank you Shradha. I welcome all of you to this earning call.

Good evening to all of you. I am delighted to report that we ended FY2019 on a very positive note. We had revenue of Rs.1195 Crores growth of about 11% over the previous year. If you look at our actual growth, our exports growth was almost 20%, our sale of finished goods growth in total which is exports and domestic business, which is also small part of our business together grew by about 15% and the total income grew by 11%. So why does the total income grow by 11% instead of 15%? That is because the export incentives that we get as part of this business declined during FY2019 over FY2018 when the government changed the policy post-implementation of GST. So, despite such headwinds and reduction of export incentives we have managed to grow reasonably well in this market, so that is the point I wanted to register with you.

We have had very strong traction with our customers. In fact, during the financial year we added 7 new customers and - these are all pretty large name, marquee name customers like Vero Moda, TJ Maxx, StyleM, JC Penney, C&A, and so on and so forth, so these are good customers with lot of potential for future growth as well and these customers in fact added up very substantial part of revenue growth in this FY. In fact if you look at the raw revenue growth itself we had a growth of about Rs.140 Crores of which Rs.61 Crores came from new customers, so that is a very good sign in many ways that not only they brought them on board but we have got fairly good traction which augurs well for FY 2020 and further. So that is the good part.

Our on-time performance has improved substantially. In fact now when we take order for x number of garments we are supplying almost all of it on-time, which has got multiple implications, one, the customer's opportunity lost is less, so if they place an order for 100000 garments then we give them back 100000 garments on the given day, there opportunity loss is low and we tend to score high on their soft parameters or the other KPIs which is other than just the delivery of quality goods, so our performance not just in terms of quality of garments but in terms of all the other parameters has improved substantially over the years, thereby enduring us to our

customers and which is actually resulting in lot of enquiries from customers to grow more orders to deliver more and in fact we are in serious discussions with many customers on how do we increase capacity to be able to deliver to them more, so that is a good position to be in and we are fortunate to be in that great position as of end of FY2019.

In fact, today our customers are considering us as a fairly significant producer in the country and when anyone evaluates a few producers to place orders with, Gokaldas Exports better prominently on the top, so that is a substantial achievement. We have managed to do that by meeting several customers, ensuring that we deliver more than we are promised to them and most importantly being very, very consistent in delivering to all the parameters that they have set out, so that is the good one and I am hoping that this will certainly reflect in terms of stronger traction better revenue growth going forward in the future.

Now from a financial perspective our EBITDA for the year was about Rs.77 Crores which is three times that of what we did in the previous FY, so that is a huge performance leap that we have had and we deliver a PAT of 25.6 Crores as against negative PAT of Rs.31 Crores in the previous year, so overall I would say from a bottomline perspective, it has been very satisfying year, very compelling financial performance from that perspective. Keep in mind that this EBITDA and PAT is after providing for an exceptional item of about 6.3 Crores where we took in a provision for our investment in Yepme. So despite that we have had reasonably strong performance over the year, so that said what was it truly helped us achieve a great performance. As I dwelt on for a while on the customer side, our improved traction, improved working with customers, did help us with better growth and slowly our intention is to also see if we can get a better pricing with our customers, with our better performance on various parameters.

The other factor, which contributed to our better bottomline performance was the way we managed our costs, our costs of good sold. We did manage our material cost pretty significantly and material utilization improved drastically, wastages came down substantially from what we were like our net rejects came down by about 1.5% to 1.6%. Keep in mind that if I produce the garment then I am unable to ship it, I lose the entire revenue for it and 100% saving is an almost 1.5% of the topline which comes the bottomline, so there was saving on that much tighter price management. All of these factors controlled our material cost, but largely it was wastage management and material utilization, which helped us. Good portions of this hopefully sustainable going forward as well where we would see the tight control on all our cost elements going forward. There is also a tremendous improvement that we got in terms of production efficiency or productivity in fact our productivity gains itself contributed to almost 13-14 Crores incremental to the bottomline and that is what you also see in the PAT growth that we have had, so on multiple parameters which are inward looking which is factory management, utilization etc, etc., we have managed to turnaround, hit the right kind of operational KPIs that are required to run this business to deliver the results.

When I look at some lead indicators for our KPIs what is our supply chain efficiency, what is our efficiency within the factories all of this parameters had improved this year over the previous

years, so that is the kind of effort that has gone to shift the performance from last year to this year delivering 3x EBITDA growth over the previous period.

Now if I look at how does the future look FY2020 let me take a brief headway into what is happening at the industry level, so if you look at the global dynamics pressure on China continues to be strong from two angles, one of course the trade war that is going between the Countries particularly America and China and China wage costs going up, labor availability, being a challenge and is so focused on other value added industry resulting in many of the buyers indicating that they want to look at alternate sourcing destination, which would include locations like Bangladesh, Vietnam, India and India figures prominently in this list and I foresee that would be more and more set of customers who would be willing to look incrementally higher order of business coming out of India so that is an opportunity for the country.

Now how many of us in India are geared up to take this is the key question and when I look at Gokaldas Export as a player of heft, we are in that very strong position to be able to leverage this opportunity that can come our way. In fact, I am already seeing some early signs of traction of this flowing India way and some of the larger players in India are all in the reckoning as far as being in the right position to be a recipient of those incremental business.

The other factor which is also going on in the country is that there are several smaller players who also constitute a significant part of the industry but many of them are frankly struggling financially, many of them had closed down their business on account of financial challenge of that, incremental working capital that they need to keep serving for this business with last years banking challenges etc., many of them found that their ability to grow was severely curtailed and some of them have shrunk, compliance costs have gone up for the industry as a whole and people like us who are larger players, who have compliance facilities and who are willing to make their investment to stay ahead in the game will always be a recipient of further customer not just simply because we do have the wherewithal to meet all the current and future compliance norms, so all of these augers well for us for future growth from an industry standpoint as well as standpoint of competition in the country's perspective and as long as Gokaldas continues to perform well on its operational delivery, matrices to its customers, there is no reason why customers would not come back for more and I am reasonably optimistic that we can do reasonably good growth going forward.

Now a growth going forward is also a function of how much capacity that we could ramp up in the forthcoming year and there are three ways of ramping up capacity, one is increase the capacity in our existing factories itself which in turn could come by adding more Brownfield lines in our existing factories as well as improving the productivity in the existing factories. Now this is the best way to increase capacity by any yardstick because this is the least cost way of capacity improvement and we will do everything in our capability to max out our capacity now existing 15 garment manufacturing factories.

The other way to increase our capacity going forward is to look at taking some assets on lease which are available in the market. There are some factories which have been shut but are

fundamentally good asset and we could go and restart some of those factory. The time to market is very short and we can quickly ramp up our capacity without too much of factory investments because of some of those capital investments may already be there or partially be there in those facility so it is faster time to market and we are open to some such options and as of I am looking at two options two new factories coming up through that route for capacity augmentation and then there is a third way of setting up a Greenfield plant. We have already acquired land and we have signed up with APIIC in Andhra Pradesh in the district of Chittoor and that is something which we will start work on some time in the middle of this year which will probably get ready for production sometime early next financial year that is FY2021 and we are working on several other options as well, but that would be the most capex intensive and would take time but would augur well in the long run because the new factories we would certainly put in the lowest cost location and there are several such locations coming up in the country where there is wage incentives, employee such as etc., which would allow us operate at much lower EBITDA margin, so from capacity perspective as I said maximizing our existing capacities is the key.

We are working furiously towards it. There is still an opportunity to grow. We are currently at about 200 lines. I feel that we could go up to about 220 lines or little more than that in our existing facility so that 10% capacity we may increase, but additional production efficiency which can also drive additional output, we can probably see fairly good capacity growth and hence revenue growth coming from existing facility with addition of two new capacities that we add through a lease or operating lease or some other such construct, we could probably another 12-15 lines which is also hopefully will us in augmenting capacity further through the year, so for the year.

For the year FY2020 I would presume that all of this would help us target fairly robust revenue and as I said the focus of the company is always to ensure that we will focus relentlessly on all the cost parameters, operating parameters etc., and our endeavor would be ensure that our profit will exceed that of the revenue growth, so that will obviously be core of what we will do and I am optimistic and hopeful that if the performance continues the way it is and the customers attraction continues the way it is and looking at the order book, which has almost done up to Q2, I am fairly optimistic that our performance for FY2020 will be fairly robust and good.

To sum up, looking at how we performed, looking at the macroeconomic story as well as looking our specific customer traction and the operational improvement initiatives that we have put in motion in the company the performance that we showed in FY2019 is real, is strong and it is sustainable going forward and we will build up on it as we go forward in a FY2020. There were a few additional information that I would like to share with you. For example, in FY2019 we shutdown a factory which was one of the highest cost factories that we had and despite that we did not lose any production because we moved that production to other factories, so this is the high cost fixed kind of factory which we got rid of, so such moves, which eliminates high cost they are also being taken up and I do not believe that there are any bad assets or less than optimal assets in the system anymore, so whatever action has been taken.

Then I would summarize that at this point in time I would be happy to take any questions going forward.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sudhir Bheda from Right Time Consultants. Please go ahead.

Sudhir Bheda: Congratulations to entire Gokaldas team for operating the sustainable and structural transformation and turnaround in Gokaldas? Sir there are couple of questions. First I was just reading the article in Economic Times on Sunday where projected turnover for FY2021 was based on around Rs.1700 Crores, so which means that we should grow by a 20% CAGR, is it possible?

Siva Ganapathy: Thank you. All efforts will be in that direction. We would try to grow as fast as possible as I take the our revenue growth will largely depend on how fast I can ramp up capacity and reasonably confident about customer traction coming our way, so if you are able to add capacities going forward we should be able to grow at a good cliff.

Sudhir Bheda: Great and Sir one more question of in Q4 our EBITDA percentage was around close to 9%, so is it sustainable in view of increased incentive from the government for FY2020 and potential increase in wage cost?

Siva Ganapathy: That is a good question. If you look at the incentive increase, this happened in the fag end of Q4, so it happened from March 7, so entire Q4 does not include the incremental ROSL benefit that we got, so that extent there should be a little improvement only in the margin. At this point in time the way it stands MEIS scheme which is 4% is expected to drop by December 2019 so it is available until then and post that if it gets extended we will get it further but we need to work with the government for that. There is a risk that in the long run MEIS may not be sustainable because there is cases in WTO, which has been taken up by US and other countries that MEIS as a head may not pass and we may have to look at some alternate ways to see how that best export incentives can be structured, so there is a bit of clash particularly which may affect in FY2021 from export incentive perspective but that is nothing with the industry as a whole is working with the Government of India and since this collectively impact the whole industry there is a lot of effort towards that and the government is also fairly aware of this matter and is very supportive of this matter. So post-elections I think there will be lot of work which will happen in this direction. So the other point which might negatively impact on the financial is the potential wage increase. So the minimum wage in Karnataka is expected to go up, the quantum of the minimum wage is as yet unknown, because the negotiations which is supposed to happen between the industry union and the government has not really started in earnest because the elections were announced in the meanwhile, so post May 23, meeting will be convened between all these parties and I am hopeful that in a couple of months or three months, being wage increase quantum will be known, or the amount of the wage increase will be known. It will have a bit of negative impact in terms of wage cost going up over and above FY2019 levels. The company has worked out all contingency plans to address that so some of it we will address it through a higher level of productivity so if the wage increases by x percent is the productivity also increases the x percent, we are back to the

same level, so effort is to offset it through better productivity management, better operational management. This is point number one. And of course to what extent we will be able to price in to the customer going forward once the wage increase is known will also determine how much of it we will have to absorb versus how much of it the customer will absorb, so there are all these contingency plans which you can not only us, but everybody in the industry are working on. I ensure that we will be able to tackle it going forward.

Sudhir Bheda: Is it possible to maintain 8%-9% kind of EBITDA in view of all these incentive and increase wage and all this uncertainties?

Siva Ganapathy: Our intention is to maintain at those levels going forward as much as possible.

Sudhir Bheda: That would be great new and one last question. In FY2019 wage cost is around 33% as against 31.4% in FY2018, so how come you have the efficiency as far as material is concerned but percentage of this has gone up in FY2019, and it is gone up by almost 1.5%?

Siva Ganapathy: If you look at the absolute wage cost, it has increased by 15% and our revenue also has basically increased by 15% while the export incentives came down and brought down our overall revenue growth to about 11%. You are right there was a DA increase which happened through the year which we had to absorb, the other thing we are also ramping up our production force to handle incremental volumes going forward, so if you look at our order book it is very full and we had to ramp up quite a bit of our manpower towards the end of financial year, lot of trainee batches were in place to be able to handle additional volumes that we are seeing going forward, a bit of it is also because of the product mix etc., that we have had, so clearly lot more of the efficiency play has to play out going forward and I am hopeful that will happen.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Mr. Siva Ganapathy you are doing very fine job. I think this is your maiden concall for investor. Hope you continuing future too. Sir any plan to build our own brand in future?

Siva Ganapathy: When you say brand as in sell garments in our brand?

Ravi Naredi: Yes.

Siva Ganapathy: We do have a brand, which is the legacy brand in the company. It is called Wearhouse with 3 retail outlet in Bengaluru alone. We have not taken a call as yet as to what do we do with it whether we expand it, whether we start a new brand etc., so it is decision that is yet to taken sometime during this financial year, we will take a call on what is that we want to do as far as forward integration is concerned that is be in the branded apparel business per se. If you look at the India retail market that is one of the fastest growing globally, it is growing double digits. It is about 13%-14% per annum, so it is a promising space at this point in time and is expected to sustain at double digit levels for quite sometime so that is where there is an opportunity, but we

have to take a call as the profile of our business is very different, the investment and risk and return for that particular type of business is different. We will taking a call going forward at this point we have not decided one way or the other.

Ravi Naredi: Secondly 441-lakhs due from one customer and again we have given him Rs.8.45 Crores goods so please tell something about this episode, what is going out of it?

Siva Ganapathy: The customer in this particular case is Sears. Sears is an iconic brand globally and unfortunately in October Sears filed for bankruptcy, so prior to bankruptcy we had supplied about 4.4 Crores worth of goods which we filed a claim in the Bankruptcy Court for that money and against that claim we have already provided for about 1.33 Crores between Q3 & Q4, so we have taken a write off and the write off of that 1.35 Crores has been taken on the basis of certain offers that we have got from finance companies in the US who are willing to purchase that particular receivable at a certain percentage, so they said we will offer you 70% of that receivables based on their risk assessment etc., so based on that we have taken the provision, so that is the right way of taking provision as far as the pre-bankruptcy amount is concerned. Having said that, we are working with Sears, we have filed a claim in the bankruptcy court and we are pursuing all options to get as much of the claim as possible as far as that amount is concerned. Now at that point in time, when they filed for bankruptcy almost 8 Crores to 9 Crores worth of goods were in production in the factory, now these are very particular styles which are meant for a particular customer and what happened was that there is no way that we could actually sold it in some other market, so we got them to issue fresh POs post bankruptcy under the protection of bankruptcy administrator to be able to ship these goods going forward. So we have shipped them under bankruptcy protection and we are very hopeful that we will get those money back from Sears because it is with court protection that we have shipped those goods. In fact we recently pleaded in the court as well saying that these amounts are due to us and should be paid and Sears have also taken a stance that they will definitely make the payment so I do not worry that 8 odd Crores which is outstanding is at risk. I am not inclined to believe that and I am quite confident that we will get the money; however, prudent accounting means that we will not recognize it until and unless we actually get the money so that is why we have not recognized the money and that is see in the notes. Sears came out of bankruptcy on February 11 and new company has been formed, they are fully funded and for the goods that we supplied post February 11 we have started receiving the payment in full, so going forward Sears is paying us all the money, so it is the only these two elements one is the Rs.4.5 Crores which is pre-bankruptcy and that Rs. 8.8 Crores which is post bankruptcy. I am not much worried about the 8.8 it should come at some point in time. The 4.5 Crores we have already provided 1.33 Crores the balance is something which we will take a call as and when the bankruptcy resolution happen. Hope this clarifies?

Ravi Naredi: In how many days or months it will take to receive this payment. Any conflict things you can tell?

Siva Ganapathy: At this point,we are not in that position as we are working still with the CFOs of Sears.

Ravi Naredi: All the best Sir.

- Moderator:** Thank you. The next question is from the line of Pritesh Chedda from Lucky Investment Managers. Please go ahead.
- Pritesh Chedda:** Sir I wanted to know what will be incremental gross contribution margin at your Karnataka factories that supply for this incremental capacity that you highlighted 10% capacity increase on organic basis and now these assets some 6%-7% capacity increase so what will be incremental gross contribution margin and I just had one clarification today all your volume output is from Karnataka?
- Siva Ganapathy:** To clarify about 95% of our output is from Karnataka. We do have a factory in AP which is in Madanapalle which is in the Chittoor district, but barring that all our operations are in Karnataka. Your other question on what is the margin for new capacity in Karnataka. If we run it efficiently and well, I would presume that new capacity standalone will have fairly good EBITDA margin of 14%-15% but with corporate cost, fixed costs etc., the EBITDA margins will come down, but you know if you look at a standalone incremental capacity we should be running for about 15% at a EBITDA level for that capacity. Once we take it up to full capacity. For the interim period that we are ramping it up the EBITDA margins will be lower. When I say EBITDA margins I am taking the material cost, I am taking the factory related expenses and that is it.
- Pritesh Chedda:** This is for the incremental supplies, you gross contribution margin which is your raw material cost, variable overheads, employee cost because the employee for you also should be partly variable, would be about 15%. Now my second question is how different is a gross contribution margin in your AP facility whenever it comes up which is FY2021 and what is the capex and the spies of the assets spent versus what you have in Karnataka today?
- Siva Ganapathy:** My understanding is that AP will be 2%-3%, higher than in Karnataka. Everything depends on how much of productivity gain that we get right and what is the product mix, so when we start generalizing in this form it becomes difficult as we do not account for some of those variances, but other things being equal our new capacity where we do have some labor incentives etc., we will have little better cost economics of 2%-3%. Now what is the capex cost of a new facility, I think it will be about 30 Crores for the new facility. We would be most likely incurring about 20 Crores in this financial year and the balance 10 Crores in the early next financial year, by which time the capacity will be fully ready and then we will have see that operation as well. As stated that will be three times.
- Pritesh Chedda:** Assets turn, gross fixed turnover?
- Siva Ganapathy:** In the steady state it will be three times.
- Pritesh Chedda:** 90 days of working what will be your working capital requirement?
- Siva Ganapathy:** Working capital requirement is of three months average is what we will work
- Pritesh Chedda:** Networking capital?

- Siva Ganapathy:** Yes.
- Pritesh Chedda:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Avinash Nahata from Aditya Birla Capital. Please go ahead.
- Avinash Nahata:** Thanks for the opportunity. I have two questions. Number one is can you give us split as far as other income is considered in terms of operating and non-operating other income. For the year I can see it is Rs.21 Crores as against Rs.47 Crores and for the quarter it is Rs.3.8 Crores versus Rs. 9.7 Crores?
- A. Sathyamurthy:** The other income includes the bank deposits interest against the deposits and also the QIP money invested during the year partly and the investment income whatever we have got. Apart from that our regular operational income includes income tax refund, sale of assets, some provisions in regular nature..
- Siva Ganapathy:** So the split in other income between FY2019 is that income from operating activities is about 10.8 Crores and income from non-operating activities is also about 10.8 Crores, half and half in terms of other income from operating and non-operating activity.
- Avinash Nahata:** Given the same split for FY2018 which stands at 47 Crores?
- A. Sathyamurthy:** It is about 38 Crores is from operation because it includes exchange differences around 25 Crores and about 8.8 Crores from non-operating activity.
- Siva Ganapathy:** For FY2018 and FY2017
- A. Sathyamurthy:** FY2017 again 29.2 Crores from operating and non-operating is about 10.07 Crores
- Avinash Nahata:** Another question on your this rebate policy which came around sometime around in March 2019 so you are saying that the full benefit of which was not obviously because you had just 23 days of this quarter, so what is means basically is give us a sense in terms of full quarter what would be the benefit like and had this been operating this for the entire three months, you would have got 2% extra on your Gokaldas portfolio?
- Siva Ganapathy:** So this is incremental about 2.9% to 3% we will get incrementally on the export revenue, so export revenue is approximately 80% of our revenue, so on 80% of our revenue we will get about 2.9% to 3%, it depends on the product portfolio so as the mix changes there will be few decimal basis point might move here or there, but that is apart approximately 3% you can assume will be incremental on my export revenue.

- Avinash Nahata:** So if we talk about the first quarter FY2020 which is the June quarter FY2020 so we are getting this rebate which is 3% of 80% which is almost 80% of 3% which is 2.5 %, so when you are comparing with the same thing last year so last year your export incentives were around 4%?
- Siva Ganapathy:** You are saying export incentive as a percentage of the total revenue.
- Avinash Nahata:** Correct.
- Siva Ganapathy:** So it is about last Q1, exports incentive was 152 Mn. and our total income was 2877 Mn. which was about 5.3%. Last Q1 was 5.3% of total income. Export incentives in this Q1, it will be a plus 3.
- Siva Ganapathy:** Still you would be down 2%.
- Siva Ganapathy:** That is because again this is only on the export revenue, so another 2.5% you can assume.
- Avinash Nahata:** Sorry 5.3% as against?
- Siva Ganapathy:** Last Q1 our export incentive at the percentage of total income was 5.3% why because you know export incentive was actually paid on the export income so here we are doing a different calculation, export incentive as a percentage of total income. Export incentive otherwise 3% on export revenue will translate into about 2.5% on total revenue. So another 2.5% you may get more in Q1-FY2020.
- Avinash Nahata:** One question on this labor productivity thing so slightly strategic in terms of when we met, you have discussed that the labor productivity is 15% to 20% and the higher end countries like Vietnam, Bangladesh and labor cost is 15%-20% down in some of these countries, so in a long-term what is the business in a 1000 Crores company like us are able to get what is kind of business we get which does not go to the countries like Vietnam or Bangladesh?
- Siva Ganapathy:** The business that we do in India is not just a labor piece which dictates what business comes to India, so it is the what kind of design and style, what is the kind of fabric used, because there are lot of India sourced fabric, which customers would like to get manufactured in India itself. Why is that? Because lead time is an important element of any business for our customers for the retail business and as the world moves more and more toward fast fashion, lead times for supply shrinking, so each of the fabric is cotton intensive or cotton viscose intensive then the manufacturing of those will tend to get manufactured more and more in India as opposed to say Vietnam or a Bangladesh which does not have a fabric ecosystem at this point in time, and if you want to import fabric and then make it the lead up time goes up significantly so there is a lot of other factors which come into play into deciding what business gets done where and of course there is a cost element where our labor productivity has to go up going forward with better and better investment in automation in, better and better work practices etc., so that automatically that efficiency will also help India drive up more business that we can probably get on purely on cost

basis, but those will be the Basics etc., which tend to hunt for the lowest cost manufacturing location, so that is how it play.

Avinash Nahata: One question on this minimum wage, which is likely to go up in Karnataka. Does it apply to 100% of the wage cost what has shown in the P&L?

Siva Ganapathy: We are already above minimum wage in terms of what we paid, so the minimum wage whatever percentage increase come because that is at this point in time unknown, it is yet to be negotiated. Will that percentage entirely hit us, answer is no because we are already above that, so we may have to go match the new minimum wage as long as it is higher than where we are currently today. So will it apply to 100% of the wage bill that we have? No, because we do have labor in AP which is about 8%-10% of labor cost so this will apply to the balance only.

Moderator: Thank you. The next question is from the line of Sandeep Sabharwal from Ask Sandeep Sabharwal. Please go ahead.

Sandeep Sabharwal: Harmendra how are you doing? I did not know that you are in Gokaldas. Sir I had couple of questions the first question was say we have seen so many companies at least start up on the garments inside in India and they are done very well of want of time and your also an example of that and various issues come up with regards to stickiness of the customers, labor issues, because it is so labor incentive, wages go up and price do not go up, so you have done very well in a particular year so how do you believe that this is something sustainable and the company will continue on this path?

Siva Ganapathy: See what is it takes to become sustainable? You need a certain cycle scale, you need a certain capability, mix of products that you could make and you need very strong customer relationships which will help you build that stickiness. Today, if you look at Gokaldas exports, our product variety we work on in the fashion side, a lot of women garments, we work on sportswear, we work on outerwear. There are a lot of inherent capabilities that we have which is not very common across the industry and that is because of the legacy trend that the company has or the product capability that the company has. Second there is a deep relationship that we have with our customers by virtue of being in the business for a long period of time and by virtue of the fact we have been delivering exceedingly well to them particularly in recent times which also helps increase the stickiness of the customers. As long as we are able to deliver a very strong operational performance, we should be in a strong position to sustain our business. The issue happens when there is a hiccup or when there is set of poor performance, which comes and hits you and when you do not have diversification of customers that one customer tending to drop volumes on you because of your own poor performance or their own market related challenges that is when some of these smaller players do get impacted, so there are lot of small players in the industry who have 60%-70% dependence on one customer, 60% of their revenue, 70% of their revenue dependant on one customer and if that one customer has got a poor season of sale, and or their inventory is piling up in their own market then their buying will come down and it has several cascading effect on the supply chain. Now if we keep on diversifying our customer base which we have done well now and which we are in the process of doing more and if we ensure

that the operationally we perform well. The risk that you mentioned which are real and present for many vendors may not as strongly apply to us.

Sandeep Sabharwal: And how big is your biggest customer for you?

Siva Ganapathy: Today the biggest customer is about 30%.

Sandeep Sabharwal: That is also quite substantial, so what is your target over the next two to three years?

Siva Ganapathy: My intention is to grow the other customers faster, the biggest customer is doing well and growing so I cannot ignore to that business, but the intension is to bring it down to about 20%-25% if we can, but 25% is the first goal, then bring it down to 20%.

Sandeep Sabharwal: In terms of your forex hedging strategy what would that be?

Sathyamurthy: As we get the orders, we ensure that it is fully protected on order covering every time when we book the order, so currently we do that, and we also take a view depending upon the order flow for at least for the next two quarters we take care of and then accordingly forward cover is taken.

Sandeep Sabharwal: You are not doing any derivatives and all that stuff?

Siva Ganapathy: We do not believe in that. We just take a forward cover to the extent of revenue and leave it.

Sandeep Sabharwal: Thank you very much and best of luck to you.

Moderator: Thank you. The next question is from the line of Charmi Mehta from Prabhudas Lilladher. Please go ahead.

Charmi Mehta: Good evening Sir and congratulations on a good set of numbers. I had a couple of questions Sir. Sir firstly I would like to know that you know apart from the AP facility where else are we planning or you to set a facility and we would be the capex for that and will we funded like through debt or through internal occupants?

Siva Ganapathy: As I said in FY2020 we are only looking at this moment things change and we want to accelerate. We might come back and you know the probably do more but at this point we are looking at one Greenfield capacity coming up in AP. We are also in advance discussion in MP which might get resort towards the end of the FY or late of second half of the FY, but all of that really fructify in FY2021, so these are two locations from the Greenfield perspective. We are also as I said earlier looking at incremental capacity which is in an operating lease kind of firm which will help us get to market faster where it is more of an operating cost rather than capex cost.

Charmi Mehta: Sir my question would be on efficiency level, so I would like to know what were the efficiency level for FY2019 viz a viz FY2018 and what is target going ahead?

- Siva Ganapathy:** So our efficiency is productivity metric, right, so my hope is that between FY2020 and FY2019, we should improve our productivity by at least 8%-9% which means an efficiency growth of about 3%-odd.
- Charmi Mehta:** Efficiency growth of about 3%-odd. That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.
- Sunil Jain:** Congratulations on good number Sir. You had said the lot of improvement in cost side you had done in last few years, so if there is any more low hanging fruits, which are available which you can immediately work on or you are through with all these things?
- Siva Ganapathy:** The cost side one has to look at what is it that can give us some cost side efficiency. One if I reduce my wastage further which I believe there is a good possibility to reduce my finished good wastage by 1% that should allow some incremental throw away to the bottomline. My efficiency improvement will give a cost side advantage because if the same manpower I will be able to produce more. As I said earlier that you know about if I will be able to produce 8%-9% incremental then that is the cost reduction as well, so these kind of initiatives are what has to play out in FY2020 and our effort and endeavor will be to ensure that these do happen.
- Sunil Jain:** Sir second question Sir is like you said that you got some differentiated product or differentiated way of some other players, your competitor who can you share how much revenue there we can have from that particular type of many differentiated product and all?
- Siva Ganapathy:** For example outerwear, we are reasonably strong player in the outerwear market and outerwear contributes to about 30% of our sales and the sportswear contributes to about 15% odd of revenue, and a big chunk 50% is the women fashion kind of wear. Outerwear we have seen fairly strong robust growth over the previous year over FY2018. We hope that there will be a sustained growth on that side. Sportswear also we are anticipating a reasonably better growth going forward, so these are areas where we have certain core competence and wherever we have core competence we would try to grow faster there.
- Sunil Jain:** That is all Sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** I am just asking 23000 employees were on March 31, 2018 and how much now?
- Siva Ganapathy:** About 25000 I will give you the precise number one movement. It is about 25570.
- Ravi Naredi:** How much capex last from current year and next year?
- Sathyamurthy:** Capex plan for this year is around Rs.55 Crores and for the next year is around Rs.40 Crores.

Ravi Naredi: Thank you.

Moderator: Thank you. The next question is from the line of Anchal Agarwal from Care Portfolio managers. Please go ahead.

Anchal Agarwal: Sir, what impact do you see of US and China war because basically we get lot of our orders from USA?

Siva Ganapathy: That is correct.

Anchal Agarwal: So how do you feel that impact?

Siva Ganapathy: See we are US centric primarily because US is more remunerative from a business standpoint, Europe gets bulk of its product from Bangladesh because they go duty free from Bangladesh into Europe. US at this point in time the trade war with China means that strategically more and more US buyers are looking at alternative location in order to derisk themselves going forward and keep in mind that these kind of shifts from buying shifts from geography to another is not very easy to execute for any large customer simply because it is entire ecosystem China has its own fabric supplier, trim suppliers etc., but having said that with this trade war it seems to be accelerating a bit and the opportunity is very right to move production from China to as I said countries like Bangladesh, Vietnam and India so this is real this is happening and we speak and we see a better opportunity in the 2-3 years ahead for sure.

Anchal Agarwa: I would also like to know your guidance for the coming year like FY2020 or FY2021?

Siva Ganapathy: We are not giving guidance at this point in time but we are reasonably confident of a robust revenue growth.

Anchal Agarwa: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much Sir for the opportunity. Sir you have been talking about production efficiency improvement and even the cost control capacity debottlenecking so what sort of EBITDA margin improvement this upward can basically fructify for you over the next 1-2 years?

Siva Ganapathy: As I said the, if you see a better margins so traversing from Q1 to Q4. You have seen a reasonably strong growth. Right at Q1 of FY2019 was about 5.2%, which went up to about 8.79% almost 8.7% in Q4 if I remove the extraordinary item, so there has been substantial improvement. I foresee that if we are able to run efficiently and if the labor costs increased is modest and if you are able to price it in to a large extent and I am keeping aside the MEIS effect away for now, we should beginning at about close to 9%-10% going forward and that is the effort that we will all put it.

- Deepak Poddar:** 9%-10% maybe in year or two. Is that right timeline?
- Siva Ganapathy:** Yes.
- Deepak Poddar:** Understood and in 9%-10% you saying, in new factory any kind of improvement in gross margins as well?
- Siva Ganapathy:** So a bit of gross margin improvement will happen, but not very substantial because a lot of it has happened already. What will happen is more of your production cost and all the production related efficiencies etc., which will hopefully give it, so it is combination of both.
- Moderator:** Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Thanks for the opportunity. Sir I just wanted to understand how much do the top five client contribute to our overall revenue?
- Siva Ganapathy:** Top five customers contribute about 75%-80% of our business.
- Ankit Gupta:** One thing you have been saying in the retailer discussion on the clothing side is that many of them have been keeping financial drivers and in our case also peers have created, so among this question mark, if you can tell us how is the financial conditioning and how are they performing overall?
- Siva Ganapathy:** Our top customers are all financially strong. We do not see any risk of in terms of their financial performance. Business fluctuations maybe there that is why we have diversified enough and we are continuing to diversify going forward, but I do not see any Sears like event going forward, further we also have EPCG covers for most of the customers so we will be covering up from that as well.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from ICICI Direct. Please go ahead.
- Chirag Shah:** Good evening Sir. My question pertains to the balance sheet. Given we are envisaging a very robust growth in revenues for the next year and top of that we are also envisaging a capex of 55-60% odd Crores so would there be any improvement on the debt side given we have already done a commendable job in reducing to that in the last year?
- A. Sathyamurthy:** We anticipate around Rs.40 Crores is what is the increase in the debt both on working capital and long-term loan put together.
- Chirag Shah:** From Rs.380-odd Crores the debt will again go back to Rs.420 odd Crores by the next year?
- A. Sathyamurthy:** Correct.

- Ankit Gupta:** My second question again pertains to your balance sheet. There was a fixed deposit of Rs.125 Crores which we are not been able to utilize because the concerned bank being under PCA we were not able to utilize it, so what is the status on that? So when can you use that money?
- A. SathyaMurthy:** This deposit is offered as collateral for the existing working capital facility. At this point of time we are working on to really unlock it because these are the assets which were given in the past as a security and subsequently when we sold the assets these fixed deposit was replaced in lieu of that asset. The banks were also awaiting the performance and accordingly they promised us that they will look at reducing this fixed deposit or adjusting against the limit. We are working with the bank. We are hopeful that at least some improvement will happen this year.
- Ankit Gupta:** But generally the norm, the industry norm is that the receivables are hypothecated against working capital loans?
- A. SathyaMurthy:** Correct. It is collateral what they are insisting on almost around 0.6x which is remaining with them at this point of time.
- Ankit Gupta:** Given the turnaround in our operations good, cannot we have a better bargaining power with the bank?
- Siva Ganapathy:** That is precisely the point which SathyaMurthy was alluding to that this is a historical issue that we are facing and at this point in time with our improved performance, we are having dialogues with the banks to see how much of it we are able to unlock because this is an unproductive asset as far as the year concerned and all efforts are on in terms of the dialogue with the bank to unlock at least a portion of it.
- Moderator:** Thank you. The next question is from the line of Purna Jhunjhunwala from B&K Securities. Please go ahead.
- Purna Jhunjhunwala:** Thank you for the opportunity Sir. Sir just wanted to understand this margin guidance that you gave for the next two years, have you included export incentives at current levels or reduced levels. What kind of incentives we assumed in those margins?
- Siva Ganapathy:** This year I assumed export incentives at the current level that is for FY2020. For FY2021 we have assumed that at least a portion of MEIS will be given away some form of operation. This we will have a better visibility into it as we progress through this year, but I am presuming that at least couple of percentage points out of the focus and we will be able to get some form of fashion but that is a reasonably educated guess at this point in time, the reality will have to be seen going forward.
- Purna Jhunjhunwala:** So your assumption would be 7% odd export incentives FY2020 and for 5%-6% odd in FY2021 if already would have assumed while giving the guidance?

- Siva Ganapathy:** FY2020 export incentive is higher. FY2020 is almost about 9% odd. FY2021 will be couple of percentage points lower on export sale, so this is not on total income, so if you are dividing it on total income then the percentage will be different. What I am saying is on the export sales, the export incentives and export sales.
- Moderator:** Thank you. The next question is from the line of Jainis Chheda from Ventura Securities. Please go ahead.
- Jainis Chheda:** Congratulations Sir for such great set of numbers. My question was regarding the number of lines. As you mentioned that you are coming up with 20 lines and so 20 lines from an existing facility and the new facility make you which come in FY2021, so in current year there will be only 20 lines or have you targeting certain set of numbers would eventually number of lines?
- Siva Ganapathy:** We are looking at about 20 lines coming in our existing facilities itself and that I says as mentioned that we will also look at certain facilities that we may take up them operating leased out in some form, which will also give us another 12 odd lines so in total about 32 lines is what we are targeting by end of the financial.
- Jainis Chheda:** So in FY2020 it will be approx 30-35 lines a ballpark range?
- Siva Ganapathy:** You can say about 30 lines incremental through the year so on an average per the year you can say 15 lines which will be additional capacity that will be available because this increase will happen through the year till the end of the year, so I am exiting let say from 200 going up to 230.
- Jainis Chheda:** Okay and the total capex for the year is Rs.55 Crores of which Rs.20 Crores towards the AP facility?
- Siva Ganapathy:** Which will play out in FY2021 in terms of revenue etc., so the balance will be really modernization capex in all our existing factories we have to add lines in our new facility also we will have to put up the sewing capacity and additional capacity so it will be towards that.
- Moderator:** Thank you. The next question is from the line of Manav Shah from Arjav Partners. Please go ahead. As there is no response the next question from the line of Sunil Kothari from Unique Investments. Please go ahead.
- Sunil Kothari:** Thank you very much Sir. Sir hearty congratulations for such an improved performance and your effort for what you have done qualitative and quantitatively. Sir my question is if you can share some thoughts or likes on how much we are improving every year on average realization per piece because we have limited capacity, we are reducing some capacity growing some old factories also, so any scope to increase value added products because the performance which you are achieving is one is cost reduction, but I think some value addition is also happening, so some more thoughts on this?

- Siva Ganapathy:** You are talking of realization per piece kind of improvement? We have had reasonably good improvement in realization per piece in FY2019, but then that is a function of our product mix as well so if I do bit more higher FOB garments or outerwear etc., the product mix change also changes in realization improvement but if I even normalize for all of that the realization gain is marginal, it is small it is under 1%, so effectively this is one area we need to work on going forward. I would say much of that has been realized so far and that is an effort that will be on, but keep in mind that the way the industry works is that as long as the end price of the garment do not go up, the ability to increase pricing for us is not very strong, so if a shirt is being for \$20 at a retail store in the US and that \$20 is not going up substantially then the ability to increase the price to our customers maybe fairly limited, so there is that challenge that the industry as a whole will have and we need to work with this constraint.
- Sunil Kothari:** Right Sir. Any tax, are we expecting from current year onwards or we are not paying any tax?
- A. Sathyamurthy:** We expect a MAT at the level of 10%, minimum.
- Moderator:** Thank you. The next question is from the line of Rahul Jain from Credence Wealth. Please go ahead.
- Rahul Jain:** Thanks for the opportunity. You mentioned about the capex being 55 Crores in FY2020 and 40 Crores in FY2021, this is total 90 Crores of capex and this 90 Crores of capex can take you to about 1700 Crores of revenue? Is that what you are hinting at?
- Siva Ganapathy:** We may have to consider one more factory but at this point of time yes we have factored in one additional factory whatever is coming is what I have factored in my capex.
- Rahul Jain:** So one additional factory you are saying to reach 1700?
- Siva Ganapathy:** Correct.
- Rahul Jain:** And that will entail how much capex?
- Siva Ganapathy:** Another Rs.30 Crores
- Rahul Jain:** Second question Sir, just to understand we have been discussing about US China trade war, Vietnam and Bangladesh. In last one year, in terms of the competitor of Indian companies and more so with Gokaldas how much could you or Gokaldas turnaround or overall industry's perspective. Do we see there is something more to be done from the government side so that we become more and more competitive versus Vietnam or Bangladesh, or is the currency helping us to be better in terms of our revenues? I need to understand basically the currency impact on the industry in terms of their competitiveness versus the Bangladesh or a Vietnam?
- Siva Ganapathy:** Clearly the stability in the export incentive regime is of immense help because then you plan your business much better, but yo-yoing like export incentives pulled out and then restored back and

then pulled out is not a very healthy way of managing business, because when you make investments you make investments with a longer term viewpoint, so I am hoping that the export incentive regime stay put at current level it will be of immense help to the industry going forward and that is the endeavor of the industry also to make sure that it remains at these levels because these are required to get a level playing field vis-à-vis Bangladesh, Vietnam and many other countries, keep in mind the Bangladesh and Vietnam have an added benefit of going duty free to Europe because they have an FTA advantage which they enjoy which we do not enjoy, so that is the reason why India plays a little bit more on the US market. Now as far as forex is concerned a bit of rupee depreciation is always advantageous from an export standpoint because that is what allows us to cover up for inflatory cost increases etc, etc that we find when there is a long-term trend of rupee depreciation it allows us to absorb some of the costs as long as pricing remains reasonably static though customers do tend to take a bit of the rupee depreciation all the time but this also allows us to stay at a level playing field with beating country keep in mind the labor cost go up etc., etc., so rupee depreciation certainly does adjust for some of those.

Moderator: Thank you. The next question is from the line of Aniruddh Bhandari from Sixteenth Street Capital. Please go ahead.

Aniruddh Bhandari: Just wanted to know what is the current order book looking like and what going forward and what are we comfortable in maintaining the order book at?

Siva Ganapathy: Current order book is robust. I am not pointing any guidance but Q1 looks strong so does the year, so we are looking at fairly good growth.

Aniruddh Bhandari: Sure and you said your working capital to maintain that 90 days but if we look your inventory as a percentage to revenue has increased substantially 22% so can you throw some light on that?

Siva Ganapathy: That is the only reason why that has happened is because as I said the order book is very robust so we are even at end of Q4 we were manufacturing a lot of goods for Q1 and since the order book is strong. We do have higher levels of inventory in the system.

Aniruddh Bhandari: So how does it work right from accepting the order and taking it, can you explain how does the inventory flow?

A. Sathyamurthy: On an average, yes it is coming almost close to 90 days. It is basically about 30 to 45 days minimum it takes conversion of raw material to WIP and then further depending up the order size we run into 75 days when the order size is very big and the shipments happen post-production, so accordingly, we range between 45-75 days. At the factory level our inventory moves, right from the warehouse to WIP stage then to final finished goods to dispatch.

Aniruddh Bhandari: Any inventory management you are looking at to reduce the working capital costs?

A. Sathyamurthy: If you observe, more than inventory we have really brought down the debtors, during the current year we have brought it down substantially. We work with the customers and we looked at early

payment option and brought it down. The inventory build-up predominantly happens as we accelerate our productivity, sometimes we have to advance production from the next quarter so it really helps in achieving the better profitability and some inventory buildup also it is good in the long run but this will get corrected over a period time as we move forward.

Siva Ganapathy: Coming back to your point on managing a tighter inventory is a point that we are working on and we are looking for ways to see how we can tighten up the inventory in the system. At this point in time, since we are on a growth mode, there is a bit of buildup of inventory happening in the factory and that is particularly accentuated towards Q4 or during Q4 as we will be ramping up in Q4 and Q1, having said that there is an effort to ensure that inventory buildup is tightly controlled.

Moderator: Thank you. The next question is from the line of Shankar Nayran from Seraphic Management. Please go ahead

Shankar Nayran: Good evening Sir, congrats on a good set of numbers. I have two questions. One is on the Greenfield capex in Andhra Pradesh so when I wanted to understand this only 30 Crores how many more lines are you going to add. I miss that part.

Siva Ganapathy: As I said the AP project will not yield lines for this financial year, it will yield light for the next financial year, but we will add about 15 to 18 lines.

Shankar Nayran: Yes. This would envisage 30 Crores investment which would be for the lines as well as for the Greenfield creation of capacity so how much is the 18 facility how many more lines can you add if you need to. Can you incrementally do you really need 30 Crores going forward or will it be much lower?

Siva Ganapathy: Going forward. I think it would require as much because incremental lines will not cost, hardly anything as the capacity there I would like to take it up to almost 20-25 lines or thereabouts, and not grow beyond that because that kind of places practical limit on labor availability etc., but that is what we will take into.

Shankar Nayran: The second question is on the Sears issue which you spoke about at length. Now that 8.8 Crores which you have not taken into the books of account yet how have you classified the cost is it is still lying in the balance sheet?

A. Sathyamurthy: It is part of our inventory at this point of time as it is goods in transit because we have not recognized the sales revenue, but to reiterate the point that, this is an interim period and during the court protection the fund has been allotted and accordingly only the dispatches have happened, so we are expecting the money to come in as and when the decision happens and on realization basis the revenue will get recognized in the books. It is also admitted and accepted by both the court as well as Sears that this is the amount payable and it is only the question of interim company or the new company who has to pay is the issue going on which we hopefully get that clarity soon and the money will get settled faster.

- Moderator:** Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead
- Ashwin Reddy:** Thank you for the opportunity and congrats on a fantastic turnaround. I had couple of questions, so firstly how do you guys think about backward integration because if I understand the industry leaders from India happen even the backward integration and I think this business, cost also matters, so some thoughts there would be helpful.
- Siva Ganapathy:** Excellent question. I think this is very strategically important question as well from a business standpoint. Backward integration is the key from the standpoint of assuring competitiveness, assuring that we are able to continue to compete at in a fast fashion kind of value chain. I feel that the strategy for us would be to look at backward integration as and when are closer to about 2000 odd Crores in revenue until then we will continue to work strategically with several fabric suppliers so it will be a virtual backward integration but not a real backward integration because we would probably be in the position and capability to be investing in fabric and spinning and we may other stuff when we are closer to about 2000 Crores in topline that is the current strategic thinking, it might change going forward, we will always be dialoguing on it and reaching to conclusion accordingly.
- Ashwin Reddy:** That is quite helpful. Second question is in case you want to have your brand at some point in time and do you think it is worth going down that route so how do you guys think about because you had answered it very briefly but is it a thought right now or this is like much further out or how do you guys think about it?
- Siva Ganapathy:** This is one which we really need to take a call because we have already in it. We have a toehold there by virtue of a small brand that we have so going forward into a brand is probably more quicker, having said that as I mentioned earlier, we do have to take a real strategic call based on all the economics and dynamics of that business whether we want to go all out or aggressive on it or not. We have not yet taken the call. This is the call we will probably take sometime in this financial year as to how and what and if we have to go into that into retail business. We have not taken a call as of yet.
- Moderator:** Thank you. The next question is from the line of Mihir Thakkar from Prithvi Finmart. Please go ahead.
- Mihir Thakkar:** Thanks for the opportunity. Sir I missed on the capex part so how much capex are we going to do this year.
- A. Sathyamurthy:** This year is Rs.55 Crores
- Mihir Thakkar:** And how much assets turn we expect from it?
- A. Sathyamurthy:** Of the 55 Crores definitely 20 Crores is for the new unit in Andhra Pradesh. Few lines whatever we do we expect the asset turn of three times.

- Mihir Thakkar:** And next year we will be doing 40 Crores of capex?
- A. Sathyamurthy:** Yes, this is assuming that no additional factory, if we consider one more factory it will be 70 Crores.
- Moderator:** Thank you. That was the last question. I now hand the conference over to Ms. Shradha Agarwal for closing comments.
- Shradha Agarwal:** On behalf of Asian Market Securities, we would like to thank the management of Gokaldas Exports for their valuable time and everybody else for participating in the call. Thank you.
- Siva Ganapathy:** Thank you all. Thank you so much.
- Moderator:** Ladies and gentlemen on behalf of Asian Markets Securities Limited that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.