gokaldas exports ltd

GEL/SEC/2023-24/22

June 05, 2023

BSE Limited
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street,
Mumbai – 400 001

Scrip Code - 532630

National Stock Exchange of India Limited
The Exchange Plaza
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051

Scrip Code: GOKEX

Dear Sir / Madam,

Sub: Transcript of Q4 FY'23 earnings conference call

Pursuant to Regulation 30 and Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q4 FY'23 earnings conference call held on May 29, 2023. The transcript is also available on the Company's website at https://www.gokaldasexports.com/investors/ .

This is for your information and records.

Thanking you,

Yours truly,
For **Gokaldas Exports Limited**

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"Gokaldas Exports Limited Q4 FY23 Earnings Conference Call"

May 29, 2023

MANAGEMENT: **MR. SIVARAMAKRISHNAN GANAPATHI – VICE CHAIRMAN AND MANAGING DIRECTOR, GOKALDAS EXPORTS LIMITED**
MR. SATHYAMURTHY ANNAMALAI – CHIEF FINANCIAL OFFICER, GOKALDAS EXPORTS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Gokaldas Exports Q4 FY23 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only-mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on the touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Binay Sarda from Ernst & Young LLP. Thank you and over to you.

Binay Sarda: Thank you. Good afternoon to all the participants on this call.

Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties, and other factors. It must be viewed in conjunction with our business risks that could cause future results, performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements. Please note that we have mailed the results and the presentation and the same are available on the company's website. In case if you have not received the same, you can write to us and we will be happy to send the same over to you.

To take us through the results and answer your questions today we have the top management of Gokaldas Exports Limited represented by Mr. Sivaramakrishnan Ganapathi – Vice Chairman and Managing Director and Mr. Sathyamurthy Annamalai – Chief Financial Officer.

We will start the call with a brief overview of the quarter gone past and then conduct a Q&A session. With that said, I will now hand over the call to Mr. Siva. Over to you, Sir.

S. Ganapathi: Thank you, Binay. Good morning, everyone. Happy to have you at our Earnings Call for the Financial Year of 2023.

Global markets continue to be volatile with Central Banks continuing to wage a war on high inflation by maintaining high interest rates. Post-COVID quantitative easing followed by quantitative tightening in the United States has unleashed a whiplash in the economy. The supply chain disruption in CY21 that is calendar '21 and early '22 coupled with robust post-COVID demand facilitated by governments pump-priming their economies resulted in brands ordering excess inventory. Higher inflation also meant that prices of goods went up while volume growth was modest. Subsequent easing of the supply chain and the tight money supply led to a reversal of the situation. Brands were stuck with higher inventory and have been working on liquidating it over the last six to nine months.

For Gokaldas Exports this meant that the year started with strong revenue and profit growth resulting from a robust order book and effective sub capacity utilization. The second half of the year saw muted volume in line with market conditions. Major customers were consciously liquidating excess inventory holding and dealing with the sluggish retail market. We managed our operations very well consistently growing our operating margins and delivered improved PAT quarter-on-quarter. Our ability to effectively balance capacity with orders on hand and execution excellence played very well in delivering 25% revenue growth and 48% net profit growth year-on -year.

For context, the Indian apparel exports for FY23 grew by about 1%. Our EBITDA margin grew by 116 basis points over the previous year after providing Rs.23 crores for ESOP charges indicating superior operating performance. We generated cash from operations of about Rs. 296 crores during the year securing a healthy financial base for the company. The company continues to build on its financial strength and currently has cash net of debt of 333 crores while part of the reduction is due to business volume tight business management helps the company unlock working capital. Our ROCE remains high at 27%. We continue to closely monitor potential macroeconomic risks and take measures to mitigate them by focusing on strengthening customer relationships and service excellence.

We are vigilant to concerns such as ongoing military conflicts, global monetary tightening, and China's economic trajectory. Our immediate focus is on maintaining exceptional service delivery while navigating potential short-term challenges. We maintained a high on time and in full delivery metrics endearing ourselves to customers. The long-term prospects for the industry remain intact with continuing shift of global sourcing away from China, supplier consolidation towards efficient and well capitalized players and supply side instabilities in several countries, favorable currency PLI and FTA's with key markets should drive the company to a strong future.

In these egregious times the company operated with a lot of determination while constantly assessing risks and above all showing courage. As an agile high performance and entrepreneurial organization, we thrive on such disruptions taking advantage of the opportunity such challenges throw at us. Seizing new opportunities, grabbing market share, expanding our manufacturing footprint, investing in productivity improvements, staying razor sharp on customer delivery metrics we emerged as an indispensable part of the global value chain while the global economy is anemic at the moment. The good news is it can only get better over a period of time. We expect the demand situation to improve in the second half of the year. We are committed to gaining market share and preparing ourselves for business growth when market conditions turn more favorable. Our capacity addition is also in line with this.

As an organization, we are future ready. I thank you for listening and would be happy to address any questions that you may have.

Moderator: We will now begin the question-and-answer session. The first question comes from the line of Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Sir, I had a couple of questions for this like when we interacted domestic players also here there is some slowdown and in the export market of course there is volatility and slow down there also. So, while you have always guided H2 to be demand starts picking up, so how are you seeing the market right now in the near term say for one or two quarters also wanted to understand we have reported steady numbers in terms of say the quarter-on-quarter, so wanted to understand if we have added any new customers or are we in talks with any customer that can also you know help increasing the revenue going forward and the business demand is a little slow?

S. Ganapathi: We had always guided that the second half of FY23 would be somewhat muted over the last one year and I think it is played out as we had guided. We had also indicated that first half of the FY24 will also remain somewhat similar in terms of the market demand condition with the second half of FY24 when we expect growth to pick up and I think we are maintaining that situation at the moment. We see that the economic conditions have not dramatically improved it has remained where they are. However, we feel that from calendar 2024 should start seeing an upward trajectory because most of the inventory would have been liquidated and year-on-year brands would see growth on a muted base of calendar 23 which itself means that they will start coming back to buying more from us. So, starting Q3 we should start seeing some upward trajectory and we are hoping that we will stay prepared for the incremental traction that we shall start seeing from then on. This is based on what we see at the moment, how we read the economy at the moment. As for the next question on customer addition we have just recently added two new customers one US based and one UK based and we are hoping that we shall be able to continue to grow with them. These are prestigious clients and clients with the good business potential going forward and we hope that we will be able to capitalize on this addition.

Gunjan Kabra: Sir for the revenue from the new customers will start coming in from this quarter and it was not accounted in the previous quarter?

S. Ganapathi: That is correct. They have just been acquired so it will start playing out in FY24.

Gunjan Kabra: Also sir there is inventory getting depleted or it is getting lower a little by the US, but anything from our customer specific point of view what are they guiding in terms of revenue growth to you I mean how is that scenario like we know the global data and everything, but according to that customer specific if we have any guidance that can maintain this growth rate how are they telling you in terms of inventory and is that the problem getting solved faster maybe because we supply to the bigger brands or something so wanted to have that perspective from our customers point of view?

S. Ganapathi: So, it's a mixed bag we supply to a number of customers and different customers are at different stages in their own market handling situation, inventory situation etcetera. So, there are some customers who have liquidated quite a bit and still have some residual inventory to liquidate. Some of them have liquidated almost all of it and hopefully they will start buying more once they start seeing the demand pick up they are not ordering at the moment. They are maintaining a lower inventory to sales ratio at the moment. So, it is a mixed bag at the moment nobody is bullish, but I do not think they are very bearish either so we will hopefully see we will be able to read things better as a few more months pass by as to how confidently they will come back buying. The general trend seems to be that things are seemingly bottoming out but let us see how it plays out.

Gunjan Kabra: And also this quarter we did higher EBITDA margin which is 13.4% around, so do you think we can stretch this to the entire year or is it just one quarter or is it sustainable?

S. Ganapathi: Good question it is not sustainable. What happened in Q4 was that we had made excessive provisions on certain gratuity and employee related cost items this is based on certain assumptions. We keep in mind that we are extremely conservative when it comes to taking up accounting provision. So, we had over provided in the first three quarters which we kind of wrote back after making an actuarial evaluation of the employee benefit costs. So, that is why there may be a bit of a higher margin being indicated in Q4. You should take the average for the year as an indicator.

Moderator: Next question comes from the line of Abhineet from Emkay Global. Please go ahead.

Abhineet: If you can just highlight the status of various CAPEX that you are doing, are they on track and when do we see revenues coming from those?

S. Ganapathi: So, your voice faded out was your question when will the CAPEX start playing out in revenue terms was that the question?

Abhineet: Both for the Tamil Nadu and Madhya Pradesh?

S. Ganapathi: So, the Madhya Pradesh unit we anticipate is to start commercial production starting somewhere in June of 2023 so next month and we are hoping that it will clock about Rs.50 odd crores in this financial year the other unit which is coming up in Tamil Nadu we anticipate it to go live somewhere in September which is the early 3rd Quarter and really it is bigger contribution to revenue shall come in FY25. So, in FY25 both of them put together we should hopefully see about Rs.300 crores of top line being contributed by both these projects.

Abhineet: And our thought of that Bangladesh JV where do we stand right now?

S. Ganapathi: So, most of the work has been done the site has been identified and everything. We are just holding in a holding pattern there waiting for signals of market turnaround before we start activating that capacity. So, we are just waiting to see some improved traction before we start over there.

Abhineet: And lastly on the margin side you did indicate that FY23 is a better indicator, but over a two, three-year perspective our earlier type of indication that we should improve by 50 basis point every year that continues for the next few years?

S. Ganapathi: So, as I had indicated earlier that we probably have about 1% to 1.5% EBITDA improvement opportunity going forward in a two-to-three-year timeframe so I maintain that. In the short term based on demand supply situations there may be some aberration especially when there are demand headwinds there will be pricing pressures. There are short term impact like labour costs have gone up because minimum wages have gone up in Karnataka where bulk of our operations are and the costs have gone up by 9% to 10%. So, we are offsetting that also through improved productivity. So, there are those kind of short-term challenges, but the trajectory that we mentioned about EBITDA improvement of about 1.5% over a two-to-three-year time frame will continue notwithstanding short term aberrations which we will anyway overcome.

Moderator: Thank you. Next question comes from the line of Nishid Shah from Ambika Fincap Consultants Private Limited. Please go ahead.

Nishid Shah: My question is Siva on industry tailwinds is so positive and now that we are through with the so-called slowdown and all, can we expect over a normalized period or 20% growth for us now that you have capacity and all in place?

S. Ganapathi: In the normal period a 20% growth is definitely possible and that is definitely within the realm of what we will target. There will be short-term inability to do that over a few quarters because of demand-related headwinds, but in a normal period what you mentioned is absolutely correct that is what we are targeting. We will probably try to do better also but trying to do 20% is something which we will always endeavor to.

Nishid Shah: And secondly on the margins with rupee having depreciated, so where do you see our margins, is there a scope for improvement over the next 12 to 18 months?

S. Ganapathi: So, in the next 12 months I would not be very sure given demand situation at least for the next 6 month and whenever there is a demand headwind there will always be an inability to increase prices etcetera on the contrary there will be a pricing pressure. We are partially elevating that through better raw material prices and better production efficiencies at the moment. So, improving margins will certainly happen, but I would say if we take a three-year time frame I am confident that we have the ability to improve the EBITDA margin by 1% to 1.5%.

Nishid Shah: And these new plants at MP and your other initiatives at Bangladesh etcetera should also help you improve margins, is not it?

S. Ganapathi: That is correct however their initial effect will be to drop the margins, but since they will be small in relation to the rest of the business it may not be very materials, but as these plants starts ramping up the cost will be higher so they may be negative for a little brief while till they reach their proficiency level and start yielding margin. At a steady state, those new units will be more margin friendly than our existing business given the cost structures in those zones.

Moderator: Thank you. Next question comes from the line of Rahul Misra from RTL Investments. Please go ahead.

Rahul Misra: I have two questions first and I am not talking about anything short term I quite appreciate there are challenges in short term, but if I look at FY23 results as compared to FY22 our gross margins have actually seen a decline maybe also on account of prices and all and we also had employee cost issue because of the ESOPs so that has also gone up and despite that we have seen 70 basis point improvement in margin, so if I look at this I mean if I look at efficiency which are there beyond the gross margin it is almost like 400 basis points or more than that, so my question is that when things normalize can we actually look at much more margin expansion than what you are guiding at 1.5% over three years so that is question number one and question number two is finally when do you expect the tax rate actually to go up because tax rate was supposed to go up in FY23 that is a good news that it has not gone up, but should we expect normalization of tax rate in FY24?

S. Ganapathi: So, as far as the gross margin is concerned it is a function of the product mix. So, product mix changes sometimes can have a gross margin change because gross margin is revenue minus the material cost. So, when we have high value products being produced quite often we may see a lower gross margin, but a superior EBITDA margin because the manufacturing effort for that may not be as high, but the gross margin number expressed as a percentage of sales would tend to fall because the raw material cost seemingly are high. So, we are judicious, we try to maximize our bottom line rather than simply gross margins given our product mix basket. As far as your question on is there a potential to improve our EBITDA margin more than what I have guided so there always exists opportunities and we will always be exploring those opportunities to go for it, let it play out there are several variables that we deal with including raw material prices, demand supply etcetera. So, what I have given is an aggregate of various factors at play, but certainly we will endeavor to see if we can push the envelope more. As far as the tax impact is concerned from FY24 onwards we will be having the full impact of taxes. The tax percentage should be 25.1% from FY24 onwards.

Moderator: Thank you. Next question comes from the line of Amar from Alfaccurate. Please go ahead.

Amar: Sir, largely wanted to understand if the market what I understand is that ours is a slightly premium products business versus the knitting business which is like at the low end of the pyramid and normally what we see even in the tough time the luxury or relatively ultra-luxury kind of business does not get impacted and it revives faster, so is this a scenario for us also and that is why we were less impacted related to the industry.

S. Ganapathi: For example, our ASP will be in the range of $8, $10 so we are at certainly high value, but not ultra-high value. So, what happens is that commodity products like say Knitwear etcetera may see headwinds depending on the economic conditions. Ultra-luxury products may not see any headwinds regardless of market situations, but we do not produce those Gucci and Armani all of that. We are in mass fashion premium product out there. So, we are in that sweet spot somewhere in between where volumes exist where we can produce cost effectively where we can drive production efficiencies. The demand for our products has not been as hit and I think the probability of it recovering a bit faster could be better.

Amar: As you are indicating that second half will be significantly better than for first half, but do we see that the revival should start from the let us say sequential revival should start from the second quarter onward?

S. Ganapathi: It is very, very difficult to predict anything for various reasons. One, nobody is any wiser on the economy. Second brands on whom we are dependent on demand have also started ordering closer to date given that their ability to predict demand has also been weakened and they are unwilling to ramp up their inventory until they actually start seeing huge traction in terms of demand. So, my anticipation is that we should start seeing growth momentum pick up from the 3rd Quarter. I do not think it will come earlier than that, but it is very difficult to predict who knows if things start looking up, it may happen sooner, but I am not going out there predicting things happening sooner so 3rd Quarter is more likely.

Moderator: Thank you. Next question comes from the line of Pulkit Singhal from Dalmus Capital Management LLP. Please go ahead.

Pulkit Singhal: First question is just from the nature of conversations and the number of conversations you are now having with customers if you could throw some light as to what is the texture of that now versus how it was one year ago and two years ago and whether those conversations have suddenly picked up in terms of number?

S. Ganapathi: The nature of conversations again, when I say two years ago during COVID was highly uncertain post-COVID there were some buoyancies, but at the moment the way the nature of conversations vary from customer-to-customer. There are some customers who have liquidated inventories who are quite hopeful of demand picking up from spring 24 and are hinting that they will come back and start buying from the 3rd Quarter onwards because in the 3rd Quarter we produced our spring of 24 and 4th Quarter for summer of 24. The general consensus of brand seems to be that by 4th Quarter there should be market should reasonably stabilize that summer of 24 so we will have to see that. In the interim brands are playing it close to their chest, they are indicating that they will come closer to date to buy more based on demand traction and the good news is that some of the brands have actually come and followed through on it and have placed the near-term orders as well indicating that some amount of traction that they are seeing or that they are predicting. So, it is a bit all over the map, but that is how it is happening in the US. UK based customers are actively talking waiting for the FTA to happen and many of them are waiting in the wings once the FTA happens, they would start taking advantage of it and with that in mind there are quite a few of them are having an aggressive conversations. The market conditions in UK also seems to be similar, but duty delta plays a big role. So, it all depends on where the customers are located, but at the end of the day the mood I would say has it is not exuberant for sure. It was quite muted; it is slightly improving. There is a bit of optimism I would think, but it is yet to really translate into significant numbers at the moment.

Pulkit Singhal: So, are there a lot more plant visits being done by various new customers now to kind of keep the work ready and then press the trigger if they choose to do so later, is that how they are approaching it?

S. Ganapathi: Yes, we have considerable number of visits to our factories and our design showrooms.

Pulkit Singhal: Secondly, these two new customers that we added UK and US just trying to understand what was the individual thought process to give orders to you I mean is it more driven by China plus one are they even willing to pay a premium to kind of source from India or they are trying to get it cheaper, so what was there individual thought process?

S. Ganapathi: So, these two both of them are a bit fashionable brand and a little premium in the market. So, they have not seen as much of negative traction as many other mass market brands have. The UK one is motivated by FTA. So, they are clearly out here to take advantage of the situation. They like our ability to handle designs and our quality of production. The American one is clearly coming here because they like our quality and they have not seen as much of a headwind in their sales. So, they are just adding quality vendors and we have become one of them.

Moderator: Thank you. Next question comes from the line of Apurva from PhillipCapital. Please go ahead.

Apurva: So, my question is on the your commentary so like as we understand the growth lever also comes from the wallets are increasing from our clients and if I look at our clientele also likes of gaps, Zara or H&M so they are very significantly large clients and our contribution or our revenue to them would be hardly significant, so I am just wondering why that part is not mentioned in the commentary case we are just focusing on the market outlook and like whatever is happening in the broader market, but not on the wallet share, can you throw some light on that part?

S. Ganapathi: So, what happens is when we overall buy from a brand comes down by say 25% or 30%. The higher quality producers may not see as much of a drop because we will be grabbing wallet share from weaker suppliers in the ecosystem. Having said all of that so wallet share may grow, but in absolute terms from our own base we may not be able to grow because the volumes of buy from the brand have actually come down. So, it may be inappropriate for them to have certain vendors grow while other vendors take a deeper cut. So, while everybody will decline YoY there may be vast differential between declines across this segment, but it always accompanies with a wallet share gain and in such difficult market times wallet share gains are more easier for us to attain because if the demand is down they typically tend to shut down a few suppliers or significantly reduce the outlay for certain suppliers. So, we have actually gained wallet shares in some of our larger customers.

Apurva: So, that was my point currently this might be a very favorable period for us, so as a company what steps we are taking to garner more wallets share and that could help us to sustain, so without we are adding a customer or not, but at least that would the existing customer base would give us some set of a revenue visibility or growth because of incremental wallet?

S. Ganapathi: So, that is exactly the point I am saying that if you look at the buy from brand they have fallen by about 20% odd percent or 25% in many cases whereas our revenue let us take the 4th Quarter as an example. Fourth quarter revenue has fallen by about 10%. So, our drop if 10% in relation to the brand buying 25% less clearly indicates that we are gaining wallet share. The specifics will depend on the individual brands, but across the board we have gained wallet share and the reason we have gained is because we have simply executed well. We have ensured on time delivery, we have ensured quality throughout the past period and been very, very consistent in that. Once we do that we automatically are in a position to grab incremental orders at the cost of other. We have taken orders from China and Vietnam; we have taken orders which were hitherto being done by others in India and so on and so forth. So, that endeavor continues and we have done that across most of the brands.

Apurva: Sir final thing on the Bangladesh so as you mentioned we are waiting for more clarity on the market condition, so do we expect it to start this year or again it could be linked to the market condition only because Bangladesh can open a route for UK or maybe the entire Europe market. So, that is why we were curious whether irrespective market and it is a very small CAPEX compared to your overall balance sheet size, so why we are slightly conservative on that Bangladesh part?

S. Ganapathi: Keep in mind that Bangladesh also has a lot of capacity. So, we want the market conditions to improve and time it appropriate. I believe that we should be doing that somewhere we should initiate the work in FY24 and it is only a matter of taking a call on the timing. We are keeping a close watch on it and we are also talking to some customers basis that we will take a final call somewhere during the year.

Moderator: Thank you Next question comes from the line of Amruta from wealth managers India Private Limited. Please go ahead.

Amruta: So, I have two questions first is regarding the other income, so in the past three quarters it has increased like a lot, so what is the reason behind that, is it the improvement in the cash balance that we have and my second question is regarding the knitwear facility, so how is our traction with our existing customers in the woven category like even they have knitwear products, so how are they taking our CAPEX and are we looking to add more customers there?

A. Sathyamurthy:: With reference to the other income, it is primarily on account of our investment income accruing from the mutual fund and the fixed deposits on account of our cash surplus that had been deployed in the mutual fund and such income is reflected under the other income.

S. Ganapathi: Coming to the knit versus open demand. I think the knitwear demand is a bit more muted than woven demand. I am speaking at a very macro level. Again, the situation will change from brand-to-brand, but at a macro level that is the situation. For our knitwear unit which is expected to come by September. We are hoping that the knit demand situation might improve by then and we are also in advanced discussion with several customers to facilitate uptake of those products so all of that is going on as we speak, but at an overall level knit is going a bit slower than woven at the moment.

Amruta: How much time does it take for us to onboard a new customer for the whole process and for them to actually start the ordering activity after they are onboarded?

S. Ganapathi: So, it depends on the business situation. In a weak market situation, it could take up to a year sometimes it can take even two years depending on the customer and their protocols and in a strong market condition when there is a growth many other customers may be under intense pressure to ramp up volumes and hence things may happen much sooner as well and it can happen in six months at least. As far as the ramp up goes it usually starts small in the first two, three quarters and it takes over a year before we can start really seeing meaningful revenue of anywhere between Rs.50 and Rs.100 crores. Again, in a strong market situation, things can happen faster depending on the customer.

Moderator: Thank you. Next question comes from the line of Abhineet from Emkay Global. Please go ahead.

Abhineet: You did indicate that there was an extra provision during 9 months which were written back now what is that number so if you can quantify?

A. Sathyamurthy:: It is about Rs.6 crores.

Abhineet: So, at the present raw material prices and what could be the maximum F24 revenue that the company can clock?

S. Ganapathi: F24 revenue is that your question?

Abhineet: Yes.

S. Ganapathi: I wish I have that crystal ball at the moment. Our endeavor is to see growth in financial year 24 over 23 for sure and we are working towards that, but to pin the number at the moment maybe harder for me three months from now and may be in a slightly better situation to predict it is a bit difficult for me to pick a number for now.

Abhineet: What I was trying to understand that what can be the max and not wanted to know exactly what you were guiding for '24, just trying to understand the current capacity that we have what can be the max revenue for FY24?

S. Ganapathi: So, I do not want to confirm a number given the market dynamics and situation. Our endeavor would be to do as much as possible. Raw material prices are not the determinant at the moment while it helps us from a cost standpoint it is really market demand which is the factor and that in turn is a factor of economy and several other situations out there. My best guess is that things should start looking up in the second half and we should start seeing good traction. The pace of growth etcetera will determine how much we can grow in FY24. It is a bit hard at this moment at the start of FY24 to pin a number on percentage growth. In a normal year, I would have been very confident to say that we will always do about 20%, but this year it is a bit harder to pick a number given that most of our customers are a bit unsure of how they are going to buy in the very short term.

Moderator: Thank you. Next question comes from the line of Rahul Misra from RTL Investments. Please go ahead.

Rahul Misra: My question is one of the most important thing about Gokaldas Exports is ASPs is and kind of product mix we have and I mean we are primarily in woven and most of the knits have lower ASP and product mix is really not that great, so with addition of knits how would our product mix and ASPs would change and would it also make our margins or demand slightly more volatile as compared to where we are right now and once the full capacity ramp up happens whenever in next '24, '25, '26 what would be the breakdown between knit and woven in terms of revenues?

S. Ganapathi: So, let me answer the second question first. When the knits business fully ramps up, my expectation is knits will be anywhere between 10% to 15% of total revenue. Woven will still constitute to be a majority of our revenue and hence the impact on overall ASP may not be as much knits will have its own set of characteristics and remember knits we are backward integrated as well into fabric. So, the EBITDA margin percentages may look different and may even be superior because of backward integration, but that said I would think that knits ability to impact ASP may be lower because of its lower contribution.

Rahul Misra: And I mean see in woven we have really high outerwear and probably higher end products, so in knit also there is higher end products or it is more about T-shirts and all those kind of things?

S. Ganapathi: So, of course there are higher end products in knit and those are more like the Athleisure products. Unfortunately, most people in India do not do that because the fabric ecosystem does not exist, synthetic knits are not available in India and that is why China, Vietnam and even Indonesia are the producers of those higher value knits. Since we will also be in cotton knit it is likely to be the regular product, within that segment we will try to be as premium as possible given our customers basis.

Moderator: Thank you. Next question comes on the line of Manish Sehgal an Individual Investor. Please go ahead.

Manish Sehgal: Sir just wanted to understand the first dividend has been paid out after a long time, do you have any policy put in place for that given the cash flows have been quite decent and we do plan to invest, but not that much in terms of capacity addition?

S. Ganapathi: So, we did have a deliberation at the board about this and we thought that since we are generating adequate cash in the business we would like to start by giving dividend. We would in a normal course we would like to maintain this trajectory. We will look at the business conditions as well as our investments going forward, but that is where we are at the moment.

Moderator: Thank you. Ladies and gentlemen we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

S. Ganapathi: Thank you everyone for listening to us and asking questions. We are happy to engage with our investors in full transparency and discuss our business prospects and we continue to do that. While the market conditions are somewhat unknown at the moment given the macroeconomic situation we continue to explore ways to improve our operational efficiency and thereby hold on to our margins. There are certain headwinds which challenge us in terms of cost structures, in terms of pricing, etc., but we are doing our best to offset it. As I had mentioned, in a steady state we would like to continue our 20% plus kind of growth trajectory and we would like to work on a 1.5% EBITDA improvement. This road may take a little longer given the given the current market condition, but we will get back on the trajectory as soon as possible as soon as the market permits us to do so. We are cautiously optimistic about how the market situation will improve. I believe that from the 3rd Quarter which is when we will be producing for calendar '24 we should start seeing improved traction. It is also an election year in principle market both the US and UK. So, we should hopefully have the economy perform a bit better in an election year. We will see how things evolve, but we are very opportunistic and we will work with our customers and not let go any opportunity to seek growth which become available to us. Thank you for your support to Gokaldas Exports. We will remain committed to driving business performance as we go forward. Thank you one and all.

Moderator: Thank you. On behalf of Gokaldas Exports Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.