

NO LIMITS!

GOKALDAS EXPORTS LIMITED

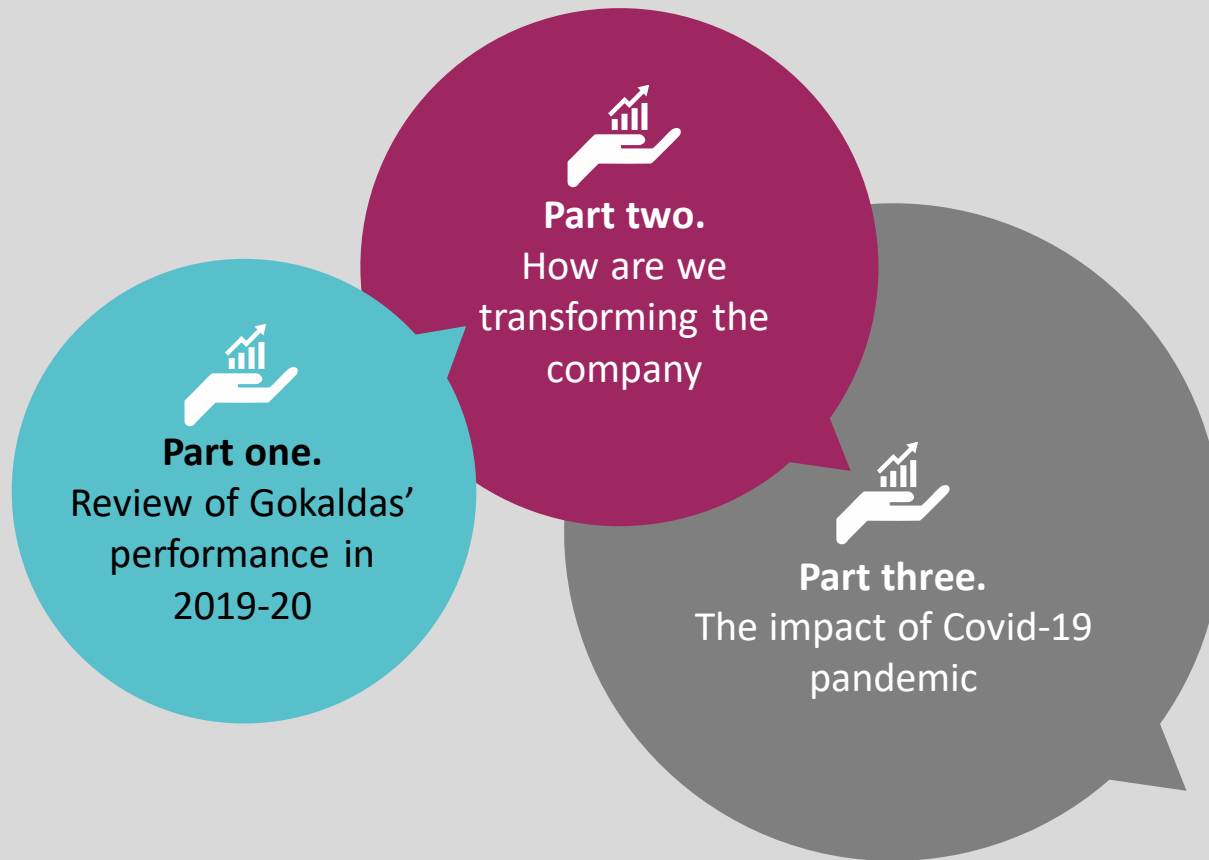
A PRESENTATION OF OUR
2019-20 PERFORMANCE AND
OUR COUNTER-COVID-19 STRATEGY



gokaldas exports ltd.



THIS PRESENTATION IS SEGREGATED INTO THREE PARTS FOR EASY READING



WHAT YOU NEED TO KNOW ABOUT OUR COMPANY



BACKGROUND

Leading apparel exporter of India; four decades of track record.



PRODUCTS

Producing a wide variety of high-quality outerwear, sportswear, casual wear and formal wear for women, men and children.



GLOBAL FOOTPRINT

Exporting to more than 50 countries including US, Europe, Canada, Japan, Russia, Middle East, South Africa and South America.



MANUFACTURING STRENGTH

Capacity to produce 30 million apparel pieces per annum supported by a complement of 13,000+ machines.



INTEGRATED

Functions comprise design, development, making, embroidery, quilting, printing, washing, lazer finishing and polyfill.



LOCATIONS

Multiple self-contained large-scale facilities across South India.



PEOPLE

Supported by approximately 25,000 highly skilled people of which over 20,000 are women.

OUR PROMINENT CUSTOMERS

GAP

Largest specialty retailer in the United States whose products are available in over 90 countries.

H&M

One of the global leaders in fashion with a presence in about 60 countries, along with an online presence in over 35 countries.

Adidas

Global leader in athletic apparel and the second-largest sportswear manufacturer in the world.

Columbia

Industry leader in outdoor apparel products like jackets, fleece, pants, shoes and boots.

Carhartt

Delivering best-in-class apparel, respected for rugged construction, innovative design and exceptional standards of quality, durability and comfort for 125 years.

Puma

German multinational that designs and manufactures athletic and casual footwear, apparel and accessories. Third largest sportswear manufacturer in the world.



OUR PROMINENT CUSTOMERS

Vero Moda

One was the first brands to launch within the family-owned Bestseller company. Emerged as the brand of choice for the fashion-conscious, independent young woman who wants to dress well

Marks & Spencer

Iconic British multinational retailer that specialises in selling clothing, home and food products

A&F

American lifestyle retailer that focuses on casual wear. Operates two offshoot brands, Abercrombie Kids and Hollister Co., with 1,049 stores across all three brands

Zara

Biggest fashion retailer globally that launches over 12,000 designs every year

Walmart

US multinational retail corporation engaged in the operations of a chain of hypermarkets, department stores and grocery stores. The Company operates over 11,500 stores under 56 banners in 27 countries

Carrefour

French multinational retail corporation with a global network of over 12,000 stores. Offers consumer goods, food and non-food products, household supplies, textiles, electronics, home appliances and local products



PART 1

OUR PERFORMANCE FOR 2019-20



THE BIG PICTURE OF OUR 2019-20 PERFORMANCE

1400	102*	7.3%	30
Rs cr, Revenues, 2019-20	EBIDTA, 2019-20	EBIDTA margin %, 2019 -20	Rs cr, PAT, 2019-20
1196	83	7.0%	26
Rs cr, Revenues, 2018-19	EBIDTA , 2018-19	EBIDTA margin %, 2018-19	Rs cr, PAT, 2018-19
17 ↑	23 ↑	30 ↑	15 ↑
% growth in Revenues	% growth in EBITDA	BPS growth in EBITDA margin	% growth in PAT

**Adjusted for exceptional items*

The revenues and margins were relatively muted in 2019-20 on account of a retrospective reversal of the MEIS income, retrospective implementation of increase in minimum wages and impact of Covid-19



FURTHER EXPLANATION OF OUR PERFORMANCE

Figures in Rs. Crs.

	PAT FY20	PAT FY19
Reported result	30.4	25.6
Loss of MEIS	41.3	
Additional ROSCTL	(5.3)	
One-time Provisions*	7.7	6.3
MEIS of Prior Year	6.1	(6.1)
Total	80.2	25.8
Less: One-time Income	26.0	
Adjusted Result	54.2	25.8

*Largely represents provision for bad debts consequent to customer bankruptcy and impairment of investments

THE CHALLENGES AGAINST WHICH THIS PERFORMANCE WAS DELIVERED

Complete withdrawal of 4% MEIS

*Announced in Jan 2020
effective retrospectively
from Mar 2019
Affected topline and
bottomline by Rs. 41 cr.*

The outbreak of Covid- 19 pandemic

*Affected the supply
chain, operations and
order pipeline. Impacted
Q4 in the financial year*

General economic slowdown

*Global GDP[^] growth
declined from 3.0% to 2.4%.
Indian apparel exports fared
worse declining from
\$16.1bn to \$15.4bn* in FY20*

Upward revision of labour cost

*10% in October 2019
(retrospective effect
from 1 April 2019)*

Retrospective impact of contracts

*Impact could not be
passed on to customers*

Currency Impact

*INR depreciated against
USD by a mere 1.39% in
FY20 vs CNY depreciation
of 3.78% weakening our
competitiveness and not
suitably ameliorating
inflation effects*



THE PRINCIPAL HIGHLIGHT OF OUR 2019-20 PERFORMANCE

17%

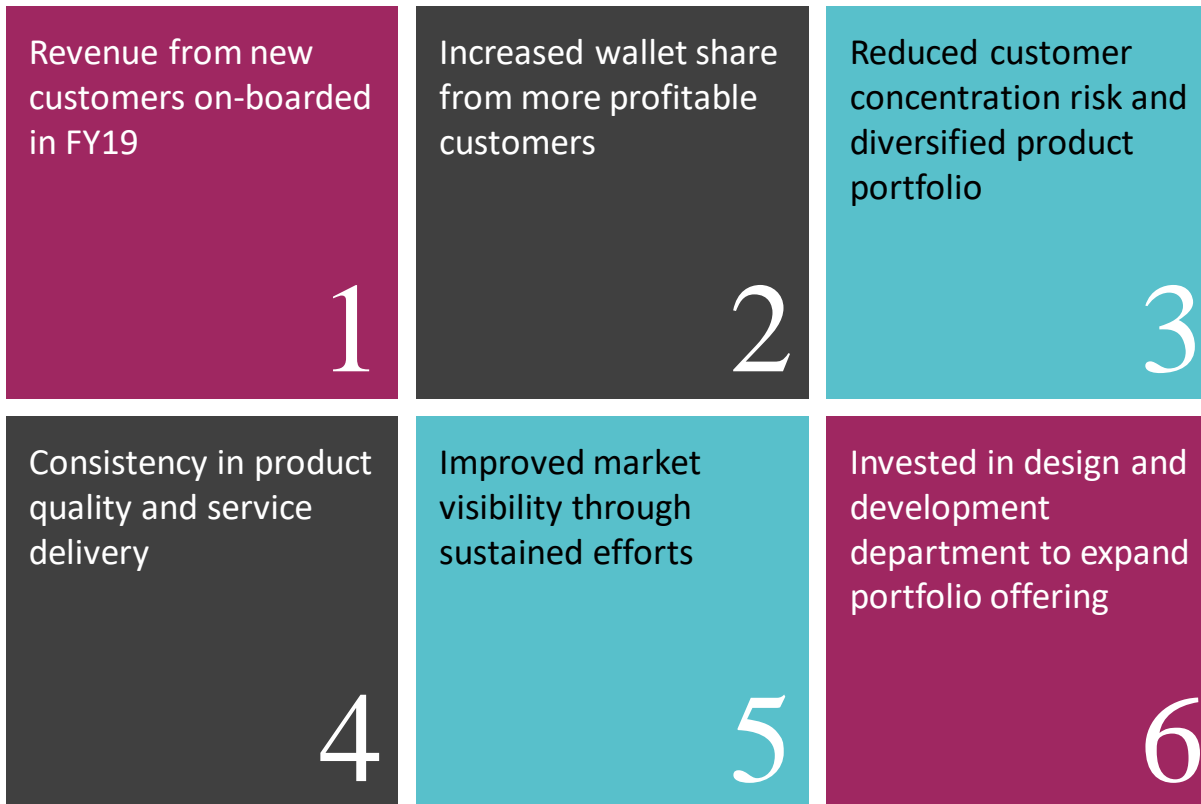
revenue growth

Highlights

- Highest growth reported by the company in 10 years
- Growth across all product categories over all the seasons, indicating a secular and sustainable performance
- Revenue growth would have been over 20% had MEIS not been withdrawn with retrospective effect
- This is against India's apparel exports declining by 4.1% in FY20



THE FACTORS BEHIND OUR EXCEPTIONAL GROWTH IN 2019-20



HOW OUR AGGRESSIVE REVENUE GROWTH TRANSLATED DOWN THE LINE

Secular trend of rising margins

7.0

EBIDTA margin %, 2018-19

5.5

EBIDTA margin %, Q1 2019-20, MEIS adjusted

4.3

EBIDTA margin %, Q2 2019-20, MEIS adjusted

10.2

EBIDTA margin %, Q3 2019-20

8.3

EBIDTA margin %, Q4 2019-20 (COVID Impacted)

Strengthening profitability

9.2

RoCE%, 2018-19

10.3

RoCE%, 2019-20

Total net debt on our books

184

Rs cr, 2018-19

149

Rs cr, 2019-20

Cash on hand (incl. investment in liquid funds)

11

Rs cr, 2018-19

48

Rs cr, 2019-20

FY20 was impacted by retrospective reversal of MEIS, retrospective implementation of minimum wage increase and COVID in Q4



PART 2

HOW ARE WE TRANSFORMING THE COMPANY



BUSINESS STRENGTHENING INITIATIVES IN 2019-20

1

Expanding customer engagement

Initiatives

- Engaged with large international customers
- Expanded relationship to additional brands within the customer portfolio
- Enlarged the product mix - High fashion garments, Outerwear, Work wear, Denims, Sportswear, Healthcare Garments

Strategic advantages

- Enduring customer relationship
- Diversified revenue streams
- Tapping new opportunities
- Multi-seasonal engagement reducing business volatility through the year



BUSINESS STRENGTHENING INITIATIVES IN 2019-20

2

Inducting high quality and diverse talent

Initiatives

- Expanded the team to include top industry talent with international experience
- Recruited people from other industries where feasible to usher in a new outlook
- Brought in an entrepreneurial mindset with accountability for performance
- Focused on employee engagement to yield a strong, caring and performance-oriented factory work culture

Strategic advantages

- Bring in new ways of addressing conventional challenges
- Transformed the culture to a can do, growth oriented one
- Inspired a 'No Limits' optimism



BUSINESS STRENGTHENING INITIATIVES IN 2019-20

3

Strengthened design

Initiatives

- Expanded the design team
- Recruited for competencies in line with emerging trends
- Encouraged design team to play the role of a merchandise advisor to large retail brands

Strategic advantages

- Positioned the company beyond that of a mere convertor
- Facilitated engagement with different teams within customers
- Deeper engagement with customer



BUSINESS STRENGTHENING INITIATIVES IN 2019-20

4

Digitalization of Manufacturing

Initiatives

- Focused on extensive data capture and analytics
- Introduced a sophisticated Production Management and Operations Control System integrated to our ERP
- Digitized tracking of material throughout the assembly line using QR codes
- Video-analysis of operations
- IOT-enabled machines, smart factories, supply chain automation

Strategic advantages

- Easy and accurate management of components from cutting to packing resulting in superior control
- Lower turnaround time in operational corrections
- Informed data backed decision-making
- Standardise and optimise operations
- Lower setup time and faster turnaround when switching styles



BUSINESS STRENGTHENING INITIATIVES IN 2019-20

5

**Driving consistency in
everything we do**

Initiatives

- Strengthened Quality Management across business processes
- Continuous improvement in all processes from sourcing, supply chain and manufacturing
- Organisational focus on consistent quality and on-time delivery

Strategic advantages

- Strengthened the company's position as a reliable supplier
- Earned respect among global apparel customers with benchmark performance
- Provided confidence to prospective customers



BUSINESS STRENGTHENING INITIATIVES IN 2019-20

6

**Doing it all
Sustainably**

Initiatives

- Adopted comprehensive policies and procedures for sustainable growth. All our factories have been certified with SMETA, BSCI, GOTS, OCS, FSC, GRS, BCI
- All factories enrolled in Higg Index FEM 3.0 and we stand best in industry in overall score and consistent improvement for betterment of environment
- Invested in LED lighting, rainwater harvesting, effluent treatment systems for zero liquid discharge

Strategic advantages

- Positioned the company as a sustainable supplier
- Will ensure that Gokaldas Exports is a supplier of the future in tune with global needs



FOCUSED ON ACTIONS DRIVING SUPERIOR OPERATIONAL PERFORMANCE



OPERATIONS MANAGEMENT

- Increased throughput at the factories by 9% via better management on systems driven approach
- Superior supply chain performance as enabler for operations improvement
- Reduced wastage and rejections by 0.5% improving operating margin
- Improved on-time delivery to customers against orders



CUSTOMER MANAGEMENT

- Added marquee customers to drive revenue growth and increase diversification
- Customer addition helped in securing 8% incremental revenue
- Expanded into new product categories and subcategories
- Design led engagement to strengthen partnership with customers



CASH FLOW MANAGEMENT

- Invested QIP funds in new machinery helping capacity expansion for growth and improving product quality and consistency
- Superior receivables and payables management, coupled with tighter factory operations reduced working capital requirement
- Moderated working capital cycle from 102 days to 84 days in FY20

RESULTS OF RELENTLESS FOCUS ON STREAMLINING OPERATIONS



HOW WE TRANSFORMED IN NUMBERS

Operational health

53

Customers, 2016-17

978

Rs cr, Revenues, 2016-17

-47

Rs cr, PAT, 2016-17

40

Customers, 2017-18

1079

Rs cr, Revenues, 2017-18

-31

Rs cr, PAT, 2017-18

41

Customers, 2018-19

1196

Rs cr, Revenues, 2018-19

+26

Rs cr, PAT, 2018-19

38

Customers, 2019-20

1400

Rs cr, Revenues, 2019-20

+30

Rs cr, PAT, 2019-20



HOW WE TRANSFORMED IN NUMBERS

Operational health

1.0%

% EBITDA margin,
2016-17

-1.3%

% RoCE, 2016-17

-0.2x

2016-17, Interest cover

2.2%

% EBITDA margin,
2017-18

1.2%

% RoCE, 2017-18

0.2x

Interest cover, 2017-18

7.0%

% EBITDA margin,
2018-19

9.2%

% RoCE, 2018-19

1.7x

Interest cover, 2018-19

7.3%

% EBITDA margin,
2019-20

10.3%

% RoCE, 2019-20

1.8x

2019-20, Interest cover



HOW WE TRANSFORMED IN NUMBERS

Working capital management

138

Working capital cycle
(days), 2016-17

4.3x

Inventory turns, 2016-17

85

Receivables (days of
turnover), 2016-17

121

Working capital cycle
(days), 2017-18

5.1x

Inventory turns, 2017-18

76

Receivables (days of
turnover), 2017-18

102

Working capital cycle
(days), 2018-19

4.9x

Inventory turns, 2018-19

59

Receivables (days of
turnover), 2018-19

84

Working capital cycle
(days), 2019-20

4.6x

Inventory turns, 2019-20

41

Receivables (days of
turnover), 2019-20



HOW WE TRANSFORMED IN NUMBERS

Balance sheet health

114

Gross block (Rs cr),
2016-17

158

Net debt (Rs cr), 2016-17

0.93

Net debt-equity ratio,
2016-17

128

Gross block (Rs cr),
2017-18

190

Net debt (Rs cr), 2017-18

1.45

Net debt-equity ratio,
2017-18

155

Gross block (Rs cr),
2018-19

184

Net debt (Rs cr), 2018-19

0.76

Net debt-equity ratio,
2018-19

200

Gross block (Rs cr),
2019-20

149

Net debt (Rs cr), 2019-20

0.66

Net debt-equity ratio,
2019-20



WE ARE A CREDIBLE SUPPLIER ABLE TO ADDRESS THE GLOBAL NEED

Global context

- Shorter fashion cycles; need for lower TAT
- Increasing dominance of online purchase; driving a nimble global supply chain
- Tighter integration of suppliers into brand strategy
- Retailers seek supply chain that offers lead time advantage while delivering labour and tariffs arbitrage
- Sustainable sourcing that minimizes water consumption, chemical discharge and assures worker safety and health

Our credentials

- Clearly positioned as a go-to global supplier of repute
- Provides customers trend forecasting, fashion designing, product engineering, optimized manufacturing and innovation competencies
- Manufactures complex products and designs
- Value adding through laundry, embroidery, printing, quilting and poly wadding services
- Respected for on-time delivery, high product quality
- Supported by a stronger Balance Sheet and enhanced financial sustainability
- Complete compliance and environment responsibility
- Validated by global marquee brands



PART 3

THE IMPACT OF COVID-19 ON GOKALDAS EXPORTS



THE IMPACT OF COVID-19 ON GOKALDAS EXPORTS

Overview

- An unprecedented event so sudden and extensive in its sweep, that it has caught the world unprepared for the economic consequences
- Economic shocks across the entire textiles value chain from Q4 FY20
- Supply chains were interrupted when parts of China went into a lockdown
- Markets closed in Europe from February 2020 leading to near term demand contraction
- India went into lockdown from last week of Mar 2020 leading to stopped production

Impact

- Closed factories from 24 March 2020 to 3 May 2020.
- Resumed manufacturing partially with social distancing on 4 May 2020
- Partial cancellation and deferment of orders resulting from lockdown. Impacted Q1 demand
- One of our customers declared bankruptcy



COVID-19 IMPACT AND OUR RESPONSE

With over 50% of the quarter's production lost, strong corrective actions were necessary

15%

capacity utilization, April 2020

50%

capacity utilization, May 2020

75%

capacity utilization, June 2020

Leveraged new business opportunity

- Supported the country in times of need by entering PPE manufacturing. Emerged as one of the leading high-quality PPE producers in the country
- Generated cash flows even when lockdown was in effect

Initiated structural corrections

- Realigning capacities to market demand
- Bringing down fixed costs and thereby breakeven level

Rightsized the operations

- Regulated the operations and support infrastructure and team to business need
- Salary cost alignment to business flow

Tightened cash management

- Deferred capex and other expenses where possible
- Renegotiated supplier terms
- Ensured extra line of credit was available from banks for contingency



STRATEGIES TO SUSTAIN AND BOUNCE BACK

1

Protecting team morale

- Constant communications with all employees
- Engaging with factory employees closely

2

Increase market share

- Capitalize on global supplier consolidation
- Reinforce our strong capability credentials
- Stay high on customer engagement

3

Manufacturing efficiency

- Focus on running operations at high levels of efficiency
- Recover as much of Q1 production loss as possible

4

Protecting our brand

- Engaging extensively with clients
- Impressing upon them that our core capability remains strong
- Working closely to adapt to customer destocking / restocking needs
- Updating customers about ramp up, precautions and preparedness



STRATEGIES TO SUSTAIN AND BOUNCE BACK

5

New revenue streams

- Build upon the opportunity presented in the healthcare space leveraging our expertise in design and manufacture of PPEs
- Continue supplies to Government of India and institutional customers
- Target global markets leveraging our capabilities

6

Financial austerity

- Identify wasteful expenditures and eliminate
- Continue structural corrections for long term health
- Freeze capital expenditures till business certainty revives
- Focus on lean operations



WHY WE ARE SECURE OF WHERE WE STAND TODAY

We have demonstrated our skills sets and reliability

We possess the headroom to ramp up output with alacrity

Our customer relationships are robust and growing

We are likely to capitalize on vendor consolidations that are expected to arise

We have built new revenue streams in areas like healthcare garments



WHY DO WE EXPECT TO REMAIN INTEGRAL TO GLOBAL BUSINESS FLOW

Consistently outperformed global industry
service delivery metrics

Beyond commodity; a complex value-added
garments manufacturer

Ability to address a range of garments
product type; hence de-risked

No long-term debt on the Balance Sheet

Leadership in Health, Safety and
Environmental compliance



WE ARE 100% COMMITTED TO A SUSTAINABLE FUTURE

OUR GOAL FOR FY21

Deliver a superior engagement with customers, ensure financial thrift, reduce structural costs and hence breakeven levels and recover operational metrics by second half

OUR GOAL FOR FY22

Outperform the industry in growth and profitability parameters. Drive revenue growth over FY20 with superior operating margin

THANK YOU

Should you have more questions, please
connect with **info@gokaldasexports.com**



gokaldas exports ltd.