

'Export demand dip transient, US market to revive in 2023'

Despite declining demand from Europe and China, India's largest apparel export company Gokaldas Exports (GEL) witnessed a sharp 23% increase in shipments in the September quarter. GEL managing director Sivaramakrishnan Ganapathi, in an interview with Nayan Dave, explains why he is upbeat on the company's medium- and long-term prospects in global apparel markets. Edited excerpts.

India's apparel exports have slowed due to a demand slump in key markets. How has this impacted GEL?

Demand from most major markets has remained subdued. Particularly, Europe has underperformed. Covid-related lockdowns have virtually stopped exports to China. As a result, India's apparel exports in Q2FY23 fell by more than 6%, but we still have managed 23% export growth in the period. We have focused on the US market, which is still resilient compared to EU and China. In fact, our exports have grown over 7% on year till November 2022. GEL's strategy has been to remain consistent in supplies, which helped us retain market share in



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US even in difficult times.

What is the outlook for H2FY23?

In spite of the slowdown, we are hoping to be on a par with last year's performance during the current quarter. We are unlikely to register a decline in exports. Starting Q1FY23, we witnessed an uptick in revenue growth. We expect sharp up-

ward growth in revenue again by the third quarter of next fiscal. H1FY23 was excellent for us, but H2FY23 is likely to remain relatively subdued, given the plummeting demand in the European market due to the Russia-Ukraine war and China's Covid situation.

Could you elaborate on the US demand scenario?

Two reasons have affected US demand — high interest rates and rising oil prices. Overall prices across the products have increased. The Fed raising interest rates has affected the mortgage payouts for homeowners and resulted in lower disposable income for many people, which ends up in reduced consumption. Another factor is excess inventory with major brands. Thanks to the US government's generous financial support during Covid lockdowns, people had money to spend. It resulted in strong demand then. However, supply chain remained quite weak. As a result, American importers placed extra orders and eventually they were saddled with large inventories. Now brands are

emptying excess inventory by offering items on sale and discounts. I think demand should return sometime in 2023 and a new order cycle will start.

How will the FTAs being signed by India with major trading partners help garment exporters like GEL?

The FTA with Australia has just been signed and UAE pact has already taken effect. For us, the

UK (with which an FTA is on the cards) is a very big market. The UK buys about \$ 1.5 billion worth apparel products annually from India. It buys almost \$ 3 billion from Bangladesh and about \$ 4 billion from China. If the FTA with the UK happens our products will be at least 10% cheaper than China. India has the advantage of a good fabric ecosystem compared to Bangladesh.

What are your investment plans?

We are investing ₹280 crore in the next two years. These are required for the growth that we will see starting sometime in the middle of next fiscal.

