



gokaldas exports ltd.

**Investor presentation –
Q1 FY20**

29th July 2019

Disclaimer

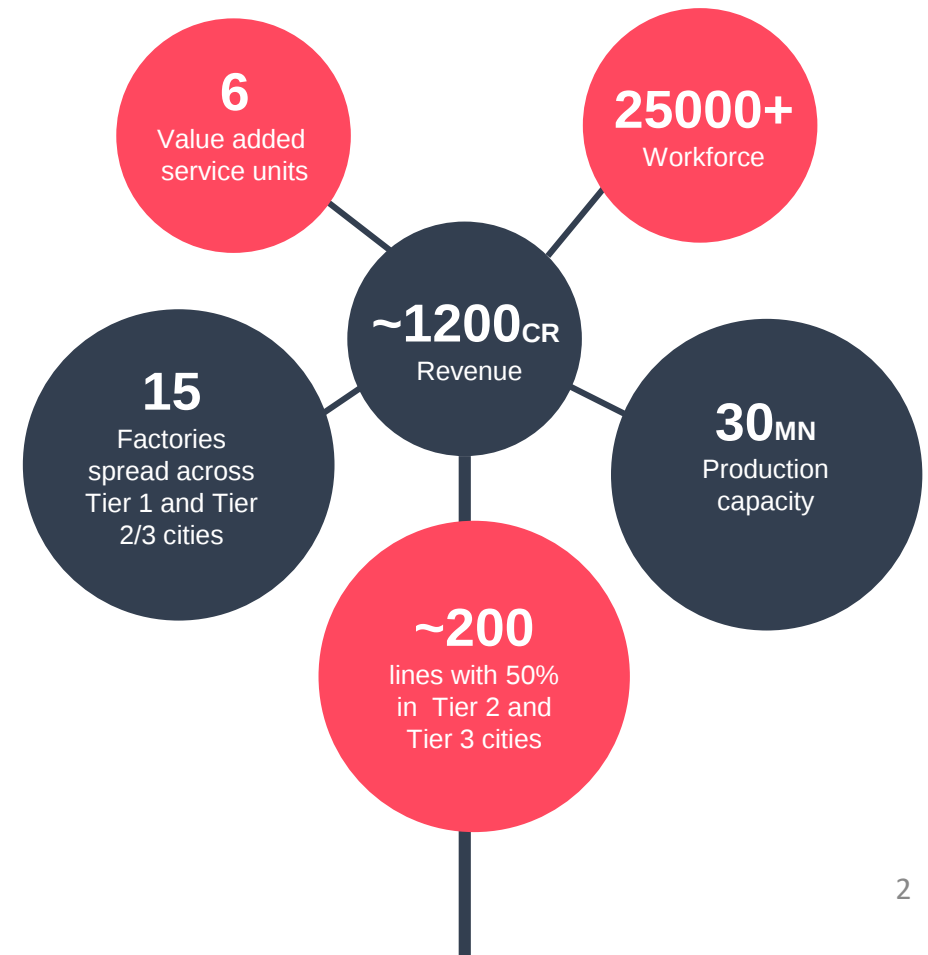
In this presentation we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. We periodically make forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever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

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

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

A leading apparel exporter since 1979

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



Partnering with leading apparel brands

OLD NAVY



Z A R A

H&M



MUJI
無印良品

EST. 1892
Abercrombie
& Fitch
NEW YORK



celio*

KAPORAL
JEANS

STYLEM

JCPenney

MATALAN



BESTSELLER®



LANDS' END 

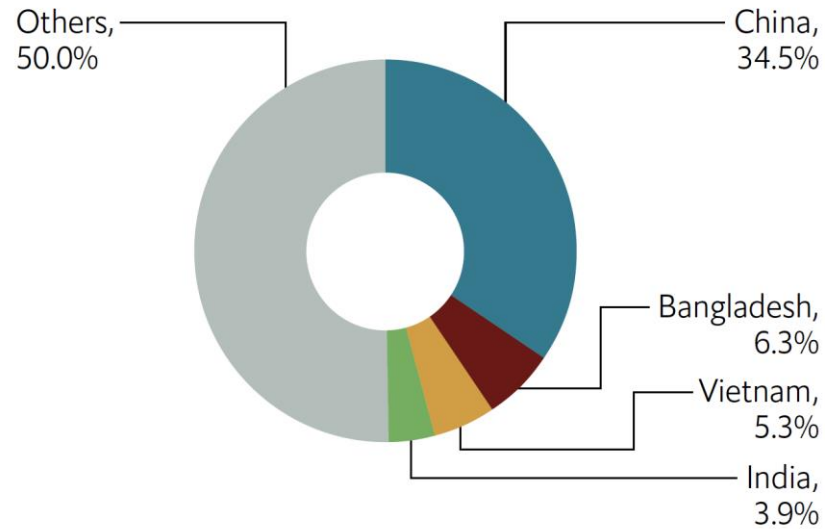
DECATHLON

India has considerable opportunity to grow

Trade wars and changing priorities impact China's exports

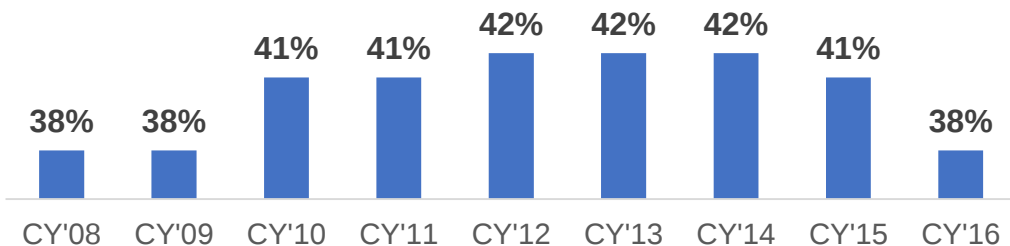
Top clothing exporting countries, 2016

(% of global share)



Sources: World Trade Statistical Review; World Trade Organisation.

China's share of Apparel exports



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

Strong benefits		Mild benefits	
Bangladesh		Sri Lanka	
Vietnam		Pakistan	
India			

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

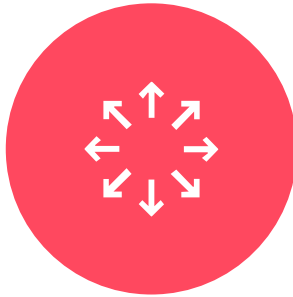
Our growth strategy is predicated on 4 major thrust areas



Strengthen
customer
relationship



Drive
operational
excellence



Cost effective
capacity
expansion



Upgrade
business
infrastructure
and technology

Essentials levers to sustainable revenue growth

Revenue growth

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

Operational Efficiency

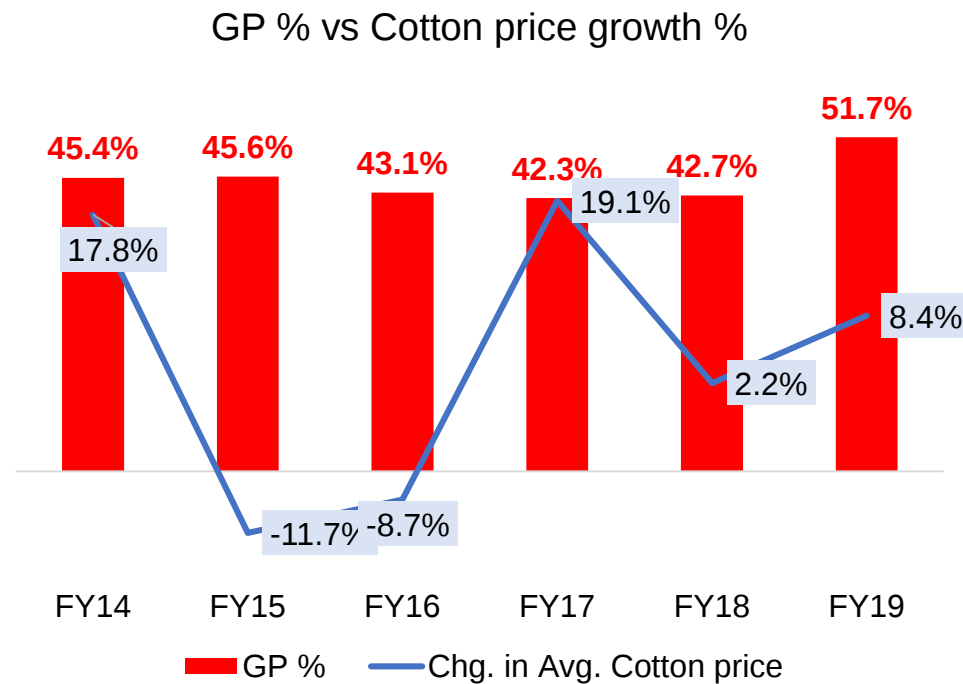
- ❑ Focus on higher operational leverage
- ❑ Continue drive for higher productivity in FY20 and FY21 from existing level to drive down cost and directly increase EBITDA
- ❑ Profitability is not that sensitive to raw material price and forex fluctuation. Increase in material cost can be absorbed in price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

Capacity Plan and Infrastructure

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

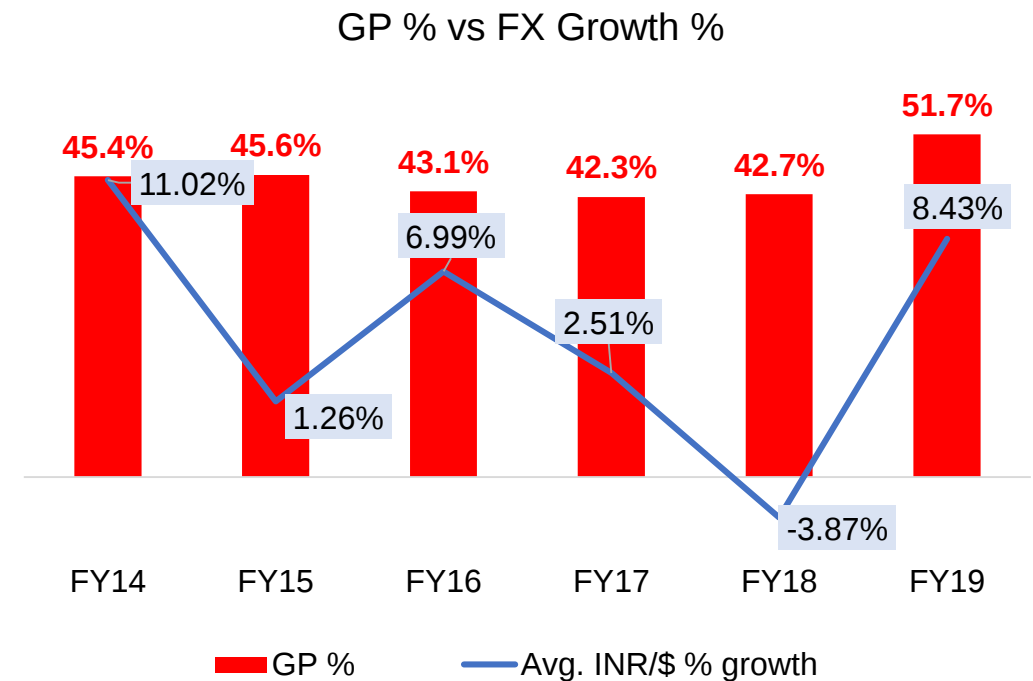
Margins are resilient to changes in RM prices and FX

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



Impact of exchange fluctuation on GP is minimal

Figures in INR Mn.



Standalone Financial Performance over last 3 years

Figures in INR Mn.

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

Consolidated Statement of Profit and Loss, Q1 FY20

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

Figures in INR Mn.

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

Q1 FY20 Highlights

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

Thank you



In case of any clarification / queries pls contact :

Mr. Harmendra Gandhi, VP Corporate development, Gokaldas Exports Ltd.

Email : harmendra.gandhi@gokalsasexports.com