



10TH ANNUAL REPORT

2012-2013



gokaldas exports ltd.
since 1979



The Origin and Ascent

VISION

*“To be a globally reputed apparel manufacturer, evoking
distinctive recognition for
Product, Performance, Processes and People”*



The late Jhamandas H. Hinduja

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.

MISSION

*“Achieve profitable growth through
Innovation, Quality, Consistency and Commitment”*

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REGISTERED OFFICE

No. 70, Mission Road
Bangalore 560 027, India

CHIEF FINANCIAL OFFICER

Mr. Sumit Keshan

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Ramya .K
(w.e.f. from 24th June, 2013)

STATUTORY AUDITORS

M/s S R Batliboi & Co. LLP
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

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Won highest number of export awards



BOARD OF DIRECTORS



Shri Richard B Saldanha
Chairman



Shri Gautam Chakravarti
Director & CEO



Shri Mathew Cyriac
Director



Shri Arun K Thiagarajan
Independent Director



Shri J H Mehta
Independent Director



Shri Yashwant Shankarrao
Patil Thorat
Independent Director

CHAIRMAN'S MESSAGE



Richard B Saldanha
Chairman

Dear Shareholders,

The key challenges that your company faced for last financial year was, tepid demand from western countries accompanied by shifting sourcing strategies from buyers' worldwide, continued rise in the input costs, and serious difficulties to sustain operational efficiencies.

To offset the adverse impact of such challenges, your company has taken some strategic initiatives to enhance focus on improved profitability while delivering customer value in terms of: on time deliveries, best in class quality performance and manufacturing excellence both in terms of volumes and customer centric innovative designs.

In summary, your organization has leveraged on its core competencies and capabilities with insightful change management to equip itself to meet the challenges as well as to secure its future.

The strategic thrusts are:

1. Customer Retention & Stickiness:
Improve service levels for existing customers with vigorous drives to acquire new customers keeping manufacturing alignment in focus. Marketing initiatives targeted at aggressively expanding the domestic footprint.
2. Lean Management practices:

Organizational restructuring to attain vertical alignment for seamless control and information flow based on market centric product categories.

3. Invest in operational excellence initiatives to strengthen our entire value chain.
4. Invest in IT enabled infrastructure to enhance speed and quality of decision making.
5. Continuous cost management, cost effectiveness and cost control.
6. Sustained focus on financial management - this year focused efforts were on management of working capital and capex expenditure, and selective sale of assets.

We believe that these strategic initiatives taken by the organization will help restore quality growth despite depressed economic conditions. We also see these testing times as a stimulus to become a true learning organization capable of managing change, transformation and shape up for sustained superior performance.

Our performance leaves much to be desired and I wish to express my gratitude to all employees for their unwavering dedication and loyalty, especially during such uncertain and

turbulent times. As we enter Quarter 3 of this financial year we see some very encouraging trends, thanks to the resolve and perseverance of our employees at all levels.

On behalf of the whole organization, I would like to thank our valued customers who continue to support us. We truly believe that value, trust, and quality are treasured. We renew our 'pledge' to customers and continue to strive to build relationships that last.

We also thank our business partners, vendors, and other business associates, who form our extended partnership network, in which we operate. We depend on their continued support as a key enabler to overcome the existing challenges. We truly value the existing partnerships and strive to make it win-win at all times.

Further, I thank this outstanding board for their patience, guidance on governance and strategic direction without which we would not have been able to pull through such a difficult period.

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

DIRECTORS' REPORT

Your Directors present herewith the Tenth Annual Report and the Audited Accounts for the year ended March 31, 2013.

Financial Results (Consolidated)

(Rs. In lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Revenue	98,979	1,03,020
Profit Before Tax	(10,813)	(13,162)
Profit after Tax	(10,944)	(13,237)

Review of Operations

Gokaldas Exports, on a consolidated basis, has reported total sales of Rs. 98,979 Lakhs representing a decline of 3.9% over 2011-12. From a merchandise sales point of view, FY2012-13 has shown a growth of 1% over the previous year.

On a macroeconomic environment basis, India's apparel industry has declined by 5% to \$ 12.9 billion in 2012-13. This is mainly due to sluggish demand in western markets. The US and Europe, which together account for the bulk of the country's apparel exports, faced a weak economic scenario, which has hurt the prospects of garment manufacturers globally.

In this challenging environment, the Company has focused its efforts towards the export market and achieved a growth of 1.5% in the year 2012-13. Consequently export sales as percentage of total sales has shown a growth of 2.3%.

Growth Metrics (In INR lakhs)	FY12	FY13	Gr %
Merchandise Sales	73,951	75,082	1.5%
Export as % of total sales	79.3%	81.6%	2.3%

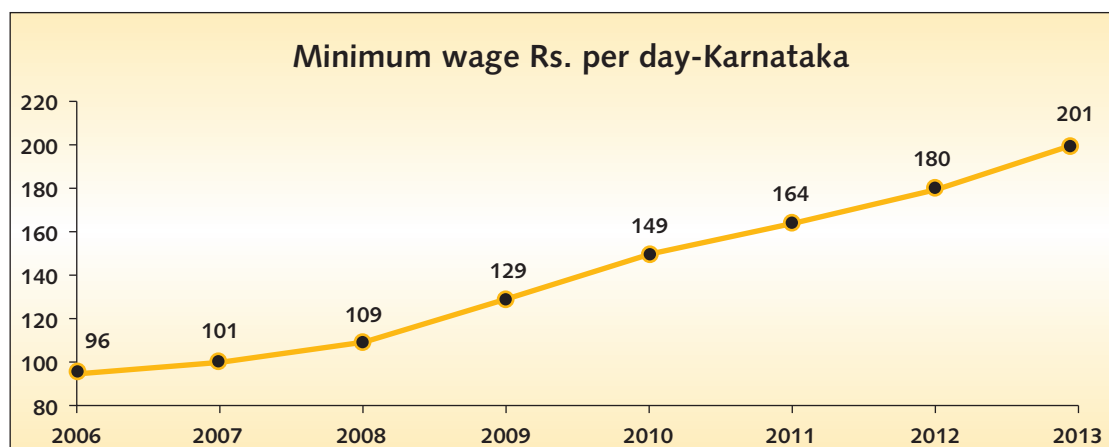
Key Costs and their impact on profitability

From a cost point of view, there has been a decrease in total expenses in FY13 by 5.5%. This has been achieved through various cost control measures taken during the year. While the year has been impacted by increase in wage costs and general inflation, this has been offset by lower raw material costs, finance costs and other manufacturing & admin costs.

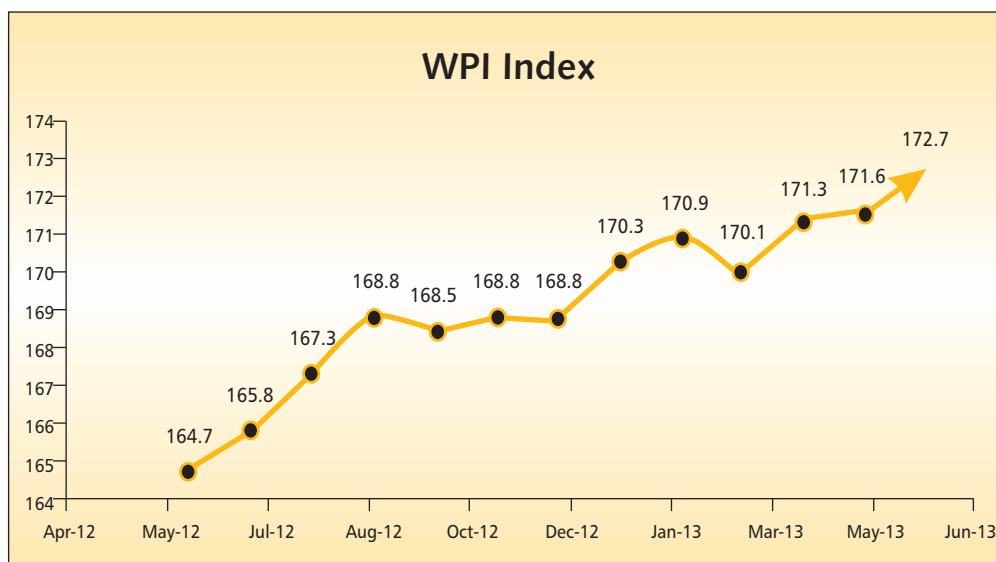
(Rs. In lakhs)

Key Costs	FY12	FY13	% change
Raw Material Cost(Including increase/decrease in Inventory)	57,662	50,630	-12.2%
Wage cost	33,245	35,672	7.3%
Other Expenses	17,631	16,319	-7.4%
Depreciation and amortisation expense	3,696	3,409	-7.8%
Finance costs	3,949	3,761	-4.8%
Total Expenses	1,16,183	1,09,792	-5.5%

The upward trends in Wage costs and inflation are evident from exhibits given below:



The trend in wholesale price index (WPI) indicates significant inflationary pressure on operating costs.



However due to decline in revenues and pricing pressure from customers, the company has not been able to absorb the total cost resulting in PBT of Rs. (10,813) Lakhs for FY13, which is lower by 18% as compared to previous year PBT of Rs. (13,162) Lakhs.

For the year 2013-14, we have undertaken necessary measures to improve our performance. Some of these are – focus on increasing share with existing customers, selectively develop new customers and build on them, bring in product diversity, improving manufacturing efficiencies and sustaining the focus on tighter financial management. These initiatives along with improved productivity measures will help us achieve better results in the coming year.

Safety, Health, Environment and Corporate social responsibility-

We, as a responsible manufacturer, are committed to take adequate measures related to environment, employee health and safety in developing, manufacturing, storing, handling and distribution of our products. It is our responsibility to provide a workplace free from accidents, injuries and exposure to hazardous substances, conserve natural resources and prevent pollution to protect the environment.

Besides, as a constructive partner in the communities in which it operates, the Company has been taking concrete actions to realize its social responsibility objectives, thereby building value for its various stakeholders. We respect human rights, value our employees, and invest in innovative technologies. In the past four decades, the Company has supported innumerable social and community

initiatives.

Some of the key initiatives taken by the company are-

- Regular fire safety audits along with mock drills at all locations
- Identification and implementation for additional fire safety measures for high rising buildings
- Up gradation of existing fire control and safety systems
- Continuous training on fire prevention and control to employees
- Enhanced focus on product safety and safe working practices through training programs

Dividend

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

Transfer to Reserves

Due to the loss sustained by the Company no amount is transferred to the Reserves.

List of Subsidiaries

Your Company has 13 subsidiary companies. The name of these companies is as follows: 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 major 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.

ESOPs

GEL ESOP Scheme 2010 has been approved by the shareholders. Stock options are yet to be granted.

Listing

The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India of India Limited (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

In the current fiscal 2013-14 Mr. N. Rangachary tendered his resignation to the Board of Directors due to his other commitments. The Board of Directors at their meeting held on May 4, 2013 has accepted his resignation. During the year under review, Mr. Prince Asirvatham, Mr. Partha Sarkar and Mr. Akhilesh K Gupta, had tendered their resignation to the Board of Directors. The Board of Directors at their meeting held on July 27, 2012 accepted their resignation.

The Board would like to take this

opportunity to thank the outgoing directors for their invaluable contribution and guidance to steer through these challenging times.

During the year under review, Mr. Richard Saldanha and Mr. J. H. Mehta, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The detailed profile of the Directors seeking reappointment is mentioned in the notice of the ensuing Annual General Meeting.

Auditors

The Company's Joint Auditors, M/s S.R. Batliboi & Co. LLP, 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.

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, 2013, 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, 2013;

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, 2013 on a going concern basis.

Due to the loss sustained by the Company no amount is transferred to the Reserves.

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 of energy on continued basis.

B. Technology absorption, adaptations and innovation

Not Applicable

C. Foreign Exchange Earnings and Outgo

Foreign Exchange earned:
:Rs.78,131.77 lakhs

Out go : Rs. 22,129.89 lakhs

Acknowledgements 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

Richard B Saldanha
(Chairman)

Bangalore
July 31, 2013

Gautam Chakravarti
(CEO)

ANNEXURE TO DIRECTORS' REPORT

Disclosure as per order of Ministry of Corporate Affairs' General Circular Letter No. 2/2011 CL-III dated 8th February 2011.

Subsidiary's financial summary

Subsidiary's financial summary													Amount in Lakhs
Name of the Company	All Colour Garments Pvt Ltd	Deejay Trading Pvt Ltd	Glamourwear Apparels Pvt Ltd	Madhin Trading Pvt Ltd	Magenta Trading Pvt Ltd	Rafter Trading Pvt Ltd	Rajdin Apparels Pvt Ltd	Reflexion Trading Pvt Ltd	Rishikesh Apparels Pvt Ltd	Seven Hills Clothing Pvt Ltd	SNS Clothing Pvt Ltd	Vignesh Apparels Pvt Ltd	Robot Systems Pvt Ltd
Capital	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00	12.00
Reserves-Dr Balance -	-	-	-	-	-	-	-	-	-	-	-	-	(7.74)
Total Assets (Gross)*	361.02	488.82	646.86	287.06	587.19	542.24	488.19	324.12	679.37	1,434.66	1,791.03	96.38	7.08
Total Liabilities	361.02	488.82	646.86	287.06	587.19	542.24	488.19	324.12	679.37	1,434.66	1,791.03	96.38	7.08
Details of investments (except in case of investments in subsidiaries)	-	-	-	-	-	-	-	-	-	-	-	-	-
Turnover (Total revenue)	1.12	2,410.10	3,565.68	1,505.84	3,558.97	2,902.34	1,910.09	1,435.85	3,281.08	6,805.61	1,300.32	0.13	(0.11)
Profit/(Loss) before taxation	(5.18)	20.81	222.16	7.71	41.47	41.32	16.60	4.73	(0.79)	27.76	5.16	(7.82)	-
Tax expenses	0.01	18.18	-	4.87	40.13	33.79	12.17	2.16	(8.33)	25.93	0.98	0.01	-
Profit after taxation	(5.19)	2.63	222.16	2.84	1.33	7.53	4.43	2.57	7.54	1.83	4.19	(7.82)	(0.11)
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-

*NOTE: The detailed financials of the subsidiary companies shall be made available to any shareholder seeking such information.