

Performance Review of Quarter I – 2010-11.

Gokaldas Exports Limited has achieved a apparel sales turnover of Rs.228 Crores, as against a figure of Rs.223 Crores of Q1 of last year.

The bottom line has been affected due to the pricing pressures and this has affected the realizations. A loss of Rs.17.7 Crores is reported. This loss has been a consequence of low export realizations and the mid-April fire accident at our Godown. Due to fire accident, the production got delayed by about 3 to 4 weeks, and the wage bill being Rs.1.05 Crores per day, has resulted in a production loss and has hit the bottom line. This delayed production also was responsible for airfreighting some merchandise at the company's cost.

The apparel export industry is still not out of the woods, with the high raw material prices and **the wage increase of 22% from 1st of April, 2010.** The order position though has improved, pricing pressures still remain. The orders for Q2 and Q3 exceeds Rs.500 Crores. Post September, 2010, an improvement in prices is seen, and we expect much better numbers from Q3 onwards.

The EU markets are still sluggish. In comparison, the U.S. markets seem to be in a better position. The recent news about Chinese currency appreciation, the 80% wage hike in Bangladesh, and withdrawal of GSP concessions to Sri Lanka are positive news for Indian apparel exporters. However, much depends upon the Indian cotton prices. Presently, the cotton prices are still high and it is expected that the prices, hopefully, will decline in September / October when the cotton crop is harvested. The cotton prices will remain the prime guiding factor for the improvement of our country's textile and clothing exports.

Our customers have indicated a positive interest in sourcing much more from India and this surely is a welcome sign.

The Forex situation in Europe seems to be unpredictable. The US Dollar is moving between 46 and 47 Rupees, and the Euro is around 60 Rupees. The sharp erosion in the Euro value has also reduced the margins of exporters. The spiraling debt crisis in many parts of Europe has threatened to derail the consumer spending and consequently flow of orders from this region.