

April 15, 2025

Weaving the next growth story...

About the stock: Gokaldas Exports (Gokex), incorporated in 1979, is one of India's largest manufacturers and exporters of apparel, exporting it to 50+ countries. Its vertical integrated business model makes it a one stop destination for leading apparel brands. Following the acquisition of Atraco and Matrix, Gokex currently has over 34 production units that can produce about 90 million garments per annum (p.a).

Investment Rationale

- Integrated textile player:** Gokex has transformed itself into one of the top integrated textile players focusing on operation excellence, capacity expansion, technology upgradation strengthening customer relationships and geographic diversification. Its overall capacity stands at 90mn garments p.a (Standalone 39mn + Atraco 40mn + Matrix 11mn). It has strong customer portfolio with international brands such as GAP, Carhartt, Columbia, JC Penny and Abercrombie & Fitch contributing 65-70% of the revenues. Overall, the company's revenues, EBIDTA and PAT grew at CAGR of 15%, 39% and 79% over FY20-24. India's improving positioning in global export markets, expanded capacity and acquisition of Atraco & Matrix would help revenues and PAT to grow at CAGR of 14% and 42% over FY25-27E (including acquisition of Atraco & Matrix).
- US reciprocal tariffs provides opportunity; capacity addition to continue:** Higher reciprocal tariff rates on China, Vietnam and Bangladesh, makes India a cost competitive and stable supply option for US retailers in the coming years. Gokex is consistently invested in capacity expansion to remain competitive in the global markets and expand the customer list. It has recently added new unit at MP with a capacity of 3mn garments taking its overall capacity to 90mn garments. Gokex is planning to do a capex of Rs150crore p.a. over the next three years to expand capacity in key geographies. Capacity expansion has potential to add revenues of Rs300-400crore per annum once new units attain certain maturity. Gokex wants to achieve asset turnover of 3-4x in the coming year.
- Acquisition of Atraco & Matrix – a strategic fit:** The acquisitions of Atraco and Matrix is key from strategic growth initiatives expanding global footprints and product offerings. With Atraco, the company has gained a strong presence in Africa, unlocking duty-free access to markets such as US, mitigating from the risk of higher tariffs from US on India. Acquisition of Matrix boosted its position in the high-value knitwear segment, opening doors to new European and UK markets. With improved utilisation levels post integration, Atraco and Matrix together will add revenues of Rs1,465crore/Rs1,663crore and EBIDTA of Rs142crore/Rs184.3crore in FY26E and FY27E.

Rating and Target price

Revamped focus of top management, enhanced capacities, a better product mix along with acquisition of Atraco and Matrix will aid Gokex to strengthen its position in the key export markets. FTA with UK and reciprocal tariff by US can be a long-term opportunity to drive consistency in the performance. We recommend Buy on the stock assigning price target of Rs1,005.

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	2 year CAGR (FY23-25E)	FY25E	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	2222.2	2378.9	31.0	3816.2	4338.0	4990.1	14.4
EBIDTA	264.1	270.0	17.3	363.2	450.1	580.6	26.4
EBIDTA Margins(%)	11.9	11.3		9.5	10.4	11.6	
Adjusted PAT	168.1	144.0	-2.0	161.6	228.4	324.5	41.7
EPS (Rs.)	28.6	20.7		22.7	32.1	45.6	
PE (x)	28.2	34.5		34.5	24.4	17.2	
EV to EBIDTA (x)	17.2	20.3		15.1	12.0	8.9	
Price to book (x)	5.4	3.8		2.7	2.5	2.2	
RoE (%)	21.7	12.0		9.7	10.6	13.4	
RoCE (%)	22.5	12.3		12.6	14.3	17.0	

Source: Company, ICICI Direct Research



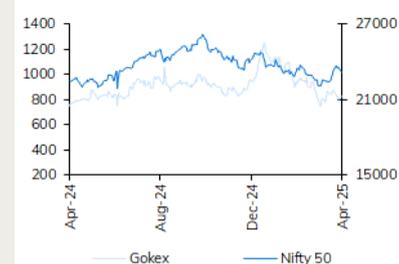
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	4,966
Debt (FY24) -₹ crore	3,005
Cash (FY24) - ₹ crore	132
EV (Rs crore)	7,839
52 week H/L (₹)	1051 / 643
Equity capital (₹ crore)	218.1
Face value (₹)	5.0

Shareholding pattern

	Mar-24	Jun-24	Sep-24	Dec-24
Promoters	10.6	9.4	9.4	9.4
FII	21.2	26.6	27.0	26.5
DII	30.0	31.8	33.8	37.0
Others	38.2	32.2	29.8	27.1

Price Chart



Key risks

- Slowdown in key export markets impacting demand.
- Disruption caused by global unrest might affect working capital.
- Increase in input prices to affect margins.

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Company Background

Gokaldas Exports (GKEL), incorporated in 1979, is one of the leading players in India’s apparel manufacturing industry. The company has integrated manufacturing capabilities, spanning the entire value chain from design and development to cutting, sewing, printing, washing, and finishing. It is equipped with 30,000 advanced machines and has workforce of over 51,000 skilled employees enabling it to manufacture 90mn pieces (including recently operationalised Madhya Pradesh unit of 3mn pieces) of diverse range of apparel products with precision and efficiency. Recent acquisition of Atraco, with operations in Kenya and Ethiopia, has provided the company with valuable duty-free access to key markets and strengthened its global presence (especially in North America). Similarly, the acquisition of Matrix Design (Matrix) has enhanced the company’s capabilities in the high-value knitwear segment and has helped expand its customer base in Europe and UK. The company is planning to expand the domestic capacity of the acquired entities in the coming years to expand its base and to remain competitive in the key international markets.

Exhibit 1: Consolidated View of the company



Source: Company, ICICI Direct Research

Exhibit 2: Capacity details

Particulars	mn pieces
Gokex (standalone)	39.0
Atraco (Kenya & Ethopia)	40.0
Matrix (India)	11.0
Current total capacity	90.0

Source: Company, ICICI Direct Research

* New 3mn capacity was operational at Madhya Pradesh in early FY25

Over the years, GKEL enhanced its in-house capabilities to include a vast array of processes within its manufacturing set-up. The strong presence across the value chain, enables it to become the preferred partner of choice for some of the most distinguished brands across the globe. The company has digitalised the entire supply chain and manufacturing process leading to continuous improvement in operating efficiencies and working capital management. Its strong design capabilities allow it to create innovative and high-quality products to cater to the latest trends and preferences in the global apparel market space (especially in categories such as Women’s fashion, outerwear, sportswear and knitted garments).

Exhibit 3: Integrated Value Chain



Source: Company, ICICI Direct Research

Brief profile of promoter and top management

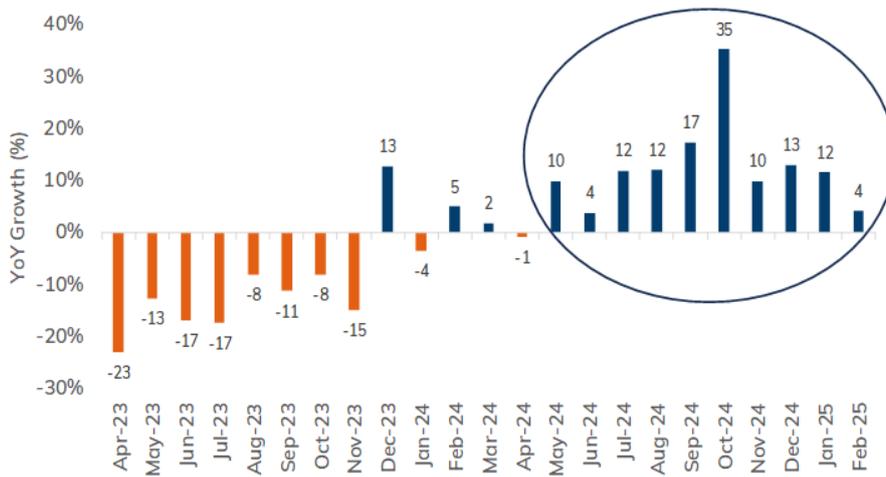
- Mathew Cryriac (Chairman & Non-executive Director):** He holds a bachelor degree in Engineering and an MBA from the Indian Institute of Management, Bangalore. Mathew Cryriac is currently working with Florintree Advisors. He served as the Managing Director in the Corporate Private Equity Group of Blackstone India based in Mumbai and has rich experience in the Investment Banking Division of Bank of America in India.
- Sivaramakrishnan Ganapathi (Vice Chairman & Managing Director):** Siva Ganapathi has been instrumental in setting the company on a profitable growth path. He has earlier worked with the Aditya Birla Group for 21 years. He holds postgraduate Diploma in Management from IIM, Bangalore and a Bachelor of Technology Degree in Mechanical Engineering from NIT.
- A Sathyamurthy (Chief Financial Officer):** He is an experience finance professional who heads the organisation's finance portfolio including shareholder value creation, treasury operations, audit and cost management. He also spearheads information technology, commercial, ESG and corporate governance of the organisation. He has extensive domain experience in manufacturing, FMCG, Retail and Food processing sector.
- Gautam Nair (Director – Matrix):** Gautam Nair's strategic vision and dedication have positioned 'Matrix Design' as a leading player in the market. In addition to his role at Matrix, Gautam is actively involved in the growth and development of the Textile and Apparel Industries. He is elected member of Executive Committee for the Apparel Export Promotion Council and Governing Council in the Footwear Design & Development Institute, where he contributes to promoting and enhancing the export capabilities of the industry.
- Mannan Kapasi (COO – Atraco Industries Enterprises):** He brings nearly four decades of expertise in the apparel industry, spanning Merchandising, Production Coordination, Sales, and Administration across the UAE, Middle East, USA, Kenya, and Ethiopia. He set unique operating processes in the company and follows through all the administration and factory operations of Atraco Industrial Enterprises.

Industry overview

India's ready-made garments exports grew by 11.6% YoY in 9MFY25

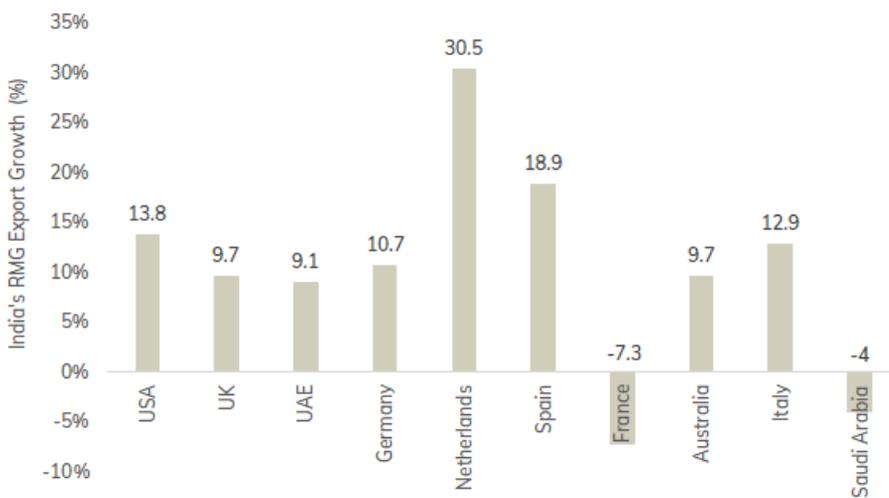
India is the 6th largest exporter of Textiles & Apparel (T&A) in the world. India's T&A exports grew by 7.6% YoY to US\$26.6bn in 9MFY25 (Apr-Dec'24) witnessing a stark recovery after a dull FY23 affected by factors such as inventory pile-up with international retailers and Red Sea issue impacting supply to key markets. Ready-made garments exports (RMG; forms ~49% of total T&A exports) grew by 11.6% YoY to US\$11.3bn as of 9MFY25. Jan'25 and Feb'25 also witnessed positive export growth of 11.5% and 4% respectively. Major textile and apparel export destinations for India are USA and EU with around 47% share in total textile and apparel exports. India's ready-made garment exports to US and UK grew by 13.8% YoY and 9.7% YoY respectively during the period of Apr-Jan'25.

Exhibit 4: India's RMG exports saw good recovery in FY25



Source: Company, ICICI Direct Research

Exhibit 5: India's RMG exports growth improved in Top 10 exporting countries



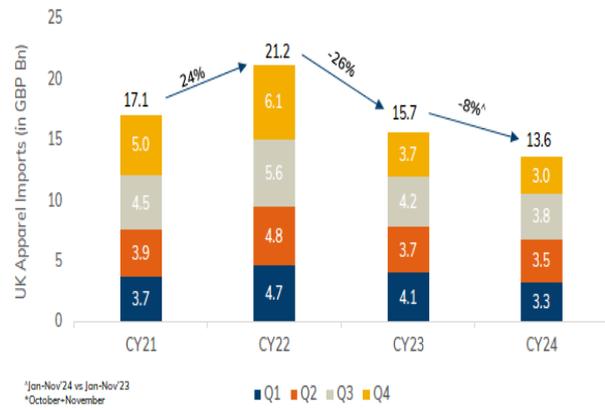
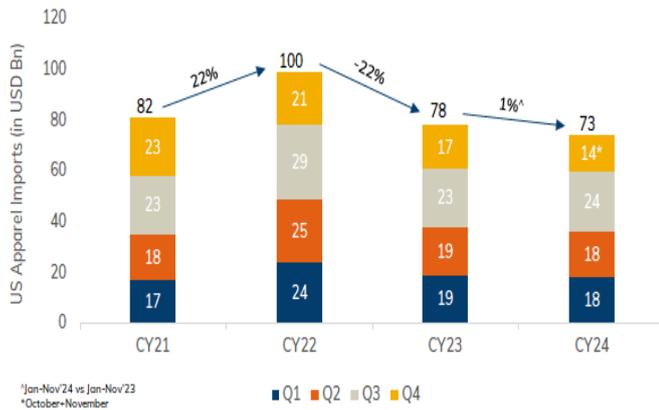
Source: Company, ICICI Direct Research

US & UK Apparel imports on recovery mode

The global apparel industry faced significant headwinds in CY23, with key markets experiencing reduced demand due to inventory pile-up with global retailers. Further 1st half of CY24 was affected by supply disruption due to Red-Sea issue. US monthly apparel imports declined by 22% in CY23. However same stood flat on Y-o-Y basis in Jan-Nov'24 with imports starting to pick-up in the second half of the year. Similarly, apparel imports by the EU-27 in CY23 fell by 16% YoY. However, the improvement in H2CY24 led to flat growth of 1% YoY in CY24. UK apparel imports decline moderated to 8% in Jan-Nov'24 vs. 26% decline in the imports in CY23.

Exhibit 6: US Apparel imports in positive growth

UK import declining is moderating



Source: Company, ICICI Direct Research

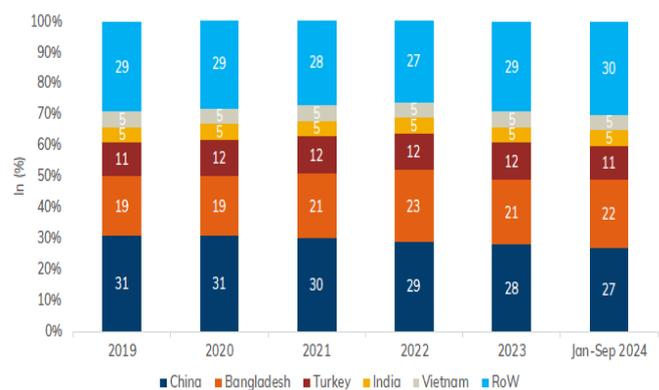
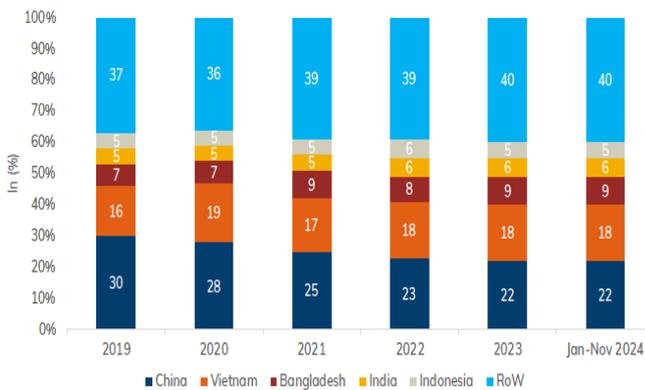
On the other hand, India’s overall ready-made garment apparel exports grew by 11.6% YoY to US\$11.3bn in 9MFY25. If retail sales growth continues to improve in US and regains momentum in UK, the apparel exports from India will continue to grow in the near term. Consistent demand from key apparel importing countries will help the exporters gain pricing power in the coming years.

China’s market share in US and UK exports declining

Globally textile importers continue to shift away from China as the primary sourcing hub, driven by rising labour costs, geopolitical tensions, and trade issues. The ‘China Plus One’ strategy is creating opportunities for countries like India, Bangladesh, and Vietnam to expand their market share. However, in the recent times Bangladesh was impacted by internal political turmoil, while Vietnam was affected by high operating cost. This makes India the safest option for continuous supply to global retailers. Most of the top Indian garment manufacturers have expanded capacities to meet the global demand driven by consistent improvement in the export market share.

Exhibit 7: China’s share in US declined significantly

China losing share in EU-27



Source: Company, ICICI Direct Research

India, Kenya emerging as new low-cost manufacturing hub

Cost of labour for China and Vietnam has increased significantly in recent past compared to the other manufacturing locations like South Asia, Africa and Latin America. India has lower labour costs than China & Vietnam, but higher than Bangladesh. Kenya and Ethiopia have low labour costs and an abundant labour pool with low to medium skills. The region has a high fabric sourcing lead time due to the absence of ecosystem. The cost of electricity is not a major factor as this industry is not power intensive. Kenya has duty free access to US under AGOA. In addition, it has duty-free access to EU & UK under Economic Partnership Agreement (EPA) & Generalized Scheme of Preference (GSP) with EU & UK. Ethiopia has duty free access to Japan, EU, UK, and Canada because of the least developed country status. It was also under AGOA but was excluded in 2022 and might be included back.

Exhibit 8: Import duty structure top textile exporting countries

Importing Country	Exporting Country					
	China	Bangladesh	Vietnam	Ethiopia	Kenya	India
US	11-28%	11-28%	11-28%	11-28%	0%	11-28%
EU	12%	0%	0%	0%	0%	12%
Japan	9%	0%	0%	0%	9%	0%
UK	12%	0%	0%	0%	0%	12%
Canada	18%	0%	0%	0%	18%	18%

Source: Company, ICICI Direct Research

Exhibit 9: India has a cost advantage

Cost Elements	Exporting Country					
	China	Bangladesh	Vietnam	Ethiopia	Kenya	India
Cost of Labour (US \$ per month)	514	139	300	110	150	180
Labour Skills	High	High	High	Low-Medium	Low-Medium	High
Cost of Electricity (US\$/KWh/month)	9-15	9	8	2-5	16-18	7-12
Lead Time (Days)	30-45	50-70	35-50	60-90	60-90	40-60
Textile Integration	High	Medium	Medium	Low	Low	High (Cotton)

Source: Company, ICICI Direct Research

US imposition of reciprocal tariff; long term opportunity

US apparels imports stand at ~USD80bn with India having 6% market share i.e. USD5bn apparel exports to US. It is around 28% of overall apparel exports from India to various countries (including US and EU). China is the market leader with 22% market share, followed by Vietnam with 18% market share and Bangladesh with 9% market share.

US has recently imposed reciprocal tariff of 26% on all exports of products and services from India. On the other hand, reciprocal tariffs imposed on countries like China (145% reciprocal tariff), Bangladesh (37% reciprocal tariff) and Vietnam (46% reciprocal tariff) are higher compared to India. US already imposes a tariff in the range of 6-33% on exports of Indian textile products (constitutes ~28-30% of overall US textile imports). US tariff rates on apparel products are in the range of 10-16%, which might lead to significant increase in overall tariff rate due to reciprocal tariffs on various countries.

- **Near term impact:** Imposition of reciprocal tax will lead to higher product price in the hands of end consumer in US. In view of inflationary pressures and uncertain macro environment, the retail demand might see moderation in the quarters ahead. This will lead to lower orders from key US retailers to exporting countries. There might be increase in working capital in the short span, as the global retail companies will keenly monitor any changes or imposition of additional tariffs on the major textile exporting countries. Further retailers will also ask exporting companies to bear some of the tariff hikes, which might impact the profitability of the textile companies in the near term.
- **Long term opportunity:** Tariff hike on India is relatively less if compared with major exporters such as China, Bangladesh and Vietnam. This provides an opportunity for Indian companies to scale-up its operations and increase its share in US imports of textile products. Post covid-19, China market share in US textile imports is on declining trend. Many global retailers were scouting for stable supply hub under the China + 1 strategy for long term supply of products (including apparels, home textile products). Further political unrest in Bangladesh has further enhanced

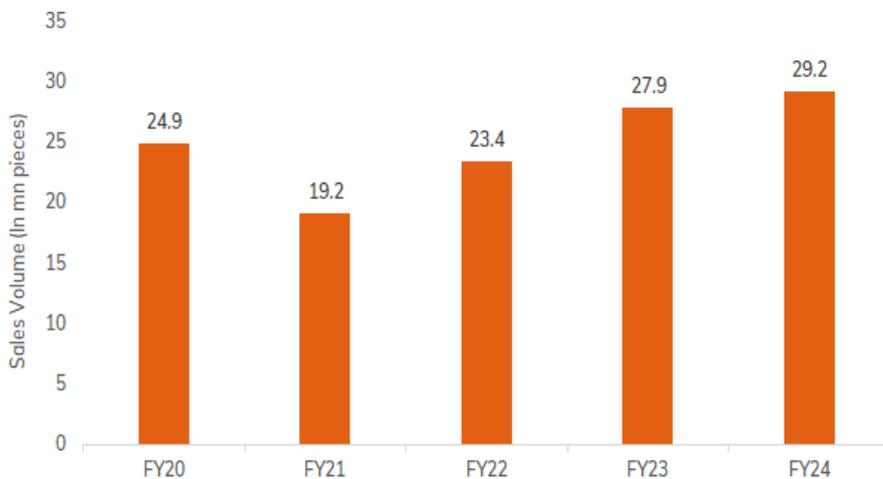
opportunities for Indian textile manufacturers. Thus, we believe its relatively a long-term opportunity for Indian textile manufacturers.

Investment rationales

Integrated textile player with focus on operational excellence

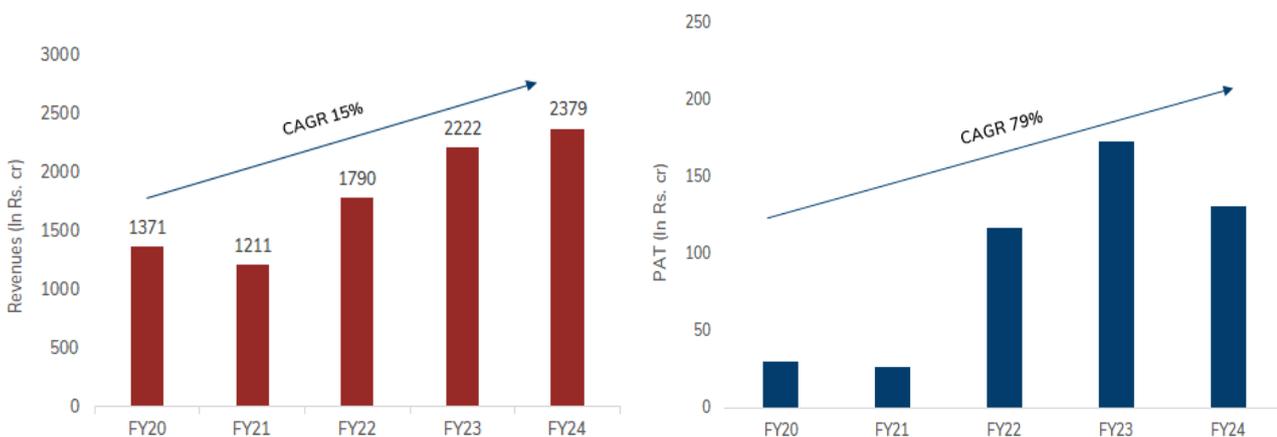
After a top management change in FY2018, Gokex has transformed itself into one of the top integrated textile players focusing on operation excellence, capacity expansion, technology upgradation strengthening customer relationships and geographic diversification. Strong presence in the value chain and on-time delivery of products makes it one of the most preferred partners for some of the well-established brands globally. Gokex standardised process flows, augmented supply chains and optimized raw material consumption helped to improve profitability and reduce working capital requirement. Overall, the company’s revenues, EBIDTA and PAT grew at CAGR of 15%, 39% and 79% over FY20-24. EBIDTA margins of the company improved by 600bps to 11.3% over the same period. The recent acquisitions of Atraco and Matrix Design have provided access to new manufacturing markets, expansion of customer base and strengthening position in new product categories, which will further improve the revenue growth potential of the company in medium to long run.

Exhibit 10: Sales Volume through FY20 to FY24



Source: Company, ICICI Direct Research

Exhibit 11: Trends in Revenue and PAT



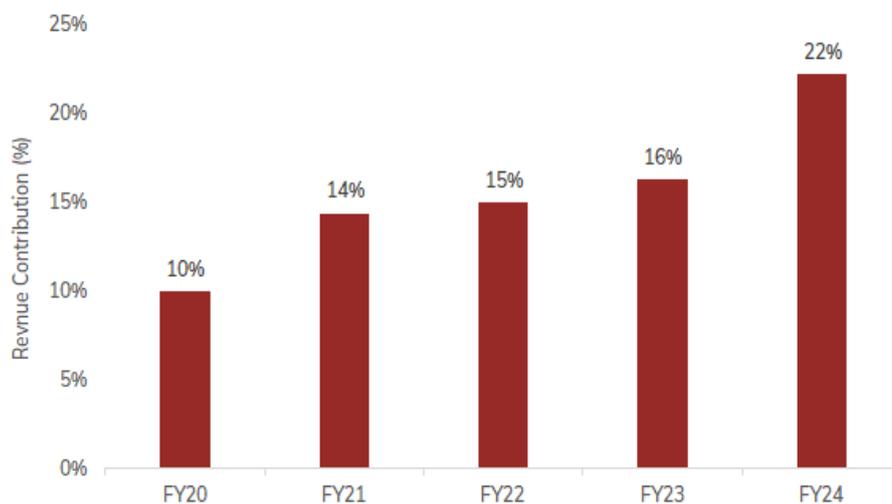
Source: Company, ICICI Direct Research

Focus on strong customer relationship to drive consistent growth

Gokex has strong customer portfolio with international brands such as GAP, Carhartt, Columbia, JC Penny and Abercrombie & Fitch topping the list of the customers contributing 65-70% of the revenues. Over the years, it has innovated and upskilled its production capabilities to ensure that its customers remain

satisfied with the products. Gokex order contribution to some of the top clients would be 1-2% of their overall orders to key garment sourcing companies across key regions. This provides opportunities for player like Gokex to increase its order contribution by scaling up the capacity, on-time delivery, innovating the portfolio and provide quality offering in the coming years. The contribution of the customers added in the last five years have increased to 22% in FY24 from 10.0% in FY20. There is no overlapping of customers due to acquisition of Matrix and Atraco. Acquisition provides opportunity to add more clients in markets such as US and UK because of the synergistic benefits (including the location advantage) which it provides to Gokex.

Exhibit 12: Increase in revenue contribution of customers added in last 5 years

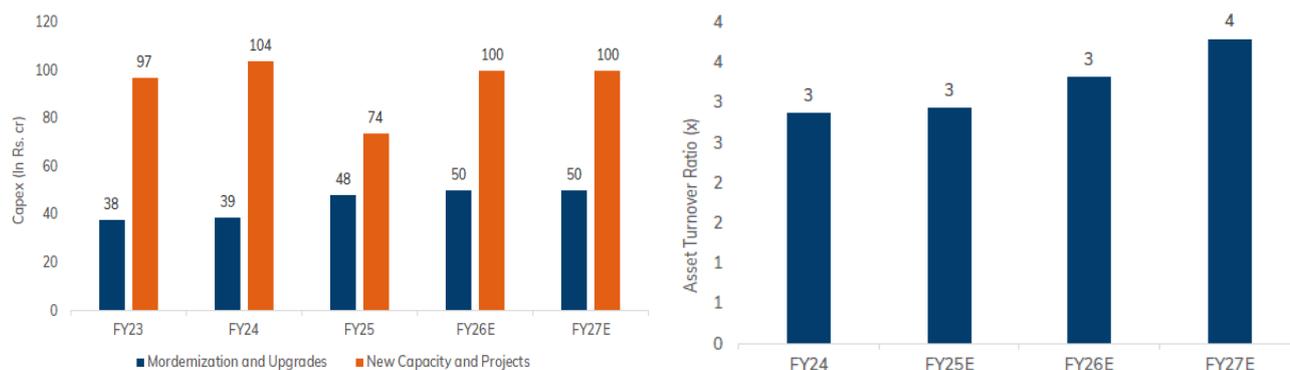


Source: Company, ICICI Direct Research

Existing capacities running at optimum level; expansion to create growth opportunities ahead

“China + 1” strategy and ongoing political unrest in Bangladesh is creating huge opportunity for India to become one of the key textile sourcing hubs for global retailers in US, UK and Europe. Further Indian companies are looking at other markets such as Australia, New Zealand and Middle East to reduce dependence on US and European markets. This along with capacities running at optimum level (including recently operationalised MP unit) is compelling Gokex to invest in expanding the capacity in the coming years. The company has already planned to expand its production capacity in three of its facilities (including recently operationalised facility in MP). The second phase of MP unit is likely to be operationalised by Q2FY26 with addition of 1,100 machines. The second one is an additional unit in Karnataka, which will add about 750 machines and will be operational in H2FY26. The third incremental unit is expected in Ranchi which is a leased premise. Once these capacities attain certain maturity, they have potential to add revenues of Rs350-400crore in the coming years. Second phase of MP unit should contribute ~Rs175crore, Karnataka unit should contribute Rs120-130crore and Ranchi unit should contribute Rs55-60crore in terms of revenues in the medium term. The company is planning an investment of Rs300crore for setting-up these capacities. Further labour rate at units located in MP and Jharkhand is lower compared to units located in Southern India providing additional cost benefits to the company. We expect the company’s asset turnover ratio to be around 3-4x in the coming years.

Exhibit 13: Consistent capex behind expanding capacities; asset turnover to stand at 3-4x



Source: Company, ICICI Direct Research

Acquisition of Atraco and Matrix – A Strategic fit

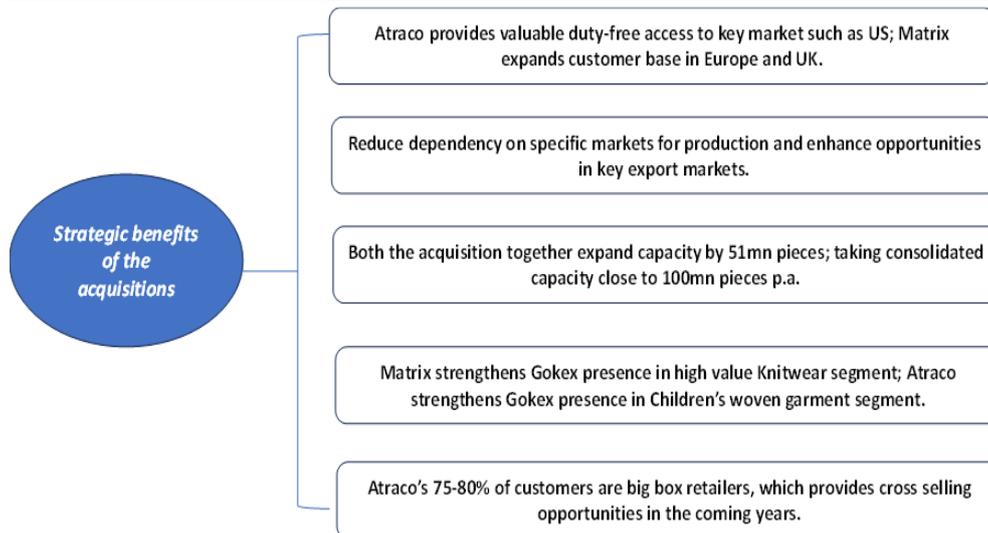
The acquisitions of Atraco and Matrix is key from strategic growth initiatives of the company. By integrating these entities, Gokex will not only expand its geographical footprint but will also integrate new manufacturing methods. With Atraco, the company has an opportunity to expand its manufacturing base in Africa, unlocking duty-free access to key markets (including US) with lower cost of production compared with some of the other regions. Geographical diversion also helps in mitigating the impact of higher tariffs from importing countries. US has not impose any tariff on African nations such as Kenya and Ethiopia in the imposition of reciprocal tariffs. Acquisition of Matrix boost its position in the high-value knitwear segment, opening doors to new European and UK markets. These additions have significantly broadened its product portfolio and customer base, allowing it to navigate market volatility with great flexibility.

Exhibit 14: Acquisition of Atraco and Matrix

Particulars	Atraco	Matrix
Location	Kenya, Ethopia	India (Gurgaon, Jharkhand)
Manufacturing units	5 (4 kenya, 1 Ethopia)	5 (4 in Gurgaon, 1 Jharkhand)
Machines	7,000+	2,200+
Capacity	40mn pieces	11mn pieces
Employee strength	11,000 workers	4,500+ workers
Product range	Shorts, Pants, Shirts, T-shirts, Blouses and Dresses	Knitwear (Men, Women and Children apparels)
Strong customer base	USA	UK and other european market
Acquisition	100% stake	100% stake
Acquisition value	\$55mn	Rs489 crore
Valuation	0.6x EV/sales; 6x EV/EBIDTA	0.8x EV/Sales; 6.9x EV/EBIDTA
Financials at time of acquisition		
Sales (Rs cr.)/EBIDTA (Rs cr.)/EBIDTA margins (%)	843 / 77 / 9.1%	596 / 71 / 11.9%

Source: Company, ICICI Direct Research

Exhibit 15: Strategic Benefits from acquired companies



Source: Company, ICICI Direct Research

Acquired entities margins will see considerable improvement post integration

In Q2FY25, the acquired entity's (Atraco and Matrix) combined EBIDTA margin was affected by weak sales volumes across key geographies, higher air freight cost for Atraco and appreciation in Kenyan shilling against the US dollar. However, Q3FY25 witnessed stark improvement in the EBIDTA margins of the acquired entities. Matrix EBIDTA margins stood at 14% while Atraco EBIDTA margins improved from low single digit to 7% in Q3. Thus, the combine entities EBIDTA margins improved to 11.3% in Q3. In Atraco, the impact of appreciated Kenya shilling was mitigated by considerable improvement in the operating efficiencies and marginal price increase. The pricing benefit will continue in Q4FY25 and Q1FY26 along with the benefits coming through ongoing integration. Management expects Atraco EBIDTA margins to move up to 10% and Matrix EBIDTA margins should be close to Gokex Standalone EBIDTA margins of 11% in FY26 driven by consistent improvement in the utilisation rate, better pricing for products and operating efficiencies.

Exhibit 16: Acquired entities margins improved substantially in Q3FY25

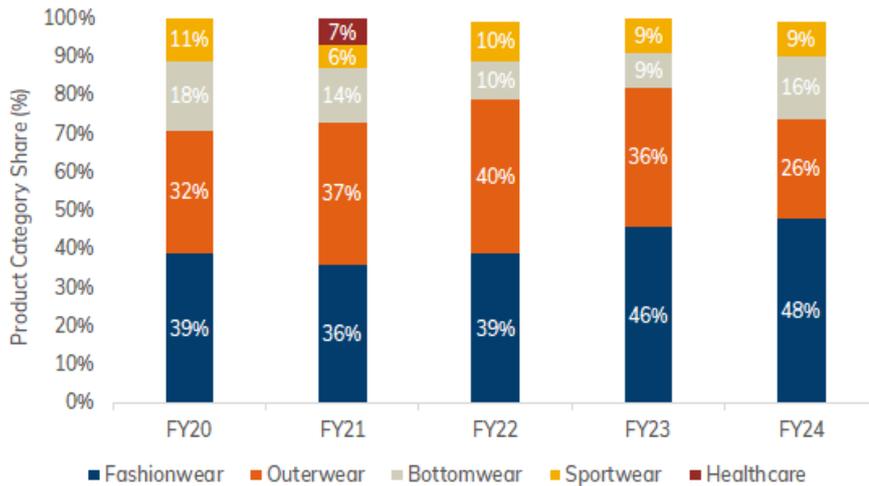
Particular	Q1FY25	Q2FY25	Q3FY25
Revenues (Rs. cr)	359.1	290.1	337
EBIDTA (Rs. cr)	26.9	11	38
EBIDTA margins (%)	7.5	3.8	11.3
Adjusted EBIDTA (Rs. cr)	35.5	11	38
Adj. EBIDTA margins (%)	9.9	3.8	11.3

Source: Company, ICICI Direct Research

Improving product mix; contribution of ASP above Rs450 improved to 88-89%

Gokex strategic focus is on three categories women's fashion, outerwear and sportswear aligns with the growing market segments across globe. The contribution of fashionwear has witnessed strong improvement to 49% in FY24 from 39% in FY20. The contribution of outerwear segment has improved to 40% in FY22 from 32% in FY20. However, the outerwear segment growth was affected in last two years due to higher inventory on shelves of global retailers. Unlike other apparel manufacturers, Gokex has strong expertise in outerwear, which are typically manufactured in China and Vietnam. So, the company has advantage to gain business from some of these regions by remaining cost competitive in the market.

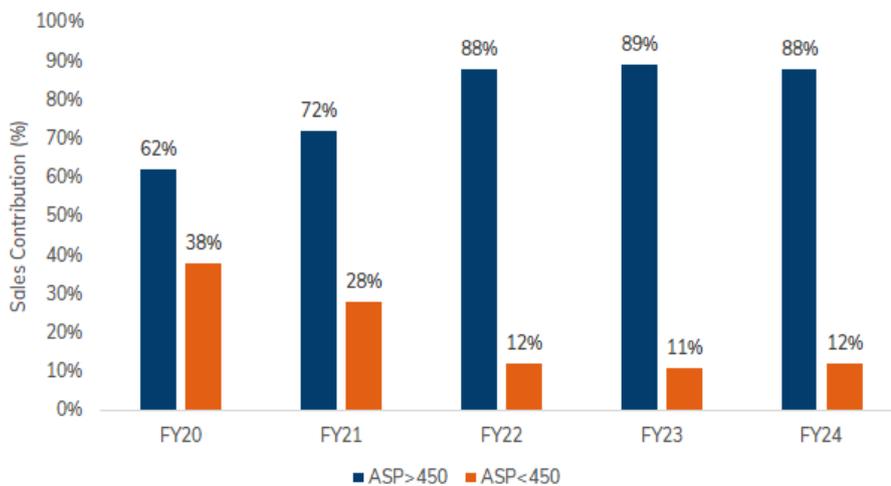
Exhibit 17: Enhanced efficiencies to inch-up profitability



Source: Company, ICICI Direct Research

Improved product mix aided the contribution from product with average selling price (ASP) above Rs450 to increase to 88% in FY24 from 62% in FY20. With the contribution of fashion wear and outer wear expected to improve further, we should expect ASP contribution from product above Rs450 to increase in the coming years.

Exhibit 18: Contribution basis ASP increasing above Rs.450



Source: Company, ICICI Direct Research

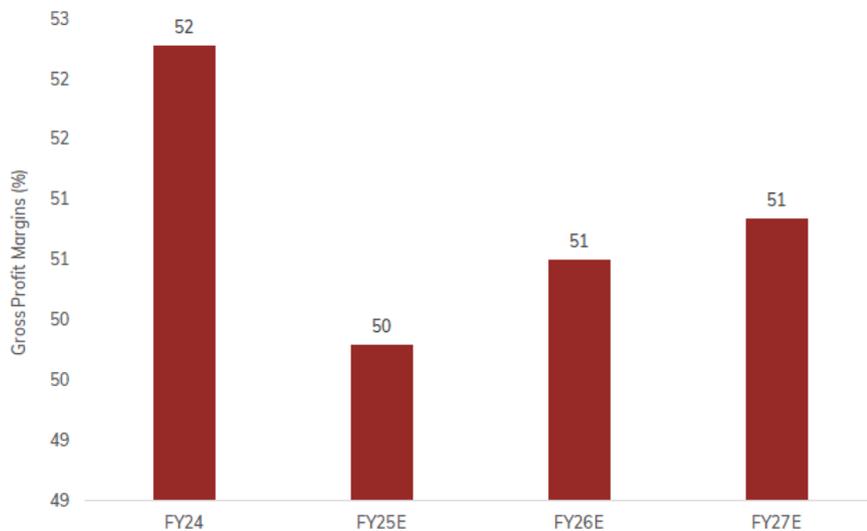
Focus on vertical integration; will add to gross margins

Knit fabric processing unit capacity in Perudurai, Tamil Nadu will enhance Gokex vertical integration capabilities allowing it to offer more comprehensive range of services to its customers. The unit has a capacity of 400 tonnes per month (4,800 tonnes per annum). Gokex expects more than 50% captive consumption in the near term. Matrix produces 100% Knitted garments while Gokex manufactures 9-10% of knitted garments (largely sportswear).

Gokex key focus area is to reduce the lead time of supply of final product to strengthen its partnership with key customers. The company’s strategic investment in BRFL Textile Pvt. Ltd (BPTL), the fabric processing unit, allows the company to derive utmost benefit through vertical integration into critical raw materials, improving the speed and quality of the products and reducing the cost in long run. Gokex will be investing Rs350crore in various phases through optionally convertible debentures (OCDs) subscribing them in multiple tranches. The company has done investment of Rs175crore till Q3FY25, which was utilised for working capital requirements and capex to improve productivity of the existing machinery. BPTL has a production capacity of 4 lakh meter a day or 1 crore meter a month of high-quality fabric. Gokex consumes 55 lakh meter of fabric per month while Atraco requires 15-20 lakh meter of fabric per month. Thus, Gokex will buy good quality of

its fabric requirement from BPTL rather than depending on external source of supply for same in the coming years. Initially it expects to source 25-30% of its fabric requirement from BPTL and gradually increase it once the plants operate at optimal capacity. Along with investment through OCD, the company expects to acquire 100% stake in the company at value of Rs650crore. Thus, overall enterprise value of BPTL will be ~Rs1000crore. Thus, Knit fabric processing unit in Tamil Nadu and high-quality fabric unit of BPTL will substantially improve the profitability of the company and will help in improving the connect with key clients in the medium to long run.

Exhibit 19: Gross Margins to improve aided by vertical integration



Source: Company, ICICI Direct Research

Exhibit 20: Key assumptions over FY24-FY27E

Particulars	FY24	FY25E	FY26E	FY27E
<u>Standalone entity</u>				
Capacity (mn pieces)	36.0	39.0	44.0	46.0
Capacity utilisation (%)	75.0	79.7	77.2	82.7
Sales volume (mn pieces)	27.0	31.1	34.0	38.2
Revenues (Rs. Cr)	2194.7	2551.6	2873.4	3327.1
EBIDTA (Rs cr)	280.0	259.0	308.9	392.6
EBIDTA margins (%)	12.8	10.2	10.8	11.8
<u>Atraco (kenya & Ethiopia)</u>				
Capacity (mn pieces)		40.0	42.0	44.0
Capacity utilisation (%)		79.0	79.0	82.0
Sales volume (mn pieces)				
Revenues (Rs. Cr)		802.6	889.1	1019.9
EBIDTA (Rs cr)		66.6	84.5	107.1
EBIDTA margins (%)		8.3	9.5	10.5
<u>Matrix</u>				
Capacity (mn pieces)		11.0	11.0	11.0
Capacity utilisation (%)		70.0	80.0	82.0
Sales volume (mn pieces)		7.7	8.8	9.0
Revenues (Rs. Cr)		462.0	575.5	643.0
EBIDTA (Rs cr)		37.0	57.6	77.2
EBIDTA margins (%)		8.5	11.0	12.0
Total revenues (Rs cr.)		3816.2	4338.0	4990.1
EBIDTA (Rs cr.)		362.6	450.9	576.9
EBIDTA margin (%)		9.5	10.4	11.6

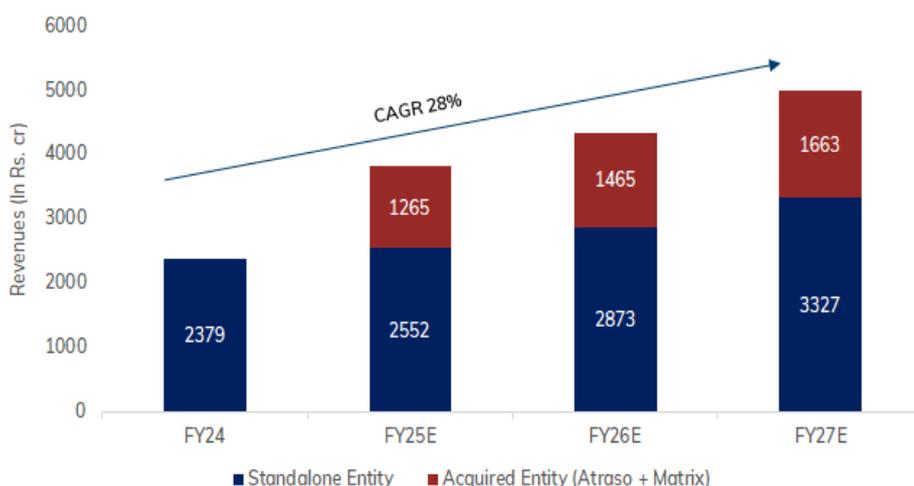
Source: Company, ICICI Direct Research

Key Financial Summary

Revenues to grow at CAGR of 28% over FY24-27E

We expect Gokex revenues to grow at CAGR of 28% to Rs4,990.1crore over FY24-27E (in-line with management target of achieving Rs5,000crore by FY27E). This will be driven by improved order book from key market such as US and UK, capacity expansion in existing units and incremental sales volumes coming from recently acquired Atraco and Matrix. We expect organic revenue growth of 12% over FY24-27E. The acquisition of Atraco and Matrix will add combine revenues of Rs1265crore, Rs1465crore and Rs1663crore in FY25E, FY26E and FY27E respectively.

Exhibit 21: Revenues growth to be aided by improving order book



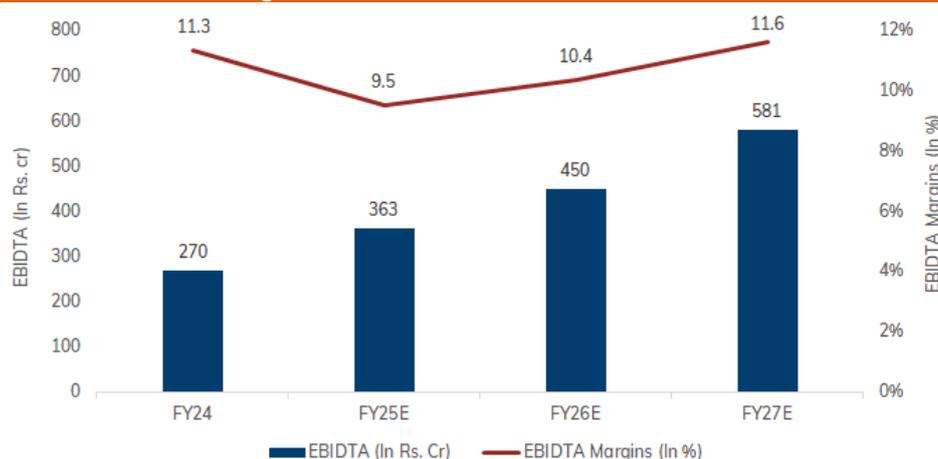
Source: Company, ICICI Direct Research

EBIDTA margins to reach close to 12% in FY27

EBIDTA margins declined to 8.9% in 9MFY25 from 11.3% in FY24 affected by lower sales volume in H1FY25, higher operating expenses towards newly commissioned MP unit and lesser utilisation levels in acquired entities of Atraco and Matrix in 9MFY25. Standalone EBIDTA margins stood at 11%, while EBIDTA margins of acquired entity stood at 7.6% in 9MFY25.

Management expects standalone EBIDTA margins to improve to 11.0-11.5% in FY26E on back of improved demand from key export markets and operating efficiencies. If demand environment remains stable, the pricing power will also return, which help the company to achieve better realisation in the coming years. Thus, it expects standalone EBIDTA margins to reach around 12% in FY27E. There might some impact of commissioning of new capacities until it attains certain maturity. However, improved utilisation at existing capacity and better pricing will mitigate the impact. On the other hand, management expects Matrix to reach historical level EBIDTA margins of 10.2% and Atraco to reach EBIDTA margins of 10.5% by FY27E. Overall, at consolidated level, Gokex EBIDTA margins are expected to reach 11.6% in FY27E. Thus, we expect EBIDTA to grow at CAGR of 29% over FY24-27E to Rs580.6crore.

Exhibit 22: EBIDTA margins to reach close to 12% in FY27

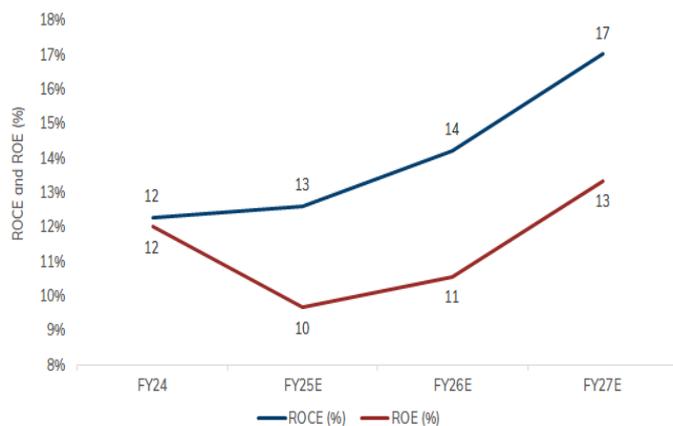


Source: Company, ICICI Direct Research

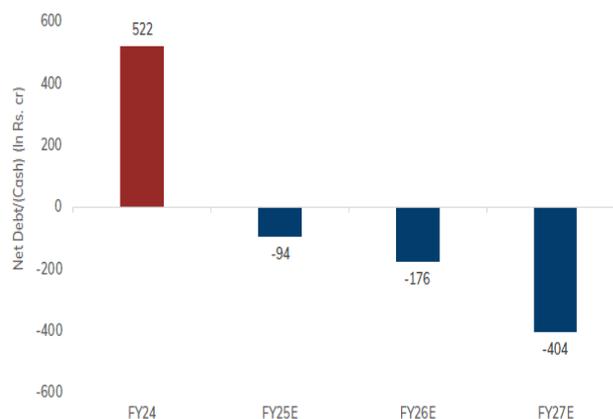
Debt to remain stable; return profile to improve in the coming years

Acquisition of Atraco and Matrix led to gross debt increasing to Rs804.9crore in FY24. The company raised Rs600crore through QIP, which was utilised for partial payment of debt and investment in ongoing capex. Gross debt on consolidated books stood at Rs504crore (net debt of Rs97crore) at end of Dec'24. It includes Rs250-300crore of debt standing on the books of Atraco. We expect the gross debt to remain close to Rs500crore, while we expect the company to be net cash positive at Rs94crore in FY25. We expect net cash position to improve close to Rs200crore in FY26 on back of stable working capital position and incremental cashflows coming in from expanded capacity. The consistent improvement in the operating performance will help return profile to improve in the coming years.

Exhibit 23: Return profile to improve



Net cash position to improve



Source: Company, ICICI Direct Research

Risk and Concerns

Demand Slowdown in Key Operating Countries

Gokex derives around 80% of its revenues from North American region (largely US), while Europe contributes around 6% to its overall revenues. Bleak macro environment, higher inflation coupled with supply disruption caused by red sea issue resulting in piling of higher inventory on shelves of global retailers affecting the performance of garment exports in FY24. Gokex standalone (excluding Atraco and Matrix) revenues decreased by ~8% and EBIDTA margins decreased 53bps YoY to 11.3% in FY24. FY25 is witnessing recovery in the demand with global retailers witnessing decline in inventory on their shelves. However, any slowdown in the retail demand due to building up of recessionary environment in US might lead to decline in the demand from key markets such as US in the coming years. This will have impact on the performance of Gokex and would act as risk to the earnings growth in the near term.

Supply Chain Disruptions adds to operation risk

The company's major shipments are concentrated to US and Europe. With rising geopolitical issues, supply chain disruptions are a common phenomenon adding risk in delay of order delivery thereby leading to possible impact on the revenues of the company. In backdrop of red sea issue freight rate had gone up significantly and touch it's all time high of 2937. This had an impact on the profitability of the textile companies. However, the freight corrected from its high with easing of geo political uncertainties.

Currency fluctuations add risk to revenue and input cost.

USD and Euro form major part of Gokex's revenue structure. Additionally, the company also depends on imported raw materials for its operations. The company takes measures such as currency hedging to counter the volatility of these currencies. But any adverse movements in USD and Euro and other international currencies can impact the revenue and its raw material sourcing channels.

Financial Summary

Exhibit 24: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Total Operating Income	2378.9	3816.2	4338.0	4990.1
Growth (%)	7.1	60.4	13.7	15.0
Cost of food and beverages consumed	1135.1	1915.7	2147.3	2452.6
Employee Expenses	777.6	1205.3	1374.0	1552.6
Job Worked Charges	8.2	26.7	30.4	25.0
Other Expenditure	187.9	305.3	336.2	379.2
Total Operating Expenditure	2108.9	3453.0	3887.9	4409.4
EBITDA	270.0	363.2	450.1	580.6
Growth (%)	2.2	34.5	23.9	29.0
Interest	36.3	78.0	56.7	51.8
Depreciation	88.8	119.0	137.7	156.5
Other income	30.1	54.3	55.9	70.3
Exchange gain & losses	-1.4	0.0	0.0	0.0
PBT	176.4	220.5	311.6	442.7
Less Tax	32.4	58.9	83.2	118.2
Adjusted PAT (before exceptional item)	144.0	161.6	228.4	324.5
Growth (%)	-14.3	12.2	41.3	42.1
Exceptional item	-13.1	0.0	0.0	0.0
Reported PAT	131.0	161.6	228.4	324.5
Growth (%)	-24.3	23.4	41.3	42.1
EPS (Adjusted)	11.6	13.5	20.1	25.9

Source: Company, ICICI Direct Research

Exhibit 25: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit/(Loss) after taxation	113.9	107.4	172.5	254.2
Add: Depreciation & Amortization	88.8	119.0	137.7	156.5
Other income	30.1	54.3	55.9	70.3
Changes in the working capital	-248.0	-103.8	-120.4	-113.2
CF from Operating activities	-15.1	176.7	245.7	367.8
(Purchase)/Sale of Fixed Assets	-965.1	-150.0	-150.0	-125.0
Investments	121.1	-337.8	-50.0	-160.0
Others	-12.8	-6.6	-7.2	-7.8
CF from Investing activities	-856.9	-494.5	-207.2	-292.8
(inc)/Dec in Loan	650.4	-309.9	-45.0	0.0
Change in equity & reserves	261.0	600.0	0.0	0.0
Dividend paid	0	-7	-7	-7
Other	0	0	0	0
CF from Financing activities	911.5	283.0	-52.1	-7.1
Net Cash Flow	39.5	-34.7	-13.6	67.8
Cash and Cash Equivalent (opening)	14.7	54.2	19.5	5.9
Cash	54.2	19.5	5.9	73.7
Free Cash Flow	-980.3	26.7	95.7	242.8

Source: Company, ICICI Direct Research

Exhibit 26: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Equity Capital	31.7	35.6	35.6	35.6
Reserve and Surplus	1259.6	2010.3	2231.6	2549.0
Total Shareholders funds	1291.3	2045.9	2267.2	2584.6
Minority Interest	0.0	0.0	0.0	0.0
Total Debt	804.9	495.0	450.0	450.0
Deferred Tax Liability	0	0	0	0
Other Non Current Liabilities	15.0	15.8	16.5	17.4
Total Liabilities	2111.2	2556.6	2733.7	3051.9
Gross Block - Fixed Assets	773.7	951.7	1101.7	1251.7
Accumulated Depreciation	224.7	343.7	481.4	637.8
Net Block	549.0	608.0	620.3	613.8
Capital WIP	128.0	100.0	100.0	75.0
Leased Assets	0.0	0.0	0.0	0.0
Fixed Assets	676.9	708.0	720.3	688.8
Goodwill & Other intangible assets	587.0	587.0	587.0	587.0
Investments	3	0	0	0
Other non-Current Assets	87.4	94.1	101.3	109.1
Inventory	603.6	836.4	927.0	1066.4
Debtors	352.5	313.7	356.5	382.8
Other Current Assets	147.2	161.9	178.1	195.9
Loans & Advances	0.0	0.0	0.0	0.0
Cash	54.2	19.5	5.9	73.7
Liquid investments & bank balance	229.0	570.0	620.0	780.0
Total Current Assets	1386.6	1901.5	2087.5	2498.8
Creditors	184.1	261.4	261.5	300.8
Provisions	56.0	59.3	62.9	66.7
Other Current Liabilities	389.9	413.3	438.1	464.4
Total Current Liabilities	629.9	734.0	762.4	831.8
Net Current Assets	756.6	1167.5	1325.1	1667.0
Application of Funds	2111.2	2556.6	2733.7	3051.9

Source: Company, ICICI Direct Research

Exhibit 27: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	22.7	22.7	32.1	45.6
Cash EPS	36.7	39.4	51.5	67.6
BV per share	203.7	287.6	318.8	363.4
Dividend per share	0.0	1.0	1.0	1.0
Asset Turnover (x)	2.9	3.0	3.3	3.9
Operating Ratios (%)				
Gross margins (%)	52.3	49.8	50.5	50.9
Operating EBITDA margins (%)	11.3	9.5	10.4	11.6
PAT Margins	6.1	4.2	5.3	6.5
Return Ratios (%)				
RoE	12.0	9.7	10.6	13.4
RoCE	12.3	12.6	14.3	17.0
Valuation Ratios (x)				
P/E	34.5	34.5	24.4	17.2
EV / EBITDA	20.3	15.1	12.0	8.9
EV / Sales	2.3	1.4	1.2	1.0
Market Cap / Sales	2.1	1.5	1.3	1.1
Price to Book Value	3.8	2.7	2.5	2.2
Solvency Ratios (x)				
Debt / EBITDA	3.0	1.4	1.0	0.8
Debt / Equity	0.6	0.2	0.2	0.2
Working capital (days)				
Operating cash cycle	118	85	86	84
Working capital ratio	215	150	147	141

Source: Company, ICICI Direct Research

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