

September 17, 2025

Tariff related anxiety receding; Risk reward favourable

US-India trade talks progressing well; Likely reduction in tariff rate by Nov-Dec'25; diversification will act as a risk mitigating strategy in the long run

- US-India trade talks are progressing well and both countries are working on early conclusion of trade deal. Consensus estimates of removal of 25% penal tariff in first phase of the trade deal.
- If tariff rate is reduced to 25% it will provide a level playing field to compete with other key textile exporting countries such as Bangladesh and Vietnam imposed with 19-20% tariff.
- Textile companies are focusing on diversification as risk mitigating strategy with focus on diversifying the production base in other countries and improve the regional mix and not to depend on single country/region in the near future.

FTA with UK and potential favourable trade with EU, Australia bodes well for diversification strategy

- India-UK FTA provides level playing field for Indian textile players with 12% duty advantage over China and better cotton sourcing, lower power and labour cost providing edge over countries like Vietnam and Bangladesh.
- Bangladesh operates under Least Developed Nation (LDN) status wherein there are no tariffs applicable for exports to UK. The status is due for expiry in 2029 and Bangladesh can lose the FTA status. Hence, retailers will look for efficient supply source and can route sourcing to India for the same.
- UK's Textile imports in 2024 stood at ~US \$27bn while India's share in the imports stood at ~6.6% valued at ~US \$1.9bn. FTA with UK will lead to additional textile export opportunity of US \$1-2bn.
- Another potential opportunity is the FTA with EU. India currently exports textile worth ~US \$6.9-\$7bn to the EU. FTA with EU will lead to additional textile export opportunity of US \$2-3bn.

FY26 will be muted; recovery in performance will start from FY27

- FY26 will be muted for textile companies as higher tariffs will have impact on the profitability of the textile companies in H1FY26.
- Most of the textile companies resorted on providing higher discounts on penal tariffs of 25%, which will lead to lower EBIDTA margins in the near term. On the other hand, US retail companies are storing lower inventories due to uncertain environment.
- With expected removal of penal tariffs, we expect the order booking to gradually improve in the quarters ahead.
- Further, incremental orders from FTA with UK and EU would start flowing in from FY27, which will potentially boost the revenue growth in FY27 and FY28. Better operating leverage will result in the improvement in the profitability in the coming years.

View: Recent correction in textile stocks provides favourable risk-reward

- Imposition of reciprocal tariff by US and uncertainties caused in trade led to substantial correction in the textile companies. Stocks under our coverage such as Gokaldas Exports (Gokex), KPR Mill and Indo Count Industries (ICIL) are down by 38%, 21% and 31% respectively.
- Removal of penal tariff by US will reduce the risk hovering around the potential textile exports to US and its implication on business fundamental of the Indian textile companies.

Sector Views

Positive

Top Bets in our Coverage Universe

Company	CMP (Rs./share)	Rating	Target Price (Rs./share)	Upside (%)
Gokaldas Exports	784	Buy	950	21%
KPR Mills	1086	Buy	1330	22%
Indo Count Industries	295	Buy	370	25%

Key Drivers

- FTA with UK, likely trade deal with US provides long term growth opportunity.
- Capacities operating at optimum utilization level.
- Consistent capacity addition will support growth aspiration.
- Domestic branded business and technical textile will be additional growth lever.
- Focus remains on strengthening balance sheet with improved cash flows.

Key Risks

- Uncertain geo political environment or any change in trade policies with affect the demand for textile products in key markets.
- Any increase in the cotton prices or spike in the freight rate will dent the profitability.

Research Analysts

Kaustubh Pawaskar
kaustubh.pawaskar@icicisecurities.com

Abhishek Shankar
abhishek.shankar@icicisecurities.com

- With favourable risk reward and medium to long term growth prospects, we believe it's a good time to enter into the quality textile companies.
- Hence in the garmenting space, **We recommend Buy on KPR Mills with price target of Rs1,330, while upgrade Gokex to Buy with a price target of Rs950. In the home textile space, we have a Buy rating on Indo Count Industries with price target of Rs370.**

Exhibit 2: Valuation overview – Indian Textile Companies

Companies	P/E(x)				EV/EBIDTA(x)				Previous Rating	New Rating	CMP (Rs.)	Target Price (Rs.)
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E				
Garment												
Gokaldas Exports	32.9	37.9	20.7	16.0	15.9	16.7	10.9	8.5	Hold	Buy	778	950
KPR Mills	45.6	42.6	35.2	30.3	30.0	27.8	23.4	20.2	Buy	Buy	1088	1327
Home Textile												
Indocount Industries	22.5	42.2	16.8	11.4	12.8	16.2	10.0	7.5	-	Buy	279	370.0

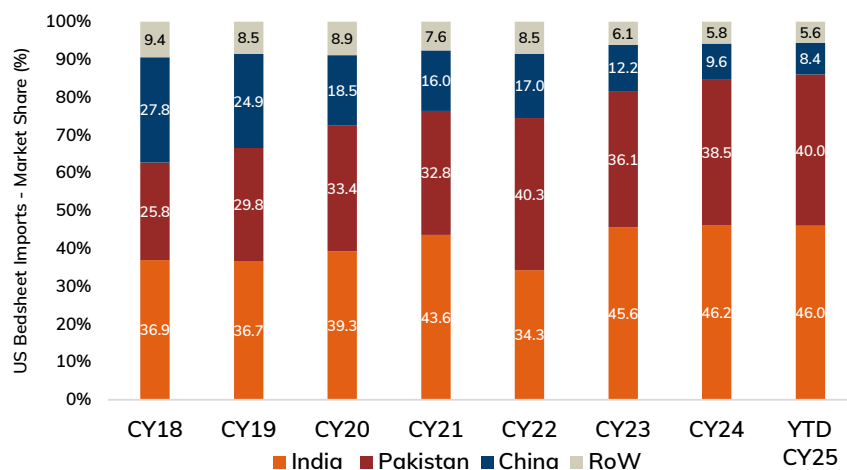
Source: Company, ICICI Direct Research

Exhibit 3: Key Financials – Indian Textile Companies

Companies	Revenues (Rs. Cr)					EBIDTA margins (%)				RoCE(%)			
	FY25	FY26E	FY27E	FY28E	Cagr (%)	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Garment													
Gokaldas Exports	3864.2	3589.1	4616.2	5325.0	11.3	9.7	9.3	11.0	11.8	10.5	9.6	13.7	15.5
KPR Mills	6387.9	6916.9	7802.3	8797.0	11.3	19.5	19.5	20.5	21.0	19.8	20.2	21.7	21.9
Home Textile													
Indocount Industries	4151.4	4142.8	5209.9	6176.4	14.2	12.9	10.0	12.8	14.1	9.3	5.8	10.3	13.1

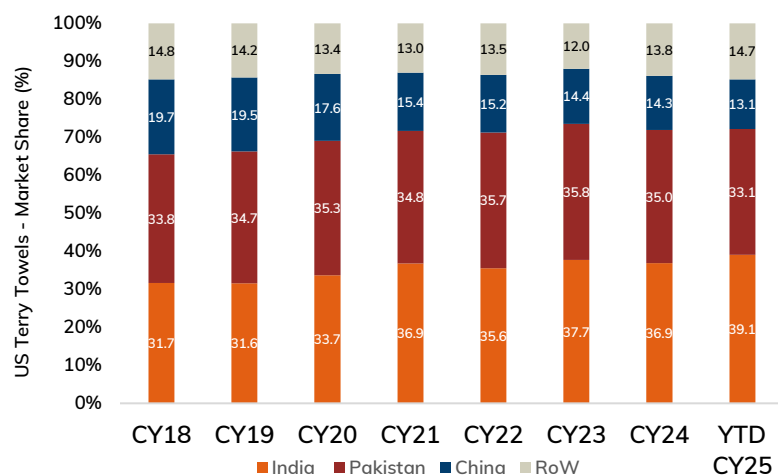
Source: Company, ICICI Direct Research

Exhibit 4: India cementing its share in US Bedsheets export market



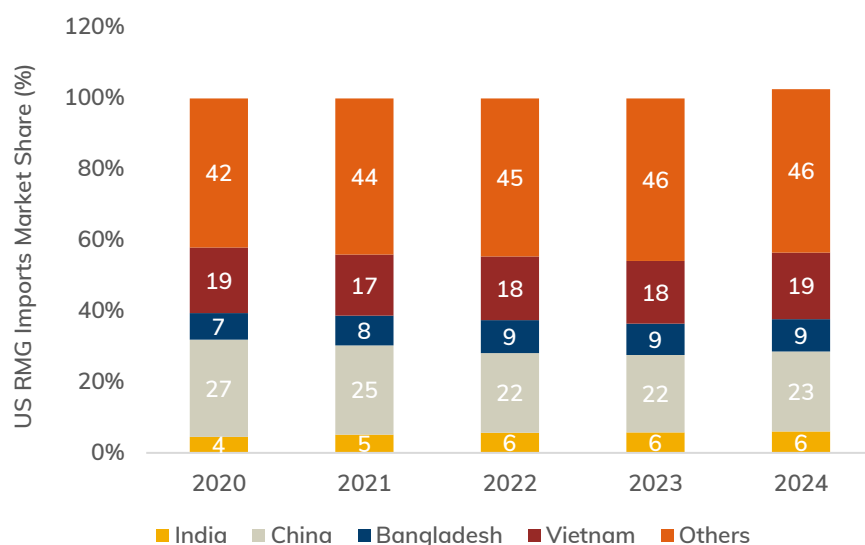
Source: Company, ICICI Direct Research

US Bedsheet Imports grew at 0.8% CAGR while imports from India to US grew at 5.2% CAGR between 2020 and 2024. As a result, India's market share in the bedsheets imports by US has increased from 39% to 46% while China's share declined to 10% from 19% between 2020 and 2024.

Exhibit 5: India holds strong position in Terry Towel exports to US; China loses share


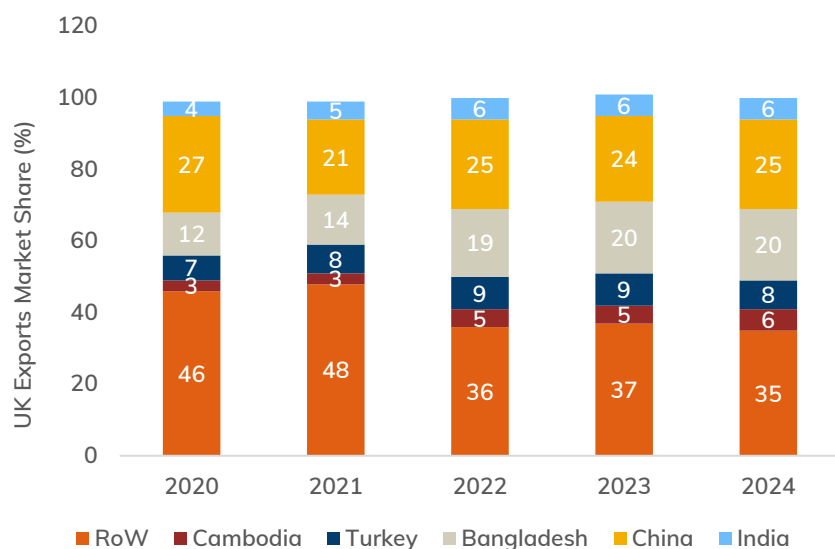
Source: Company, ICICI Direct Research

US Terry Towel imports grew at 3.4% CAGR while imports from India to US grew at 3.9% between 2020 and 2024. As a result, India's market share in the terry towels imports by US increased from 34% to 37% while China's share declined from 18% to 14% between 2020 and 2024.

Exhibit 6: India continues to gain share in Apparel exports to US


Source: Company, ICICI Direct Research

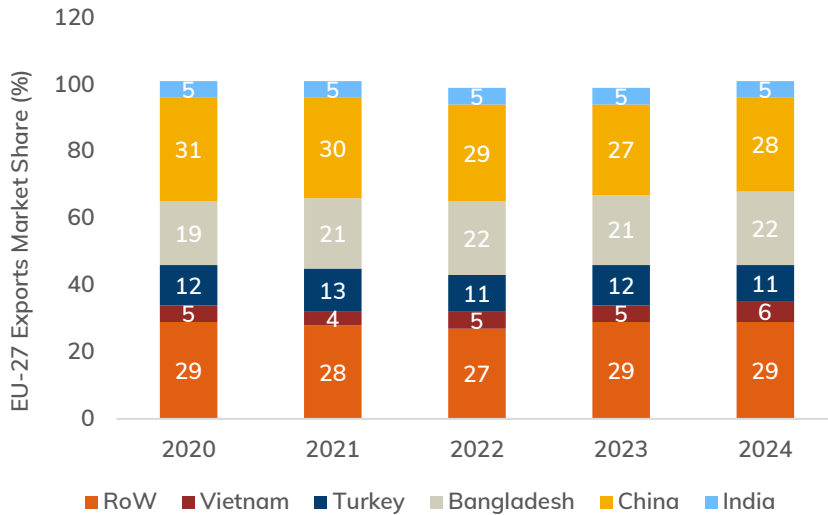
US RMG Imports stood at US \$83.1bn as of 2024. India holds 6% share in the imports improving from 4% while China has witnessed decline in share from 27% to 23% between 2020 and 2024.

Exhibit 7: India's share in UK RMG imports expected to inch up due to FTA signing


Source: Company, ICICI Direct Research

Over the past 5 years, India's share in UK RMG imports has improved from 4% to 6% while on the other hand China's market share has declined from 27% to 25%. As retailers are shifting their sourcing regions, India and Bangladesh have gained share in UK's overall RMG imports.

Exhibit 8: India's share in EU-27 stable; to witness uptick with expected FTA



Source: Company, ICICI Direct Research

India's share in the EU-27 market has relatively remained stable over the past 5 years at 5%. If ongoing FTA talks with EU materialises, India is likely to gain advantage over other nations.

Exhibit 9: Textile Companies increasing capacities to cater to increased order flow

Companies	FY23	FY24	FY25	FY26E	FY27E	FY28E
	Capacity	Capacity	Capacity	Capacity	Capacity	Capacity
Bed Linen						
Indocount						
Bedsheet (mn mtrs)	153	153	153	153	153	153
Pillow (mn nos.) (Acquired)	-	-	13	13	31	31
Quilt (mn nos.) (Acquired)	-	-	1.5	1.5	1.5	1.5
Garment (mn pieces)						
Gokaldas Exports	87	87	90	97	101	109
KPR Mills	157	157	177	200	210	210

Source: Company, ICICI Direct Research

As retailers have started shifting their sourcing base, Textile companies are adding capacities to cater to increased order flow.

Exhibit 10: Increasing capacity utilisation suggest better order flow

Companies	FY23	FY24	FY25
	Utilisation	Utilisation	Utilisation
Bed Linen (mn mtrs)			
Indocount			
Bedsheet (mn mtrs)	49%	63%	70%
Pillow (mn nos.) (Acquired)	-	-	50%
Quilt (mn nos.) (Acquired)	-	-	
Garment (mn pieces)			
Gokaldas Exports	75%	78%	75%
KPR Mills	82%	97%	93%

Source: Company, ICICI Direct Research

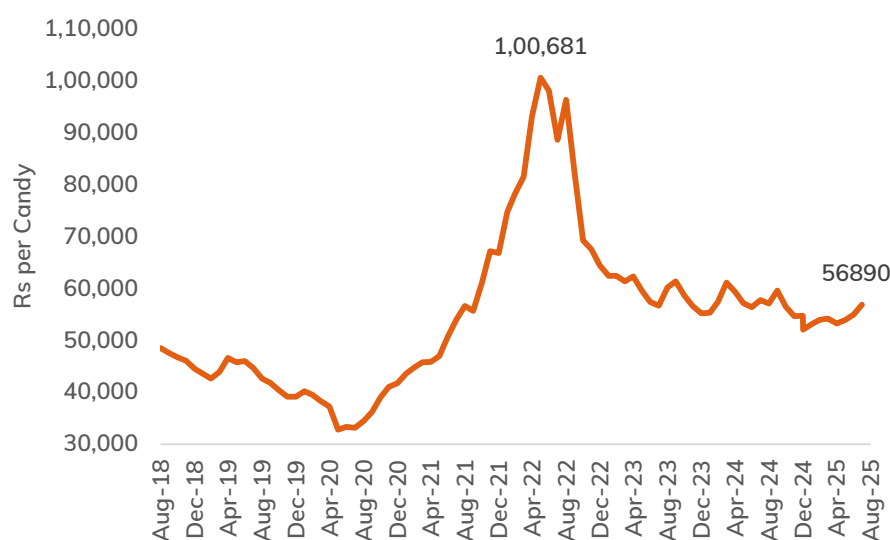
Companies are functioning at optimum capacity levels and have also seen increase in utilisation due to increased order flow.

Exhibit 11: UK FTA and potential EU deal will lead to diversification in regional mix

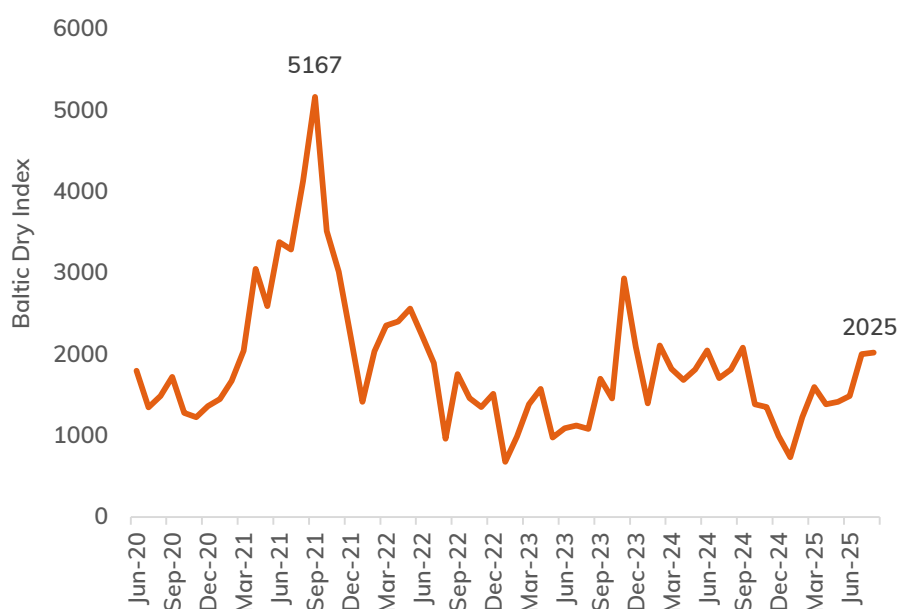
Company	Regions	Regional Share
Indo Count Industries	US	70%
	UK	10%
	EU & RoW (Except India)	17%
Gokaldas	US	81%
	Europe	6%
	Others	13%
KPR Mills	US	21%
	Europe	58%
	Asia	4%
	Australia	15%
	Others	1%

Source: Company, ICICI Direct Research

The recent UK FTA deal could lead to companies witnessing higher revenue share from UK and also reducing geographical risk. The upcoming trade deal with US could also boost revenues with companies having substantial US exposure

Exhibit 12: Favourable input cost conditions for manufacturing companies


Cotton Prices- Key Raw material for textiles has seen correction in the past 3 years declining from Rs.1,00,681 per candy to Rs.56,890 per candy. Freight Index has also eased in the same period from 5167 to 2025 indicating correction in freight costs.



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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

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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