

September 11, 2025

Focus on diversification to mitigate tariff risk

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:

- **Retention of clients by sacrificing margins in the near term:** In the backdrop of higher tariff of 50%, Gokex management has given more impetus on client retention by providing discounts of 15-18% rather maintaining the EBIDTA margins. It has good order book outlook for Spring summer season till Q4FY26. With this strategy management expects revenues to remaining at Rs900-1000crore (after discount of 18% on additional tariff of 25%) per quarter, while consolidated EBIDTA margins decline to low single digit (due sharp decline in the margins of India business).
- **Focus on diversification to mitigate tariff impact:** Gokex is focusing on diversifying its production by adding capacities in lower tariff region such as Africa (imposed with 10% US export tariffs) and get manufacturer products in lower tariff countries such as Bangladesh and Sri Lanka (imposed with 20% US export tariff) to mitigate the impact of 50% tariff rate imposed on India. Africa revenues are likely to grow from current Rs850crore to ~Rs1,070crore by FY27 and ~Rs1150crore in FY28. In Bangladesh, the company might focus on scaling up operations through acquisition or enter into lease model to increase production in the coming years. Bangladesh operations can clock EBIDTA margins of 15%, higher compared with India operations EBIDTA margins of 11-12%.
- **FTA with UK and EU will provide incremental revenue opportunity:** Government signing of FTA with UK provides level playing field for the India with better cost opportunity compared with textile exporting countries such as Bangladesh and China. India's garment export to UK is around \$1bn. With UK FTA trade deal, there is an opportunity of incremental export of \$1bn to UK by shifting of production from Bangladesh and China. Incremental export orders from UK will start flowing in from FY27. Gokex is also looking to add more clients to its existing list. Further, FTA with EU will lead to additional export opportunity of \$2bn along with existing exports of \$5bn. This along with possible trade deal with US will help Gokex revenues to grow in strong double digits in FY27 and FY28

Rating and Target price

Though tariff uncertainties will put pressure on the margins in the near term, Gokex is focusing on diversifying operations and expanding export in other geographies to de-risk its business model in the long run. Any signing of effective trade deal with US will act as re-rating trigger for the stock. **We recommend HOLD with price target of Rs.825 (valuing at 21x FY27E EPS of Rs39.3).**

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	2222.2	2378.9	3864.2	31.9	3590.3	4655.0	9.8
EBIDTA	264.1	270.0	373.4	18.9	332.6	524.6	18.5
EBIDTA Margins(%)	11.9	11.3	9.7		9.3	11.3	
Adjusted PAT	168.1	144.0	168.9	0.2	147.0	280.9	28.9
EPS (Rs.)	28.6	20.7	23.6		20.6	39.3	
PE (x)	28.0	34.2	32.9		37.8	19.8	
EV to EBIDTA (x)	17.0	20.2	15.9		16.7	10.5	
RoE (%)	21.7	12.0	9.4		6.8	11.9	
RoCE (%)	21.3	10.1	10.5		9.6	14.2	

Source: Company, ICICI Direct Research



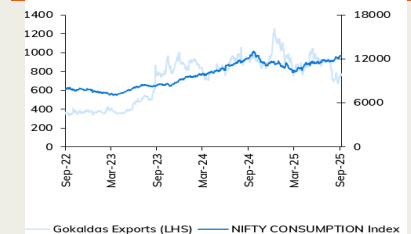
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	5,560
Debt (FY25) - ₹ crore	845
Cash (FY25) - ₹ crore	484
EV (Rs crore)	5,922
52 week H/L (₹)	1260 / 685
Equity capital (₹ crore)	35.7
Face value (₹)	5.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoters	9.4	9.4	9.4	9.2
FII	27.0	26.5	25.8	24.9
DII	33.8	37.0	36.8	37.2
Others	29.8	27.1	28.0	28.8

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.

Research Analyst

Kaustubh Pawaskar
kaustubh.pawaskar@icicisecurities.com

Abhishek Shankar
abhishek.shankar@icicisecurities.com

Analyst Meet Highlights

- **Diversification of Risk**

- The company operates in India, Kenya, and Ethiopia, with 78% production happens in India and remaining 22% of production happens in Kenya and Ethiopia. It has two new upcoming facilities in Madhya Pradesh and Karnataka but will not increase the workforce due to tariff-related uncertainties. The company is adding 2000 machines in India and 500 in Africa. It plans for additional 1000 machines in Africa to expand the production base in the African region. Management is willing to absorb depreciation cost but is avoiding additional operating expenses in India until there is clarity on the tariff situation, leading to a freeze on hiring and expansion while expanding aggressively in Africa.
- The revenues from Africa business are expected to grow by 25% from US \$100mn (~Rs.850cr) to US \$125mn (~Rs.1070cr) in FY27 and expand further to US \$135mn (~Rs.1150cr) in FY28. With expansion and at peak utilisation, the Africa business margins are expected to scale to 10-11% from 7-8% currently.
- The company plans to expand into new locations with lower tariffs than India, specifically Bangladesh and Sri Lanka (20% tariffs each). They will focus on asset light model to start operations in both these countries. Incremental orders from existing and new clients will move to these regions, while most orders will still be managed from their facilities in India and Africa. Countries such as Bangladesh have low operating cost especially labour hence, the margins are higher at 15% compared to 11-12% in India. Further the company might expand its production base in Bangladesh through acquisitions or leasing the capacity to export in key markets.

- **FTAs with regions is a long-term opportunity**

- In Q1FY26, the company's European share rose to 13% from 8% in Q1FY25, with management expecting further growth. India's textile exports to Europe currently stands at ~US\$5bn and with the signing of FTA, there could be additional ~US\$1-2bn worth of export opportunity for India.
- The UK Free Trade Agreement (FTA) is expected to generate an additional US \$1bn for India, levelling the playing field with Bangladesh. Currently, India's textile exports to the UK stands at ~US\$ 2bn. As Bangladesh's Least Developed Country status is set to end by 2029, tariffs may be imposed on its products. Retailers are likely to reduce their reliance on Bangladesh soon, which could boost India's market share in the UK.

- **Tariff Impact; Guidance on revenues and margins**

- The management is expecting the tariff situation to gain clarity by end of the Calendar year 2025. Order book remains robust and full up to Q4FY26 (spring-summer season).
- Out of the 50% tariffs, the management guided that 25% shall be borne by its customers. Out of the remaining penalised tariff of 25%, the company is expected to borne 18% of additional tariff through discounts to customers.
- The tariffs have taken effect on August 27, 2025. Hence, half of Q2FY26 and entire Q3FY26 will be impacted (if 50% tariff remains for rest of the quarter). The impact of tariff will continue till Q4FY26 unless India and US sign an appropriate trade deal.
- Exports to US stands at around 75% of the consolidated revenues. Around 55% of these revenues comes from India operations. Hence tariff related impact will be 55% of Gokex overall

operations. With long term focus, the company decided to offer discounts to the customer to mitigate the impact of the additional tariff and take hit on the profitability. With good order booking outlook till end of the current fiscal, the company expects revenues to remain in the range of Rs900-1000crore in the quarters ahead, while EBIDTA margins will hit the bottom to low single digit by Q3FY26 if higher tariff remains for next few months. India business is expected to witness negative impact of 6-7% on EBIDTA margins, while Africa business EBIDTA margins will be around 6-7%. Hence consolidated EBIDTA margins will come low single digit zone.

- The company is protecting its top-line hence, the volume growth is expected to remain positive but due to the discounts offered to the customers, realisation is expected to witness dip thereby impacting the revenues to the tune of the discounts offered.

- **Scaling BTPL through increased utilisation**

- The company is expecting Rs.1800crs revenues in its recent acquisition BTPL at peak utilisation and it expects the current EBITDA margin of 7-8% to scale to 13-14%. The minimum captive consumption limit is set at 33% while Gokex currently consumes ~50% of the BTPL's production.
- Currently, BTPL is operating at 40-45% utilisation which is expected to scale to 60% by Dec'25. The company expects the total production to scale to over 70-75 Lakh mtrs/month from 40-45 Lakhs mtrs/month at peak utilisation.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total Operating Income	2378.9	3864.2	3590.3	4655.0
Growth (%)	7.1	62.4	-7.1	29.7
Raw Material Expenses	1135.1	1930.3	1696.4	2190.2
Gross Profit	1243.8	1933.9	1893.9	2464.8
Employee Expenses	777.6	1226.5	1263.3	1553.9
Job Worked Charges	8.2	24.2	21.5	27.9
Other Expenditure	187.9	309.8	276.5	358.4
Total Operating Expenditure	3352.6	5424.8	5151.7	6595.2
EBITDA	270.0	373.4	332.6	524.6
Growth (%)	2.2	38.3	-10.9	57.7
Interest	36.3	77.4	62.6	46.0
Depreciation	88.8	128.4	131.0	148.9
Other Income	30.1	52.9	61.5	53.6
Exchange gain & losses	-1.4	-11.6	0.0	0.0
PBT	176.4	232.1	200.5	383.2
Less Tax	32.4	63.1	53.5	102.3
Adjusted PAT (before exceptional item)	144.0	168.9	147.0	280.9
Growth (%)	-14.3	17.3	-13.0	91.1
Exceptional item	-13.1	-10.4	0.0	0.0
Reported PAT	131.0	158.5	147.0	280.9
Growth (%)	-24.3	21.0	-7.3	91.1
EPS (Adjusted)	22.7	23.6	20.6	39.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit/(Loss) after taxation	113.9	116.0	85.5	227.3
Add: Depreciation & Amortization	88.8	128.4	131.0	148.9
Other income	30.1	52.9	61.5	53.6
Changes in the working capital	-248.0	-287.9	102.7	-231.2
CF from Operating activities	-15.1	9.4	380.7	198.7
(Purchase)/Sale of Fixed Assets	-965.1	-280.3	-175.0	-150.0
Investments	121.1	-266.3	128.5	-10.0
Others	-12.8	-13.0	-8.1	-8.8
CF from Investing activities	-856.9	-559.6	-54.6	-168.8
(inc)/Dec in Loan	650.4	40.4	-345.2	0.0
Change in equity & reserves	261.0	627.5	0.0	0.0
Dividend paid	0	-7	-7	-7
Other	0	0	0	0
CF from Financing activities	911.5	660.7	-352.4	-7.1
Net Cash Flow	39.5	110.5	-26.2	22.8
Cash and Cash Equivalent (opening)	14.7	54.2	164.8	138.5
Cash	54.2	164.8	138.5	161.3
Free Cash Flow	-980.3	-270.9	205.7	48.7

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	31.7	35.7	35.7	35.7
Reserve and Surplus	1259.6	2044.9	2184.8	2458.6
Total Shareholders funds	1291.3	2080.7	2220.5	2494.3
Minority Interest	0.0	0.0	0.0	0.0
Total Debt	804.9	845.2	500.0	500.0
Deferred Tax Liability	0	0	0	0
Other Non Current Liabilities	15.0	20.2	21.2	22.3
Total Liabilities	2111.2	2946.1	2741.7	3016.6
Gross Block - Fixed Assets	773.7	1168.2	1310.2	1460.2
Accumulated Depreciation	224.7	353.1	484.1	633.1
Net Block	549.0	815.1	826.1	827.1
Capital WIP	128.0	17.0	50.0	50.0
Leased Assets	0.0	0.0	0.0	0.0
Fixed Assets	676.9	832.1	876.1	877.1
Goodwill & Other intangible assets	587.0	583.8	583.8	583.8
Investments	3	178	0	0
Other non-Current Assets	87.4	100.5	108.5	117.3
Inventory	603.6	681.9	639.4	829.0
Debtors	352.5	428.8	344.3	446.4
Other Current Assets	147.2	246.9	271.6	298.7
Cash	54.2	164.8	138.5	161.3
Liquid investments & bank balance	229.0	320.3	370.0	380.0
Total Current Assets	1386.6	1842.7	1763.8	2115.4
Creditors	184.1	238.3	216.4	280.6
Provisions	56.0	67.1	71.1	75.3
Other Current Liabilities	389.9	285.8	302.9	321.1
Total Current Liabilities	629.9	591.1	590.4	677.0
Net Current Assets	756.6	1251.6	1173.4	1438.4
Application of Funds	2111.2	2946.1	2741.7	3016.6

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
Adjusted EPS	22.7	23.6	20.6	39.3
Cash EPS	36.7	41.6	38.9	60.1
BV per share	203.7	291.1	310.7	349.0
Dividend per share	0.0	1.0	1.0	1.0
Asset Turnover (x)	2.9	2.9	2.5	3.2
Operating Ratios (%)				
Gross margins (%)	52.3	50.0	52.8	53.0
Operating EBITDA margins (%)	11.3	9.7	9.3	11.3
PAT Margins	6.1	4.4	4.1	6.0
Return Ratios (%)				
RoE	12.0	9.4	6.8	11.9
RoCE	10.1	10.5	9.6	14.2
Valuation Ratios (x)				
P/E	34.2	32.9	37.8	19.8
EV / EBITDA	20.2	15.9	16.7	10.5
EV / Sales	2.3	1.5	1.5	1.2
Market Cap / Sales	2.1	1.4	1.5	1.2
Price to Book Value	3.8	2.7	2.5	2.2
Solvency Ratios (x)				
Debt / EBITDA	3.0	2.3	1.5	1.0
Debt / Equity	0.6	0.4	0.2	0.2
Working capital (days)				
Operating cash cycle	118	82	78	78
Working capital ratio	215	143	148	136

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Kaustubh Pawaskar, PGDBA (Finance), Abhishek Shankar, PGDM-RM, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report