Gokaldas Exports Ltd

Dull Q2; uncertainties persist

Textiles	Sharekhan code: GOKEX

Reco/View: Buy	↔	CMP: **Rs. 949**	Price Target: **Rs. 1,140**	↔

Summary

- Gokaldas Exports' (GKEL's) Q2FY26 revenues grew 6% y-o-y, but EBITDA margins fell by 167 bps y-o-y and adjusted PAT declined 71.3% y-o-y.
- Domestic biz grew 14% y-o-y, versus a 2% decline in Indian apparel exports, while African biz fell 23% y-o-y on delayed order placements amid uncertainty surrounding the AGOA rollover.
- Currently, the US contributes 70% to topline, while Europe/UK contribute 13-14% and Africa contributes 20-22%. GKEL aims to reduce the US's share to 60% while increasing UK/EU's share to 17-19% in the medium term.
- Stock trades at 43x/25x/19x its FY26E/FY27E/FY28E EPS, respectively. We maintain our Buy rating with an unchanged PT of Rs. 1,140.

GKEL's consolidated revenue grew 6% y-o-y to Rs. 984 crore, beating our expectation of Rs. 957 crore. India operations registered a strong growth of 14% y-o-y against the backdrop of a 2% decline in Indian apparel exports, while African business fell 23% y-o-y, primarily due to lower volumes resulting from delayed order placements amid uncertainty surrounding the AGOA (African Growth and Opportunity Act) rollover. Sales volumes declined by 13.2% y-o-y to 13 million pieces, while average realisations grew 20.7% y-o-y to Rs.700 per piece. Gross margins fell 14 bps y-o-y to 47.8%, while EBITDA margin fell by 167 bps y-o-y to 5.4% due to operating deleveraging at the African business, impact of US tariffs, and start-up costs owing to the new business/units. EBITDA margin missed our expectation of 9.4%. EBITDA fell 18.9% y-o-y to Rs. 54 crore. This coupled with higher interest, depreciation and tax expenses led to a 71.3% y-o-y decline in the adjusted PAT to Rs. 8 crore, against our expectation of Rs. 36 crore. In H1FY26, revenue grew by 4.2% y-o-y to Rs. 1,940 crore, EBITDA margin fell by 60 bps y-o-y to 7.7% and adjusted PAT declined by 24.5% y-o-y to Rs. 50 crore.

Key negatives

- EBITDA margin fell by 167 bps y-o-y to 5.4%.

Management Commentary

- US's retail demand remained robust with 7% retail sales growth and 5% import growth (January-July 2025). UK and EU imports grew 8–9%, aided by strong consumer demand and improving sourcing diversification. From the spring of 2026, brands plan to increase prices by 4-6%, which could moderate consumer demand.
- Imposition of a 50% penal tariff on Indian apparel exports to the US (effective August 2025-end) impacted part of the quarter, resulting in a Rs. 12-15 crore hit to the India business. GKEL negotiated cost-sharing arrangements with customers, bearing up to 15% of the total tariff (as an FOB discount) and passing part of it to its supply chain, while brands absorbed the remainder (~35%). If the 50% tariff rate continues through Q3, the cumulative impact could amount to Rs. 40-45 crore.
- India business volumes stood at 7.97 million pieces, with an average realisation at Rs. 826/piece. Atraco reported volumes of 3.29 million pieces with an average realisation at Rs. 384/piece. Matrix volumes stood at 1.7 million pieces with average realisation at Rs. 445/piece. Consolidated volumes stood at 12.97 million pieces declining by 13.2% y-o-y and realisation stood at Rs. 700/piece growing by 20.7% y-o-y.
- India order book at Q2FY26-end stood at Rs. 900 crore and Africa business order book stood at Rs. 240-250 crore.
- In H1FY26, the company spent Rs. 110 crore on capex - Rs. 75 crore for new capacity and Rs. 35 crore for machinery upgrades. Out of the Rs. 75 crore spent for new capacity additions, Rs. 50 crore spent in Jharkhand, Rs. 20 crore in Kenya and Rs. 5 crore for Matrix. In H2FY26, GKEL has allocated Rs. 40 crore for completing ongoing facilities and for Kenya expansion.
- Management expects Q3 margins to be under pressure due to full quarter impact of 50% tariff hike by US. Q4 margins are expected to improve significantly aided by growth in Africa.
- Currently, the US contributes 70% to topline, while Europe/UK contribute 13-14% and Africa contributes 20-22%. The company aims to reduce dependence on the US (aims to bring down share to 60%) while increasing UK/EU's share to 17-19% in the medium term aided by the India-UK FTA and proposed India-EU FTA.

Revision in earnings estimates – We have lowered our estimates for FY26 and FY27 to factor in near term uncertainties. We have introduced FY28 estimates through this note.

Our Call

View – Retain Buy with an unchanged PT of Rs. 1,140: In the near term, uncertainties due to the higher tariffs imposed by the US may dampen demand and hit margins. However, medium-long term prospects are strong, with market share gains in existing geographies, diversification by adding clients in new markets, and capacity expansion would help GKEL achieve consistent double-digit revenue growth (revenues to clock an 11% CAGR during FY25-28E). Rising apparel demand in developed economies, shift of base from China/Bangladesh, and UK FTA will provide large opportunities in the long run. Stock was hampered by tariff tensions, with the escalations nearing to end, it will support the prices to grow. The stock trades at 43x/25x/19x its FY26E/FY27E/FY28E EPS, respectively. We maintain our Buy rating with an unchanged PT of Rs. 1,140.

Key Risks

Any shift of top clients to domestic or international competitors, slow recovery in some key international markets, or a sharp rise in key input prices will act as a risk to our earnings estimates.

Valuation (Consolidated)

Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenues	2,379	3,864	3,687	4,576	5,355
EBITDA margin (%)	11.3	9.7	9.5	10.9	12.0
Adjusted PAT	144	169	157	268	364
% YoY growth	-14.3	17.3	-7.1	70.5	36.1
Adjusted EPS (Rs.)	22.7	23.6	21.9	37.4	50.9
P/E (x)	41.8	40.1	43.2	25.3	18.6
P/B (x)	4.7	3.3	3.0	2.7	2.4
EV/EBITDA (x)	24.2	19.1	19.6	13.6	10.3
RoNW (%)	12.0	9.4	7.3	11.3	13.6
RoCE (%)	12.3	12.1	10.2	14.6	17.3

Source: Company; Mirae Asset Sharekhan estimates

3R MATRIX

	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

Company details

Market cap:	Rs. 6,948 cr
52-week high/low:	Rs. 1,260/669
NSE volume: (No of shares)	4.9 lakh
BSE code:	532630
NSE code:	GOKEX
Free float: (No of shares)	6.7 cr

Shareholding (%)

Promoters	9.2
FII	24.1
DII	39.0
Others	27.8

Price chart

Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	18.5	23.0	-5.5	8.5
Relative to Sensex	17.0	18.4	-11.0	-1.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Results (Consolidated) Rs cr

Particulars	Q2FY26	Q2FY25	Y-o-Y (%)	Q1FY26	Q-o-Q (%)
Total revenue	**984.4**	**929.0**	**6.0**	**955.8**	**3.0**
Raw material cost	513.4	483.2	6.2	442.4	16.0
Employee cost	325.9	285.8	14.1	321.5	1.4
Job Work Charges	6.5	8.6	-24.5	4.5	43.8
Other expenses	84.9	85.3	-0.4	90.7	-6.4
Total operating cost	930.7	862.9	7.9	859.2	8.3
EBITDA	**53.6**	**66.1**	**-18.9**	**96.6**	**-44.5**
Other income	19.0	12.8	48.0	21.4	-11.3
Interest & other financial cost	22.3	18.0	23.8	22.5	-1.0
Foreign exchange gain/loss	-11.0	-3.4	-	-0.7	-
Depreciation	42.6	28.8	48.0	39.4	8.2
Profit before tax	**18.7**	**35.6**	**-47.4**	**56.8**	**-67.0**
Tax	10.6	7.4	43.1	15.3	-30.6
Reported PAT	**8.1**	**28.2**	**-71.3**	**41.5**	**-80.5**
Adj. EPS (Rs)	1.1	3.9	-71.3	5.8	-80.5
			bps		**bps**
GPM (%)	47.8	48.0	-14	53.7	-587
EBITDA Margin (%)	5.4	7.1	-167	10.1	-466
NPM (%)	0.8	3.0	-221	4.3	-352
Tax rate (%)	56.8	20.9	-	27.0	-

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Global uncertainties to weigh on near-term growth; long-term prospects intact

US retail demand remained robust with 7% retail sales growth and 5% import growth (January–July 2025). UK and EU imports grew 8-9%, aided by strong consumer demand and improving sourcing diversification. From the spring of 2026, brands plan to increase prices by 4-6%, which could moderate consumer demand. In the longer term, sourcing diversification is a key theme for all customers, and with a likely tariff rationalization, India would remain one of the top contenders among its Asian peers. The recently announced India-UK FTA offers a 12% duty advantage over China and puts India on par with Bangladesh, creating a strong export potential. The trade deal with the EU could open significant opportunities for Indian apparel exporters.

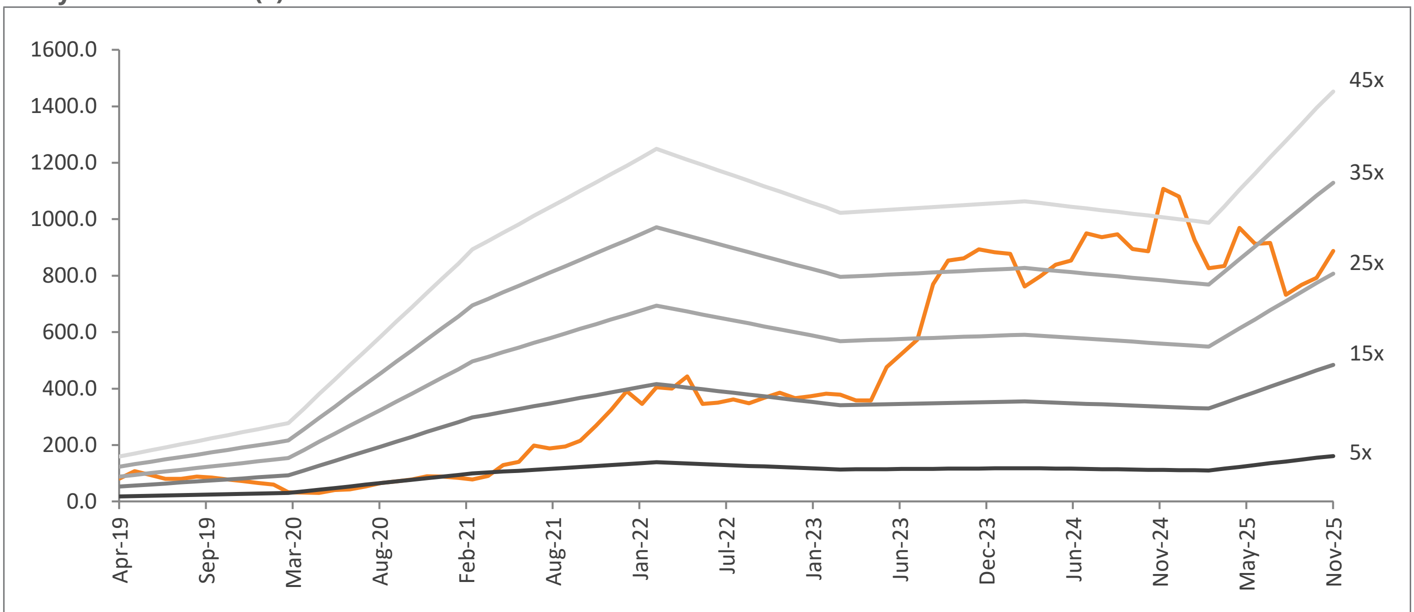
■ Company Outlook – Medium to long-term earnings growth prospects intact

GKEL's India operations registered a strong 14% y-o-y growth in Q2 against 2% degrowth in Indian apparel exports, indicating a gain in export market share. Going ahead, GKEL has a strong order book visibility for both the India and Africa business, based on a possible reinstatement of AGOA. However, the US reciprocal tariff on India is likely to have a significant impact on margins in H2, as the tariff burden is shared with customers. That said, any positive outcome on the US-India trade deal would abate this impact. Africa business is seeing a tailwind as the region now enjoys a relatively favourable tariff regime. GKEL's strategic investment in BTPL, a fabric processing unit, strengthens vertical integration into its fabric requirements, enabling faster, higher-quality, and cost-efficient deliveries. Revenue and PAT are expected to report CAGRs of 11% and 29%, respectively, over FY25-FY28E.

■ Valuation – Retain Buy with an unchanged PT of Rs. 1,140

In the near term, uncertainties due to the higher tariffs imposed by the US may dampen demand and hit margins. However, medium-long term prospects are strong, with market share gains in existing geographies, diversification by adding clients in new markets, and capacity expansion would help GKEL achieve consistent double-digit revenue growth (revenues to clock an 11% CAGR during FY25-28E). Rising apparel demand in developed economies, shift of base from China/Bangladesh, and UK FTA will provide large opportunities in the long run. Stock was hampered by tariff tensions, with the escalations nearing to end, it will support the prices to grow. The stock trades at 43x/25x/19x its FY26E/FY27E/FY28E EPS, respectively. We maintain our Buy rating with an unchanged PT of Rs. 1,140.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
KPR Mill	45.9	34.6	28.8	29.9	22.9	19.2	19.8	24.3	24.8
Gokaldas Exports	40.1	43.2	25.3	19.1	19.6	13.6	12.1	10.2	14.6

Source: Company; Mirae Asset Sharekhan Research

About company

Established in 1979, GKEL has evolved into a one-stop solution for some of the world's most recognized apparel brands. With an annual turnover of ~Rs. 3,800 crore in FY25, GKEL is one of India's largest manufacturers and exporters of apparel, exporting to more than 50 countries. Following the acquisition of Atraco and Matrix, the company currently has over 30+ production units and more than 30,000+ advanced machines supported by a strong workforce of >53,000 employees that can produce about 87 million garments annually.

Investment theme

GKEL is one of the largest integrated apparel manufacturers in India. The company acquired two entities – Atraco and Matrix in FY24, which complemented GKEL's existing portfolio, taking the company's combined manufacturing capacity to 87 million apparel pieces per annum. The company has made itself future-ready through its focus on entering new categories and geographies, improving product mix (outerwear share expanding) and establishing in low-cost manufacturing locations.

Key Risks

- The company depends on a limited number of customers for a significant portion of export revenue. The loss of one or more customers may result in lower production and sales and may adversely affect GKEL's business and financial position.
- Fabric is the largest component of the company's input costs and any increase in input costs such as cotton, yarn, or fabric or rising wage costs and inflation could cause a decline in the company's profitability.
- GKEL generates a significant amount of its revenue from key export markets such as the U.S. and Europe. Any slowdown in these markets will lead to muted order booking from key customers and impact growth in the coming years.

Additional Data

Key management personnel

Name	Designation
Mathew Cyriac	Chairman
Sivaramakrishnan Ganapathi	Executive Director – Managing Director
A. Sathyamurthy	Chief Financial Officer
Gourish Hegde	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds Management Ltd.	9.51
2	Nippon Life India Asset Management Ltd.	7.46
3	Goldman Sachs Group Inc.	4.93
4	Goldman Sachs India Pvt. Ltd.	4.82
5	Vanguard Group Inc.	3.37
6	Aditya Birla Sun Life Asset Management Co. Ltd.	3.17
7	Aditya Birla Sun Life Trustee Co. Pvt. Ltd.	3.12
8	Axis AMC Ltd.	3.06
9	L&T Mutual Fund Trustee Ltd.	3.06
10	SBI Life Insurance Co. Ltd.	2.44

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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