




report  junction.com

# 4<sup>th</sup> annual report 2006 - 2007

 **gokaldas exports Ltd.**

[www.reportjunction.com](http://www.reportjunction.com)





# The Founder



"As Gokaldas Exports enters a new growth phase, we look forward to a position of true global leadership by providing unparalleled quality in products and services to our customers everywhere."

*Jhamandas H. Hinduja*  
Jhamandas H Hinduja

## Vision

To set a precedent in the global garment manufacturing industry through continuous innovation, exceptional products, focused services and enhanced customer satisfaction.

## Mission

Deliver on-time, every time, anywhere in the world.

Keep a sharp eye on product quality and put in all efforts to raise the bar..... constantly.

Comply flawlessly with all statutory regulations required by our customers in any country.

Augment and maintain a logistics infrastructure that adheres to the highest level of efficiency that seamlessly blends with our customers' own supply chain.

Ensure escalating productivity standards at the lowest operating cost, thus offering our customers a product of the highest quality at the most competitive price.

## Leadership Award

Gokaldas Exports Limited has been awarded, 'Highest Export Award' in the country and the 'Most Admired Clothing Company of the year 2006'. This award is based on a comprehensive set of attributes including design, technology, value, product, experience, and so on.

Report  junction.com



Gokaldas Exports has the distinction of winning the top export awards since 1980. Following awards won by the Company this year:

- Largest Exporter of India award, given by Clothing Manufacturers' association of India.
- Most Admired Clothing Company of the year award, given by Clothing Manufacturers' association of India.
- Outstanding Apparel Company award, given by the Government of Karnataka.
- Highest Export Award, given by Apparel Export Promotion Council (AEPC) (Sponsored by Government of India)
- Highest Employment Provider Award, given by AEPC

# Contents

Board of Directors	5
CMD's Statement	7
Director's Report	9
Corporate Governance Report	17
Management Discussion & Analysis	31
Auditors' Report	39
Annexure to Auditors' Report	40
Balance Sheet	42
Profit & Loss Account	43
Schedules Forming Part of the Accounts	44
Cash Flow Statement	60
Balance Sheet Abstract	62
Statement on Subsidiary Companies	63
Consolidated Group Accounts	65

## Registered Office

No. 70, Mission Road  
Bangalore - 560 027, India

## Company Secretary

K.B. Shyam Kumar

## Statutory Auditors

M/s RSM & Co  
Chartered Accountants  
"Ambit RSM House"  
449, Senapati Bapat Marg  
Lower Parel  
Mumbai - 400 013

M/s Girish Murthy & Kumar  
Chartered Accountants  
4502, High Point IV  
45, Palace Road  
Bangalore - 560 001

## Bankers

Canara Bank  
Citi Bank

Report



ReportJunction.com



## NEW PLANTS ESTABLISHED IN 2006-07

Trouser Plant at  
Yelahanka, Bangalore



Trouser and Shirt  
Plant at Mysore

## Board of Directors



**Shri Madanlal J Hinduja**  
Chairman & Managing Director



**Shri Rajendra J Hinduja**  
Executive Director - Finance & Administration



**Shri Dinesh J Hinduja**  
Executive Director - Production & Marketing



**Shri Pradip P Shah**  
Independent Director



**Shri H S Nagraj**  
Independent Director



**Shri K P Kumar**  
Independent Director



Report Junction.com



# Chairman's Statement



**Madanlal J Hinduja**  
Chairman & Managing Director

The year 2006-07 has seen your company take significant steps on the journey to maintain its position to be India's Top Apparel Manufacturing Company. We have achieved a Rs.1000 Crores turnover and this would be the first ever apparel company to cross this milestone.

Besides this, there have been other landmarks which we have crossed and they are:

- (a) Capex of Rs. 105 Crores, highest ever by our company.
- (b) 5 new manufacturing plants established.
- (c) Added a new suit manufacturing plant.
- (d) Started a factory at SEZ Chennai (this has been our first factory outside Bangalore).
- (e) We have added 8000 new employees in the above mentioned factories.

Our growth rate has been rising and many project initiatives undertaken in the last year are bearing fruit. Through this process, we are creating a flexible organization able to deliver new products to different customers and in newer markets.

We believe that there is a great opportunity for a company like yours in the global market place, and our growth is focussed on the following objectives.

1. Increase market share in established markets like USA, Europe and U.K.
2. In India, concentrate on the new retail market which, we understand, is on the brink of a revolution. The domestic retail industry is poised to become a Rs.1,00,000 Crores industry by year 2010.
3. To upgrade our product so that more value addition is achieved, thereby trying to increase the profitability.

We continue to remain focussed on our customers and their needs and want to be an important preferred supplier to them. We have added globally well-known customers to our list and our top 10 customers constitute 85% of our business.

Your company's strength in learning and development will also play a key role. We have embarked upon learning the 'Lean Process' of production and have started this process with a view to improve productivity and to be cost effective. In today's global market, adoption of technology has become a fundamental imperative for companies to sustain the competitive edge in the market place. We are deploying latest garment manufacturing machinery and trying to adopt new systems and methods to respond to changes in the business environment.

GEL continues to be among the largest employers in the private sector with a head count of about 52,000, working in 46 factories. To beat the high cost of establishing and running factories in Bangalore, your company is going to tier-2 towns, like Mysore and Tumkur, where the availability of labour is better and more cost effective. Two new factories have been started, one each in Mysore and Tumkur in April '07. These will grow and become full-fledged factories in 2 months.

We have also embarked on a new initiative to set up a design centre at our administrative office at Bangalore. This facility will offer value-added services to our customers. This centre would offer newer products and ideas, and would provide fresh seasonal collections in a few days.

In the year 2006, Indian apparel exports did not grow at the levels of 2005. The growth levels in 2006 have been as follows.

- 7% to the U.S. market.
- 17% to the European market.
- 10% to the Canadian market.

This performance has been less than expectations, but has mainly been due to strengthening of the Rupee and the fierce competition from our neighbouring countries like, Bangladesh, Vietnam, Indonesia and China. The Government of India is aware of this problem and we expect some radical support from the government to hold the Rupee at lower levels, and added support from the Finance Ministry in terms of increase in duty drawback to compensate the levies like service tax, VAT and other duties which were not earlier refunded.

I am proud to inform that your company has been awarded the 'Largest Exporter Award' for the year 2006 and also the 'Most Admired Apparel Company of the Year' award.

At GEL the management, the staff and the workers would strive to do their best to keep the flag flying high and trying to reach greater heights.

Thank you.

**Madanlal J Hinduja**  
Chairman & Managing Director



New Suit Plant at Bangalore



Trouser Plant at Peenya,  
Bangalore



New World Class Laundry  
Facility