



Performance Review of Q3 of 2008 -09

Gokaldas Exports Limited has posted a marginal growth of 3.5% in sales despite the fact that the apparel retailing has been reeling under heavy recession pressures because of the fall in consumer spending in the U.S. and European markets.

The global economic crisis has had a disastrous effect on the retail sector both in the US as well as Europe. Both these are the main markets for the Indian apparel exporters.

Business is down drastically in both these markets and we understand from news reports that last Christmas sales in the U.S. was the worst ever in the last 40 years.

The EBIDTA for Q3 is Rs.28 Crores as against Rs. 26 Crores of the corresponding period last year, showing an increase of 8%. The PBT (profit before tax) is a loss of Rs.15 Crores as against a profit of Rs.19 Crores for the corresponding period last year. This is the first time that our company is reporting a quarterly loss, mainly due to Forex hedging. The Forex hedging loss has been to the tune of Rs.19 Crores and pre-shipment Dollar loan restatement has resulted in a notional loss of Rs. 4 Crores. This totals to a Rs.23 Crores loss.

If this Forex loss is not considered, the company would have shown a profit of Rs.9 Crores for the same period.

Added to this foreign exchange loss, our numbers have been depressed because of,

- (a) reduction of Duty Drawback by the Government of India to the tune of 3%, and,
- (b) the withdrawal of the 4% interest subsidy by the Government with effect from 1st October, 2008..

As regards Q4, the order position is around Rs.250 Crores, based on strong marketing initiatives despite drop in demand from the U.S. and European markets.

Many apparel factories in India have closed because of lack of work and consequently job losses to the tune of several thousands of workers has been reported. The same scenario exists with the other competing countries in the Far East, viz., Vietnam, Bangladesh, Cambodia and China. The market ahead in 2009 shall be a difficult one and we are gearing up to meet this challenge.