

gokaldas exports ltd

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Mumbai – 400 001

National Stock Exchange of India Limited
The Exchange Plaza
Bandra-Kurla Complex, Bandra (E),
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Scrip Code - 532630

Scrip Code: GOKEX

Dear Sir / Madam,

Sub: Transcript of Q4 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 Q4 FY'26 earnings conference call held on May 25, 2026. The Transcript is also available on the Company's website at 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



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“Gokaldas Exports Limited
Q4 & Full Year 26 Earnings Conference Call”

May 25, 2026



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

MODERATOR: **MS. KASTURI SHARMA – EY LLP**



Moderator: Ladies and gentlemen, good day, and welcome to the Gokaldas Exports Limited Q4 and Full Year FY '26 Earnings Conference Call hosted by EY. 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.

I now hand the conference over to Ms. Kasturi Sharma from EY. Thank you, and over to you, Ms. Sharma.

Kasturi Sharma: Thank you so much, Michelle. Good morning to all of you on the call. Before we proceed, let me quickly remind you that the discussions here may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our business risks that could cause future results, performance or achievements to differ significantly from what is expressed or implied by these forward-looking statements.

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

To take us through the results and answer your questions today, we have the management of Gokaldas Exports Limited, represented by Mr. Sivaramakrishnan Ganapathi, Vice Chairman and Managing Director; and Mr. Sathyamurthy, Chief Financial Officer. We will begin this call with a brief overview of the quarter and highlights for the year, followed by the Q&A session.

With that said, I'll now hand over the call to Mr. Siva. Over to you, sir.

S. Ganapathi: Thank you, Kasturi. Good morning, everyone. Happy to have you at our earnings call for the financial year of 2026. FY '26 marks a year of spectacular disruptions with the year beginning with the imposition of reciprocal tariff, which went through multiple iterations throughout the year. For a significant part of the year, the reciprocal tariff, which is in addition to the already high MFN tariffs imposed by the U.S. on apparel imports remained at a staggering 50% that was way higher than most countries, including China.

The later part of the year also saw a war in the Middle East, which imposed an upward pressure on cost of raw materials. The war in Ukraine continued to keep pressure on EU markets. In Q4 FY '26, India business operations for Gokaldas Exports grew by 2% despite the prevalence of steep tariff and the Africa business supported by an extension of AGOA expanded by 17% Y-o-Y. During this period, Indian apparel exports declined by 10%.

In FY '26, India operations grew by 10% Y-o-Y despite U.S. tariff-related uncertainties, while Indian apparel exports witnessed a decline of 1.4%. The company offered a net discount of over INR90 crores for the year to its customers to offset the tariff burden. This is tariff discount passed on to customers, net of discounts imposed on the supply chain of ours.



Africa business declined by 19%, primarily impacted in the period up to Q3 due to AGOA uncertainties, leading to a reduced order book for that period, resulting in a revenue drop of about INR180 crores. Despite these headwinds, the company delivered a total income of INR4,065 crores, a 4% growth over the previous year. Indian apparel exports witnessed a decline during this period. The EBITDA margin was sustained at previous year's level, absorbing a severe financial setback in terms of tariff burden share.

The company had booked most of H1 FY '27 orders during the prevalence of penal tariff regime. The company had offered discounts on U.S. shipments to offset the penal tariff. After normalization of the penal tariff, there has been a reset of pricing to its customers, leading to margin improvement. Africa business witnessed a healthy growth and will continue its growth momentum in FY '27 post the renewal of AGOA.

The company continued the committed capital expenditure in creating newer capacities and upgrading its existing machinery and equipment to support future growth. During the year, the company spent about INR170 crores towards new capacity creation, which will pay out in the years ahead. Net debt has increased by INR395 crores, primarily driven by capex investments for incremental capacity expansion, additional investments in BTPL and increased working capital on account of volume increase.

The withdrawal of penal 25% tariff in February and the subsequent U.S. Supreme Court ruling against the tariffs led to a 10% tariff being imposed until July 24, 2026. AGOA got restored till December 2026. With the competitiveness of these main production centres of the company restored, the revenue and margin outlook for FY '27 has improved.

Tariff has showed the resilience of the company as its entire operations were severely impacted on account of surge in tariff for both India and Africa. The company used this opportunity to strengthen its leadership team, build durable processes and expand its customer outreach to secure the company from future shocks. It looks like the worst is behind us. Even if tariff is reimposed under Section 301, there is a strong likelihood that it will be somewhat similar to most competing nations from Asia. Africa is not under Section 301 investigation, giving further comfort.

The company signed up two new premium customers in FY '26 for its India operations, one American and one European that will begin yielding revenue from FY '27. There is a good momentum from existing customers as well. Growth of revenue from European customers continues to be strong. Similarly, for its Africa operations as well, the company has onboarded two new customers, one American and European that will begin operations in FY '27.

On demand front, U.S. and U.K. retail sales witnessed a strong growth of 8% and 6%, respectively, for CY '25. U.S. sales continue to remain strong in early 2026 as well, while U.K. is showing signs of waning. Despite such strong sales, retailers in U.S. have started paring down their imports from second half of calendar 2025, owing to market and tariff-related uncertainties. This means that their inventory may be paring down and could provide us some cushion for growth in the future.



The U.S./Iran war has impacted textile value chain with increased cost of raw materials like fuel, packaging, polyester and trims. Cotton prices have also risen due to a combination of higher yarn exports to China and substitution from MMF to natural fibers, weather-related disruptions, etcetera. Shipping costs have increased as well. Inflation across economies on account of higher fuel prices could impact consumer spending.

Most U.S. retailers and many EU retailers continue to diversify away from China-based suppliers. This helps growth of other regions. India remains a strong long-term prospect for sourcing. The trend of consolidating in favor of stronger suppliers also continues. FTAs with European region could help in strengthening the prospects of the industry.

The company is expected to continue its growth trajectory in FY '27, delivering strong performance across its business. The company has initiated merger of BTPL subject to NCLT approval. This is expected to conclude in the third quarter of FY '27. There has been steady progress of operational improvement there. It is expected to turn in operating profits in the second half of the financial year.

The capacity utilization at BTPL is approaching nearly 50 lakh meters per month, and the mill has currently a capacity of 70 lakh meters a month and can be raised to 100 lakh meters per month with an additional capital expenditure of about INR50 crores to INR60 crores.

I thank you for listening and I would be happy to address any questions that you may have.

Moderator:

The first question is from the line of Kaustubh Pawaskar from ICICI Direct.

Kaustubh Pawaskar:

Sir, my first question is on the profitability. We have seen in this quarter stand-alone business Operating EBITDA margins improving to 12%. And if we just minus -- console minus standalone, which is largely subsidiaries, there the EBITDA margin stood at around 5.9%. So we have seen substantial improvement in the standalone margins, which is largely related to India business margins, while subsidiaries margins are yet -- so considering your outlook in the initial comment and the way we look at the cotton prices.

And the other prices have also gone up because of the other commodity prices have also gone up because of the India -- sorry, Iran war. So in that context, should we expect this 12% kind of range for India business to sustain? And what is your outlook on the Africa business margins because that is currently lower. But considering the fact that the business will improve in that region, should we expect margins over there also to improve in the quarters ahead? So this is my first question?

S. Ganapathi:

Okay. Thank you, Kaustubhr. You're right. The Africa business had seen some _____ challenges but we are anticipating that in the quarters ahead business flow is strong and we should have a continuous improvement of EBITDA margin in Africa. I anticipate that in the second half of FY '27, Africa business would have an EBITDA margin of somewhere between 8% and 10%, and we are working towards that.

The order flow is also moving in the direction where our operating leverage will also kick in, allowing us to improve our EBITDA margin substantially. The other Indian subsidiaries, which



is non-Gokaldas Exports, which are matrix and others, have also had some minor setbacks in the fourth quarter, particularly because the tariff continued to be high in Q3 and Q4 at about 50%.

And some of the customers there, instead of asking for discounts, just pivoted to other regions for business. This also is reversing back in FY27 because the tariffs have normalized. So there is an upsurge that we will see in India, thanks to tariff blowing away, the 50% penal tariff blowing away somewhere in the middle of February 2026. And going forward, India business margins will improve as well as Africa business margins will also improve.

Kaustubh Pawaskar:

Sir my second question is on the working capital. So this year, our working capital days have gone up and we can understand because of the inventory days have gone up. But now since the tariff issues are receding and if things are good going ahead, so should we expect working capital to improve from here? And on the other hand, the working capital loan also will get reduced maybe in FY '27 or 28. So your outlook on the same?

S. Ganapathi:

So I'll give you a high level. We are, of course, working towards reducing working capital in the apparel business. The working capital deployed in the business has slightly increased in Africa because of the customer mix that we had in Q4. There was also a year-end factor where certain receivables took time to mature and hence working capital balloon towards the end of the year.

We also had some fabric-related working capital increases in our business. But overall, I feel that in FY27, the working capital should taper down. There will be an increase in working capital as and when BTPL merges into Gokaldas because that entity's working capital will also come in. But obviously, it will also come in with its own revenue stream, etcetera. But I feel that the year ahead, Gokaldas working capital should moderate down or temper down a bit. Sathya, you want to add more colour to this?

Sathyamurthy:

Yes. So –in addition to the point whatever Mr. Siva has mentioned, we have had to advance the raw material import to take care of the order execution in Q1 FY27, because of the Chinese holidays. We had to additionally invest close to about INR50 crores to INR60 crores, in Inventory in Gokaldas Exports. We are working as to how do we improve the Inventory holding days.

So, one is the inventory buildup, which has incrementally happened to take care of the volume increase in Gokaldas apart from the incremental volume buildup in Atraco.

Other one is on the customer mix, what he has talked about, that is on the receivables. We are working with the customers closely on the early payment program and other initiatives. So, there is an overall increase of almost INR200 crores in working capital.

Our intention is to work and bring down the working capital, by at least about INR75 crores to INR100 crores in this financial year in Gokaldas operations, that is in Gokaldas and Atraco operations. Obviously, there will be incremental working capital required when BTPL gets merged with Gokaldas. But at the current level of operation, our intention is to bring down our working capital to the extent of INR75 crores during this year from where we are at this point of time.



Kaustubh Pawaskar: And one last, if I can. In our outlook for FY27, have we considered the incremental benefit, what we will be getting from U.K., India FTA, so are we considering that in terms of any incremental revenues from the customers what we already have in the U.K. or -- is any new customer we will be adding in the quarters ahead?

S. Ganapathi: No, we are not considering. We do not consider until and unless the FTA actually fructifies. So an impending FTA with U.K. sometime this year and probably an EU FTA sometime next year could help further fuel the momentum on the business. However, we have not factored in any of these. The U.K. FTA itself has been delayed. It was supposed to come by April, May, but now it's further delayed and we are awaiting the date when it will get implemented. So we don't factor in till some of these things actually materialize.

Kaustubh Pawaskar: So excluding that, should we expect around 10% to 12% kind of revenue growth considering that things have improved -- will be improving in Africa and there is a stable environment in the standalone business?

S. Ganapathi: I would probably reckon it will be much more than that.

Kaustubh Pawaskar: Okay. Thank you. Thanks for the answers.

Moderator: The next question is from the line of Jagmohan Singh from Master Portfolio Services Limited. Please go ahead. As there's no response we will move on to the next question from the line of Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Hi sir. Thank you so much for the opportunity. First is right now our currency has depreciated a lot with respect to the other countries where U.S. exports the most as well, like Bangladesh or any other currency as well. Plus, demand traction like you said. So, if you can understand that how is the demand shaping up considering in the U.S. because for 1.5 or 2 years, U.S. will be the dominant market for us.

With respect to now the raw material & logistics cost, everything has also increased. So how is right now the demand traction in the U.S. for us, whether we are becoming much more competitive with respect to currency as well and is it like the most exciting times right now for us because of all this?

S. Ganapathi: Thank you Gunjan, we have the hedging policy where we hedge the receivables for the quarters ahead. And for two quarters ahead, we hedge almost 80% of the revenues and the subsequent two quarters, that is third and the fourth quarter, we hedged to the extent of 50%. So our hedging principle means that almost for 80% of the revenue for -- up to Q2, we have hedged at prices ranging from INR87 to a dollar to about INR91 to a dollar.

So we are not really seeing the advantage of a weaker rupee because of the hedges that we have. You will appreciate that the rupee weakened so fast in the last few months that hedges have proven to be counterproductive for us, but that's the policy that we have. We don't speculate on



the rupee. It's movement in either direction. So that means that the rupee depreciation advantage is not baked into our numbers and will probably only flow in H2.

Having said this, your question was mainly from a demand perspective. And once the U.S. tariff or the penal tariff went down from 50% to 25% initially and then immediately after the Supreme Court order went down to 10%, we got a level playing field with the rest of the world.

You will see that our revenues never dipped even during 50% tariff regime. We maintained our revenue, even though we gave discounts, etcetera, we maintained our revenue. In fact, we slightly grew our revenue even after giving discounts. That shows that how strong Gokaldas relationship with its customers that are with a substantial American customer base, we still managed to grow the business.

So, our feeling is that now that the tariff has leveled off, there is a global equal tariff across the board. And the prognosis is that even if Section 301 tariff is imposed going forward from end of July, it should bring India nearly at about nearly at par with the rest of Asia in that 20%-odd range.

And again, this is speculative. We have to see where we land at that point in time. We will still have a level playing field, which really means that our competitive advantage is sustained. A weaker rupee will obviously add to the competitive advantage, which we have not yet seen, but we will see going forward in the future.

So overall, I don't see any problem from a demand standpoint. And U.S. retail sales is also going strong. We are watching how U.S. retail sales will pan out in the second half of calendar '26 and early '27. At the moment, we are booking orders for spring '27. And while the order flow is good, there may be some apprehensions with respect to inflation in the U.S., higher gas prices, etcetera.

So we'll have to see how it actually pans out. While the customers are being conservative in placing orders and will come closer to date with additional orders, we seem to find that our order book is relatively very robust and strong. So, we're confident that India's competitive advantage is restored. We're confident that our customer relations and our business model will be able to attract a fairly strong business flow in the quarters ahead.

Gunjan Kabra:

And what's the inquiries in terms of new customers coming to Gokaldas reaching or we reaching out to them? How is that order inquiry order flow right now?

S. Ganapathi:

That's good. So, we are being selective. We just don't want to go add several new customers, as the overhead of managing multiple new customers actually brings down the profit in the initial period. So, we are selective. We have added two customers, which will materialize in FY27. Both are premium customers.

And we may choose to add one or two more with whom discussions are ongoing. And again, these are all top-class customers, customers who are doing exceedingly well in the market and whose brand names are also pretty strong and performance are strong. So, we are very selective in adding customers.



We will also be selective in growing with them. We want to make sure that our execution is perfect before we start ramping up. So the contribution from these new customers in the first year will be of the order of single-digit percentage of total revenue, maybe more like 5%. The idea is that they will scale up in the years ahead pretty smartly. We have enough order flow from our existing customers to absorb additional capacity. So, there's no dearth of business that we feel confident that we can continue to sustain our growth momentum.

Gunjan Kabra: Might be a small portion, but is there any incremental tactical demand that can come in the U.S. because of the adoption of GLP-1 as well?

S. Ganapathi: Can you repeat that question?

Gunjan Kabra: This might be a little smaller proportion, but since the inventory there is low. So can there be an incremental tactical demand for the apparels because of the GLP-1 adoption as the size reduces, so the demand for apparels might increase. So, are we seeing some short-term apparel demand increasing because of that?

S. Ganapathi: I am not seeing any short-term apparel increase. All this will have to pan out to see. We are seeing a growth. And because of inventory related issues, I've not seen any short tactical advantage. We'll have to wait and see.

Gunjan Kabra: And are we planning any new capex as well that we had kept on hold?

S. Ganapathi: We will do some capex selectively. We will also watch and see how the markets react to how the tariff regime unfolds in July. But to sustain our at least 15% kind of growth, we will definitely work on the capex that is required to manage that and to deliver that growth.

Gunjan Kabra: Got it. And sir, what would be the major reason for India's yarn exports to China in the cotton segment increasing a lot and how sustainable does this look like?

S. Ganapathi: I mean, at the end of the day, China is buying a lot of Indian yarn because they tend to operate with a herd mentality. Their own market is also very large. And if they want to export, then they may have to also tap into Indian market. So, these are all trade movements. It could sustain.

It could slow down going forward. I think cotton prices depending on cotton yields may probably ease off starting October, November this year. But at the end of the day, from a pure apparel standpoint, cotton and raw material prices eventually will become a pass-through for us. So, if the cotton prices go up and hence, fabric prices go up, we will tend to factor that in the pricing of the goods that we produce.

Gunjan Kabra: Got it. And sir, AGOA also, the agreement will get expired in December '26. So, probability of renewal and how will that take time, how will that be?

S. Ganapathi: So, if you recall, in the Congress for the AGOA the House of Representatives approved a 3-year AGOA renewal. Usually, AGOA gets renewed for every 10 years. U.S. wants Africa on account of its mineral presence, etcetera. But the current U.S. administration also thinks that they want to enter into country-by-country deals rather than a pan-Africa deal.



When the Congress approved let us say when the House of Representatives approved a 3-year AGOA deal, the administration brought it down to 1 year. The belief is that AGOA may get further extended towards the end of this year by another 1 year or 2 years, which will allow U.S. to enter into agreements with individual countries.

There's an ongoing FTA discussion with Kenya, which is a bulk of our operations are. I'm not confident that it will happen by end of this year. I get a feeling that AGOA may get extended and that may continue to provide relief. The other topic is that Section 301 tariffs from July where tariffs may go up to 20%-odd for rest of the world.

Kenya will continue to remain at 10% because there is no Section 301 investigation for African countries. So their tariff will continue to remain at 10%, which it was even earlier. So the tariff advantage for Kenya will continue to remain, which will probably give that region a sustainable advantage going forward, AGOA or no AGOA.

If AGOA comes through or AGOA extension comes through, then the story for that region becomes even more compelling. When I look at our order book, it seems to be pretty strong. At this moment, we are working on third quarter and fourth quarter orders there. And the initial impression that I get is that there is a fairly strong amount of traction for continued business there.

Gunjan Kabra:

Perfect. Thank you, so much and good luck, always great talking to you.

S. Ganapathi:

Thanks, Gunjan.

Moderator:

We'll take the next question from the line of Vishal Mehta from IIFL Capital. Please go ahead.

Vishal Mehta:

Hi. Thanks for the opportunity and congratulations on a resilient set. My first question, just continuing on the AGOA expiry topic. If the AGOA renewal announcement is delayed, like in the case it was done last time and just hypothetically assuming that 301 tariff stays at 10% globally, what prevents a situation same like last time to happen as in the customers again start delaying their orders or probably expecting that there's probably a renewal of AGOA in the annual, etc. So just wanted that.

S. Ganapathi:

Sure. So when AGOA was expired and the renewal was delayed, some of the customers came and asked us for sharing of the burden, etcetera, and we flatly refused because we did not believe that our Africa business was resilient at that time for us to share any business discounts or anything to go and give an artificial support to offset AGOA. And at that point in time, in anticipation of all of this, there was a business drop, which we let happen and try to curtail our margins, our costs rather than simply go book business without AGOA.

This time around, I feel that Section 301 tariff is more real, and it's quite likely that post July 24, there is going to be a reset of tariff back to 20-odd-percent for rest of the world, barring Africa, which may remain at 10% because that's not covered under that. The administration is quite intent in achieving that and all signs are pointing in that direction. AGOA renewal is still to be decided. And my sense says that it may come towards the end of the year. It may get extended



by a year and getting extended by increments of 1 year going forward until individual FTAs are worked on.

But assuming that none of this materializes, what is our confidence? We have expanded our customer base so that we have now many more customers in Africa. We have had multiple conversations with customers with whom we are working in Africa to ensure that come AGOA or no AGOA, we should see business flows. We are now open a little bit if we have to address AGOA-related tariff, we have the size, scale and the volumes to address some AGOA-related issues if we need to.

So, I feel confident that the revenue-fall this time may not be happening given the diversity of customer base, given the discussions that we have had and some of the external indicators that I'm seeing, which may not be as dire as the scenario we just discussed.

Vishal Mehta:

Sure. My second question was just wanted to check on the timelines for capacity commissioning on India and Africa. Africa, is the expansion -- is the new capacity commissioned already? And what kind of revenue capacity are we currently at there? And what will it be after the expansion? And similarly in India over 1Q and 2Q, what sort of revenue capacity additions are we expecting? So just timelines on these?

S. Ganapathi:

So, capacity expansion in Africa has already happened last year. And we anticipate that in FY27, we should at least target approximately \$115 million, \$120 million in revenue regardless of what the AGOA status is. I feel \$115 million is the worst case. We could even do \$120 million in top line in FY27. This is in comparison in FY26, we did about \$80-odd million or in that region. So, there is a huge growth, which we will see in Africa, and that growth will also bring with it some margin improvement.

The operations and the factories are completely aligned. If there is an additional tailwind, we do have the prospects of opening up second shift operations. So we don't want to add a lot of further physical capex. We can probably see some incremental growth by operating two shifts. We've already started 2 shift operations in one of the factories in Africa. And we have about 20%, 25% of that factory's capacity running on 2 shifts, and it's working successfully. So there is -- and the workers are available.

Unlike India, it's much more easier to recruit second shift operations in Africa given the need for jobs. So there is a further opportunity for us to increase capacity without putting too much of capital here, which is an advantage. As far as India is concerned from a capacity growth standpoint, we do have capacity in our existing facilities. For example, the facility in Karnataka in Kolar Gold Fields, where we still have half a factory yet to ramp up which is on the ramp as we speak. So, it will ramp up in Q1 and Q2, and we'll take it to full capacity utilization.

The second unit in Madhya Pradesh is getting commissioned, and we have started expanding the lines as we speak, and it will reach full capacity utilization by third quarter of FY27. So, from September-October onwards that 1,000 machines will operate at full capacity, which at the end of March, those 1,000 machines were non-operational. Now 2-3 lines have started getting operational and it will continue to expand.



In addition, we have an option to commission 2 new factories, the call for which we will take in the next quarter or so, depending on if there is any new tariff or geopolitical situation that we need to deal with. But most likely, given how the customer tractions are and business tractions are, we may have to press that button and go ahead and add those incremental capacities for sustaining growth towards latter half of FY27, but more particularly in FY28.

Vishal Mehta: So the Karnataka and Bhopal additionally adds around INR400 crores, INR500 crores to the revenue capacity?

S. Ganapathi: For FY27, you mean?

Vishal Mehta: At full capacity.

Sathyamurthy: INR175 crores. Bhopal will add up INR175 crores and another INR125 crores in a steady state from the Karnataka Unit.

S. Ganapathi: The two capacities that we are talking about that can always bring in incremental revenue. That also at steady state will bring in another INR300-odd crores of revenue. But that will take a little longer because those are just in planning at the moment.

Vishal Mehta: Okay. Actually, your voice was breaking when you were answering. So INR400 crores is a reasonable...

S. Ganapathi: Just the Karnataka and Bhopal units will add at steady state INR300 crores of top line. And then we have two other units which are in the planning stage. Those 2 units at its steady state, which will not be in FY27, but which will probably be in FY28 or even later, can add another INR300 crores. This is apart from whatever debottlenecking capacities that we will continue to do in our -- all our existing facilities.

Vishal Mehta: Sure. Just last question on margins. Given the input cost inflation that we've already seen, are we kind of when we are now probably finalizing our orders for say, second half, are we probably seeing customer accepting that pass-through of increased input inflation as in -- are we increasing our pricing?

S. Ganapathi: The second half orders are yet to be closed. Obviously, we are eating up some of those margins in the first half. Orders were booked long back. And those first half orders were booked even when the tariff was 50%. It was booked pre-February. And obviously, there were a lot of price pressures and order pressures, etcetera, etcetera.

But in the second half, our endeavor is to try to push back as much of these price increases back to the customer. There is obviously a resistance back from the customers as well because they are also anticipating inflation-led demand challenges from the U.S. Everything depends on the Iran war and the continuance of it. If the hiatus that has been obtained there continues and if the oil prices cool off, I think both demand and price pressures will ease off, but that time will tell.

At the moment, our endeavor is to push back on that price increase. We may succeed in partially passing it on, not passing everything on in full, primarily because I'm also seeing Southeast



Asian players and Chinese players quite happy to absorb some of these cost increases as a strategic move because many of them are sitting on under-capacity utilization.

So there is going to be all those global geopolitical capacity demand fights that will happen. But nevertheless, in the long run, I guess all of this will get pushed back in the short run, particularly in second half, we may recover a portion of it. I also feel that some of the pricing pressure may also ease off. We'll wait and watch.

Vishal Mehta: Okay. Just a follow-up on this one. You said that you negotiated first half orders when the tariffs were still there. So, does that mean that we'll still see some tariff rebate-related pressures in 1H?

S. Ganapathi: Our tariff rebate was clear that as long as the penal tariff was there, the rebate was an add-on. So as long as the penal tariff was there, there was this rebate. When the penal tariff went, the rebate also went out. So the impact that we took in Q3 and partly in Q4 would not be there going forward.

Having said that, apart from the rebate, there were sharper prices that we gave in Q1 and Q2 because we wanted to maintain the business in country as opposed to allow it to drift out of India, keeping longer-term business interest in mind.

So to that extent, the small sharper prices that we gave for Q1, excluding the rebate, I'm saying, is something that we may have to absorb in Q1 and Q2. Those sharper prices are also being taken off in Q3 and Q4. So when we are pricing Q3 orders, we are not even giving the sharp pricing that we gave in Q3 and Q4. Certainly, there is no rebate on top of it at all for the year. Does that clarify?

Vishal Mehta: Yes.

S. Ganapathi: Rebates were to the order of up to 15%, part of it which we clawed back by asking rebates from our supply chain. The sharper pricing was to the extent of 3%, which continues in H1. But in H2, that also goes away. The tariff burden share of 15% went away from mid-February onwards. Does that give you a better color now?

Vishal Mehta: Yes. Thanks a lot for patiently answering and much appreciated. Thank you. All the best.

Moderator: Thank you. We'll take the next question from the line of Amey Chheda from Banyan Capital. Please go ahead.

Amey Chheda: Hi. I just had two questions. You spoke about the two new capacities that you are planning. Although it's too soon, but what would be an approximate capex for these two factors?

S. Ganapathi: The capex should be for both of them put together should be of the order of INR80 crores to INR100 crores. Probably it will get spread over 2 years.

Amey Chheda: Okay. Spread over 2 years. But if I'm not wrong, you said that FY28, you will start seeing revenues.



- S. Ganapathi:** That is correct. So as we keep putting the lines, we'll incur additional capex in FY28. It will come towards the end of second half of FY27 if we decide to bring it on board and some portion of it may fructify in the early part of FY28.
- Amey Chheda:** Okay. Understood. And if you can just share the revenue of BTPL for Q4?
- S. Ganapathi:** Q4 of FY 2026?
- Amey Chheda:** Yes.
- S. Ganapathi:** Q4 FY26, the revenue of that entity was INR190 crores.
- Amey Chheda:** Sorry, INR190 crores?
- S. Ganapathi:** Yes.
- Amey Chheda:** Okay. And what was the margins?
- S. Ganapathi:** At an EBITDA level, I think the company lost about 4% to 5%.
- Amey Chheda:** What is the revenue that we are expecting in FY27 with the ramp-up in BRFL?
- S. Ganapathi:** The revenue for FY27 for that company should be in excess of INR1,000 crores based on the momentum that it is going.
- Amey Chheda:** Thank you so much.
- Moderator:** Thank you. We'll take the next question from the line of Siddhant Mantri from InvesQ. Please go ahead.
- Siddhant Mantri:** Hi, sir. Thanks for the opportunity. So most of my questions have been answered. I would like to know, given our recent acquisitions, how are we looking at those ramp-up? And are these up to our internal targets or expectations, if you could give us some color on that side?
- S. Ganapathi:** So short answer, no, they are not up to our targets. And the reason for that is we went through an extraordinary level of disruption in terms of tariffs. All the businesses and locations that we have, whether it is India or Africa, both suffered extreme tariff situation. AGOA went away in Africa taking away MFN tariff anywhere between 20% to 32%.
- If you look at the underlying apparel tariff, that ranges from 14% to 32% and most of Africa was doing synthetics where the duty differential is the highest, which was between 25% and 32%. So to that extent, the tariff bumped up, which then again went back when AGOA was reinstated. And India tariff went up to 50% at 30% tariff delta vis-a-vis rest of Asia.
- So we did have huge disruption, which impacted business. Different customers reacted differently, some asked for discounts, some took the business away to other regions or some toned down the business, some pivoted their U.S. sourcing from India to European sourcing



from India if they had operations elsewhere. But all of this meant that the business volumes partly shrunk or the margins took a hit last year.

Having said that, overall, we actually delivered a higher revenue despite all these challenges because we made sure that all our capacities got fully utilized, and our teams went and sold the capacity in its entirety and more. So now going forward in the year FY27, the expectation is that all these acquired entities will perform as per plan in that year.

Siddhant Mantri: Okay. And sir, also on the margin side, so we've seen a lot of volatility given tariffs, given government incentives and as well as integration of these acquisitions. So, could you guide us on the margin side, what is the view for the current year?

S. Ganapathi: When you say current you mean FY27?

Siddhant Mantri: Yes, FY27.

S. Ganapathi: So, the margin should improve, of course, FY26 was impacted due to US reciprocal tariffs and hopefully, that's behind us and we need to see what kind of tariff disruptions we will see going forward. So everything gets subject to that. So come July, there could be a Section 301 tariff, which may get imposed. But otherwise, I feel that there will be a couple of percentage point improvement in margins Y-o-Y on account of the disruptions being behind us. Our endeavor will be to try to do better than that. What we don't know is what kind of disruptions will be unleashed in the year ahead. So, everything is subject to that.

Moderator: We'll take the next question from the line of Chirag Jain from Catamaran.

Chirag Jain: Congratulations on a very resilient performance during a very challenging year. So just one question on the Q4 numbers, specifically in the stand-alone. I'm not sure if you addressed it earlier, I missed the starting point. The margins expanded Q-o-Q and Y-o-Y by around 200 to 400 basis points, right?

So just wanted to understand what led to that? Was it just that tariff reversal which happened? Or there was one ruling which said that the U.S. Supreme Court ruling that the U.S. has to refund the tariff. So, was any of those bookings also incorporated into this? Just want to understand where did that gross margin benefit come from in the specifically Q4 quarter in the stand-alone operations?

S. Ganapathi: Okay. So largely, it is because of the sheer volume, the revenue growth that we had. So, the operating leverage helped. There has been no tariff reversals being factored in anywhere. The tariff reversal portal has opened in the U.S. Many brands have started applying for tariff refunds. But it's unknown whether some of those tariff refunds will be passed back to the supply chain.

There have been instances where customers of those brands have also sought tariff refunds. Nike has seen a class action suit, all the tariff increases were passed on to the customers and hence, the tariff reversals, which accrue to the company should be -- which is, in this case, the retailer should be passed back to the customer.



So, this opens the Pandora's box of how it will all be dealt with. There is enough confusion out there. So, we don't know whether the supply chain will receive any benefit out of tariff reversals. That's yet to be seen out there in the future, and we're not even counting on it.

But going forward, the tariff burden that we shared with the customers are no longer going to be there. So that margin inflation will certainly happen. As far as Q4 stand-alone performance is concerned, the half of the quarter was impacted with the Penal tariff 50%. It got withdrawn mid-February. So, post that shipments we have not factored in the tariff discounts that we offered until middle of February. So that also helped us in some margin improvement.

Chirag Jain: So basically, as you rightly mentioned, only half of the quarter was impacted by tariffs. So, if I assume the number which you mentioned in your notes that around INR18 crores tariff impact was taken this quarter. Technically, if I add that back, that should be the normalized margin running forward given the scale of revenue?

S. Ganapathi: For the stand-alone year.

Chirag Jain: For the stand-alone, year. So sir, when you mentioned 200 basis points of margin expansion for the full year, it should be much higher, right, given the Q4's performance, especially in the India stand-alone business. And then you are mentioning that Africa will go by almost 50%. So obviously, that will also see a big margin bump up.

S. Ganapathi: Yes, that's my point. we booked our business at a little sharper pricing because we were booking H1 business when the tariff was insanely high on India, and we wanted to keep the revenue rather than let it go out because at some point when the tariff reverses, we didn't want to see business vaporize from the region.

So, this effect will get reversed into Q3 and Q4. So, there is a little bit of that. And I'm factoring in some levels of unknowns, which who knows what will be unleashed during this year. We all know that we are living in an extraordinarily volatile time. So, I'm factoring in all of that when I say 2%.

Moderator: The next question is from the line of Akashdeep Singh from Master Capital Services Limited.

Akashdeep Singh: Sir, could you please share where the capacity stands today in terms of million pieces both in India and Africa? And what capacity does management desires to reach in India and Africa in coming years? And sir, what EBITDA margins we could expect for acquisition BTPL in FY27?

S. Ganapathi: Thank you, Akashdeep. I'll let Sathya answer this question.

Sathyamurthy: The capacity numbers in terms of number of pieces, will be misleading, however, I'll give the numbers. As far as India operations is concerned, it is 52 million and Africa operation is 40 million. This you have to look at it in context with what is the realization we get in each of the region . When we say 40 million pieces in Atraco , it is at the average realization of \$2.5 per piece.



When the realization goes up, the number of pieces what we may achieve will change because we produce multiproduct. That's why we prefer to give the numbers on the overall value basis what we can drive from each of the capacity.

And in terms of the new addition of the capacity during the year and including the projects in the pipeline, we added another 12 million pieces in total, in India, it is about 7.5 million and Africa is about 4.5 million.

So, in total, with the new capacities coming on board, our capacity in terms of pieces will reach 104 million, but it comes with a caveat for India you should consider the average realization at the rate of INR500 and in case of Africa, you please take \$2.5 average realization per piece.

Akashdeep Singh:

And sir, for the second question, what margin we should expect for BTPL in FY27?

Sathyamurthy:

In FY27, the company is aiming at, at least EBITDA breakeven in H1, and they intend to achieve EBITDA positive in H2. We can expect EBITDA around 6% to 7% in H2.

Moderator:

The next question is from the line of Niraj Mansingka from White Pine Investment Management.

Niraj Mansingka

I had two questions. One, can you clarify that the stand-alone EBITDA margin for the Q4 was between 14% and 16%, because the numbers look heightening?

Sathyamurthy:

During the quarter, in Q4, it's at 16% if you add back the tariff impact. But remember, normally, in Q4, whatever the provision we make for all the statutory requirements will be reviewed during audit and there will be some reversals of excess provisions if any.

This happens every year. So that's why in Q4 relatively, the performance, I mean, EBITDA numbers look relatively higher. At least you need to factor in 1% to 1.5% on account of that. But for that, rest of things flow through on account of operations, what Mr. Siva has explained because of the volume and the scale benefit.

Niraj Mansingka:

If I remove the impact of reversals, it can go to 15.5%, and this happened because of operating leverage in the Q4?

Sathyamurthy:

Correct.

Niraj Mansingka:

But next year, you're talking of higher volumes. So should we expect the EBITDA from the year to go up by another 200 bps on an average because of the operating leverage. Is it right, sir?

Sathyamurthy:

Mr. Siva has responded to one of the earlier questions, There are other challenges which you may have to factor as far as Q1, even H1 is concerned because already the sharper pricing has been given to the customers on the backdrop of tariff. That's the point he has highlighted apart from if there are any unknown contingencies and hence you cannot extrapolate the same way. Maybe for Q4 FY27 probably there could be a possibility. But on a full year basis, whatever Mr. Siva has given the guidance, will hold good.



Niraj Mansingka: So question to Shiva. If you look at in the same like-for-like condition, what margin would you expect on a stable state in FY '28 then if you remove all the one-offs here because that would explain us where your margins are heading on long term.

S. Ganapathi: You're talking of FY '28, right?

Niraj Mansingka: Yes.

S. Ganapathi: This is an estimation because this has to be caveated with any geopolitical events or any disruptions. We don't know what all can. But let's assume that FY28 somewhat of a steady state year, let's say, right, except for the fact we may add some new capacities which are always coming on board, which may have some negative EBITDA contribution because every new capacity in the initial 2 years tend to depress the earnings from that capacity.

So, if we look at it from that standpoint, and there's no externalities or external disruptions of a significant nature, then I think the India EBITDA margin should be of the order of 13% to 13.5%, whereas the Africa EBITDA margin should be about 10% to 10.5% for that year. And the ratio between India and Africa from a revenue standpoint should be about 75% to 25% or anywhere between 80% to 20%.

Niraj Mansingka: And you're not talking of the Bombay Rayon including in that?

S. Ganapathi: Bombay Rayon in FY '28 also should be contributing an EBITDA margin of anywhere, I would say in FY '28, perhaps more closer to 12%. But if I, let's say, take an FY '29 view, it should also be of the order of 14%.

Niraj Mansingka: Got it. Got it. Last question on the Bangladesh, can you tell us how the customers are looking at Bangladesh versus India? And some anecdotal evidence would be useful.

S. Ganapathi: Sure, sure. So, Bangladesh, during its peak disruption when there was a regime change from Awami League to an interim government and all the problems, there were a lot of concerns and people wanted to diversify out. European customers still consider that they have overinvested in Bangladesh. And thanks to good solid commercial reason because Bangladesh was duty-free to Europe. And once FTA comes, they are very, very clear that they want to diversify out of Bangladesh to an extent because now they'll get a level playing field as far as tariff is concerned between India and Europe.

As far as American customers are concerned, the general impression is that Bangladesh is now somewhat stable with the new government in place from BNP. The impression is that Bangladesh continues to be a low-cost region. So, the importance of Bangladesh will continue in the global apparel manufacturing space.

The only concern is that with high oil prices, etcetera, many retailers also, when they look at Bangladesh, feel that their ability to withstand oil shocks, etcetera, because they are very import-dependent countries. And all of these smaller countries will have low BoPs Balance of Payment



Surpluses or dollar surpluses that there is a risk that some of these countries may find local inflation galloping as energy costs go up and all the imported goods costs go up.

So, there is a fear that we are better off diversifying. So, net-net, if we synthesize all of this, the impression is that its cost-effective location. It is -- it has got now a stable government. But let's not put all eggs in Bangladesh basket, let's diversify. And when they look at diversifying, India stands out as a very viable option for them to diversify.

Moderator: We'll take the next question from the line of Janhavi Jain from Axia India.

Janhavi Jain: I just have a bookkeeping question. If you could just tell the volume for Gokaldas stand-alone unit?

S. Ganapathi: Sathyamurthy, over to you.

Sathyamurthy: For India operations, I'll give the number. For India operations, it's 10.19 million for the quarter at the rate of INR742.

Janhavi Jain: No, for the full year, just for the stand-alone Gokaldas entity ex of Matrix?

Sathyamurthy: For stand-alone, it is 33.627 million and at the rate of INR765.

Moderator: The next question is from the line of Heet Vora from Guardian Capital Partners.

Heet Vora: Congratulations on a very strong sequential recovery. Sir, just picking you up from the previous comments that you made on Bangladesh. So, one thing that at least we've been reading is that there are a lot of power cuts happening in Bangladesh. Most of the times, Bangladesh textile companies, they run on generators, which run on diesel.

But in current situation, even that is difficult because diesel availability is an issue. So, are you seeing any orders maybe now or any additional inquiries moving from Bangladesh to maybe India given the current situation?

S. Ganapathi: So, see at the end of the day, from a customer standpoint, they will look at what is the net cost and disruption. So, most Bangladesh operators somehow manage to ensure deliveries do happen regardless of all the energy disruptions. That's why I indicated that customers are wary of putting more business there simply because of volatility disruptions on account of energy and various other reasons.

But from a political stability standpoint, Bangladesh seems to have become better. It all depends on what is the cost economics and cost economics, at least for now from a European standpoint, Bangladesh scores very well. From an American standpoint as well, their costs are lower because their labor costs are lower. But as I said, again, nobody is going to expand aggressively there. They will continue to expand modestly there.

Heet Vora: And just one more addition on this is that I think the LDC status is also about to end. And I mean, there's no clarity whether it gets extended. So, in an event that does not happen, do you see any advantage for India? I mean in U.S., I think everyone goes at a similar rate, but maybe



ex of U.S., do you foresee a sizable windfall for maybe India from that standpoint? Or do you think they'll maybe agree on an FTA before that?

S. Ganapathi:

So, their LDC status moved -- was extended from 2026 to 2029. So, it's highly likely that post 2029, the LDC status still will get removed. Would Bangladesh enter into an FTA with Europe? There is a likelihood. Is Europe going to perceive Bangladesh as a big enough market to enter into an FTA with Bangladesh, that is something which is a big question because FTAs are always reciprocal.

And if Europe finds Bangladesh market being large enough, then only an FTA may happen. So, it's probably unlikely or probably challenging. We got to see. Would that result in a windfall opportunity? Bangladeshi labor cost continues to remain low. However, it is also increasing as we speak. So, I feel that it is definitely an opportunity for India. And if India secures an FTA, it is a massive windfall for India.

Heet Vora:

Understood. And just the last question was actually on Africa bit, sir. So, we are quite confident on our operations improving there. Do you see any sort of impact on your operations largely on account of the current riots that we're hearing about largely on account of this entire petroleum price hike happening there? And is there any issue on power availability in the African operations? I mean, just wanted to understand that.

S. Ganapathi:

Answer is no disruptions whatsoever. We are in Mombasa where there are absolutely no problems. We are right at the port. We've had no issues either from power, labor disruption, civil disruptions, nothing ever.

Moderator:

The next question is from the line of Abhishek Shankar from ICICI Direct.

Abhishek Shankar:

Congrats on a good set of results. So, I just wanted to know that you mentioned in the PPT that the rise in tax expense is mainly belonging to the stand-alone entity. So, what is the reason for the tax expense in the stand-alone entity?

Sathyamurthy:

When you look at the consolidated tax expenses, it is the tax expense incurred by various entities including overseas entities. Because of the underperformance of overseas entities Atraco, due to the reasons Mr. Siva has explained, we couldn't achieve the profitability what we originally envisaged. We do not account for any tax credit in the books for the losses.

And similarly, for some of the new investments, we made in fabric business, though at the EBITDA level, achieved break even in the quarter, but there has been carryforward loss due to interest and depreciation expenses.

So, to that extent, the losses, incurred by these subsidiaries overseas and Indian subsidiaries, we are not getting any set-off in the current year. Hence, the total tax incurred by the taxpaying entities in India, when it is consolidated, looks high at a gross PBT level and relatively higher as a percentage. Otherwise, at the individual entity level, the tax percentage is normal at the rate of 25.17%.



- Abhishek Shankar:** Okay. Just another question. So, you mentioned the volumes for the Gokaldas stand-alone that is 10.19 million for Q4, right?
- Sathyamurthy:** 10.19 million pieces is for the India operations. If you want the India operations excluding matrix for the quarter only, it is 8.6 million at INR773.
- Abhishek Shankar:** Okay. And what are the volumes for Matrix and Atrato?
- Sathyamurthy:** Atrato is 5.63 million pieces for Q4 at INR405. And similarly, for the full year, it is 16.27 million pieces for INR420. For Matrix, you can derive it. We have given the Indian operations number, so you can derive that.
- Moderator:** The next question is from the line of Bijal Shah from RTL Investments.
- Bijal Shah:** Congratulations on very good numbers. So, I have 2 questions. Number one on Africa. When you say Africa-- will go to 115 million to 120 million, should we see that coming from Q1 itself, but that is also going to be back-ended and...
- S. Ganapathi:** Sorry. So, I think from a Q1, Q2 standpoint, we should be at a revenue run rate of about 24 million, 25 million. And second part of the year, it will catch up to go to that 115 million to 120 million revenue.
- Bijal Shah:** Got it. So, I mean the remaining -- the next 2 quarters should be like 35 million kind of a number. So, it will ramp up significantly in...
- S. Ganapathi:** So, it will be about 3 million, 32 million, 33 million.
- Bijal Shah:** Okay. Got it. Sir, secondly, can you give us what is the interest and depreciation as BTPL? And I'm talking about interest, excluding what they are paying on the investment which you have made?
- Sathyamurthy:** Depreciation is around INR50 crores to INR54 crores and interest on the debt component is around INR25 crores.
- Bijal Shah:** That is excluding what you have invested, right? That is excluding...
- Sathyamurthy:** Correct.
- Moderator:** The next question is from the line of Ravi Dutta Mishra from the Indian Express. As there is no response, we will move on to the next question from Avinash Nahata from Parami Financial Services.
- Avinash Nahata:** My question pertains to the FTA, U.K. and EU. So, what is the legislative or executive action, which is pending from both the sides? If you can just explain?



S. Ganapathi:

So, to start with FTA Europe, there has been an announcement that an FTA will be entered into between India. This is between the European administration and Government of India. They're working on it. And what they said was that they will work out on all the legalese and the documentation by middle of calendar 2026. So, June, July '26, they should come to some sort of an agreement on all the nitty-gritty issues of the FTA.

And then it will require ratification by the individual 27 countries in Europe, which itself can be a long-winded process, and it will require ratification from all the countries. So European administration in Brussels will have to get that done with individual countries.

So, it's a long-winded process. We anticipate it to happen in 2027. The whole process has been gone through by Indonesia as well, which is way ahead in this, and they have, I think, gotten an FTA with Europe. So, India should also provide, we have a meeting of the minds, on all the various points that may arise from FTA. As far as U.K. is concerned, all of that is done, and it requires ratification by U.K. Parliament. In India, there is no parliament ratification required. It's an executive order.

And the U.K. Parliament ratification has not yet happened. I think it is probably due to political events happening in U.K., which is probably delaying it. There are a few other issues which have since then cropped up on steel, etcetera, which is going back and forth between India.

Directionally, while there is an understanding that an FTA should commence soon. I think we are seeing some delays on account of political issues as far as U.K. FTA is concerned. Most of the documentation or rather all of the documentation for U.K. has been done. Does that clarify?

Avinash Nahata:

Yes. Just a follow-up on this is as far as 27 countries of EU is concerned, for them also, they have to go through the parliamentary process or it's an executive decision for them?

S. Ganapathi:

I think it's a parliamentary process in those countries.

Avinash Nahata:

Okay. And just if you can briefly talk about the labor availability and labor inflation in our country. That's all from my side.

S. Ganapathi:

Labor availability is different in different parts of India. So, we have operations, for example, in Central India and Madhya Pradesh. We have operations in Ranchi. Labor availability is strong in these regions. In the South and in and around NCR, labor availability is a challenge. We also depend on migrant labors in these regions.

And all the time, we tend to encourage migrant labors to come in and settle and work with us. So incremental expansion, we are going into rural areas, hinterland, etcetera, so that we can tap into labor availability. Even in the South, when we go into deep rural regions, we may be able to tap into certain labor pockets there.

As far as labor cost is concerned, which is a very important point, there is labor cost inflation happening. For example, recently in NCR, particularly in Haryana, the state government



announced a 35% wage increase from April 1. So that was in response to labor unrest, high cost of fuels, etcetera, for migrant labor force in Gurgaon-Manesar Belt. UP responded with a 25% increase because what happened in Gurgaon, Faridabad spilled over to Noida and UP increased.

So, these kind of moves can happen in multiple parts of the country, and there could be some labor cost pressures. We will have to deal with these as they come by. An offsetting factor here could be India's rupee depreciation. We will have to continue to explore ways to improve our labor efficiencies or productivities, etcetera.

Some amount of labor cost inflation does bring stability in labor force because we will see less amount of attrition and absenteeism, which may also help drive productivity. But these are challenges that we will grapple with over the next 1 or 2 years in India. This is a challenge which will happen across the world as well, even if it is in Bangladesh, we have seen labor cost pressures continue to mount.

If I look at Vietnam, China, etcetera, their labor costs are of the order of \$300-plus. India is still at about \$210. So, there is still some headroom for us as far as labor cost is concerned. It has to be offset with labor productivity, which is always a challenge, but that's what we let you ensure that we get.

Avinash Nahata:

And across the 3 states, you mentioned Central India, MP, Bihar and Karnataka. Is there any possibility of operating a second shift?

S. Ganapathi:

So, in some regions, in Ranchi, we are operating 2 shifts. In Madhya Pradesh, there is a possibility of operating 2 shifts, but it's not the entire factory. We are operating 2 shifts in part of the factory. So, we're experimenting with it in Indian labor force, particularly women labor, are very family oriented, etcetera, are not very supportive of working in the second shift.

We have been far more successful in Ranchi because the labor force there are far more amenable to work in the second shift. They're far more open. That we are not finding that level of flexibility in rest of India, but definitely not possible in the South. We do have some success in Central India.

Avinash Nahata:

Thanks a lot. All the very best.

Moderator:

Thank you. The next question is from the line of Bhavika Singhvi from Niveshaay. Please go ahead.

Bhavika Singhvi:

So basically, I want to understand from the Vietnam point of view, like as we see the region is doing good in the textile segment and the imports in U.S. have increased from Vietnam. So, can you make us understand what's the reason behind it? How Vietnam is gaining share from other nations?

S. Ganapathi:

Okay. What China is losing, Vietnam is gaining. It's clearly a shift from China to Vietnam. Many Vietnamese players are basically China-based who are moving their factories or setting up incremental factories in Vietnam, leveraging Chinese supply chain. So, the way the world works is that it's a competitive world of supply chains, not just between apparel companies.



So, China has very large-scale fiber and yarn and fabric ecosystems, which gives a very competitively priced raw materials to their apparel manufacturing units. That's why despite their labor costs being high, and apparel is labor cost labor-intensive, they are offset with a lower cost of raw materials, fabric, even lower utility costs, etcetera, etcetera.

Now what happens is when the units are set up in Vietnam, due to proximity, the raw materials flow easily between China and Vietnam and then get shipped out of Vietnam. So that partly explains why Vietnam is growing. Having said all of this, Vietnam is also growing in electronics exports, automobile exports and so on and so forth.

So, they are a country with limited population and the labor costs are increasing in the Ho Chi Minh region or Hanoi region, and that will continue to exert pressure on apparel industry. Apparel industry has not been really able to leverage Cambodia, Laos, etcetera, because of political challenges in those regions.

Unlike Vietnam, those countries are not that productive for -- from a China standpoint. So, there is a limit or a ceiling up to which Vietnam can grow. But until then, Vietnam will continue to be cost effective, thanks to the value chain that Vietnam has. The labor cost in Vietnam in and around large cities are growing or galloping. Around the big cities, it's moving closer to \$400, but lower -- the hinterland has lower cost of about \$250 to \$300-plus. That's more expensive than India, but the value chain benefit continues to provide them that benefit.

And lastly, you have to keep in mind that when you look at global trade in apparel, almost two-third are synthetic based, which is polyester and nylon. And in polyester and nylon, China has global quality and global capacities, which India doesn't have. So, for synthetic garments, which are usually preferred in the fall-winter times, these countries do tend to dominate because of their quality of fabric that they have access to.

Bhavika Singhvi: And sir, like maybe the synthetic demand is going to Vietnam, but what about cotton? Like is it may be coming to India, if you can say that?

S. Ganapathi: Cotton, of course, India, Bangladesh, all these regions have cotton. It's not like Vietnam does not do cotton, but they will have to rely on imported cotton fabrics from China, of course. So yes, from a cotton standpoint India does have its strength. Cotton fabrics-based garments are often used in spring-summer. That's why in the second half of the year, we tend to have seasonality favoring Indian apparel manufacturers.

Bhavika Singhvi: Okay. But as of now, just to summarize, we can say that the shift of -- like the production that is decreasing in China is maybe shifting to Vietnam. But in the medium term, we can see that shift can happen to India from Vietnam as well, just to summarize...

S. Ganapathi: And if you look at Vardhman, right, they have set up a synthetic fabric mill. If you look at India's synthetic garment production is also increasing. Gokaldas leads in synthetic manufacturing in India. And we are doing a lot of synthetic fabrics -- synthetic garment production, mainly in outerwear, etcetera, which is growing leaps and bounds for us.



And the fabric for those are still dependent on China, Vietnam, Taiwan, Korea and all these places. So increasingly with domestic fabric coming in, with the likes of Vardhman setting up their units, we will see some additional traction coming for synthetic garments out of India, too.

- Bhavika Singhvi:** It will be tough for us to compete in terms of price for synthetic like they will be more competitive in terms of price, right, in synthetic?
- S. Ganapathi:** Because China is far more competitive in terms of innovation, price, quality, etcetera.
- Moderator:** The next question is from the line of Sagar Makwana from MAG Securities.
- Sagar Makwana:** Am I audible?
- S. Ganapathi:** Yes.
- Sagar Makwana:** Sir, my first question is from current 50 lakh meters per month of capacity of BTPL. Sir what's the captive fabric consumption by Gokaldas?
- S. Ganapathi:** I think the captive fabric consumption will be to the extent of about 30%, 35% of BTPL.
- Sagar Makwana:** Okay, sir. And sir, my second question is, sir, is there any difference in margins for European customer? Like as you mentioned in your last con call that your largest customer is in sportswear segment in EU and margins are generally higher in sportswear segment.
- S. Ganapathi:** See, on an average, American customers give better margins than European simply because of being volumes being larger, etcetera, and American retailers are larger. This particular European customer is a large European customer, so we do get our run sizes and volumes.
- But in general, American margins are better as long as there is a level playing field on tariff. When India was on 50% tariff, we lost a lot of margins in America. But as long as the tariff is normalized, we find American customers better from a simple standpoint that the order sizes are bigger.
- American retailers are much larger. Europe has a more fragmented retail base. So, to get the same revenue as an American customer, I may need 2 or 3 European customers. Europe is also more fashion-oriented, which really means that the run sizes are smaller. So, there are those factors which impact cost margin equations.
- Sagar Makwana:** Okay, sir. And sir, what's the difference between current war and the Russia-Ukraine war from Gokaldas' exports perspective?
- S. Ganapathi:** I think the only current war has really resulted in oil prices going up, which means polyester, polybags, all of those things have gone up. LPG shortages meant that some of the ovens, which we use, which are run on LPG had utilization challenges. We had to switch to electric components, which took time to make it effective.



So, the disruptions on account of the Middle Eastern war has been much more than Russia-Ukraine war, which really impacted European demand, but did not impact supply chains. Here, some supply chain has been impacted. That's the difference.

Moderator:

Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the Gokaldas Exports Limited management for closing comments. Thank you, and over to you, sir.

S. Ganapathi:

Thank you so much. I think we continue to take every global shocks seriously. We continue to work diligently with our customers. We continue to work to strengthen our leadership team and strengthen our operational performance at every step in order to be resilient to external shocks.

We believe that the worst is behind us, and that has tested us and proved to us that we are capable of handling anything that comes our way. Most of our operations were severely disrupted because we had bulk of our manufacturing in India or in Africa. And both regions got the worst end of tariff, 50% of penal tariff in India, AGOA abolishing or AGOA being taken out in Africa, which also changed the tariff by almost 20%, 25% or 30%.

So, some of these are behind us, and we feel that we are resilient. It proves that a strong team can handle any situation. We believe that the years ahead will benefit from the learnings that we have had and from the operational improvements that we effected in our business now, and we should reap that benefit in the years ahead.

I see demand not to be a challenge, except for occasional blips here and there based on geopolitics. And if that is the case, then we should be able to capitalize on the productivity improvements and the automations that we have done for delivering continued growth in both revenue and margins. Thank you so much.

Moderator:

Thank you, members of the management. On behalf of Gokaldas Exports Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.