

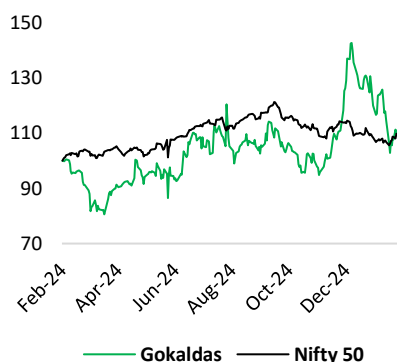
CMP: INR 959
Rating: Accumulate
Target Price: INR 1,094
Stock Info

BSE	532630
NSE	GOKEX
Bloomberg	GEXP:IN
Reuters	GOKL.NS
Sector	TEXTILES
Face Value (INR)	5
Equity Capital (INR cr)	31.7
Mkt Cap (INR cr)	6,581
52w H/L (INR)	1,262/ 687
Avg Daily Volume (in 000')	252

Shareholding Pattern %
(As on December 2024)

Promoters	9.38
FII	26.54
DII	37.01
Public & Others	27.08

Stock Performance (%)	1m	3m	12m
Gokaldas	(12.5)	4.8	2.4
Nifty 50	(0.1)	(3.1)	7.5

GEL vs Nifty 50

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In Q3FY25, Gokaldas delivered a mixed bag of results; beats on revenue and PAT; INR depreciation worked in favor. Higher employee and material costs drag down margins. They also approved the acquisition of 13.30% shareholding of BRFL Textiles Pvt Lt, engaged in manufacture and sale of textiles and operates a dyeing, printing and fabric processing facility at Palghar. The entity has an FY24 revenue of INR 473 Cr. Revenue grew 79.08% YoY to INR 988 Cr (+6.33% QoQ), beating our revenue estimate of INR 629 Cr by 57%. Gross Margin contracted 211bps YoY 53.56% (+558bps QoQ). EBITDA ex- OI grew 56.95% YoY to INR 98 Cr (+48.36% QoQ), beating our estimate of INR 72 Cr. EBITDA Margin contracted 140bps YoY to 9.93% (+281bps QoQ), missing our estimate of 11% by 151bps. PAT grew 65.47% YoY to INR 50 Cr (+78.76% QoQ), beating our estimate of INR 25 Cr. On a LFL basis (excluding Atraco and Matrix), revenues grew 19% and EBITDA grew 12% YoY.

Retail sentiment looks promising: The US clothing retail growth for 2024 was 3%. Most of this growth was supported by volume expansion, with buoyant end-consumer purchases. Apparel imports by the US & EU have picked up since the second half of 2024, as retailers optimized their inventories in line with sales. UK Retail store sales growth declined, however, the decline has moderated since beginning of the second half of CY24.

Valuation & Outlook: We assign a TP of INR 1,094 valued at a P/E multiple of 40x the FY26E EPS of INR 27, and an 'Accumulate' rating with an upside of 15%. Though the recent acquisitions have dampened initial company level profitability, we remain positive on their long-term prospects with vendor consolidation away from China, high cost of production, and fabric dependence on China of Vietnam, and ongoing geopolitical issues in Bangladesh leads India to be well positioned to capitalize on this opportunity. Additionally, RM prices have stabilized, and the government is issuing incentives for low-cost regions of production. There is also ongoing PLI support for investments in MMF and technical textiles. Integration of the acquired entities is on track, with headwinds largely behind. The new investment in BTPL will enhance vertical integration for better quality and cost efficiency. The company is working on increasing its capacity by initiating construction of a second unit in MP, which is expected to be completed by Q2FY26. Their order book remains strong, securing robust near-term prospects.

INR Mn	FY23	FY24	FY25E	FY26E
Revenue	22,392	23,789	38,627	42,214
Growth	25.07%	6.24%	62.37%	9.29%
EBITDA	2,958	2,841	3,836	4,354
EBITDA M	13.2%	11.8%	9.9%	10.3%
PAT	1,730	1,310	1,486	1,734
EPS (INR)	28.6	20.7	23.4	27.4
RoE	19.5%	10.1%	10.3%	10.7%
RoCE	34.7%	10.5%	13.8%	13.7%
P/E (x)	33.6	46.4	40.9	35.1
EV/EBITDA (x)	19.7	23.4	17.4	15.5
Net D/E (x)	0.6	-0.1	-0.4	0.3
P/BV (x)	8.2	6.9	4.7	4.2

Source: Company & Arihant Research

INR Cr (Consolidated)	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y
Net Revenue	988	929	552	6.33%	79.08%
Raw Material Costs	459	483	244	-5.07%	87.62%
Gross Profit	529	446	307	18.68%	72.29%
<i>Gross Margin</i>	<i>53.56%</i>	<i>47.99%</i>	<i>55.68%</i>	<i>558bps</i>	<i>-211bps</i>
Employee costs	334	286	195	16.79%	71.16%
Job Work Charges	7	9	4	-14.51%	94.26%
Other Expenses	90	85	46	5.38%	96.20%
EBITDA	98	66	63	48.36%	56.95%
<i>EBITDA margin %</i>	<i>9.93%</i>	<i>7.12%</i>	<i>11.33%</i>	<i>281bps</i>	<i>-140bps</i>
Other Income	13	13	8	1.55%	58.53%
Depreciation	30	29	21	5.74%	41.56%
EBIT	81	50	49	60.85%	63.94%
Finance costs	19	18	5	6.57%	251%
Gain/ Loss on account of foreign exchange fluctuations (net)	-6	-3	0	69.57%	-2838%
PBT	67	36	44	89.11%	54.59%
Tax Expense	17	7	13	128.32%	29%
<i>Effective tax rate %</i>	<i>25.22%</i>	<i>20.89%</i>	<i>30.14%</i>	<i>433bps</i>	<i>-491bps</i>
PAT	50	28	30	78.76%	65.47%
<i>PAT margin %</i>	<i>5.03%</i>	<i>2.99%</i>	<i>5.43%</i>	<i>204bps</i>	<i>-40bps</i>
Basic EPS (INR)	7.04	3.94	5.02	78.68%	40.24%

Source: Company & Arian Research

Recent Acquisitions: Atraco and Matrix are being integrated and showing margin improvements, though work remains to fully optimize operations.

BRFLs Potential: The company is investing in a fabric mill (BRFL) to backward integrate and improve capabilities, with plans to potentially merge it in the future.

Guidance: Management is targeting 10-15% annual revenue growth and EBITDA margins around 12% consolidated. The company aims to reach USD 1 billion in revenue in the coming years through organic growth and strategic expansions.

Head Count: The company employs about 55,000 people, with 78-80% being women.

Tariff Implications: The company sees potential benefits from possible US tariff increases, especially for their duty-free African operations.

Product mix improvement: They are focused on improving operational efficiency, expanding capacity, and diversifying product mix (including more outerwear and synthetic fabrics).

Q3FY25 Result Update | Gokaldas Exports

Consolidated Statement of Profit and Loss (INR Mn)	FY23	FY24	FY25E	FY26E
Revenue	22,222	23,789	38,180	41,814
Total Income	22,472	24,090	38,627	42,214
Total Expense	19,514	21,249	34,791	37,860
EBITDA	2,958	2,841	3,836	4,354
Depreciation and amortisation expenses	718	888	1,032	1,200
EBIT	2,241	1,953	2,804	3,154
Interest expense	257	363	740	746
Exceptional item	-61	-	-	-
PBT	1,983	1,590	2,064	2,408
Tax expense	314	280	578	674
PAT	1,730	1,310	1,486	1,734
Basic earnings per share	28.55	20.66	23.44	27.36
	FY23	FY24	FY25E	FY26E
7				
Non Current Assets				
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
Total non-current assets	4,622	13,545	15,065	16,585
Current assets				
Inventories	2,930	6,036	6,000	6,500
Financial assets	5,049	6,466	6,707	6,591
Other current assets	819	1,364	1,864	2,364
Total current assets	8,798	13,866	14,572	15,455
Total assets	13,420	27,411	29,637	32,041
EQUITY AND LIABILITIES				
EQUITY				
Equity share capital	303	317	317	317
Other equity	8,560	12,596	14,082	15,816
Total equity	8,863	12,913	14,399	16,133
LIABILITIES				
Non-current liabilities				
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
Total non-current liabilities	1,099	4,365	5,045	5,725
Current liabilities				
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
Total current liabilities	3,459	10,133	10,193	10,183
Total equity and liabilities	13,420	27,411	29,637	32,041
Consolidated Statement Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E
Profit before tax	1,983	1,590	2,064	2,408
Adjustment for:				
Tax	-385	-280	-578	-674
Depreciation	718	888	1,032	1,200
Finance Costs	257	363	740	746
Cash from operation	2,580	2,561	3,258	3,680
Working capital changes	1,108	2,001	-379	-1,210
Net Cash generated /(used) from operation	3,688	4,562	2,878	2,470
Cash from Investing				
Purchase of PP&E	-1,354	-9,651	-2,435	-2,603
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	-	-	-
Cash generated /(used) from Investing	-2,913	-9,811	-2,552	-2,720
Cash from Financing				
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	-740	-746
Cash generated / (used) from Financing	-754	5,644	-60	-66
Cash Generated during the year	21	395	267	-316
Opening Balance	127	147	543	809
Closing Balance	147	543	809	493

Source: Company & Arianth Research

Ratios	FY23	FY24	FY25E	FY25E
Growth				
Revenue growth	24.1%	7.1%	60.5%	9.5%
EBITDA Growth	36.8%	-4.0%	35.0%	13.5%
EBIT Growth	42.5%	-12.8%	43.5%	0.0%
Net Profit Growth	342.0%	47.7%	-24.3%	13.5%
Profitability				
EBITDA Margin	13.2%	11.8%	9.9%	10.3%
EBIT Margin	9.4%	5.1%	7.3%	0.0%
Net Profit Margin	7.8%	5.5%	3.9%	4.1%
ROE	19.5%	10.1%	10.3%	10.7%
ROCE	34.7%	10.5%	13.8%	13.7%
Per Share Data (INR)				
Basic EPS	28.55	20.66	23.44	27.36
BVPS	116.9	139.8	203.7	227.2
Gearing Ratio (x)				
Net Debt/Equity	(0.4)	0.3	0.3	0.3
Net Debt/EBITDA	(1.1)	1.4	1.1	1.2
Interest Coverage Ratio	8.9	5.4	3.8	4.2
Efficiency Ratios				
Inventory Days	113	144	111	105
Receivable Days	19	37	31	25
Payable Days	31	43	35	34
Cash Conversion cycle	100	139	107	96
Valuation				
P/E	33.6	46.4	40.9	35.1
P/BV	8.2	6.9	4.7	4.2
EV/EBITDA	19.7	23.4	17.4	15.5
EV/Sales	2.6	2.8	1.7	1.6

Source: Company & Arian 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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