

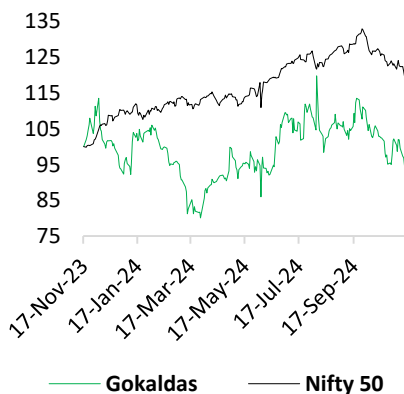
**CMP: INR 840**
**Rating: BUY**
**Target Price: INR 1,417**
**Stock Info**

BSE	532630
NSE	GOKEX
Bloomberg	GEXP:IN
Reuters	GOKL.NS
Sector	TEXTILES
Face Value (INR)	5
Equity Capital (INR cr)	36
Mkt Cap (INR cr)	6,053
52w H/L (INR)	1,128/ 687
Avg Daily Volume (in 000')	275

**Shareholding Pattern %**  
*(As on September 2024)*

Promoters	9.39
FII	27.02
DII	33.77
Public & Others	29.82

Stock Performance (%)	1m	3m	12m
Gokaldas	(7.4)	(3.2)	(2.6)
Nifty 50	(6.4)	(2.5)	21.0

**GEL vs Nifty 50**

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Gokaldas delivered a mixed bag of results despite Q2 being a lean quarter for the company; new acquisitions and existing facilities increase scale, but margins were temporarily impacted by challenges in acquired entities like Atraco and Matrix. Revenue grew 85.71% YoY to INR 929 Cr (-0.34% QoQ), beating our revenue estimate of INR 545 Cr by 70%. Gross Margin contracted 492bps YoY to 47.99% (-17bps QoQ). EBITDA grew 43.96% YoY to INR 66 Cr (-12.07% QoQ), beating our estimate of INR 49 Cr. This is due to heightened employee costs (+58.37% YoY), job work charges (+6,914.23% YoY), and other expenses (+123.47% YoY). EBITDA Margin contracted 206bps YoY to 7.12% (-95bps QoQ), missing our estimate of 8.99% by 187bps. PAT grew 18.73% YoY to INR 28 Cr (+3.59% QoQ), beating our estimate of INR 20 Cr.

**US Retail Landscape shows resilience:** Retail sales are up by 3%, driven by strong brand performance with minimal discounts. New trends show an upturn in US apparel imports- namely volume driven, while inventory levels with buyers reached record lows, indicating resumed purchasing activities.

**Capex and strategic investments:** They new manufacturing facility in Madhya Pradesh has reached full capacity, servicing significant international clients. Expansion plans include capacity increases across current units and via leasing in South India, alongside potential expansion in Bangladesh. Strategic steps in integrating acquired entities are well underway, with challenges mostly resolved, setting the stage for future efficiency gains. Investment in BTPL aims to bolster vertical integration within fabric processing. The company has charted out INR 20 Cr toward modernization and upgrades (INR 25 Cr in H1), and INR 25 Cr toward new capacities and projects (INR 30 Cr in H1) for H2.

**Guidance:** There are anticipations of momentum increasing in H2, especially for Spring 2025 collections. The management expects a sequential uptrend in growth with EBITDA margin to improve by 1.5%, reaching 12% LFL. They also expect improvement in ROC, targeting over 20% in the next 2-3 years. There are plans to achieve full capacity utilization in H2, with sufficient demand for expanded production capabilities.

**Valuation & Outlook:** We assign a TP of INR 1,417 valued at a P/E multiple of 30x the FY26E EPS of INR 47.2, and a 'Buy' rating with an upside of 69%. As the company navigates current macroeconomic challenges of higher wage and freight expenses, the UK- India FTA discussions have slowed; however, overall demand is shifting from Bangladesh to India. India's pricing power is still developing with increased sourcing demand as a response to interest rate cuts (declines in imports are bottoming out).

INR Mn	FY23	FY24	FY25E	FY26E
Revenue	22,392	23,789	36,278	42,526
Growth	25.07%	6.24%	52.50%	17.22%
EBITDA	2,958	2,841	4,309	5,142
EBITDA M	13.2%	11.8%	11.9%	12.1%
PAT	1,730	1,310	2,398	2,994
EPS (INR)	28.6	20.7	37.8	47.2
RoE	19.5%	10.1%	15.7%	16.4%
RoCE	34.7%	10.5%	16.6%	17.9%
P/E (x)	29.4	40.7	22.2	17.8
EV/EBITDA (x)	17.3	20.7	13.5	11.2
Net D/E (x)	0.6	-0.1	-0.4	0.3
P/BV (x)	7.2	6.0	4.1	3.5

Source: Company &amp; Arihant Research

<b>INR Cr (Consolidated)</b>	<b>Q2FY25</b>	<b>Q1FY25</b>	<b>Q2FY24</b>	<b>Q-o-Q</b>	<b>Y-o-Y</b>
<b>Net Revenue</b>	<b>929</b>	<b>932</b>	<b>500</b>	<b>-0.34%</b>	<b>85.71%</b>
Raw Material Costs	483	483	236	-0.02%	105.11%
Gross Profit	446	449	265	-0.68%	68.44%
<i>Gross Margin</i>	<i>47.99%</i>	<i>48.15%</i>	<i>52.91%</i>	<i>-17bps</i>	<i>-492bps</i>
Employee costs	286	292	180	-2.02%	58.37%
Job Work Charges	9	4	0	100.73%	6914.23%
Other Expenses	85	78	38	9.77%	123.42%
<b>EBITDA</b>	<b>66</b>	<b>75</b>	<b>46</b>	<b>-12.07%</b>	<b>43.96%</b>
<i>EBITDA margin %</i>	<i>7.12%</i>	<i>8.07%</i>	<i>9.18%</i>	<i>-95bps</i>	<i>-206bps</i>
Other Income	13	8	9	68.57%	46.26%
Depreciation	29	28	21	4.02%	38.67%
<b>EBIT</b>	<b>50</b>	<b>55</b>	<b>34</b>	<b>-9.03%</b>	<b>47.79%</b>
Finance costs	18	19	6	-4.33%	215%
Gain/ Loss on account of foreign exchange fluctuations (net)	-3	0	-1	-1514.50%	210%
<b>PBT</b>	<b>36</b>	<b>36</b>	<b>29</b>	<b>-1.41%</b>	<b>21.34%</b>
Tax Expense	7	9	6	-16.65%	32%
<i>Effective tax rate %</i>	<i>20.90%</i>	<i>24.72%</i>	<i>19.16%</i>	<i>-382bps</i>	<i>174bps</i>
<b>PAT</b>	<b>28</b>	<b>27</b>	<b>24</b>	<b>3.59%</b>	<b>18.73%</b>
<i>PAT margin %</i>	<i>2.99%</i>	<i>2.89%</i>	<i>4.66%</i>	<i>10bps</i>	<i>-167bps</i>
<b>Basic EPS (INR)</b>	<b>3.94</b>	<b>3.92</b>	<b>3.91</b>	<b>0.51%</b>	<b>0.77%</b>

Source: Company & Arihant Research

- The top 5 customers contributing 65-70% of total revenue, while the leading customer accounts for around 27%.
- Import reliance includes 100% of Atraco's and 25% of the standalone entity's raw materials.
- Ramp-up of employees in anticipation of volume growth for the second half of the year in newer units further weighed on performance.
- Integration of the newly acquired entities has progressed well and will lead to operating leverage in the future. Most of the headwinds in the acquired entities are over now.
- Near term and long term order book looks strong.
- There is a continued shift in global sourcing away from China, Vietnam and Bangladesh, a trend towards supplier consolidation in light of supply-side instabilities in various countries.
- Generated INR 171.5 cr in operating cash in H1.

## Q2FY25 Result Update | Gokaldas Exports

Consolidated Statement of Profit and Loss (INR Mn)	FY23	FY24	FY25E	FY26E
<b>Revenue</b>	<b>22,222</b>	<b>23,789</b>	<b>33,930</b>	<b>39,725</b>
Total Income	22,472	24,090	36,278	42,526
Total Expense	19,514	21,249	31,969	37,384
<b>EBITDA</b>	<b>2,958</b>	<b>2,841</b>	<b>4,309</b>	<b>5,142</b>
Depreciation and amortisation expenses	718	888	932	1,000
<b>EBIT</b>	<b>2,241</b>	<b>1,953</b>	<b>3,378</b>	<b>4,142</b>
Interest expense	257	363	380	400
Exceptional item	-61	-	-	-
<b>PBT</b>	<b>1,983</b>	<b>1,590</b>	<b>2,998</b>	<b>3,742</b>
Tax expense	314	280	600	748
<b>PAT</b>	<b>1,730</b>	<b>1,310</b>	<b>2,398</b>	<b>2,994</b>
<b>Basic earnings per share</b>	<b>28.55</b>	<b>20.66</b>	<b>37.83</b>	<b>47.23</b>
Consolidated Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E
<b>Non Current Assets</b>				
Property, plant and equipment	1,661	3,762	4,762	5,762
Capital work-in-progress	1,079	1,280	1,480	1,680
Right of Use Asset	1,125	1,728	1,928	2,128
Other intangible assets	11	5,870	5,873	5,876
Financial assets	282	405	415	425
Deferred tax assets	306	408	508	608
Non-current tax assets (net)	41	12	14	16
Other non-current assets	116	80	85	90
<b>Total non-current assets</b>	<b>4,622</b>	<b>13,545</b>	<b>15,065</b>	<b>16,585</b>
<b>Current assets</b>				
Inventories	2,930	6,036	6,000	6,500
Financial assets	5,049	6,466	7,619	8,763
Other current assets	819	1,364	1,864	2,364
<b>Total current assets</b>	<b>8,798</b>	<b>13,866</b>	<b>15,484</b>	<b>17,627</b>
<b>Total assets</b>	<b>13,420</b>	<b>27,411</b>	<b>30,549</b>	<b>34,213</b>
<b>EQUITY</b>				
Equity share capital	303	317	317	317
Other equity	8,560	12,596	14,995	17,988
<b>Total equity</b>	<b>8,863</b>	<b>12,913</b>	<b>15,311</b>	<b>18,305</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Financial liabilities	964	4,215	4,915	5,615
Borrowings	96	2,810	3,310	3,810
Lease liabilities	868	1,405	1,605	1,805
Provision for employee benefits	135	150	130	110
<b>Total non-current liabilities</b>	<b>1,099</b>	<b>4,365</b>	<b>5,045</b>	<b>5,725</b>
<b>Current liabilities</b>				
Financial liabilities	2,897	9,317	9,376	9,366
Other current liabilities	122	256	256	256
Provision for employee benefits	440	560	560	560
Current tax liability	-	-	-	-
<b>Total current liabilities</b>	<b>3,459</b>	<b>10,133</b>	<b>10,193</b>	<b>10,183</b>
<b>Total equity and liabilities</b>	<b>13,420</b>	<b>27,411</b>	<b>30,549</b>	<b>34,212</b>
Consolidated Statement Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E
<b>Profit before tax</b>	<b>1,983</b>	<b>1,590</b>	<b>2,998</b>	<b>3,742</b>
Adjustment for:				
Tax	-385	-280	-600	-748
Depreciation	718	888	932	1,000
Other Expenses	-	-	-	-
Finance Costs	257	363	380	400
<b>Cash from operation</b>	<b>2,580</b>	<b>2,561</b>	<b>3,710</b>	<b>4,394</b>
Working capital changes	1,108	2,001	-379	-1,210
<b>Net Cash generated /(used) from operation</b>	<b>3,688</b>	<b>4,562</b>	<b>3,330</b>	<b>3,184</b>
<b>Cash from Investing</b>				
Purchase of PP&E	-1,354	-9,651	-2,335	-2,403
Proceeds from sale PP&E	90	-	-	-
Investment in bank deposits	-553	-	-	-
Redemption of bank deposits	610	-	-	-
Investment in mutual Fund Units	-3,650	-160	-117	-117
Proceeds from sale of mutual fund units	1,914	-	-	-
Finance Income	30	-	-	-
<b>Cash generated /(used) from Investing</b>	<b>-2,913</b>	<b>-9,811</b>	<b>-2,452</b>	<b>-2,520</b>
<b>Cash from Financing</b>				
Proceeds from Issue of Shares	43	2,741	-	-
Short Term borrowings	4,148	3,266	680	680
Repayment of Short-term borrowings	-4,426	-	-	-
Payment of other liabilities and lease liabilities	-421	-	-	-
Finance Costs	-98	-363	-380	-400
<b>Cash generated / (used) from Financing</b>	<b>-754</b>	<b>5,644</b>	<b>300</b>	<b>280</b>
<b>Cash Generated during the year</b>	<b>21</b>	<b>395</b>	<b>1,179</b>	<b>944</b>
<b>Opening Balance</b>	<b>127</b>	<b>147</b>	<b>543</b>	<b>1,721</b>
<b>Closing Balance</b>	<b>147</b>	<b>543</b>	<b>1,721</b>	<b>2,665</b>

Source: Company & Arianth Research

Ratios	FY23	FY24	FY25E	FY25E
<b>Growth</b>				
Revenue growth	24.1%	7.1%	42.6%	17.1%
EBITDA Growth	36.8%	-4.0%	51.7%	19.3%
EBIT Growth	42.5%	-12.8%	72.9%	0.0%
Net Profit Growth	342.0%	47.7%	-24.3%	83.1%
<b>Profitability</b>				
EBITDA Margin	13.2%	11.8%	11.9%	12.1%
EBIT Margin	9.4%	5.8%	9.3%	0.0%
Net Profit Margin	7.8%	5.5%	7.1%	7.5%
ROE	19.5%	10.1%	15.7%	16.4%
ROCE	34.7%	10.5%	16.6%	17.9%
<b>Per Share Data (INR)</b>				
Basic EPS	28.55	20.66	37.83	47.23
BVPS	116.9	139.8	203.7	241.6
<b>Gearing Ratio (x)</b>				
Net Debt/Equity	(0.4)	0.3	0.2	0.2
Net Debt/EBITDA	(1.1)	1.4	0.8	0.6
Interest Coverage Ratio	8.9	5.4	8.9	10.4
<b>Efficiency Ratios</b>				
Inventory Days	113	144	119	102
Receivable Days	19	37	35	26
Payable Days	31	43	38	33
Cash Conversion cycle	100	139	116	95
<b>Valuation</b>				
P/E	29.4	40.7	22.2	17.8
P/BV	7.2	6.0	4.1	3.5
EV/EBITDA	17.3	20.7	13.5	11.2
EV/Sales	2.3	2.5	1.6	1.4

Source: Company & Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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