

# gokaldas exports ltd

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August 13, 2025

**BSE Limited  
Phiroze Jeejeebhoy Towers  
25<sup>th</sup> Floor, Dalal Street,  
Mumbai – 400 001**

**National Stock Exchange of India Limited  
The Exchange Plaza  
Bandra-Kurla Complex, Bandra (E),  
Mumbai – 400 051**

**Scrip Code – 532630**

**Scrip Code: GOKEX**

Dear Sir / Madam,

**Sub: Transcript of Q1 FY'26 earnings conference call**

Pursuant to Regulation 30 and Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q1 FY'26 earnings conference call held on August 06, 2025. The Transcript is also available on the Company's website at [www.gokaldasexports.com](http://www.gokaldasexports.com).

Please take this into your records.

Thanking you,

Yours truly,

**For Gokaldas Exports Limited**

**Gourish Hegde  
Company Secretary & Compliance Officer**

Encl: as above



Regd. Office : # 25, 2nd Cross, 3rd Main,  
Industrial Suburb, Yeshwanthpur, Bangalore 560 022.  
Tel : +91 80 68951000, Fax : +91 80 68951001  
E-Mail : [info@gokaldasexports.com](mailto:info@gokaldasexports.com) CIN : L18101KA2004PLC033475





“Gokaldas Exports Limited  
Q1 FY '26 Earnings Conference Call”  
August 06, 2025



**MANAGEMENT:** **MR. SIVA GANAPATHI – CHAIRMAN AND MANAGING  
DIRECTOR – GOKALDAS EXPORTS LIMITED**  
**MR. A SATHYAMURTHY – CHIEF FINANCIAL OFFICER  
– GOKALDAS EXPORTS LIMITED**

**MODERATOR:** **MR. DIWAKAR PINGLE – EY**



*Gokaldas Exports Limited*  
*August 06, 2025*

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY '26 Earnings Conference Call of Gokaldas Exports Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from EY. Thank you, and over to you, sir.

**Diwakar Pingle:** Thank you, Manav. Good morning to all the participants on this call. Before we proceed to the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with the business that could cause future results, performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements.

Please note that we have mailed the results and the presentation, and the same are also available on the company's website. In case you have not received the same, you can write to us, and we'll be happy to send the same over to you.

To take us through the results and answer your questions today, we have the top management of Gokaldas Exports Limited, represented by Mr. Siva Ganapathi, our Chairman and Managing Director; and Mr. Sathyamurthy, the Chief Financial Officer. We'll start the call with a brief overview of the quarter gone past and then conduct the Q&A session. With that said, I'll now hand over the call to Siva. Over to you Siva.

**Siva Ganapathi:** Thank you, Diwakar. Good morning, everyone. Happy to have you at our earnings call for the first quarter of FY '26. The company registered a strong PAT growth of 53%, delivering INR41 crores for the quarter and improved its operating margin by 3.3% on a Y-o-Y basis, supported by productivity gains, cost management efforts, etc. The EBITDA margin stood at about 12.1% compared to 8.8% for the same quarter last year. The profit was bolstered by receipt of some investment incentives, but was also hit sizably on account of customer discounts related to tariffs in this quarter.

The company reported a moderate income growth -- total income growth of 4% as the period was impacted by tariff-led uncertainties. Total income, excluding both the acquired entities, reported a 20% Y-o-Y growth, while Indian apparel exports during the same period grew by about 9%. The U.S. retail market remained resilient in the first half of 2025 calendar year.

During this period, retail sales in U.S. grew by about 5%, while in U.K., it grew by 6%. Most of the growth has been volume led, while price has been flat. Retailers have already optimized their inventory holding levels and need goods for the seasons ahead. Apparel imports in the first 5 months of the calendar year across U.S., EU, U.K. increased between 7% and 12%.

The recently revised reciprocal tariffs imposed by the U.S. on India is expected to pose a challenge in the second half of this financial year as most of our order bookings for the second



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quarter are already closed. Brands are cautious and want to know the tariff impact on various geographies for committing their orders. India has a large export business of \$16 million per annum. It's impossible for any brand to find alternative solutions for this volume elsewhere in the short run.

A clarity on the tariff imposed on India over the next few months will allow this churn to settle. In the meanwhile, a higher tariff from August across all regions would impact business volumes in the short run. As you are aware, most of the countries which export apparel, barring China and India are tariff at about 20%. So that would have a potential inflationary impact in the market and could impact business volumes going forward. Brand strategies to address this remains to be seen. That said, any positive outcome on the U.S.-India trade deal might provide a spike.

Amidst these challenges, our Africa business might be at an advantageous position with 10% U.S. reciprocal tariff on both Kenya and Ethiopia, and we are working towards an active engagement with our clients there. We are combating these issues by focusing on cost optimization and better productivity gains across the group.

Further, we are in dialogue with all customers to explore ways to manage the cost of goods for them. Our strategic investments in BTPL, a fabric processing unit strengthens vertical integration into fabric requirements, enabling faster, higher quality and cost-efficient deliveries. This may also have the ability or bring in the ability to improve our margins going forward.

In the longer term, sourcing diversification is a key theme for all customers, and India remains one of the top contenders amongst its Asian peers. The recently announced India U.K. FTA offers a 12% duty advantage of China and puts India on par with Bangladesh, creating a strong export potential. India is also negotiating with EU for an FTA, which has a strong ability to expand the industry in India.

In anticipation, we are stepping up our European business. Our share in Q1 FY '26 has increased to over 13% from a 9% average in FY '25. We are actively engaging with customers in EU and U.K. to diversify. We are closely working with all -- watching all the macro developments and are ensuring that we have the ability to respond to situations decisively and effectively. I thank you for listening and would be happy to address questions that you may have.

**Moderator:** Thank you very much. First question from the line of Rehan Saiyyed from Trinetra Asset Managers. Please go ahead.

**Rehan Saiyyed:** I want some more clarification regarding the business segments. First is the current utilisation level across facilities including the new Acharpura/Bhopal unit. Are we planning any fresh capacities additions in FY'26 from this plant?

**Siva Ganapathi:** Okay. So if I look at the utilization levels for the first quarter, utilizations in India are well in the 90s. And in Africa, we would be closer to about 80%. And we are adding capacity in India, where we are bringing up 3 factories. They will all come up in third quarter, one in Bhopal,



where we are adding the second factory. The first factory is fully utilized, and we are seeking incremental capacity by adding one more unit in the same campus there.

We are adding one more factory in Karnataka in a place called Kolar Goldfield. And there's yet another knit factory, a small one, which is coming up, which will be starting in Ranchi. So these are capacities that we have talked about previously as well, and they have been work in progress and would come on stream somewhere during the third quarter of this financial year.

We are also expanding in Africa by adding another 500 machines in one of our existing facilities where there is a scope for further expansion. We are seeing the business traction for that starting Q3 in Africa. So we've commenced that expansion process, which will get concluded by Q2.

It's a brownfield expansion within the same factory premises. And I think for now, we would stop capex expenses. These are expansions which were started much earlier. We will wait and watch and see how all of the tariff and geopolitical situations play out before taking further capital investment decisions.

**Rehan Saiyyed:**

And second question is on the P&L side. The employee cost has been a substantial increase in this quarter. Is it due to ramp-up in new facilities for wage inflation? Should we expect this trend to sustain in the coming quarter? Can you put more light on this?

**Siva Ganapathi:**

So every April, there is a reset of minimum wage, and we had a minimum wage growth of 5% in the month of April for the based on CPI. So the wage inflation bakes in that component. We have also increased our headcount by over 1,200 people, which has also resulted in the wage increase in anticipation of volume growth. So all of this has contributed to incremental wage. I think this would be the norm for the rest of the financial year. I don't think you need to bake in further increases. This will be the level at which we will operate by and large.

**Rehan Saiyyed:**

And sir, like one more question regarding the outlook for Q2. Like what is the outlook for Q2 in terms of seasonality and execution time lines for current orders as well paying the tariff? Like is there any delay you're facing in the coming quarters for executing the orders?

**Siva Ganapathi:**

So Q2 for Indian apparel industry is usually a lean season. But given that we have all the orders booked for Q2 -- as I had indicated in my previous quarter's earnings call as well, we have had to do some burden share on tariff for Q2 as well. So from an order booking perspective, while we are in a good position, there would be some challenges just like quarter 1 on margins on account of customer discounts that we had agreed for absorbing some of the tariff increases.

So we would see some dip in our Africa operations as well as Matrix operations, which we had acquired earlier because for them also, it's a seasonal dip in Q2. But it should not be much. It should be marginal, I would say. We would say most likely the volumes and the top line would come in line with the current levels, by and large. So Q2 is not a source of worry for us. We have to still see how all the tariffs will impact the quarters ahead because those are work in progress as we speak.



- Moderator:** We have our next question from the line of Jignesh Kamani from Nippon Mutual Fund.
- Jignesh Kamani:** Just want to know on the BTPL side, how is your experience on ramping up any issue, I can say on that part and thing? And second thing on the funding part. So if you take about -- we acquired almost 16% stake, which if I do a value of close to around INR343 crores of the company, while we earlier had a total acquisition cost will be close to around INR580 crores. So how much is now a revised estimate on the estimate?
- And how are you planning to fund it? Because earlier thought was we did a QIP in past and we might need to take additional debt considering current situation where the margin revenue might get some impacted. So any fresh thought on the funding part, whether we are comfortable taking additional debt or not?
- Siva Ganapathi:** Okay. Thank you, Jignesh. As far as BTPL performance is concerned, it has been steadily improving its performance over the quarters. Since our acquisition, we have seen a substantial progress as far as BTPL's quality of goods produced, its internal processes as well as its profitability. So we've seen the business team there deliver a fairly strong performance, which actually encouraged us to consider going forward with starting an acquisition or initiating an amalgamation process. So that's where we stand at the moment. We will be taking that decision really very soon.
- Now if we go ahead with this transaction, -- our intention is to acquire the balance of the company. Our equity, we may have to pay cash to the extent of about INR70 crores to buy. And I think we have paid that already. And the rest, we intend paying about INR490 crores. So it's coming well within the INR588 crores that we had announced earlier.
- Our intention is not to fund it through further debt raising. We have the finances available to manage it. And largely, it will be acquired by offering equity to the current shareholders rather than pay them in cash. So that's the intention. We want to not raise our debt levels from where we are and would like to conserve cash for the business.
- Jignesh Kamani:** Understood. And second question on the margin front. We have a INR9 crores kind of export capital incentive from the API unit. So it was for the particular quarter only or because of the past 2 or 3 years? And what kind of run rate will be sustainable in future?
- Siva Ganapathi:** So it was for the previous year. It was for the last 1.5 years or 2 years incentive, which came with a phase lag from there. Going forward, we should secure this for another 4 years or another 5 years at the rate of about INR4 crores a year.
- Moderator:** We have a next question from the line of Monish Ghodke from HDFC Mutual Fund.
- Monish Ghodke:** Sir, I have a question on BTPL acquisition. So given the capacity which BTPL has in terms of fabric, it's very outsized as far as our fabric requirements are concerned. And the return ratios of fabric business are also not that attractive. And it also captures -- it also restricts our capital to further invest in garmenting. So is there any relook on this? Or what's the strategy here currently?



**Siva Ganapathi:** See, once we grow to a certain size, having fabric allows us to further enhance the growth of our apparel business vertical integration allows us faster turnaround, allows us access to business which otherwise or either to we were not been able to take it, improve our downstream margins as well as we have a vertical play. So there are certain advantages on the business side to having a fabric unit. We can also align the fabric unit output to our garment production, thereby maximizing the potential of the fabric unit.

The way I see the fabric unit at its peak of operations, we should be far in excess of 12% EBITDA margin when we operate. And I think we should be probably 13% to 14% there. We have acquired it for a reasonable cost. So we see that the return metrics are also good for the -- for a unit of that size, which we will get. There are several other strategic benefits that we could see with this unit going forward. So it's a strategic call. It also makes sense financially, which is why we intend going forward.

**Moderator:** We have our next question from the line of Raman from Sequent Investments.

**Raman:** Sir, my question is with respect to BTPL as well. Sir, I just want to understand what is the current utilization of the BTPL facility? And how much increment if the acquisition is completed by the end of this financial year, how much incremental EBITDA and PAT will it add to our existing EBITDA and PAT numbers from the following year?

**Siva Ganapathi:** So currently, we are operating between 40% and 50% of its capacity utilization. Its capacity is 400,000 meters a day. And currently, we are operating at about 1.8 lakh to 2 lakh meters a day capacity utilization. This is a somewhat of a lean season for the fabric mills. I anticipate it going to about 60% to 65% utilization by October of this year.

And then eventually, I think by early next financial year, we would be closer to 90% capacity utilization. That's the trajectory that we are working towards. At full capacity, we anticipate the revenue to be of the order of INR1,800 crores with an EBITDA in excess of INR200 crores coming from that unit.

Keep in mind that to the extent that the fabric is consumed internally, which our intention is to consume at least 35% of it, there will be a revenue which will get knocked off internally because it will be an internal consumption. And proportionately, the EBITDA will anyway flow to the business down the line.

**Moderator:** We have our next question from the line of Vishal Mehta from IIFL Capital.

**Vishal Mehta:** So my first question is that you mentioned in your presentation and release that the company revenues ex of acquisitions have grown 20% Y-o-Y, which implies that your acquisitions have actually declined more than 20% Y-o-Y. So why would there be such a decline in acquisitions? And also, if you can provide EBITDA and volume numbers including ex of acquisitions?

**Siva Ganapathi:** So acquired entities have not declined by more than 20%. It has declined because overall growth has been 4%, while the erstwhile has grown by 20%. One of the reasons is that when we acquired



Atraco last year, we had a strike in the fourth quarter of FY '24. And a lot of those goods got held up and bunched up and then dispatched in first quarter of FY '25.

So there was an artificial inflation of revenue in that unit for first quarter of FY '25. So that is the reason why Y-o-Y, you will see a dip in the revenue. What has happened this year is somewhat of a steady-state revenue. So that has distorted the acquired entities revenue growth.

On the contrary, the acquired entities have actually improved their EBITDA margin and their EBITDA margins are growing Y-o-Y by the extent of about 2%, 2.5%. So there has been a considerable progress that we have made in the operating performance of these acquired entities. And we are confident that, that trajectory will continue in the quarters ahead.

**Vishal Mehta:** Okay. So can you provide EBITDA and volumes, including of acquisitions?

**Siva Ganapathi:** I'll just get back to you. Give me a few moments, I'll just pull that out and let you know.

**Vishal Mehta:** Sure. My second question till then was if you can elaborate on what has been the tariff impact in the current quarter and whether that has actually resulted in declining ASP or it has come as a separate customer claims and expense line item? And how do you see this going forward?

**Siva Ganapathi:** So just to answer your previous question, our revenue from acquired entities were INR282 crores and EBITDA was 11%. Coming back to the question that you raised of the customer claims. Sathya, you want to answer that question?

**A Sathyamurthy:** The customer claims during the quarter, we had about INR15 crores is the total claim and we have taken a hit during the quarter. That is adjusted against the revenue because it's a drop in the realization. that is also one of the reasons why the revenue has come down by almost INR15 crores.

**Moderator:** We have our next question from the line of Anand S from Avendus Spark.

**Sundar:** This is Sundar from Avendus. Sir, a couple of questions, just continuing as to where Vishal left. The first point is that we had indicated last quarter, the tariff impact would be felt more in terms of margins. But as for the explanation, I understand it is having an impact in terms of revenues. Is the understanding right, sir?

**Siva Ganapathi:** No, it is not. It is also in the margin.

**Sundar:** Okay. Absolute EBITDA might be down, but margins will look optically higher given the numerator denominator effect will play out here?

**Siva Ganapathi:** No. So when numerator and denominator get hit by the same amount, the margins do get hit, right, Sundar?

**Sundar:** Right. We take that. Sir, the second question here is in terms of what should we look at the new levels of margins? Because if I were to take the average tariff that has been imposed by U.S. on





about the top 7, 8 countries that they import from, it's been to the tune of somewhere between 22% to 25%, right?

Now with this being at the regard and most of the retailers also indicating that they might have to take a price increase, which on a 3, 3.5x markup out to be about 3.5% inflation. What is the sort of that you're taking from the market is that even if India gets to a lower number, I have two questions. One, how long will the demand impact from the U.S. market Second one is that should we take the margin reset that has happened this quarter as a permanent effect that is going to be below 10%.

**Siva Ganapathi:**

Okay. So I don't see this as a permanent impact or margin impact. So let's understand this, right? So the average tariff for most of these large exporting countries, and I'm keeping aside China for now, is about 20%, right? India may come at 25%. China is at 30%. Let's see where all of these finally land up.

So if that's the kind of tariff that has been imposed on apparel products, since apparel is also marked up by 3x, the impact that the end consumer will face will be to the extent of 1/3 of it, right? So if it's 20%, then we are talking of about 7%, 8%, plus some additional carrying cost and inventory costs, etc. So we can add a little bit on account of that as well. But that's kind of incremental tariff impact, tariff-related inflationary impact that the market will face.

You should also see how the budget of U.S. government, the big beautiful budget, which is also put in -- which has also been fairly advantageous for many U.S. citizens. So there could be some extra tax breaks that many will get, et cetera, which may put some more disposable incomes in the hands of U.S. consumers, too. So we need to see how all of this will play out in terms of buying patterns over the quarters ahead. Now in the Q3, we will be producing for spring '26. And the Q4, we'll be producing for summer '26. If you look at summer '26, it's almost a year away from now.

My sense is that the tariff narrative will move on to something else in the U.S. I mean world is only talking of tariffs today. And I guess more and more people will adjust themselves to tariff and tariff-related inflation. By then, most would have baked it in, in the form of pricing or reduce the value of the product by DE specking the garments. So there are many ways in which you can still hold on to the price or pass on the price increase to the consumer by shrinkflation or price increases or a combination of both. And both of that is happening in the market as we speak.

So there are active considerations by all brands in all these areas. If you look at the luxury brands or the affordable luxury brands also, they have already passed on the price increases or have started doing so. All of those big box retailers, typical fast fashion brands have held back yet. And I think post the holiday season, which is this Christmas, they will also start either DE specing or shrinkflation or increase the pricing. And eventually, my assessment is that it could get passed on back to the customer.

So long story short, the tariff impact on margins may go away from sometime next year. So while I'm still saying that Q3 and Q4, we may have to absorb some amount of tariffs since the



tariff component is strong. I mean the end user price increase of 8% will be very high. So my sense is it will get passed on eventually. And then from next financial year onwards, we should see less and less impact of this on the supply chain.

**Sundar:**

Just a follow-up to that is that even when there was a 10% base announced, we had a few brands coming back in terms of asking the manufacturers to absorb some part of the tariff. Now that the number has been much higher, have brands come back? What is the inventory policy correct now? And how are they absorbing the tariffs in the meanwhile that at least over the next 6 to 9 months?

**Siva Ganapathi:**

So the new tariff, when there was a 10% tariff imposed in April, there was no appetite to pass on the cost back to the consumers. You are well aware that there was a lot of movement in the U.S. not to pass on the price increases to the consumer to ensure that tariff is not inflationary for their customer and the supply chain has to bear it. So largely, the 10% impact got borne by the supply chain, including the retailers, right?

And there was also an uncertainty as to what will be the eventual tariff. So initially, the supply chain absorbed, which is how usually it happens. Now that this whole number has ratcheted up to 20%, that's a very high number for the supply chain to absorb. So there is a good chance that either the brands will have to re-strategize as to where -- how do they want to deal with it.

At the moment, since this is early news, most of the brands have not come back with a clear idea of how do they want to absorb it, how much do they want to pass back? How much do they want to combat through shrinkflation and so on and so forth. So we will have to see how this unfolds over this forthcoming season. Most of the brands had held back spring order placements in anticipation of understanding the tariff clearly. Now that most of the tariff elements have come through, the order placements have started flowing in.

For now, we are still in discussion with them as to how they propose to absorb. There is a limited appetite in the supply chain to absorb any further margins. to defray the tariff cost. So clearly, brands will have to find their own strategies to adopt, and there are several. So I think those will -- we will come to know going forward, I guess.

**Moderator:**

We have a next question from the line of Kaustubh Pawaskar from ICICI Securities.

**Kaustubh Pawaskar:**

My question is on the Africa business or Atraco. There currently, we are under the Africa Growth Opportunity Act, where we are having a free trade agreement with U.S. This is likely to end this year. And then under the new tariff regime, we have to pay 10% tariff, both in Kenya and Ethiopia, okay? But this 10% tariff is lesser than what the other Asian countries have in the range of 20% to 30%?

So just wanted to understand, considering this as an opportunity for us, it is fair to assume that most of our U.S. exports will happen from the Africa region, considering the tariff rate is 10% over there. And there, we've been scaling up the capacity largely to cater to the U.S. market.



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And whatever opportunity we are expecting in U.K., Europe will cater through the Indian capacities whatever we have. So I was just thinking from that perspective?

**Siva Ganapathi:**

Okay. So one of the reasons why we acquired this entity in Africa is actually to provide a diversity of production base to insulate ourselves from vagaries in geopolitics, increase in costs in different regions, etc. So even within India, we are highly diversified, and we have operations across 6 states. So that state level minimum wage increases, etc, we are reasonably insulated. And I think our geographical diversification as a strategy will continue.

If you look at Africa, the AGOA Act expires in September 2025. Usually, they extend it by 10 years, but this year so far, the administration has put a hold on Agoa increase, which was internally approved by almost all the departments within the United States because they want to cultivate Africa for strategic reasons. So there is still a jury which is out as far as the extension of AGOA is concerned.

There are efforts being made to extend Agoa at least for a couple of years, which will allow United States to enter into free trade agreements with respective countries. There's also a dialogue going on with Kenya for a free trade agreement and Kenya and America have a special relationship especially among the non-NATO nations, it's a favoured kind of relationship that Kenya has with America.

That said, we are working on an assumption that AGOA will go away. If it comes in, it will be a bonus. And we will only get to know sometime in the month of September as to what will happen to AGOA. Notwithstanding that, Kenya and Ethiopia have a lower tariff vis-a-vis other countries. So that continues to bestow those countries an advantageous position as far as tariff is concerned. Given that, we've already talked to several customers of ours and have encouraged them to go and seek Africa production.

Simultaneously, we are strengthening our Africa production through further efficiency improvements as well as capacity additions. We see the traction for our Africa business increasing from the third and the fourth quarter because we are seeing a huge amount of inquiries for that region -- proper production from that region from American customers. So it's clearly in anticipation of a lower tariff and the tariff arbitrage that is available there.

So we -- I feel confident that if we take a 3, 4, 5-year viewpoint, the contribution of Africa may be more substantial, and it will grow at a faster rate than our region perhaps. But as of now, despite AGOA, I can see that Africa will enjoy a tariff benefit. If AGOA comes in, that will be an added attractiveness.

**Kaustubh Pawaskar:**

Sir, my second question is on the opportunity in U.K. because you alluded to the point in your earlier comments that now your EU contribution is increasing and it has gone up to 13%. So considering U.K. FTA trade deal, what kind of opportunity you foresee going ahead? And whether that again provides you an opportunity of diversification in terms of your revenue mix because currently, U.S. is higher contributing region for you. So over the next -- I'm not saying



immediately, but over the next 4 to 5 years, can we expect this geographical mix to improve U.K., Europe and some other geographies contributing higher to your revenue mix?

**Siva Ganapathi:** 100% -- so just to clarify, when I said average FY '25 European revenue for us was 9% and Q1 FY '26 was 13%, actually it's 13.4%. The reason is I included Europe as the EU 27 plus U.K. When I said Europe, I included all of the continent of Europe. So U.K. is very much part of it. And U.K.-based customers are growing very fast for us as well.

So if I look at some of the customers that we work with out of U.K., we are seeing a strong growth, almost like, of course, off a smaller base, but growth of the order of 80% Y-o-Y. One of the European customers is growing almost at 90% Y-o-Y. So we are actually stepping up growth of some of those customers because strategically, we are diversifying back into Europe.

Historically, it was a conscious choice for us to go more and more U.S. heavy because it was a large homogenous market. We were not competing with Bangladesh, which is going duty-free into Europe. So it made sense for us to be more U.S.-centric. Now we are remaking ourselves going forward and stepping up our business with European customers. It's a work in progress. It will take time, but we are trying to speed up as much as possible just to derisk ourselves from any of these tariff-related uncertainties, diversify the market to the best extent we could.

**Moderator:** We have a next question from the line of Bhavya Gandhi from Dalal & Broacha Stock Broking.

**Bhavya Gandhi:** Sir, is it possible to say the current ROCE for the acquired entities and 2-3 years hence, what should be the ROCE that one should look at? And even for the acquired entities, what is the current ROCE and what would be the expected ROCE? And similarly for Bombay Rayon.

**Siva Ganapathi:** Acquired entities, ROCE is 12%. But if you look at the combined group ROCE for ourselves, say, in 2 years, say, FY '28 we should be closer to 16%, 17% by that period. We would like to do it even higher than that, but that's the trajectory that we are looking at by that period.

**Bhavya Gandhi:** And for Bombay Rayon, what is the expectation current as well.

**Siva Ganapathi:** When I say 16%, 17%, I'm including Bombay Rayon coming in by FY '27. So when I say FY '28, I've already included that in my assumption

**Bhavya Gandhi:** Yes. Sure. Sir, I just wanted to understand on the gross margin front, we've seen 500 basis point improvement. This is substantial. What has led to this improvement barring the acquired entities? Is there any other reason? Or if you can throw some light on that as well.

**Siva Ganapathi:** No, it is primarily on account of the product mix what we explained. It is the material component and the employee labor cost component, you should look at it together. The last quarter, in Q1 last year, it was in Atraco, the material component was pretty high based on the product mix, what they were doing.



That has come down with our intervention and with the margin improvements we have brought it down. That's why you see the average coming down. So, when you look at both employee cost as well as the material component, we are at around 78% to 79%, and that's how we should look at it. But at a gross margin level, it is primarily on account of the product mix, what you see.

**Bhavya Gandhi:**

Fair enough, sir. Is it possible to guide on a full year, what is the revenue that we are targeting and EBITDA? I know there are new capex coming from Q3 plus some tariff sharing that we are looking. At least if you can quantify the tariff sharing number at least. So, if that 7%, 8% is the incremental cost to the end consumer, what sort of burden can we expect on our books because we'll be squeezing our raw material suppliers as well. So net, what should be the impact?

**Siva Ganapathi:**

So, we don't provide guidance. We are in volatile waters, but we are very, very smartly navigating some of those. As far as tariff burden management, the worst case, earlier, we had clearly restricted it to H1 only with no impact on H2. But now that a fairly steep tariff increase is being proposed, and it all depends on, right? At the moment, it looks like 25%. We don't even know whether it's going to go up, go down, etcetera.

So it's a bit hard for us to place a number. But my sense is that the burden that got placed on us in H1 could probably extend itself to H2 as well, which is about 2% to 2.5% of our revenue. But that's where most likely we will end up with. I don't think large bulk of the tariffs can be absorbed by the supply chain, whether it is by us or our fabric suppliers or yarn suppliers. So, it's going to be difficult. All this will play out over the next several days.

**Moderator:**

We have our next question from the line of Perna Jhunjhunwala from Elara Capital.

**Perna Jhunjhunwala:**

First question is on capacity. Given that you have restricted any further announcements of capacity addition, I would like to know post this expansion, what will be our capacity, what will be revenue generation capacity of the total company? And what kind of volume impact are we foreseeing that we are halting any further announcements?

**Siva Ganapathi:**

So, the revenue generation capacity of the Indian expansion will be to the tune of INR400 crores per annum. And the African expansion would be to the tune of about INR100 crores per annum. So that's about INR500 crores. So, this is the expansion, which is already underway, that's the revenue that can come by. We also have usually a 3% to 4% productivity increase Y-o-Y on all our existing factories, thanks to automation, improved process, et cetera.

So that benefit will also kick in, in terms of incremental capacity, which we will unlock from our existing facilities, right? So that's an easy math you can do on a base of about INR3,500-odd INR3,000 crores- INR4,000 crores, 3% is also another about, INR100 crores, INR120 crores that we will get. So that's the kind of growth -- capacity growth that we've already baked into the system.

And rest, we will wait and see how to plan based on tariff, as well as the FTAs with U.K. once it kicks in early next year and EU FTA, which is work in progress. So we'll look at all of these and then take further calls on further capex expansion. We do have a strategic plan on capex



expansion. We've just put it on hold. We have several opportunities in our hand, and we will take a call on some of those options as we go forward, looking at the market conditions.

**Prerna Jhunjunwala:** Sir, my second question is on BT BRSL acquisition. Just wanted to understand what is the incremental cash outflow that will have to be done

**Siva Ganapathi:** We have already paid around INR73 crores for the equity purchase, including the one which we have communicated yesterday. And approximately another INR490 crores is the total requirement, which we may have to pay to complete the transaction.

**Prerna Jhunjunwala:** But how much is the cash component...

**Siva Ganapathi:** The cash component, we expect around not more than INR70 crores, INR75 crores approximately, but these are subject to the scheme and whatever the work. It's work in progress, Prena, but we intend to keep it to as low as possible and the rest in equity.

**Prerna Jhunjunwala:** Understood, sir. So just total acquisition cost would be around INR500 crores or INR600-odd crores. That is...

**Siva Ganapathi:** INR500 crores INR600 crores... Earlier, we had projected INR588 crores. It's coming down to about INR552 crores.

**Moderator:** We have our next question from the line of V.P. Rajesh from Banyan Capital Advisors.

**V.P. Rajesh:** So, my two questions are, one, you were talking about that most of the 10% hike was absorbed by the supply chain. So, if you can just break it down further as to what went into the fabric versus the spinning guys versus you, that will be helpful.

**Siva Ganapathi:** So at a broad level, so it all varied from customer to customer. So, if I have to average across all customers because that's the best way to look at it at the moment, it will be 5%, 2.5%, 2.5% - 5% at the retail level, 2.5% at the apparel level, 2.5% at the downstream supply chain, downstream to apparel -- rather Upstream to apparel. So, the fabric and this spin and everything, yes.

**V.P. Rajesh:** Right. And my second question is, and maybe this is too early, but as you see, assuming the rates are where they are for the tariffs, is there a particular geography that starts becoming more interesting for you to look at to acquire a manufacturing facility or sort of start thinking about greenfield operations?

**Siva Ganapathi:** For us, if you look at greenfield or I mean, incremental expansion, et cetera, prior to this round of 25% tariff, India was looking extremely attractive. And why I'm saying this is all of this currently -- there are strong positions being taken on both sides, but we still have to wait where the tariff ends because even a month ago, we were hoping that our tariff would land at about 15% as opposed to rest of the world, which would be at around 20%.



So we were to have been in an advantageous position. This was a week ago or 10 days ago position. So, I still feel India is still an attractive geography, but let's wait and watch as to see where we land finally. So, from a future perspective, I wouldn't rule out Bangladesh. I would certainly keep Africa and several other countries, including Egypt, in the equation for future growth.

Central America is not a bad deal, but there are a lot of constraints and a lot of countries which are not doing well or have high cost of operations. So, we are exploring the world for future possibilities and operations. We have even done some amount of groundwork on some of these things. But let's see how tariff will append everything as it has got a distortionary impact on relative country advantages. So, we'll wait to see how that settles down in the meanwhile. As far as Europe is concerned, Europe and U.K. is concerned, India is becoming very attractive. So, India will continue to be a focus area for us.

**V.P. Rajesh:** Right. And one quick question. What was the contribution from U.K. and EU in Q4?

**Siva Ganapathi:** Just give me a moment.

**V.P. Rajesh:** No problem.

**Siva Ganapathi:** In Q4 is about 11.6%. 15%.

**V.P. Rajesh:** I'm sorry, say that number again, please?

**Siva Ganapathi:** 11.6% in Q4, which has gone to 13.4% in Q1.

**Moderator:** We have our next question from the line of Saumil Mehta from Kotak AMC.

**Saumil Mehta:** Sir, 2 questions from my side. First, in terms of you guided for INR500 crores of additional revenues, INR400 crores of which will come from India and INR100 crores from Africa. When do you start a high utilization? I mean, will that be entirely FY '27 or part of that will come from second half FY '26 onwards?

**Siva Ganapathi:** .So most of these capacities come on stream in the third quarter of this financial year. not most of it, all of it are coming in the third quarter of this financial year. The ramp-up will start. And I think it will take a year before it yields that revenue. So, if I have to reach the INR500 crores run rate, I would be probably hitting that in the third quarter of next financial year. That is third quarter of FY '27. I will be at the run rate of INR500 crores. And between this third quarter and next third quarter, we'll be on a ramp there.

**Saumil Mehta:** Okay. And since the further capex at this point in time, you are kind of reevaluating, would it be a fair assumption that FY '28 revenues at this point in time will be fairly muted? Obviously, things will change. But based on the announcement today, what you have, FY '28 can be a kind of a weak revenue year for us?



**Siva Ganapathi:** I wouldn't characterize it that way because we have a strong plan for capacity addition. All the plans are with us. It's just that we are not acting on it. So, we're waiting for a month or so to understand how that settles down so that we have absolute clarity. We don't want to make mistakes in making our capex choices. So, we are waiting for clarity on some of these matters.

Having said that, there are several ways in which we can address some of the capacity challenges. So apart from setting up greenfield units, which most of these new units are, with the exception of the African one, which is a brownfield. So, in Africa, we can continue to do more and more brownfield expansion since we have the capacity growth opportunity there in our existing factories.

In India, we also could look at leasing factories, buying factories, not acquiring, but like just buy a factory and start the facility. So there are several ways in which we can short circuit the process of setting up capacities, and we are open-minded about everything. So we will take a call as we go along. We don't want to jeopardize FY '28 growth. That's absolutely not the intent.

And we will be waiting for a few months before we get some clarity. I feel that 3 months from now, we should be in a much more clearer position as to where the tariffs are, how is it going to impact the business and hence, what's the growth strategy that we want to pursue.

**V.P. Rajesh:** Fair point. And my second and last question to Sathya, sir. He mentioned about a INR15 crores impact, which was netted from revenues. So fair to assume adjusted for that, the revenues would have been INR992 crores and the adjusted EBITDA would have been about INR134 crores.

**A Sathyamurthy:** Right.

**V.P. Rajesh:** Okay. So in that case, the nominative margins will be 13.5%, right?

**Siva Ganapathi:** Yes. But then you should also take out that onetime INR9 crores we got as a capital incentive, right.

**Moderator:** We have our next question from the line of Aashish from InvesQ PMS.

**Aashish:** Yes Sir. So quite informative call till now, a lot of strategic questions get answered. So, sir, just to understand this correctly, if the settlement on the tariff front, whatever noise has to come and whatever increases have to happen, if it settles down in the next 3 months maybe. So should we assume that 6 months beyond that, whatever absorption on the retailer end and the customer end, and your suppliers and that should be a good time line to understand that things get settled down and probably business starts coming back to normalcy in terms of a real year-on-year kind of strategic priorities and profitability gets reinstated to the current profitability, which was there in last year. So, is that a good assumption to make?

**Siva Ganapathi:** I feel starting next financial year all this noise will be behind us. We would settle down into a new equilibrium and start working forward. These kind of disruptions can't last that long. So already, we are 6 months into it. And maybe this will -- maybe 4, 5 months into it, right -- started





in April, and tariff has been dominating the narrative from April all the way through to mid-August now.

So, I think by the end of this year, most of this will settle down at a certain level. And starting next financial year, we will be clear on how things are where the relative tariff across regions and what are the plans to absorb it, how much to pass on to the customer. See, at the end of the day, all of this will have to be borne by the system, right? I mean, by the customers.

There is only so much the supply chain can absorb either through efficiency or through onetime margin hits. So, this is all an adjustment process in the interim, but the tariff will get settled by next financial year.

**Aashish:** But we -- as Gokaldas, we are clear that geographical realignment if needed to bring in the ROIs which are justifiable by the business which is turnover asset turns and the profitability. Based on that, the ROIs will be geographically, I mean, prioritized. I mean, how you do business beyond that, right? I mean I'm just trying to understand whether the business comes back to the similar ROIs as we were delivering in the normalcy before all this started.

**Siva Ganapathi:** So, the endeavour will clearly be that, right? So, we also hope that we will be able to do that. Everything depends on what is the U.S. tariff, final tariff, correct? And our ability to ramp up in other non-Indian regions, which we at least have the potential to today, almost like 22%, 23% revenue comes from Africa, where I do see a good potential going forward. I also see a good potential for U.S. EU and U.K. And I somehow feel that at the end of the day, it's shown of all this big noise, eventually, the tariff with U.S. will also settle down. So, we will get down into the normal rhythm of delivering ROIs, et cetera, for next financial year.

**Aashish:** One last thing. Since we are maybe 25% tariff now versus maybe Vietnam and Bangladesh, 20%. So, if this goes to maybe 30%, so how does the metre in terms of India's unattractiveness increase with this increase in tariffs? If it settles at 25%, how are we supposed to compete? Are we competitive enough? Or if it goes to 30%, we have very less chance of competing? How does one read into that?

**Siva Ganapathi:** So, if I look at 25%, I would have preferred 20% to 25%, 15% to 25%, obviously, right? That goes without saying. But 25% is also not that bad, right -- because it's all relative. It's only 5% higher. It is something that we can deal with. 30% will certainly have certain disadvantage vis-a-vis some of these countries. So, we will have to deal with it. We'll have to see how do we combat that, how can we further reduce our costs to make our margins more sustainable because otherwise, there is a possibility that business may look for other destinations.

Even though I would say nobody is looking at increasing further output from Bangladesh simply because of the geopolitical situation there. The cost of labor in Vietnam and all are increasing only. So it's not like you can add further capacity in that region. So I'm not seeing too many options for brands coming out of all of this.



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So what will happen if 25 goes to 30%, yes, I mean, the volumes may come down for India. So we may have to realign how do we see growth at least to the U.S. market. But at 25%, I don't see it that disruptive. At 30%, I see it disruptive. We'll have to see where it -- and again, it depends on how long it sustains there. So we'll have to see that.

There's another factor, I'm sorry, before the next question happens is that what -- how does this impact end consumer demand because the 20%, which I did allude to, right, even though it gets somewhat passed on to the customers, there could be some initial phase reaction from consumers slowing down purchases, et cetera, with some of the retailers may have to contend with.

So we will see that retailers like Walmart, et cetera, may thrive in such a market because they do have sharper pricing because the product profile is that. Fast fashion may also thrive, little premium product customers may have some challenges, especially with higher price points. So some amount of those pivoting also, those realignments will also have to be done. We are all working on that.

**Moderator:**

We have our next question from the line of Sukh Patil from Fintrade.

**Sukh Patil:**

First of all, I would like to congratulate you on doing superb business in these harsh conditions also. And my question is with Q1 with Q1 revenue growth moderating and global demand cycle remaining uneven, how is Gokaldas exports positioning itself for structural growth over the next 3 to 5 years? And are there specific plans around capacity expansion, client diversification or entry into new product that can -- that could drive scale and margin growth?

**Siva Ganapathi:**

Thank you. So, I've answered many of your questions so far. So, in the interest of everybody, I don't want to repeat all of that. But broadly, what I'm saying is that, look, there are many countries to which we can export to, and we will continue to focus on that. There are countries like U.K. and maybe regions like EU where we may have a future FDA. We'll have to wait and watch for that. But if that happens, that opens up fairly attractive markets for us to also cater to over the next 3 to 5 years.

Our journey of capacity addition in low-cost regions will continue. We also have the ability to produce out of low tariff regions, thanks to our diversification outside of India, and we will continue to work on that. So we do have the management bandwidth and the ability to expand elsewhere as well. So those are all under active considerations.

So we have to look at this as a global business, not just as an India business, India sourced business. We have to look at opportunities all over, and we will continue to find opportunities which will allow us to grow and deliver the EBITDA margins for ourselves over the next 5 years. So all the strategic investments are aligned with that.

**Moderator:**

We have our next question from the line of Shubhkaran Gupta from Equity Capital.



- Shubhkaran Gupta:** Actually, my question was just around customer discounts. So can you explain like what is the range of customer discounts you've taken for the next quarter and for the current quarter? And then just probably with an example, if you can help us understand, that will be good?
- Siva Ganapathi:** So, our average -- so discounts vary from customer to customer. And our average -- and these discounts are only applicable to U.S. shipments. So, our discounts to U.S. shipments are of the order of about 2.5%. So that's how we have architected it for the second quarter as well. For third and fourth quarters, we don't know yet.
- My earlier anticipation was that we will not pass on any further discounts from the third quarter onwards with the hope and expectation that globally, the tariff will settle down and the end consumers will start absorbing from '26 onwards because that's what we will produce from Q3.
- But given that the tariff is going up further, there's a possibility that this percentage may well continue into the second half of the year as well. But then we don't know how it's going to pan out. Those discussions are yet to happen as these tariff announcements are very new, the 20%, 25% tariffs. So, it has to settle down before we have absolute clarity on what are the discounts, if any, in Q3.
- I feel that earlier, I was reasonably confident there won't be any discounts, but now I'm reasonably confident that there will be discounts given that the tariffs are coming in higher. But I guess from the next year onwards, they will go away. But in the second half, there could be -- at the moment, if you ask me to hazard a guess, it will be 2.5%, but it's my guess with very limited data points, things are changing every minute, so we will have to see.
- Shubhkaran Gupta:** Got it I have another question. So, you said that margins have increased by roughly 300 bps, right, 3% and then a customer discount of around 2.5%, which is roughly 550 bps. So just wanted to understand what has led to this roughly 5.5% of margin expansion?
- Siva Ganapathi:** I reiterate that there was a INR9 crores of capex incentive that we got. So, you could adjust that here as well. Some of this is coming from our acquired entities' better performance. We have been working on improving their operating performance, and that's on an upward trajectory as we speak. So, some of that is flowing through. And I think starting third quarter -- second quarter is generally traditionally weak for our industry. But starting third quarter, we will start seeing even more of this coming in.
- Shubhkaran Gupta:** I also just wanted to mention one more thing. The way you answer questions is really, really good, sir.
- Moderator:** We have our next question from the line of Pulkit Singhal from Dalmus Capital Management.
- Pulkit Singhal:** So, first question is on BTPL. By when do we expect the INR1,800 crores of turnover? And for any incremental, let's say, INR1,000 crores in that entity, how much capex is required?



**Siva Ganapathi:** I think BTPL, we would expect it in FY '28. I would say INR1,600 crores to INR1,800 crores. FY '29, we'll probably exceed that, but probably expecting it in FY '28. What was your second part to that question?

**Pulkit Singhal:** How much is the capex required for any, let's say, incremental INR500 crores in BTPL?

**Siva Ganapathi:** No, to hit INR1,800 crores, I don't think we will need more capex than probably INR100 crores. That's the max we would need.

**Pulkit Singhal:** I'm saying beyond that?

**Siva Ganapathi:** Beyond INR1,800 crores?

**Pulkit Singhal:** Yes.

**Siva Ganapathi:** Beyond INR1,800 crores again, it depends -- so for every INR500 crores, since it will be all a lot of debottlenecking, brownfield expansion, et cetera, et cetera, my sense is we should be at about INR150-odd crores or INR200 crores, not more than that.

**Pulkit Singhal:** Understood. Second question is purely on the capital structure. So far, we have funded all these acquisitions through equity, and we are keeping net debt at 0. We have close to INR2,000 crores now of equity on the books. Why are we hesitant on taking any kind of debt? We can easily take INR500 crores of debt and still be in well -- very low leverage ratios and it can help improve return on equity once we achieve double-digit ROCEs.

**Siva Ganapathi:** I'd like to differ with you on this, Pulkit. We are in geopolitically volatile times. And we need to conserve cash during such period. If it were a steady-state environment that we are in, where we have absolute clarity on the economic environment over the next 5 years, what you say makes absolute sense. But in an environment where there is policy announcements, which are all over the map, global situations which are way beyond our control, we would rather conserve -- we are on a high-growth trajectory. And we can always use the excess cash that we have for capital growth because we want to put in capital for growth. For the moment, we are prioritizing this simply given the volatility that we see in the marketplace.

**Pulkit Singhal:** Right. So my question was not about the current situation. I think our decision has been like this for the last 4 years. And even for the next 3 years, whenever clarity emerges, some amount of that can only help improve return on equity share.

**Siva Ganapathi:** That for the last 3, 4 years, I don't know how you saw it, but I saw volatility written all over the last 3 years. So we've seen the Ukraine war. We have seen post-COVID a surge in volume, drop in volume because of excess inventory with our retailers. We have seen supply chain getting frozen because of shipping challenges. We've seen undercutting by certain countries and so on and so forth. So, there's been lots of disturbances over the last 3 years. And that's been one of the reasons why we have been extremely conservative about some of our financing.



So, we were very aggressive when it came to growth and when it came to pursuing new opportunities or setting up capex. But we were extremely conservative when it came to financing it simply because we saw an extremely volatile world even 3 years back. And I think that's playing out even now.

**Pulkit Singhal:**

Sure. No, I just want the return on capital and equity measures. I mean, they have almost halved...

**Siva Ganapathi:**

My sense on this Pulkit is, I think there is -- obviously, we would also like to see a return on capital of 20% because that's an internal goal that we are working with. And I think that's the place we will reach probably by end of this decade for sure. Having said that, in a growth phase, we have to determine what is the priority?

Is ROCE the only priority or should we prioritize growth and let go some of the ROCE. So even today, we have a lot of investments which are not yet contributing to revenue. So, some of the investments in BTPL, which we have not even factored into our top line or because we are not amalgamating that entity. And as and when we take that final call and go through the process, that will come in.

We also have a lot of capital work in progress, which are going on. Our net investments is yet to fully play out, but it will play out over the year. So there are several of those investments which are not yielding returns, which are all depressing our ROCE. But again, it's a question of prioritizing growth versus ROCE. It's a philosophy. I think we've taken a stance that, look, we will prioritize growth for now.

We see opportunity for growth. And when we see an opportunity for growth, we will go for it all out. It may come at the cost of ROCE for -- in the interim, but we will build back the ROCE. So it's not like we're taking our eyes off the ball. It's a conscious plan to let it slide a bit before we pick it up while we prioritize other KPIs. All these KPIs don't move in tandem.

Some of them will move up, some of them will move down depending on the positions and strategies we choose. So, we have -- this is what we have chosen for ourselves. And we are hoping that once the tariff thing settles down and we get back into a growth rhythm, we will be building up -- building back on the ROCE. Some of those investments will start playing out and will yield disproportionate profits as well.

**Moderator:**

We have our next question from the line of Palash Kawale from Nuvama Wealth.

**Palash Kawale:**

This call has been helpful. Sir, my question is where do you see this contribution from Europe and U.K. settling down in, let's say, by FY '27...

**Siva Ganapathi:**

FY '27, I would like it to be in the 20s, if we can. We can't dial up that fast. So, it has to be a progressive effort. We are at about 13%. We should see that growing. I would say in the 20s, mid-20s will be a great position in FY '27. Again, everything depends on how the U.S. tariff comes in. If there is some adversity there, then we will probably do even more.



- Palash Kawale:** Yes. Okay, sir. And sir, possible to share the volume breakup of stand-alone and acquired entities?
- A. Sathyamurthy:** It's 6.96 million in stand-alone and 3.7 million in Atraco, Matrix is about 2 million. Total about 12.6 million is the volume.
- Moderator:** We have our next question from the line of Yash Tanna from ithought PMS.
- Yash Tanna:** While a lot has been discussed on the U.S. tariffs, the question is again related to the earlier participant who mentioned that currently, we are, let's say, at a 5% higher than the other competing nations, right. So, FY '26, you saw that impact and you will see that impact. But going ahead, does the risk of India being not attractive become a big risk for you as a company? So that was the first question.
- Siva Ganapathi:** Okay. So 20 days back, India was the most attractive country. And today, it looks like an unattractive country. If I look at the 2024 calendar year, there was a survey done with all the U.S. retailers as to which are the countries where you will expand your sourcing from. This was last year's survey done by a very credible source. And overwhelmingly, everybody said they want to step up India sourcing. And Bangladesh came number 2. China was negative.
- They said we will reduce our sourcing. Vietnam was somewhere in the middle, and India was the most favoured nation from a sourcing standpoint. So why I'm saying all of this is that things can change on a dime. And at the moment, the tariff looks unattractive. So, we have to see how all these things play out over a period of time. We will have to remain agile over how the situation unfolds and where we will start expanding.
- I don't see India's attractiveness going down, if you ask me. Short term, there could be various scenarios playing out. Long term, our attractiveness is not changing. We have the labour. We have the capacity. We have the fabrics. We have the infrastructure, the ports, et cetera, to continue to serve and \$16 billion worth of exports cannot be yanked off and taken elsewhere. That's too high a number to go to some other country.
- So I don't see much changing for India. So, it will remain an attractive place. There could be some loss of sheen. So, hitting a speed bump and reducing our speed in the interim, but we will have to again catch up the speed going forward. So that's how I see it.
- However, a prudent strategy demands that we look at more geographies for growth, which means where else can I look at long-term growth? There could be opportunities in Bangladesh. We were flirting with it. We put a stop to it when we saw geopolitical situation going against us. We will wait until some of those elections are played out there.
- We can look at options in Africa, which are all under active consideration. We can look at options in Central America. There are several other options which will come to play. And again, we will be open-minded about taking some of those options as we go along.



- Yash Tanna:** Right, sir. But those will be for the incremental capital allocation, right? The current capital allocation that we have already done in India and we have used capacity. How do we plan to utilize that in case the tariffs go above, let's say, the 25% rate...
- Siva Ganapathi:** Again, it's very difficult to say because we are still discussing the hypotheticals, right? So if the tariff goes to 35%, 40%, 50%, that's a different story, right? I mean that makes it pretty much -- some of our capacities will be unviable, especially in high-cost regions like Bangalore. But our capacities in Bhopal, for instance, in Ranchi, for instance, they are able to deliver Bangladesh like cost or near Bangladesh like cost.
- They will remain very competitive even in those scenarios. So it all depends on where in India is, we will have to realign some capacities even within India to some of those newer geographies, which will yield a better margin to offset higher tariff.
- So it depends on where the tariff lands. My suspicion is tariff will land at around 20% for everyone, which is the average for many of the supplier countries. But again, it's all a guess at the moment. We will see. We don't want to do anything in haste.
- Obviously, depending on how the tariffs are, how the cost structures are, we will do some sort of realignment of capacity, which then brings its own set of challenges because bringing on new capacity while realigning some capacity from a high-cost region can have certain short-term impact. We'll go through that as and when we have the need to go through that. We don't believe that the time has come for that at the moment.
- Yash Tanna:** Sure, sir. Got it. So fair to assume that if the tariff ranging from 20% to 25% for all the company or all the nation, then fair to assume that we won't be at a disadvantage. It is just a speed bump. And as that settles in, we'll be looking for growth and there will be no further problem.
- Siva Ganapathi:** Yes, with the caveat that 20% would be better than 25%. It gives a 25% is not as great. But having said that 20% to 25% would be okay. We can weather it. It's a speed bump, and we'll move along.
- Moderator:** We have our next question from the line of Bijal Shah from RTL Investments.
- Bijal Shah:** Congratulations on a commendable performance in Q1. I mean it was much better than what it could have been in such an environment. My first question is on BTPL. So just trying to understand that what will be total capital employed at BTPL when you acquire and when you reach the full capacity? Are you taking over any debt? And what kind of working capital investment eventually needs when you ramp up the capacity to 90%? That's question number one.
- Siva Ganapathi:** Should I answer that or wait for the next question as well?
- Bijal Shah:** Yes, yes. Okay. So next question is on, I mean, one of the largest exporter is China. And till now you had a duty disadvantage vis-a-vis China, not disadvantage, but duties were same in. So right



now, it is at 30. So if you have some advantage over China, does it really help because China is the largest exporter. And as you mentioned that people want to move out of China. So that itself could be a very enormous volume and even with 5% duty differential, can you really ramp up your capacity significantly maybe in 2 years' time?

**Siva Ganapathi:**

So China exports about 150 billion. So that's not a small change. They are pretty large in this business. But a 30% duty in China, which is on top of a 20% duty, which was imposed on them earlier, which they absorbed. So it's a high duty structure on China. Having said that, China is an opaque country. There are mechanisms which Chinese companies have to defray some of their costs. They get a lot of support from the local governments there to sustain operations.

They also prioritize scale quite a bit for their growth. And hence, they can -- their ability or wherewithal to absorb such tariff in the medium run is much higher than Indian companies. So would China remain a formidable competitor at 30% vis-a-vis India's 25%? Answer is yes, right? Chinese companies have a very different economic outlook when it comes to doing business. So I don't see us having a large advantage, 5% advantage can be offset in my opinion, with China.

If we were at 20%, definitely, I would have said that we have a good advantage over China. So China will shed. China's shedding will go to Africa. I'm already seeing a lot of Chinese entities setting up shop in Africa, and they will start growing in that region, just like we would. I'm also seeing China looking at other Asian countries for growth opportunities, even though many of the Asian countries are becoming very expensive. So we will have to see how China pivots.

At 25%, there are still, as you said, with China, we will have some advantage in some areas. China's labor cost is going up. Now it's almost to the extent of \$525. So forget that we have a labor cost advantage. So there are some levers which we have too, which we will have to play to our advantage. And one of the disadvantage we have vis-a-vis China is lack of synthetic ecosystem, which is one single biggest weakness India has. So China today dominates that space, China and Vietnam because they have the synthetic fabric ecosystem. So there are certain advantages they have and certain advantages we have.

But the market is large, it's \$500 billion. It's still growing at about 2.5%- 3% CAGR. So every year, there's a good chunk of \$10 billion, \$15 billion being added to the market. So there are opportunities coming our way and which we should target. BTPL the capital employed is BTPL, the total capital employed will be about INR1,000 crores to INR1050 crores in a steady state with all the investments what we have planned and including the loan books what they are carrying at this point of time.

**Bijal Shah:**

Okay. And that includes the working capital?

**Siva Ganapathi:**

Yes.

**Bijal Shah:**

Yes. And just last small bookkeeping. So when you are paying around INR575 crores, that is the equity. Is there any debt being taken over along.





- Siva Ganapathi:** Is there a debt we will be taking along? Yes, they have a debt of close INR180 crores in working capital debt and any other debt? Total INR220 crores...
- Moderator:** We have our next question from the line of Vishal Mehta from IIFL Capital.
- Vishal Mehta:** So, with the volume numbers that you just gave, the volume seems to be down almost like 25% Y-o-Y. They are considerably down even if you probably consider 4Q FY '24 levels. So obviously, your realizations probably would have inched that much high given the flat revenue growth. So is there such a drastic change in your product mix this quarter
- Siva Ganapathi:** What happens is in Q1 and Q2, we typically produce a fall and holiday season or fall and winter season. So these are the times when we produce outerwear and outerwear products have much higher minutes required to produce one garment. So if you look at an outerwear jacket, which is a very complex garment as opposed to, let's say, a lady stock, which will make for spring or summer, we can produce 4, 5 garments in the spring, which will take the same effort to produce 1 jacket.
- So the number of garments that we produce in Q1 and Q2 usually tends to fall and FOB per garment tends to go up in Q1 and Q2, which reverses in Q3, Q4 when we get to spring and summer production. Average realization is INR692 as against INR510 last quarter.
- Vishal Mehta:** Sure. So when I'm comparing it with Y-o-Y, because you had this air freighting of Atraco volumes in 1Q of last year, where you would have probably sent your summer production or spring production. So that is the reason your realizations were low in last quarter?
- A Sathyamurthy:** Realization is not impacted due to air freight. The sales realization is based on the product mix. Air freight is reflected under the expenses. Yes, the mix of summer and spring volumes have lowered the realizations.
- Vishal Mehta:** Yes. Okay. Okay. Fair. And next is one last question on your knits fabric external revenue this quarter, what would it be? And how is the utilization currently trending in that unit? And what's our internal consumption that's happening there?
- Siva Ganapathi:** I think the utilization is close to 20%- 25% only. It's on a ramp-up. It's largely internal consumption that we are we're using it for. We are not doing any substantive external revenue. So the contribution from that at the moment is negative. I think it will continue to remain negative till third quarter of this financial year. It is on a ramp as we speak. And during this period, its contribution to the bottom line is actually negative and its external contribution from a revenue perspective is not significant at all.
- Vishal Mehta:** Okay. And last question, if I may ask.
- Siva Ganapathi:** Yes.



**Vishal Mehta:** Yes. So just on BTPL, you probably said that the utilizations have been rising year-on-year. But if I see your filing on BTPL that you have done, the revenues have actually fallen from INR635 crores in FY '23 to INR371 crores in FY '25. So that's solely to do with the commodity price ?

**Siva Ganapathi:** No, FY '25. So we have invested this in June effectively started really yielding the results from October onwards '24, right? So last year, the company actually before we invested, the underperformance had started pretty significantly. So in the H1 of FY '25, their revenues have fallen dramatically. And then we started building up and all that buildup came in the fourth quarter of FY '25. So yes, when you look at FY '25 full year, you will see the numbers to be actually pretty bad. Come FY '26, you will start seeing an uptick there.

**Moderator:** We have a follow-up question from the line of Raman from Sequent Investments.

**Raman:** I just wanted to understand what's our current U.S. market share from the revenue?

**Siva Ganapathi:** U.S. market share is about 72%...

**Raman:** 72%. And what was this in the last quarter?

**Siva Ganapathi:** Last you mean Q4?

**Raman:** Yes, sir.

**Siva Ganapathi:** Q4 U.S. was also in the similar range, 72%...

**Raman:** And sir, by the end of this year, how much are you expecting this share to come down?

**Siva Ganapathi:** It all depends. As long as we are getting orders, we have no problem with U.S., right? If we do get margins, in fact, we like U.S. market more than any other market, simply because it's a homogenous market. We get good runs. We work with top customers there. We have a fairly good order book from U.S. customers at the moment.

So we don't have a problem with U.S. It all depends on tariff and margins. So we'll go purely from a financial standpoint. And if we find that tariff is high margins and consequently, we have to absorb some margin on account of that, then we may reduce our U.S. business in favor of European business.

So while our strategy is to increase European business, we are not consciously trying to knock off U.S. It will be a financial decision as we go forward depending on how all these things unfold. Where do I see at the end of this year, maybe 70%, maybe 65%, we don't know. It's very hard to speculate at the moment. And keep in mind that \$100 million, which gets sent out of Atraco or the African unit, there, there will be no relative disadvantage. So that should continue to the U.S.



- Raman:** Yes. That was my follow-up question. Like 72% of the consolidated revenue is from U.S.A. How much out of that is the split between revenue from Africa entity and the revenue from Indian entity?
- Siva Ganapathi:** So Africa, 100% is to United States. Then we can do the balance for India.
- Moderator:** We next have a follow-up question from the line of Bhavya Gandhi from Dalal & Broacha.
- Bhavya Gandhi:** Just wanted to understand on the Bombay Rayon, what would be the consolidated number that will get added for FY '26 and '27?
- Siva Ganapathi:** For FY '26, we anticipate nothing. If we go with the plan of acquisition, then it will materialize only in FY '27 and most likely somewhere in Q2 FY '27, if things happen. So we may have a revenue of about INR800 crores, INR900 crores in FY '27. Everything depends on how the NCLT process go, if we decide to do the acquisition and all of that. And FY '28, as I said, we will be anywhere between 1,500 to 1,800 tops
- Bhavya Gandhi:** Perfect. Just on the EBITDA, if you can just help for Bombay Rayon addition
- Siva Ganapathi:** EBITDA should be of the order of 12% or north of 12%. For the purpose of this discussion, we could assume 12%...
- Bhavya Gandhi:** For '27 as well?
- Siva Ganapathi:** Correct.
- Moderator:** We have a follow-up question from the line of Prerna Jhunjunwala from Elara Capital.
- Prerna Jhunjunwala:** Just wanted to check with you on the tax rate that the U.S. government is asking if the value chain is not indigenous, so do we still benefit by sourcing from India vendors only while avoiding Bangladesh because Bangladesh supply chain is dependent on China?
- Siva Ganapathi:** So, the country of origin rules are a bit unclear at the moment because this tariff, they are also talking of transshipment. And they're saying that, look, countries where they do transshipment, like Vietnam does a lot of transshipment from China. So they're going to impose a heavy tariff, like 40% tariff or transshipment. So we don't know what the COO rules are.
- So depending on -- if it's only 40% value addition rule, then many apparel manufacturing destinations can even get away with fabric being imported. But otherwise, imported fabric may attract some incremental duty, 40% duty. And if that negatively impacts Vietnam, there is an added advantage, which may come towards India because we still have a lot more fabric indigenously produced.
- So almost like 67% of the fabric that we consume are all domestically produced. And we have the ability to pivot more and more to domestic fabric if required. So a little bit of lack of clarity on some of these rules of origin at the moment.



- Prerna Jhunjunwala:** And sir, just one more clarity I wanted on margin impact. You are talking about 200 to 250 bps impact for the annual impact? Or is it for next 3 quarters on a Y-o-Y basis?
- Siva Ganapathi:** So earlier, I was thinking of that impact only on H1, but now I feel, but it's too early to comment because we don't know how the current tariff will play out in the H2 of this year, right? So I feel that if I have to hazard a guess, maybe take a 2.5% impact for this financial year FY '26. But everything is subject to how the U.S. tariff is implemented in the second half, what number we come up with finally.
- Prerna Jhunjunwala:** Understood, sir. But is there any possibility of sharing any further cost with the U.S. Because this would -- at 10% also, as suppliers, the cost is too high. So further sharing of tariff, is it possible?
- Siva Ganapathi:** Difficult to say, but let's look at most of the countries, they have come at 20%, right? So when I'm saying this 2.5%, this is across the world. So even Vietnamese players, everybody has this. So now if somebody comes and ask for another 10% and how do you share that additional 10% between 10% and 20%, chances are that the supply chain may not have the wherewithal or the ability to handle this.
- So that needs to be passed back to the consumer in some form or fashion, right, either spec down the garment, so bring the garment price down by 10% by de-specing it so that you're combating tariffs. So, give the same product at post tariff same price by reducing the value of the garment or pass on a price increase to the consumer or do a combination of both, which is what most retailers will end up doing.
- So, chances are that the supply chain can absorb and will absorb only this level, and the rest will happen by modifying the product itself and changing the price tickets. Remember when the tariff was put in April, most of the brands did not have the ability to change the price tickets. Now that it's all part of norm, there is an ability to plan and do the pricing changes accordingly. So, some of this will play out as we speak.
- Moderator:** We have a next question from the line of Gunjan Kabra from Niveshaay Investments.
- Gunjan Kabra:** So, one thing which I wanted to understand is that, for example, we don't know what the tariff structure will be. So if it goes beyond the 25% or 30% or whatever number, then do you think that when the Bangladesh and Vietnam have a very competitive tariff rate with respect to us, then do you think the part of the value chain of yarn and the fabric players will stand to benefit and export more to Bangladesh and Vietnam from India or that should not be the case?
- Siva Ganapathi:** I think there is an export of raw materials from India to Bangladesh that is much higher. I don't think there's as much Vietnam. And Vietnam has got abundant supplies coming in from China. So, I don't think are going to look at India as a source of fabric. Vietnam also does a lot more synthetics and which is not the strength of Indian fabric providers. So yes, to Bangladesh, will it increase exports? I think it -- Bangladesh is at 20%, we are at 25%. It doesn't move the needle



much. So yes, it may result in some movement, not a whole lot. It's -- I wouldn't call it a substantive change in that sense.

**Gunjan Kabra:**

Okay. And what would be the proportion of goods that come in the transshipment category in Vietnam, for example, how much is that can garner 40% and a follow-up to what Perna also asked. So how much is that getting done through transshipment, exports of garments done through transshipment and or the proportion that is being manufactured in Vietnam itself that can have 20%...

**Siva Ganapathi:**

So, these are all opaque stuff, which we don't have visibility towards. At the moment, everything is denominated as country-of-origin Vietnam. As the rules are implemented, we will know how much of China product is actually flowing through Vietnam. Difficult to hazard a guess, Gunjan, so can't say. But what U.S. is saying is that they are going to be very strict about some of these checks -- we don't know what mechanisms they have put in place to check this. So, it's all difficult to say that.

**Gunjan Kabra:**

Okay. Okay. Got it. And Sir, like just generally, what's the like average cost differential between the product that is being exported by Bangladesh and us. For example, initially, there was a 35% tariff and now it's 20%. So exactly between India and Bangladesh, what's the cost differential apart from whatever tariff is there for garment.

**Siva Ganapathi:**

So, let me say that from pure cost, pricing is market determined. And pricing, people look at landed duty paid, what is the price based on tariff based on, et cetera, right? A retailer wouldn't care whether you're sourcing it from Bangladesh or India as long as the quality is the same, where am I getting at a better price is all they look at. So, from a cost standpoint, Bangladesh retailers do enjoy a cost of labour advantage. Against our \$200, they are at \$150.

So that would disturb upon them, say, 6% EBITDA margin. But they do have a challenge in terms of infrastructure bottleneck, additional cost of fabrics coming from India, et cetera, which will offset about 1.5%, 2% out of that. So, they do enjoy a 4% cost advantage over India or a 4% incremental EBITDA, which a Bangladesh retailer can get over India. Does that help?

**Gunjan Kabra:**

And with respect to Vietnam.

**Siva Ganapathi:**

With respect to Vietnam, it's a little more complicated because Vietnam cost of labour is much higher. It's close to \$300, \$320. And again, depending on where are. And the fabric prices, most Vietnamese companies, they get fabric from China. And many of the Vietnamese companies and companies are actually of China origin.

So, we don't even know what the transfer prices are there. So nominally, Vietnam should be more expensive. It's not like their productivity is 50% higher than India to offset their wage, which is 50% or even more than India. So effectively, it looks like there's some sort of a fabric subsidy baked into Vietnamese products.



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So, if we look at some orders, for instance, that we have taken recently, we have taken a lot of Vietnamese orders and executed out of India. So obviously, which means that we are competitive vis-a-vis Vietnam. The challenge is that Vietnam does a large amount of synthetics for which the fabric ecosystem exists there.

So, it limits the number of products that we can do out of India, given the sheer fabric economics, which is stacked against us. So, we have to import fabric from Vietnam, Korea, Taiwan, etcetera, or China for onward conversion. So even with that, we seem to be competitive in many cases, and we have taken orders which were ex Vietnam earlier. So are we competitive in Vietnam -- answer is yes.

Vietnam's margins are coming down because of the higher and higher labour costs and the fact that Vietnam is switching to higher value-added industries as opposed to garments. They have a limited population, and they are switching to electronics and various other manufacturing, which is all moving away from China again to Vietnam.

**Gunjan Kabra:**

So, 20% tariff also will be competitive that way? Just one question, sorry.

**Siva Ganapathi:**

20% is for everybody, right? So, then there is some relative competitiveness. So, there's 20% tariff on everybody. So, Indonesia, Vietnam, Bangladesh, Cambodia, everybody. So, 20% is the new normal. So, it's a new zero. So, when you look at our 25%, you should see it as 5%, not 25% because 20% is the new 0, right? So 20% tariff is what is on everybody. So that 20% tariff initially, maybe the supply chain absorbs.

But that's what every country has to pay. So that's the new cost of doing business in U.S. or that's the price Americans will have to pay in some way. So it will be a combination of both. So we have to see how much above 20%. And if somebody is below 20%, they have an advantage. Somebody is above 20%, they have a disadvantage to that extent.

**Gunjan Kabra:**

And Sri Lanka and Africa, what would be the competitive in terms of Bangladesh production?

**Siva Ganapathi:**

More or less at par in terms of efficiencies, et cetera. The disadvantage is because Africa, the fabric moves from India, Pakistan, China, et cetera. So that makes it a tad uncompetitive or undercompetitive vis-a-vis Bangladesh. But now they have a 10% duty advantage over Bangladesh. See they're at 10% versus rest of the world at 20% -- so Africa is 10% lower.

And if Agoa continues, that benefit goes even higher. But let's assume Agoa doesn't stay, which is a fair assumption or a reasonable assumption to make, then they still have a 10% advantage, which will more than offset some of the additional cost of moving goods into Africa. So Africa will continue to be at an advantageous position even over Bangladesh, I think.

**Moderator:**

We have a last question from the line of Srinath an individual investor.



**Srinath:** You just mentioned that China and Vietnam have a robust synthetic ecosystem. So what policy measures or initiatives are needed to build a strong textile synthetic ecosystem in India comparable to those in China and Vietnam? And do you see that happening in the next decade?

**Siva Ganapathi:** It can happen in the next decade. There has to be a lot of investments happening in synthetic processing, a good quality synthetic fiber being available, yarn being available at a globally attractive price the quality standards to be at par globally. So that downstream industry has to develop. India is historically focused on cotton and have a fairly evolved cotton-based industry.

If you ask me from a technical standpoint, dye cotton, which has got its own big natural fiber, it has got a lot of variability in the raw material itself, which is cotton. Synthetic should be easier to process. Having said that, we have not developed that industry, which is a handicap. For that industry to develop, it may take about another 10 years perhaps.

China has got humongous capacity on the synthetic. So they have a scale to their advantage. So they have synthetic yarn production, synthetic dye, fabric processing, et cetera. Those scales and those qualities are missing and that innovation is also missing in India. It will take, in my opinion, 5 to 10 years.

**Moderator:** This was the last question for today. And I now hand the conference over to the management for closing comments.

**Siva Ganapathi:** So thank you so much for patiently going through what we're seeing. We are in a scenario where there's a lot of moving parts. And as a company, we are dealing with them as they come along. We are hopeful that we will be able to combat some of those challenges that come our way. We do have the ability to look at geographic diversification, having done it already, and we will continue to explore some of that. We will also continue to explore new markets for ourselves as we deal with tariff.

Other than tariffs, I don't see too many headwinds for us. So we will continue to stay focused and continue to do what is in our best interest for the shareholders and make sure that we continue to deliver returns. As I had mentioned earlier, Q2 will continue to be as challenged as Q1. And we were hoping that from Q3, Q4 onwards, we will see a stronger set of performance from a margin perspective.

But with tariff, we'll have to see how that plays out. I'm reasonably confident that FY '27 onwards, we should see some strong performance because by then, most of the tariff-related impacts will be behind us, and we will be able to deal with the market conditions as it exists. So thank you so much and look forward to the next meeting.

**Moderator:** Thank you. On behalf of Gokaldas Exports Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.