

8th Annual Report 2010-2011





Venkateshwara Clothing Company



Wearcraft Apparels



Dress Master Suit



Mysore Factory - Atlantic Apparels - 2

THE FOUNDER

GOKALDAS EXPORTS was founded by the visionary Jhamandas H. Hinduja, who, with his innate ability to plan for the future, while closely overseeing the details of day-to-day operations, built a company with strong foundations and a corporate ethos that rewards initiative and innovation.

OUR VISION

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

OUR MISSION

- Deliver on-time, every time, any where 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 levels 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.



The late Jhamandas H. Hinduja

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REGISTERED OFFICE

No. 70, Mission Road
Bangalore 560 027, India

COMPANY SECRETARY

N Sri Sai Kumar

STATUTORY AUDITORS

M/s S R Batliboi & Co.
Chartered Accountants
Canberra Block, 12th Floor, UB City,
No 24, Vittal Mallya Road,
Bangalore - 560001

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

BANKERS

Canara Bank
Corporation Bank

Won highest number of export awards



BOARD OF DIRECTORS



Shri Richard B Saldanha
Chairman



Shri Gautam Chakravarti
Director & CEO



Shri Akhilesh Krishna Gupta
Director



Shri Mathew Cyriac
Director



Shri Prince Asirvatham
Independent Director



Shri Arun K Thiagarajan
Independent Director



Shri J H Mehta
Independent Director



Shri Rangachary N
Independent Director



Shri Partha Sarkar
Independent Director

CHAIRMAN'S STATEMENT



Richard B Saldanha

Chairman

Dear Shareholders,

As many of you are aware that the past 2 years have been challenging for the apparel industry. Some of the key ones that your firm had to face included - unprecedented rise in cotton prices in 2010, fluctuating currencies, high domestic inflation resulting in spiraling wage costs as well as operating expenses and increase in interest rates. In addition to these, revival in the global economy has been weak, putting the overall business performance under acute pressure, whilst continuing to meet our commitment to customers.

The exceptional environment tested our enduring core strengths and capabilities on which this great iconic company is built.

I am happy to report that the firm rose to face the challenges & with unity of purpose is bringing the business back on track and demonstrated its resilience. The last quarter's performance, which is Q1 of 2011-12, of Rs.254 Cr of Revenue and Rs.2 Cr EBIDTA is evidence that we have had a fair degree of success.

We credit this modest recovery to a consistent vision, strong management of the business, quality of our people, good strategic leadership, and the strong support from the high caliber Board.

The difficult market environment and crisis triggered some key strategic initiatives and actions in the firm, viz

1. Revenue enhancement from existing customers, focus on acquiring new customers, getting into higher value products and aggressively tapping into the India retail market
2. Improvement in manufacturing and operational efficiencies
3. Continuous cost management, cost effectiveness and cost control
4. Sustain focus on financial management, reduction in working capital and order to cash cycle

In each of these strategic thrusts, we have comprehensive action plans with specific goals. Enhancing the effectiveness of HR processes and company wide use of IT application - key enablers for good decision making and operational excellence - are high priorities for us.

Strict fiscal discipline and cost control efforts have brought noteworthy and sustainable results. This has seen us through the economic crisis and helped maintain our price, quality and service to our customers.

I think, the lagging impact of the depressed economy is reversing and barring unforeseen circumstances, global and domestic markets will recover and so will your company. The results will be apparent in FY12.

I take this opportunity to thank all employees who have astute business orientation, they know their success depends on a close connect with the customer.

I also thank our valued customers: they care, they are involved and they take the pains to understand our capability. I thank them for pushing us to improve our capacity, delivery and the development of superior product and service.

I also wish to thank our business partners, vendors, and other business associates, who provide the eco system in which we operate.

Further, I must thank this outstanding board for their guidance on governance and strategic direction without which we would not have been able to navigate through such turbulent times.

I take this opportunity to thank the outgoing Chairman, Mr Madanlal J Hinduja. He has been a remarkable person of stature, not just in the company but the entire industry. Under his astute leadership and vision, the company has risen to these great heights. I thank him again for his foresight and invaluable contribution.

And last, but not the least, I wish to thank you and all stakeholders for their continued and unstinted support and confidence, encouragement and trust, in the firm.

DIRECTORS' REPORT

Your Directors are pleased to present the Eighth Annual Report and the Audited Accounts for the year ended March 31, 2011.

Financial Results (Consolidated)

(Rs. In lakhs)

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
Sales	1,08,188	1,07,239
Profit Before Tax	(8,812)	(388)
Less: Provision for Tax	336	206
Extraordinary Items	(531)	-
Profit after Tax	(9,007)	(182)
Balance Brought Forward from last year	17,976	18,158
Amount available for Appropriation	8,969	17,976
Appropriations:		
Proposed Dividend	-	-
Balance carried Forward	8,969	17,976

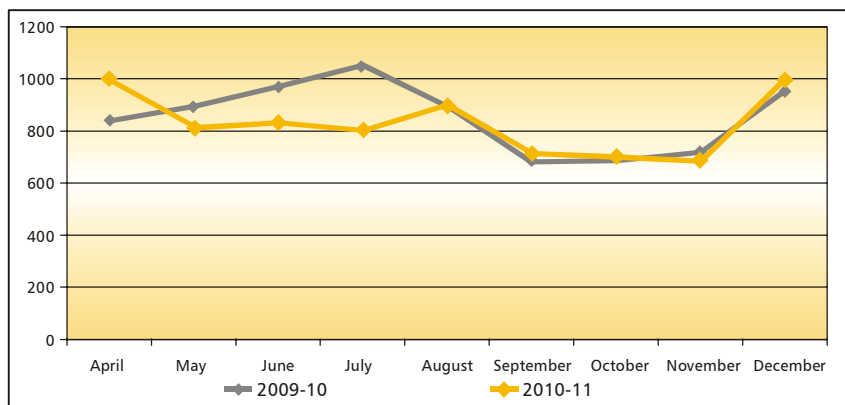
Review of Operations

Gokaldas Exports, on a consolidated basis, has reported a total sales of Rs.1,08,188 lacs in 2010-11 as against Rs.1,07,239 lacs in 2009-10 representing a growth of 1% over 2009-10.

The demand situation in the global apparel industry has not improved significantly during the year. Economic conditions across our major markets in Europe and USA continue to be relatively uncertain, affecting consumer confidence. Global retailers are hence cautious in placing orders. High volatility in raw material prices has been an additional cause of concern during the financial year. Consumers are looking for "value for money" products and global companies are stressing on controlling costs and reducing inventories.

There has been a decline in garments export from India to the tune of 6.2% in 2010, which reflects the weak global demand.

Our Company has been able to show nominal growth in sales turnover in these difficult trading conditions. This has been achieved through initiatives of new customer acquisition and shift to higher value products. Besides, we adopted renewed focus on enhancing our business with Indian retailers.



Apparel Exports from India in 2010-11 and 2009-10

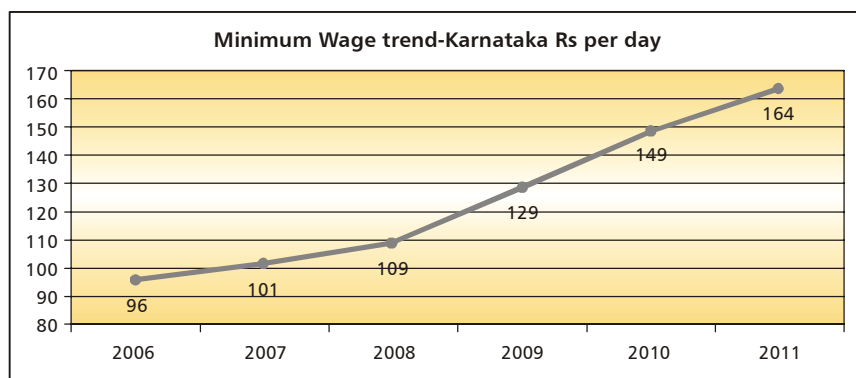
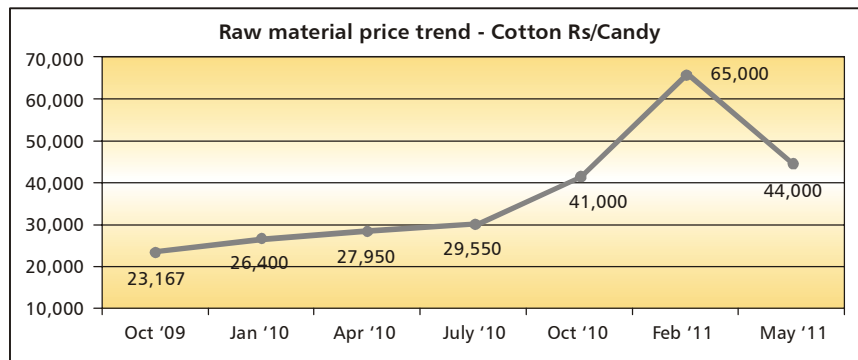
	2010-11		2009-10	
	Rs Lacs	% of Sales	Rs Lacs	% of Sales
Sales	1,08,188		1,07,239	
Expenditure				
Material costs	65,705	61%	65,570	61%
Personnel costs	34,419	32%	30,159	28%
Selling General & Admin costs	24,786	23%	21,149	20%

Key Costs and their impact on profitability

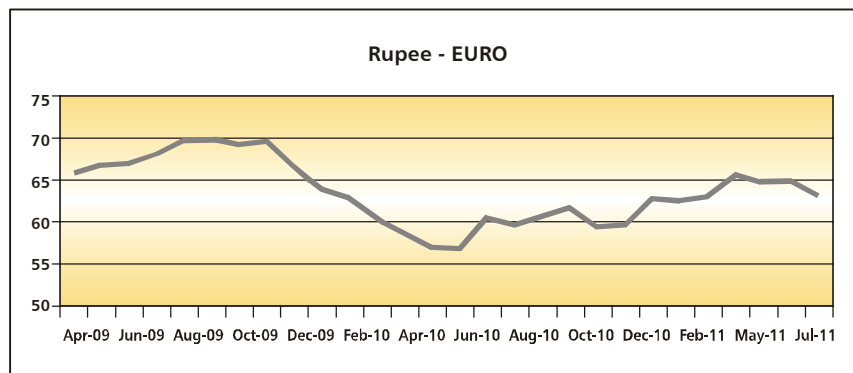
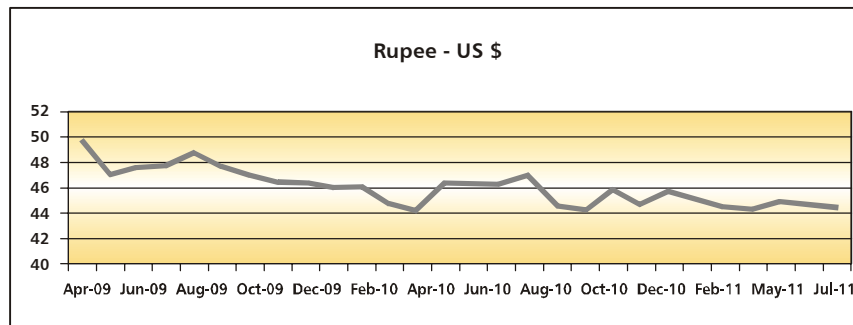
In addition to the market situation, some of the other environmental factors which have affected our financial performance have been volatile cotton prices, surge in wage rates and other operating costs driven by domestic inflation, reduction in export benefits and currency appreciation. The impact of these factors is discussed in the following sections.

The increase in raw material cost, labour costs and other operating expenses have not resulted in increased product prices due to overall depressed demand situation, adversely affecting our margins.

This unprecedented escalation in cotton prices have resulted in a commensurate increase in fabric prices.



Appreciating Rupee has been another key factor affecting profitability of all exporters. The Rupee-US Dollar parity has moved in favor of the Rupee by 4.6% between June 2010 and March 2011. Trend of Re-USD and Re-Euro for past two years is given alongside.



There have also been certain changes in the exports incentives given by the Government of India during the year. Pursuant to this, there has been reduction in export benefits for the Apparel Industry. This change has hurt the competitiveness of the exporters in

the industry vis-à-vis other countries.

Our efforts on working capital management have been fruitful during the year. We have achieved a reduction of Rs. 2,832 lacs in Secured Loans, which has come down from Rs. 34,489 lacs as of March 31, 2010 to Rs. 31,657

lacs as of March 31, 2011. Inventory holding period has also been reduced by 22% from 207 days in 2009-10 to 161 days in 2010-11. Similarly, Sundry Debtors have also come down by 13%.

In April 2010, there was a fire incident in one of our warehouses against which

we had lodged an insurance claim for Rs. 3,764 lacs. The Insurance Company settled this claim for Rs. 3,233 lacs, resulting in a one – time loss of Rs. 531 lacs in 2010-11.

For the year 2011-12, we have undertaken certain key measures to improve our performance. Some of these are – focus on increasing share with existing customers and realizing better value, new customer acquisition, improving manufacturing efficiencies and sustaining the focus on tighter financial management. These initiatives along with improved productivity measures will help us post better results in the coming year.

Dividend

No dividend has been recommended by the Directors for the year.

Subsidiary Companies

As required under Accounting Standard 21, Consolidated Financial Statements incorporate the results of the following subsidiary companies.

List of Subsidiaries

All Colour Garments Private Limited, Deejay Trading Private Limited, Glamourwear Apparels Private Limited, Madhin Trading Private Limited, Magenta Trading Private Limited, Rafter Trading Private Limited, Rajdin Apparels Private Limited, Reflexion Trading Private Limited, Rishikesh Apparels Private Limited, Seven Hills Clothing Private Limited, SNS Clothing Private Limited, Vignesh Apparels Private Limited and Robot Systems Private Limited

In terms of the specific approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, and in terms of the general permission granted by the Central Government to all companies vide General Circular No. 3/2011 dated February 21, 2011, the Audited Financial Statements along with the reports of the Board of Directors and the Auditors pertaining to the above subsidiaries have not been attached to this Report. The Financial Statements of the said subsidiaries will be kept for inspection by any investor at the registered office of your Company and that of the subsidiary companies.

Investors who want to have a copy of the above may write to the Company Secretary at the registered office.

Fixed Deposits

During the year under review, the Company has neither accepted nor renewed any deposits from public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

Corporate Governance

Your Company is committed to maintaining the highest standards of Corporate Governance. Your Directors adhere to the standards set out by the Securities and Exchange Board of India's (SEBI) Corporate Governance practices and accordingly have implemented all the stipulations prescribed. Your Company's Corporate Governance Compliance Certificate dated July 27, 2011 in line with Clause 49 of the Stock Exchange Listing Agreement is given along with the Corporate Governance Report.

Management Discussion and Analysis

Management Discussion and Analysis Report is given separately, forming part of this Annual Report and is in accordance with the requirements laid out in Clause 49 of the Listing Agreement with Stock Exchanges.

ESOP's

GEL ESOP Scheme 2010 was approved by the shareholders at the previous annual general meeting. Stock options are yet to be granted.

Listing

The equity shares of the Company are listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The company has paid the listing fees to the respective stock exchanges till date. The Company's shares are tradable compulsorily in the dematerialized form and the Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for trading in electronic form.

Directors

Mr Madanlal J Hinduja, Executive Chairman, stepped down from the Board on January 15, 2011. Mr Rajendra J Hinduja, Managing Director and Mr Dinesh J Hinduja, Executive Director, also stepped down from the Board effective March 31, 2011.

Mr Gautam Chakravarti was appointed as Additional Director effective February 3, 2011 and as Whole-time Director & Chief Executive Officer effective April 1, 2011. Brief profile of Mr Gautam Chakravarti and the remuneration payable to him is detailed in the notice convening the Annual General Meeting.

Mr Richard B Saldanha was appointed as Additional Director effective April 1, 2011 and as Non-Executive Chairman of the Board effective May 25, 2011.

Mr Arun K Thiagarajan, Mr J H Mehta and Mr Rangachary N retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The detailed profile of the Directors is mentioned in the notice of the ensuring Annual General Meeting.

Auditors

The Company's Joint Auditors, M/s S.R. Batliboi & Co., Chartered Accountants and M/s Girish Murthy & Kumar Chartered Accountants hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received the requisite certificate from them pursuant to Section 224(1B) of the Companies Act, 1956, confirming their eligibility for re-appointment as Auditors of the Company.

Particulars of Employees

In accordance with the provisions of Section 217(2A) read with Companies (Particulars of Employees), Rules, 1975, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, the Directors' Report is being sent to all members of the Company excluding the aforesaid information about the employees. Any Member interested in

obtaining such particulars may write to the Company Secretary at the Registered / Corporate Office of the Company and the same shall be provided by the Company.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors Responsibility Statement, the Whole-time Management state that:

- I) In the preparation of the annual accounts for the year ended March 31, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- II) They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company and of its profits for the year ended March 31, 2011;
- III) They have taken proper and sufficient care towards the

maintenance of adequate accounting records in accordance with the provisions of this Act, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;

- IV) They have prepared the financial statements for the year ended March 31, 2011 on a going concern basis.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

In pursuance of the provisions of section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is given below

A. Conservation of Energy

The operations of the Company are not energy intensive. However, wherever possible the Company strives to curtail the consumption of energy on continued basis.

B. Technology absorption, adaptations and innovation

Not Applicable

C. Foreign Exchange Earnings and Outgo

Foreign Exchange
earned : Rs 89,880 lacs
Out go : Rs 17,964 lacs

Acknowledgments and Appreciation

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners/associates, financial institutions and Central and State Governments for their consistent support and encouragement to the Company. I am sure you will join our Directors in conveying our sincere appreciation to all employees of the Company for their hard work and commitment.

On behalf of the Board of Directors

**Bangalore
July 27, 2011**

**Gautam Chakravarti
Director & CEO**