



gokaldas exports ltd.

since 1979



2013-2014

11th ANNUAL REPORT



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

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

INTERNAL AUDITORS

G. Balu Associates
Chartered Accountants
4 – A, Venkatesa Agraharam Road
Mylapore, Chennai - 600 004

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



Dr Yashwant Shankarrao
Patil Thorat
Independent Director

CHAIRMAN'S MESSAGE



Richard B Saldanha
Chairman

Dear Shareholders,

The year 2103-14 has been an encouraging year for us, where your company's performance showed significant improvement over earlier years, across all parameters.

The year had encountered headwinds in the form of continued weakness in the key economies globally, high inflationary conditions prevailing in developing countries including India, resultant pricing pressures faced by brands in their various markets etc.

Your company had taken key strategic initiatives early to offset the impact of these forces. The management focused on enhancing performance and profitability of the organization, by delivering higher value to customers and having stronger customer-connect strategies. This was implemented through organization restructuring and taking measures to enhance operational productivity and excellence in manufacturing.

I am glad to report that the firm rose against the challenges successfully by leveraging on its core competence and

putting the business on a path of long-term growth.

We credit this growth to continuous improvement mindset of our operations' teams, strong management, faster decision-making process, and quality of our people.

The strategic thrusts for the company continue to be as follows:

1. Develop new markets and new products
2. Invest in operational excellence and Capability building
3. Continuous cost management and cost control
4. Sustained focus on financial management

We believe that our efforts along these directions will help boost the performance of the company on a continuous basis. At the same time, as we head through changing market and global economic conditions, the company will need to adapt to the changes quickly. Whereas there have been noteworthy efforts to turnaround

the business, we are still not out of woods, and would need to continue to focus on the key strategies and secure the future of the organization.

On behalf of the whole organization, I would like to thank our valued customers who continue to support us. We truly value the trust they have reposed in the company. We renew our 'pledge' to customers and shall 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 will work to make it win-win at all times.

Further, I thank this outstanding board for their guidance on governance and strategic direction.

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 company.

DIRECTORS' REPORT

Your Directors present herewith the Eleventh Annual Report and the Audited Accounts for the year ended March 31, 2014.

Financial Results (Consolidated)

(Rs. In lakhs)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Revenue	114,709	98,979
Profit Before Tax	(373)	(10,813)

Review of Operations

Gokaldas Exports, on a consolidated basis, has reported total revenue of Rs. 114,709 Lakhs representing an increase of 15.9% over 2012-13. This growth reflects improvement in revenues from both exports as well as domestic business. The Company's growth for the year has been in line with the growth in Indian apparel exports of 16%, (source AEPC for the period April 2013 – Feb 2014).

There is a positive traction seen in the US economy as well as in certain European countries. This has helped the Company in achieving its growth, in addition to its strategy of expanding geo-foot print to countries like LatAm and Russia.

On the profitability front, the company has shown a positive swing of INR. 104 Cr. for the year as compared to previous year, through rigorous cost management measures in addition to its strategy of revenue enhancement. While it has ended the year with a small loss of INR 3.7 Cr, it is pertinent to note that the company has posted cash profit in excess of INR. 20 Cr. on a consolidated basis and has reported positive PBT in Q2, Q3 as well as Q4 of 2013-14.

Key Cost Metrics

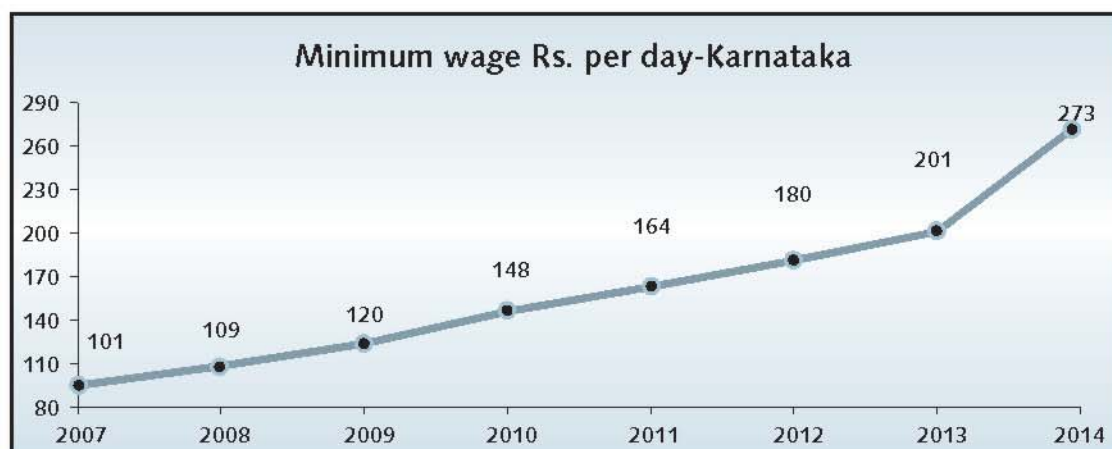
There has been reduction in all the key costs ratios in the year as compared to previous year indicative of the efforts of the management to make the business structure more competitive. Among these cost items, wage costs have reduced considerably from 35.7% of sales in FY13 to 29.4% in FY14, thereby improving profitability in FY14 over FY13. This has been achieved, despite increase in wage rates, through higher productivity.

(% to Sales)

	FY14	FY13
Raw Material Cost (Including inc/dec in Inventory)	50.0	50.7
Wage cost	29.4	35.7
Other Expenses	15.7	16.3
Depreciation and amortisation expense	2.4	3.4
Finance costs	3.5	3.8

With continued cost management initiatives, coupled with productivity enhancement, the company is well placed for improved performance in the coming years.

Some of the significant cost elements have shown upward trend in the past and in the current year. Wage costs form a significant part of our costs, which has seen increase in rates over the years as follows.



The rising trend in wholesale price index (WPI) reflects continuing inflationary pressure on operating costs.



For the year 2013-14, we have undertaken substantive strategic measures to improve our performance, viz; focus on increasing share of business with existing customers, selectively develop new high-potential customers and markets and build on them, bring in product diversity and strengthen design capabilities, improve manufacturing efficiencies, and sustain focus on tighter financial management. These initiatives will help us achieve enhanced results in the coming years too.

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 the Company has supported innumerable social and community initiatives and continues to do the same.

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 including training on fire prevention for employees
- Enhanced focus on product safety and safe working practices through training programs
- Implementation of a Reverse Osmosis plant in Denim Laundry for recycling of wash water

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 maintain 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 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.

Employee Stock Options Scheme

GEL Employee Stock Options Scheme 2010 has been approved by the shareholders. The Compensation Committee of the Board met on May 20th, 2013 and February 1st, 2014 and granted the stock options to identified employees.

Listing

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

During the year 2013-14 the Composition of the Board remains same. Mr. Gautam Chakravarti, Director retires by rotation at the forthcoming Annual General Meeting, and being eligible offers himself for re-appointment.

In terms of Sections 149, 152 and other applicable and related provisions of the Companies Act, 2013 read with Rules made thereunder, retirement by rotation shall not apply to Independent Directors. In order to comply with the statutory requirements, the Independent Directors Mr. Arun. K. Thiagarajan, Mr. Jitendrakumar H. Mehta and Dr. Yashwant S. Thorat are being recommended for appointment for a term upto five consecutive years, on a non-rotational basis.

Details of the proposals of appointment

or re-appointment as applicable are mentioned in the Explanatory Statement under Section 102 of the Companies Act 2013 in the Notice to the 11th Annual General Meeting. Necessary resolutions are being placed before the shareholders for approval.

Auditors

The Company's Joint Auditors, M/s S.R. Batliboi & Associates 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 141(3)(g) of the Companies Act, 2013. The Audit Committee of the Board has recommended their re-appointment for a period of 3(three) years from the conclusion of this Annual General Meeting till 2017 AGM. The necessary resolution is being placed before the shareholders for approval.

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 Management states that:

- I) In the preparation of the annual accounts for the year ended March 31, 2014, 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 / losses for the year ended March 31, 2014;
- 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, 2014 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 are 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 a continuous basis.
- B. Technology absorption, adoptions and innovation
Not Applicable
- C. Foreign Exchange Earnings and Outgo
Foreign Exchange
earned : Rs. 88,425 lakhs
Out go : Rs. 20,188 lakhs

Acknowledgements and Appreciation

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners and associates, financial institutions and the 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)
Gautam Chakravarti
(CEO)

Bangalore
13th August, 2014

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 Trading Pvt Ltd	Reflexion Trading Pvt Ltd	Rishikesh Trading 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 -	-	-	-	-	-	-	-	-	-	-	-	-	(8.18)
Total Assets (Gross)*	359.44	490.57	619.72	290.38	434.13	544.56	495.93	283.17	627.83	1,412.21	1,804.70	95.63	7.08
Total Liabilities	359.44	490.57	619.72	290.38	434.13	544.56	495.93	283.17	627.83	1,412.21	1,804.70	95.63	7.08
Details of investments (except in case of investments in subsidiaries)	-	-	0.09	0.01	-	-	-	0.03	-	-	0.02	-	-
Turnover (Total revenue)	0.28	2,370.08	2,904.89	1,338.30	2,492.95	2,986.69	1,794.70	1,715.42	2,839.09	6,892.72	1,660.67	-	-
Profit/(Loss) before taxation	(1.38)	56.46	70.62	15.32	41.79	23.40	19.46	11.45	21.57	54.82	(4.27)	(0.63)	(0.44)
Tax expenses	-	50.56	64.78	12.18	37.83	16.70	16.08	5.05	14.65	47.94	(8.98)	-	-
Profit after taxation	(1.38)	5.90	5.84	3.13	3.96	6.70	3.38	6.40	6.92	6.88	4.70	(0.63)	(0.44)
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-

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