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Financial section

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise



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10 THINGS YOU NEED TO KNOW ABOUT GOKALDAS EXPORTS LIMITED



Ethos

Vision

To be a globally reputed apparel manufacturer, evoking distinctive recognition for product, performance, process and people.

Mission

Achieve profitable growth through innovation, quality, consistency and commitment.



Locations

The Company's operations are spread across 21 factories supplemented by six value-adding service units, out of which 20 of our manufacturing facilities are located in Karnataka and one in Andhra Pradesh. Nearly 50% of the Company's revenue was derived from non-metro urban locations in India.



Manufacturing efficiency 🔭

The Company is one of the largest organised apparel manufacturers in India with a manufacturing capacity of 13,500+ machines that can produce 30 million apparel pieces per annum.



Global presence

Gokaldas Exports Limited has been a leading apparel exporter of the country since 1985. The Company caters to international customers of eminence in US, Europe, Canada, Japan, Russia, Middle East, South Africa and South America. It exports to more than 30 countries where; all its customers are prominent players in the international apparel market.



People

The Company's employee strength was ~25,000 (as of March 31, 2019) across 21 manufacturing units.



Performance

The Company's total income grew by 11% to ₹1196.2 cr in 2018-19; correspondingly, profit after tax improved from a loss of ₹31.0 cr to profit of ₹25.6 cr



Functions

The Company executes orders ranging from the simple to the complex. Its functions comprise laying, cutting, sewing, embroidery, guilting and printing.



Products

The Company is engaged in the manufacture of a wide range of apparel including outerwear, sportswear, casual wear and formal wear for women, men and children.



Listing

The Company is listed on the Bombay Stock Exchange (BSE) Limited and National Stock Exchange (NSE) Limited. The Company's market capitalisation was ₹ 401.4 cr as on March 31, 2019.

OUR MARQUEE GLOBAL CUSTOMERS

GAP

X

Headquartered in San Francisco, United States, GAP is one of the world's largest specialty retailers operating in more than 90 countries with more than 3,300 company-operated and franchised retail stores around the world. It recorded a topline of US\$ 16.6 billion in 2018.

Adidas

Headquartered in Herzogenaurach, Germany, Adidas is one of the biggest athletic apparel companies in the world. It is the largest sportswear manufacturer in Europe and the second largest globally, with a brand value of, around US\$ 16.7 billion.

Bestseller

*

Based in Denmark, with brands like Vero Moda and Jack & Jones , it has emerged as one of Europe's leading retailers catering to the individual tastes and personal styles of the brand's loyal customer base, selling more than 45 million styles annually.

Carhartt

X

In 1889, Carhartt Inc. was established in Detroit, Michigan by Hamilton Carhartt.

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

H&M

 Σ'

Headquartered in Stockholm, Sweden, H&M is a multinational clothing retail company operating in more than 60 geographies with more than 4500 stores. Also, it has an online presence in 35 countries. The Company's product range comprises clothing, including underwear and sportswear for men, women and children, as well as cosmetic products, accessories, footwear and home textiles.

Zara



Headquartered in Arteixo, Spain, ZARA is one of the world's largest apparel retailers. It has a footprint spread across 96 countries comprising more than 10,000 stores globally. The brand produces more than 450 million items a year.

Columbia



Headquartered in Oregon, United States, Columbia Sportswear is one of the global leaders in designing, sourcing, marketing and distribution of outdoor and active lifestyle apparel, footwear, accessories and equipment.

Puma



A German multinational company that designs and manufactures athletic and casual footwear, apparel and accessories. Headquartered in Herzogenaurach, Bavaria, Germany; Puma is the third largest sportswear manufacturer in the world.

Our company in numbers >



171

Revenue in US\$ mn. 2018-19

2.8

Peak monthly production capacity

21

Production units

25,579

Direct employees

13,500+

Machines

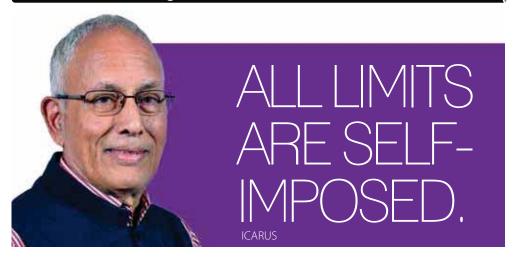
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Countries exported to





The Chairman's strategic overview



WE HAD MODEST EXPECTATIONS FOR THE YEAR WHEN WE STARTED, AS THE NEW MANAGEMENT HAD JUST ABOUT COME IN AND THERE WERE SEVERAL HEADWINDS IN THE **BUSINESS TO DEAL WITH. WITH INDUSTRY REVENUE ON A** DECLINING TREND, THERE WAS A GENERAL FEELING THAT THE HEADROOM FOR GROWTH WOULD BE LIMITED AND ANY IMPROVEMENTS WOULD AT BEST BE MARGINAL.

I am pleased to inform you that the team at Gokaldas Exports proved sceptics wrong in 2018-19.

There were a number of reasons that made this an exceptional year for the Company.

The Company reported a substantial swing in net profit from a loss of ₹31.0 cr. to a profit of ₹25.6 cr. during the year. The Company generated an EBITDA of ₹77.2 cr. that is three times that of 2017-18. What is most important is that the Company's performance was consistent across all quarters and there was a steady improvement through the year. This gives us the confidence to state that the organisation has been transformed and the performance improvement is sustainable.

The Company needed access to precious capital for sustainable growth. However, the past track record of weak general business sentiment resulted in tightening of bank credit, because of which the Company was faced with two stark

choices: shrink or innovate. The management team resolved to make the most of the situation by strengthening terms of trade, reducing costs and reducing the working capital cycle. The Company raised capital through a QIP to the tune of almost ~₹70 cr. in a weak market and deployed it wisely in upgrading its business infrastructure and working capital. The Company also reduced its working capital cycle from 121 to 102 days, freeing resources for growth.

The Company strengthened its operational performance across all factories and business units. The improvement in key performance metrics is heartening to see and will ensure that the Company continues its journey of operational excellence.

The team at Gokaldas Exports systematically developed trustworthy relationships with all stakeholders by consistently delivering superior performance and results.

This is evident from the improved business

flows from its key customers. Adding seven new marquee customers also indicates that the market sees Gokaldas Exports as a transformed entity and is now willing to restore its faith in the Company.

Lastly, the organisation is far stronger now with the induction of new talent. This makes it more resilient and endows it with the capability to take up bigger challenges.

We are more confident than ever that the Company is strongly positioned. The Company's margins are on the rise, performance metrics are better, working capital management is stronger and customer confidence is higher. We believe that during the year under review, we laid the foundation for a reinvigorated Gokaldas Exports that is now poised to unlock growth, create long-term value and secure its future.

On behalf of the Board of Directors, I thank our customers for their support. I would also like to acknowledge the counsel of the Board that helped steer the Company through the year. I wish to thank our leadership team and employees, led by Managing Director Sivaramakrishnan Ganapathi for their commitment to create a world-class company.

Mr. Richard B. Saldanha,

Chairman and Non-executive Independent Director

OUR COMPETITIVE **BUSINESS MODEL**

Global context

- Shorter fashion Need to cycles
 - introduce new designs with increasing speed
- Growing integration of fitness-related designs into wardrobes
- Online purchases enhancing offtake, affordability and market size
- Need for stronger and reliable supply chains
- Global apparel brands seeking ecologicallycompatible apparel vendors
- Greater premium on the need to increase recycled material and reduce harmful dyestuffs

Indian context

- The fragmented Indian apparel sector holds out scope for growth
- The Indian apparel sector is marked by low entry barriers
- The business puts The global a premium on manufacturing and supply chain efficiency.
- apparel sector is marked by import tariffs on exports
- India enjoys a strong cotton and rayon base, a business advantage
- The business is labour-intensive marked by a need to moderate people and related costs. Manufacturing competitiveness is influenced by a labour wage arbitrage.

Gokaldas' credentials

- The Company is positioned as a responsible partner of the customer
- The Company provides the customer with trend forecasting, product engineering,
- fashion designing, optimised manufacturing and innovation.
- The Company is a dependable partner, providing on-time delivery and high product quality
- The Company's practices are marked by complete compliance and environment responsibility
- The Company is focused on the manufacture class design of complex products and designs
 - The Company possesses worldcapability (manufacturing to consulting / implementation)

- The business is positioned around long-term relationships with marquee global clients
- The Company exports (84% of revenues) to demanding geographies (USA, Europe and Japan)
- The Company focuses on growing revenues from non-top 10 customers
- The Company is looking at capacity expansion in low-cost non-metro locations
- The Company had no long-term debt on the books
- The Company's wide range of manufacturing capability comprises laundry, embroidery, printing and poly wadding as well.

How we are transforming

- Strengthening customer accretion
- Improving delivery capability
- Superior management of working capital
- Increasing capacity in lower-cost manufacturing locations
- Increasing worker training
- Enhancing capacity utilisation
- Investing in modernising manufacturing capability

 $\Sigma 3$

