

TEXTILES

Initiating Coverage | 22 September 2022

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GOKALDAS EXPORTS

SPARK CAPITAL UNIQUE Earnings Series - Initiating Coverage

'Weaving growth through CAPEX'

CMP Rs. 339	Target Price Rs. 517	Rating BUY
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Initiating Coverage 22 September 2022

Industry	TEXTILE
Key Stock Data	
Bloomberg	GEXP IN
Shares o/s	61mn
Market Cap	Rs. 21bn (\$257mn)
52-wk High-Low	Rs. 520-185
3m ADV	Rs. 185mn (\$2mn)
F&O	No

Latest Shareholding (%)

	Dec-21	Mar-22	Jun-22
Promoters	24.1	24.1	23.5
Institutions	38.6	38.2	36.4
Public	37.3	37.7	40.1
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1m	3m	12m
GEXP	-3.7	-5.6	80.0
Sensex	1.2	14.7	0.9

RESEARCH ANALYSTS

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P.T.O.

We Initiate coverage on Gokaldas Exports (GEXP) with a BUY rating and a TP: of Rs.517. GEXP revenues should increase by ~43% over the next two years and double in the next 4 years on the back of its Rs.4.8bn+ CAPEX outlay. Having the key factors of production well within its control, we project GEXP to establish itself as one of the largest garment exporters of India over the next 5 years as its scale of operations increases significantly. We underscore that the key driver for GEXP to fully utilize its upcoming CAPEX would be through consolidating its share among the Indian garment exporters by leveraging its liaison with its existing large customers. India increasing its ~3% share in the global woven RMG trade on the back of China+1, Xinjiang cotton ban, PLI on MMSF, and probable trade agreements can act as an additional catalyst for growth. Probable economies of scale arising out of this expansion should lead to EBITDA margin expanding from ~10.3% in FY22 to ~12.0% in FY24 and to ~14.0% in FY26. A ~14% revenue CAGR (through improved asset turnover) and a profitability transformation over the past 5 years through 'right execution' give us confidence in the current management's capabilities. A professional management doing the basic things right consistently and undertaking a measured CAPEX to increase its size could lead to GEXP becoming the long-awaited garment export mammoth of India.

- **Global woven apparel consumption to pick up led by 'Back to Office' pent-up demand:** GEXP derives ~98% of revenues from woven garments such as outerwear and casual wear. Woven garments, which largely cater to office wear and out-of-home wear, should see pent-up demand with consumption picking up post the pandemic. The top 5 customers who form ~2/3rd of GEXP's revenues have a sizeable revenue share from woven garments.
- **Macroeconomic slowdown impact to be subdued for GEXP:** GEXP derives ~80% of its revenues from US, where we notice that clothing retail sales are resilient, and clothing retail inflation has cooled down since April 2022. Considering that RMGs are season-specific and GEXP caters to customers across seasons, we see minimal inventory carry-over risk. GEXP exports grew at ~13% CAGR (in \$ terms) over the past 5 years Vs ~1.8% growth of woven RMG segment led by GEXP consolidating its share among the Indian exporters; this trend should gain momentum in the medium-term.
- **Consumption drives domestic apparel market:** GEXP derives ~11% of revenues from supplying to the domestic market, largely catering to the Indian business of its international customers (~9 of its major 16 customers have an India retail presence). The domestic apparel market is likely to grow at ~19% CAGR over the next 4 years with organized players consolidating their market share, benefitting GEXP.
- **Indian govt.'s keenness to sign Trade Agreements:** UK and EU region together contributed to ~4% of GEXP's revenues in FY22. The expected signing of the UK and EU Free Trade Agreement (FTA) in FY23/24 opens a ~\$214.2bn RMG market and provides a level-playing field with Bangladesh & Vietnam which are among the top EU exporters. Five of the top 16 clients of GEXP have more than 1/3rd of contribution from the EU region.
- **With India becoming the key cotton supplier, domestic RMG manufacturers possess an edge:** The Xinjiang ban has forced large apparel exporters like Bangladesh, Vietnam, and Cambodia (highly dependent on China for cotton/yarn) to relook at their supply chain. India is the largest cotton producer globally and has the second highest spindle capacity after China; hence, the competitiveness of domestic RMG exporters like GEXP could be profound.
- **PLI scheme to establish a strong MMSF ecosystem:** Globally, MMSF-oriented RMGs are ~70% Vs ~35% of India's exports due to a weak MMSF ecosystem in India. Performance-Linked Incentive (PLI) Scheme, with an outlay of Rs.~10.8bn by the Gol, should create a robust back-end and aid players such as GEXP who are predominantly reliant on imports for its ~40% MMSF requirement.

Gokaldas Exports - Initiating Coverage - 'Weaving growth through CAPEX'

- Capacity expansion plans to enhance production capabilities:** GEXP is planning a CAPEX of Rs.~4.8bn over the next 4 years to ramp up its existing woven capabilities and set up a new knit fabric processing unit in India. The CAPEX also includes a facility in Bangladesh to take advantage of its cost-effective ecosystem and to avail of FTA benefits. Assuming an asset turnover of ~4.5x for the woven business and ~3.5x for the knit business, we project an incremental revenue of Rs. ~18bn over the next 4 years. CAPEX is likely to be funded primarily via internal accruals and a portion of the Rs.~3bn proceeds raised through QIP in FY22.
- Supplier consolidation trends among global retailers to benefit large apparel manufacturers:** The share of the top 7 woven RMG exporters has increased from ~13% to ~22% from FY14-21 as the bigger suppliers enhanced their operational scale. GEXP, which is currently ~2.4% of Indian woven RMG exports, to further consolidate its share as they increase wallet share with its key customers and add new customers on the back of its enhanced capabilities and operational excellence.
- Liaison with large apparel brands to enable GEXP to increase its wallet share with existing buyers:** ~44% of GEXP's revenues are from customers with 10+ years of relationship. In FY22, ~58% of India's sourcing by the top 3 customers has been met by GEXP. As the large buyers continue to prune their supplier base, we believe there is a significant upside for GEXP.
- Tapping into knitted RMG trade on the back of upcoming capacity:** GEXP is setting up a knit fabric processing facility to enhance its RMG contribution with the addition of Knit garments. With all of its top 16 customers having knitted RMG products in their portfolio, the prospects of GEXP increasing its share of business with existing customers look bright.
- EBITDA margins to expand on improved productivity:** We have projected GEXP EBITDA margins to expand ~170bps over 2 years to ~12% led by an increase in productivity. A ~0.6bn outlay of modernization CAPEX should lead to productivity improvement. Operational incentives such as employee assistance, power tariff rebate, and interest cost subvention from the Madhya Pradesh government on the Rs.~1bn new facility in Bhopal can positively surprise margins.
- Risks:** Heightened reliance on the current management, delay in commencement of new facilities, lack of availability of key raw materials, and labor management issues are the key risks to our thesis. **Catalysts:** Potential trade agreements that Gol sign with the UK, EU, and others, besides large customers further consolidating their supplier base.
- Corporate governance:** We note that corporate governance measures are broadly within the specified guidelines. GEXP faced an employee revolt in FY20 and FY18 due to employee layover and remuneration issues. Sexual harassment issues that were reported have been dealt with by the company as per the specified law of the land.
- Views and valuations:** Given the medium-term revenue and margin visibility, we factor in a revenue and earnings CAGR of ~20% & ~26% from FY22-24. We value the stock at 20x FY24E EPS of Rs. 25.9 and derive our TP: Rs.517. We pencil in a revenue & earnings CAGR of ~20% and ~30% and value the stock at 20x FY26E EPS of Rs. 47.1 to arrive at a 3-year TP of Rs 943.

FINANCIAL SUMMARY

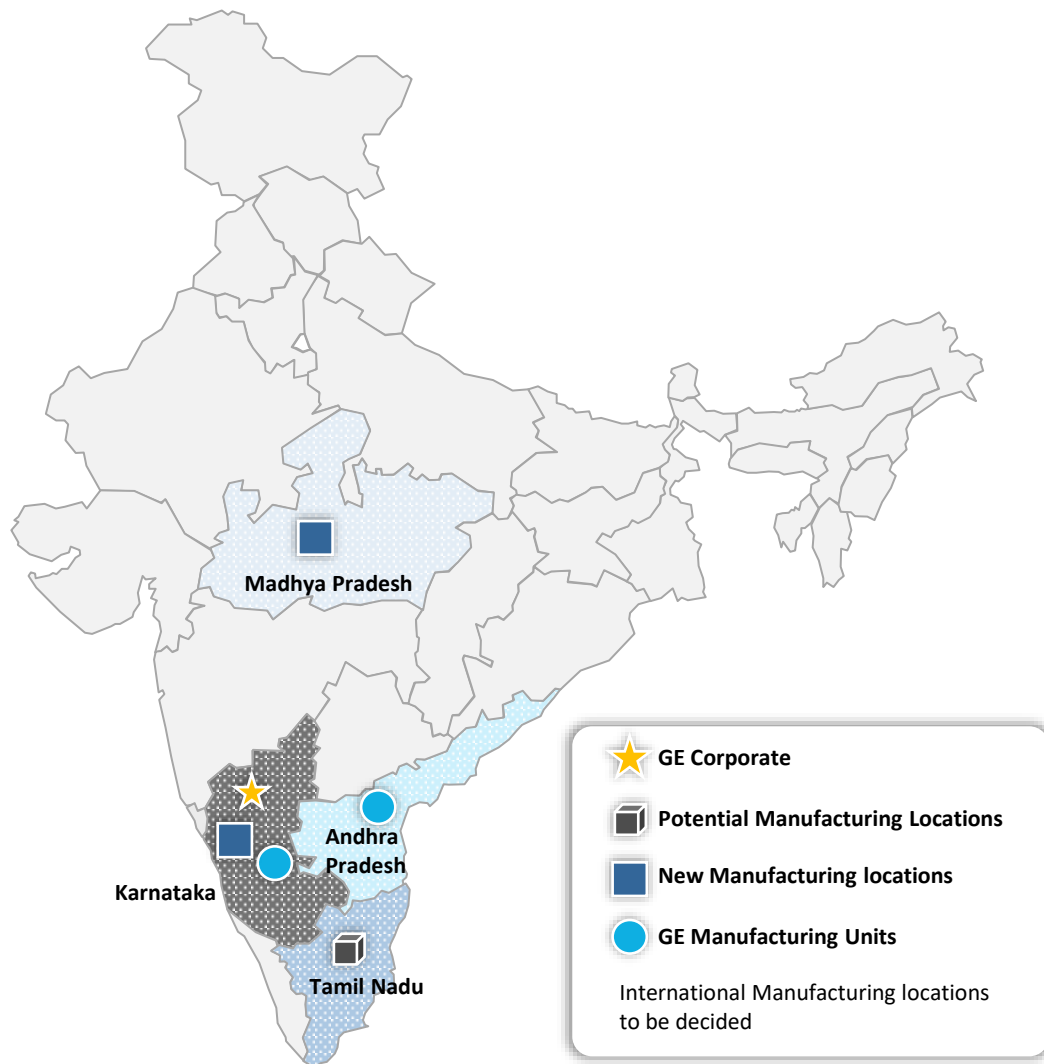
	Net Sales (Rs mn)	EBITDA (%)	PAT (Rs mn)	EPS (Rs)	P/E (x)	EV/EBITDA (x)	ROE (%)
FY21	12,107	8.5	280	6.5	73	23	11
FY22	17,903	10.3	960	16.3	21	10	19
FY23E	22,351	11.1	1,223	20.0	17	8	16
FY24E	25,684	12.0	1,578	25.9	13	6	17
FY25E	31,701	13.5	2,421	37.8	8	4	22

Corporate Factsheet

Company Background	<ul style="list-style-type: none"> Gokaldas Exports Limited is a leading apparel manufacturer, since 1979, engaged in the designing, manufacturing and exporting of a wide range of apparel products ranging from outerwear, activewear and fashion wear for all seasons. The Company's world-class apparel manufacturing facilities are complemented by integrated ancillary units which provide services such as laundry, embroidery, printing, quilting, and poly wadding. The Company exports to some of the major fashion brands and retailers across 50+ countries.
Promoter Background	<ul style="list-style-type: none"> Clear Wealth Consultancy Services LLP is a partnership firm with Mr.Mathew Cyriac, Mr.Uday Prabhakaran Nair, and Mr.Krishnadas Vengayil Nayanar as designated partners. Mr. Mathew Cyriac is a Board member at the company and has served as the MD in Private Equity Group Blackstone (erstwhile promoters of Gokaldas Exports) and has rich experience in Investment Banking and the engineering division of Tata Motors.
Board Of Directors	<ul style="list-style-type: none"> Mr. Richard B Saldanha - Chairperson, Shareholder Director, Independent Director; Mr. Mathew Cyriac - Non-Executive Non-Independent Director; Ms. Anuradha Sharma - Shareholder Director, Independent Director; Mr. Sivaramakrishnan Ganapathi - Executive Director, CEO, MD; Mr. Sathyamurthy A – CFO, Mr. Gautham Madhavan - Non-Executive Non-Independent Director; Mr. Prabhat Kumar Singh - Executive Director; Ms. Shrithee M S - Company Secretary & Compliance Officer
Promoter Holdings	<ul style="list-style-type: none"> Promoter and Promoter group - 23.48% :- Clear Wealth Consultancy Services LLP - 23.07%, Mr.Gautham Madhavan - 0.41%
Other Keyholders	<ul style="list-style-type: none"> Institutional holding: SBI Consumption Opportunities Fund – 8.6%, Nippon India Small Cap Fund – 5.7%, Goldman Sachs India Equity - 4.7%, PGIM India Mid-Cap Opportunities Fund - 4.3%, L&T Emerging Businesses Fund – 2.8%, HSBC Global Investment Funds – 3.0%, TATA Small Cap Fund - 2.2%, Can Lah Investments Pte. Ltd. - 1.2%, Quant Mutual Fund - 1.5%, Other holding: Teesta Retail Private Limited - 3.8%, Mr.Pathik Gandotra – 1.9%, Mr.Sankaranarayanan Sangameswaran - 1.9%, Mr.Chetan Jayantilal Shah - 1.5%, Mr. Sivaramakrishnan Ganapathi – 2.05%
Key Product Offerings (FY22)	<ul style="list-style-type: none"> Garments (~100% of revenues) - Outer wear (~41% of revenues), Casual wear (~39%), Sports wear (~10%), Bottom wear (~9%)
End-use Demographics (FY22)	<ul style="list-style-type: none"> Men (~47% of revenues), Women (~46%), Kids (~6%), Others (~1%)
Key Customers	<ul style="list-style-type: none"> GAP, Carhartt, Columbia Sportswear, Puma, JC Penney
Key markets / regions (FY22)	<ul style="list-style-type: none"> Region Mix: North America (~84.3% of revenues), Asia (~11.3%), Europe (~4.2%), Others – South America, Oceania & Africa (~0.2%)
Market Share	<ul style="list-style-type: none"> ~2.4% market share of India Woven exports
Manufacturing Units	<ul style="list-style-type: none"> 19 state-of-the-art manufacturing units, spread across Tier-1 and Tier-2/3 cities, with 15000+ machines and an annual capacity of 36mn pcs of garments.
Exports vs Domestic revenues (FY22)	<ul style="list-style-type: none"> 11% Domestic, 89% Exports
Bankers	<ul style="list-style-type: none"> HDFC Bank, State Bank of India, Union Bank of India, RBL Bank, IndusInd Bank and Federal Bank
Corporate Structure	<ul style="list-style-type: none"> Subsidiaries: All Colour Garments Pvt Ltd. - 100%; SNS Clothing Pvt Ltd. - 100%; Vignesh Apparels Pvt Ltd. - 100%; Gokaldas Exports Acharpura Pvt Ltd. – 100%; Sri Susamyuta Knits Pvt.Ltd – 100% and Gokaldas Exports FZCO – 100%
Auditors	<ul style="list-style-type: none"> Statutory Auditors - MSKA & Associates; Internal Auditors – G Balu Associates LLP; Secretarial Auditors – Mr. Nagendra D Rao

Plant & Location

GEXP plants are located in Karnataka, new units coming up at Madhya Pradesh and Tamil Nadu



Source: Company Filings, Spark Capital

GEXP currently has 19 production units, of which several are leased units.

S. No	Plants	City	State
1	International Clothing Company – I	Chittoor	Andhra Pradesh
2	Wearcraft Apparels – I	Bengaluru	Karnataka
3	J.D.Clothing Company	Bengaluru	Karnataka
4	Gokaldas India	Bengaluru	Karnataka
5	Venkateshwara Clothing Company	Bengaluru	Karnataka
6	Hinduja Processing & Finishing Unit	Bengaluru	Karnataka
7	Sri Krishna Industries	Bengaluru	Karnataka
8	Global Garments-III	Bengaluru	Karnataka
9	Euro Clothing Co - I	Bengaluru	Karnataka
10	Triangle Apparels – VI	Bengaluru	Karnataka
11	Indigo Blues	Doddaballapur	Karnataka
12	Gokaldas Exports Ltd – Unit I	Hassan	Karnataka
13	Atlantic Apparels	Mysore	Karnataka
14	Carnival Clothing Co.	Mysore	Karnataka
15	The Wearwel I	Tiptur	Karnataka
16	Global Garments	Tumkur	Karnataka
17	Gokaldas Exports Ltd Unit- 3	Tumkur	Karnataka
18	Gokaldas Exports Ltd Unit – 4	Bommanahalli	Karnataka
19	Gokaldas Exports Ltd – Unit 5	Krishnagiri	Tamil Nadu

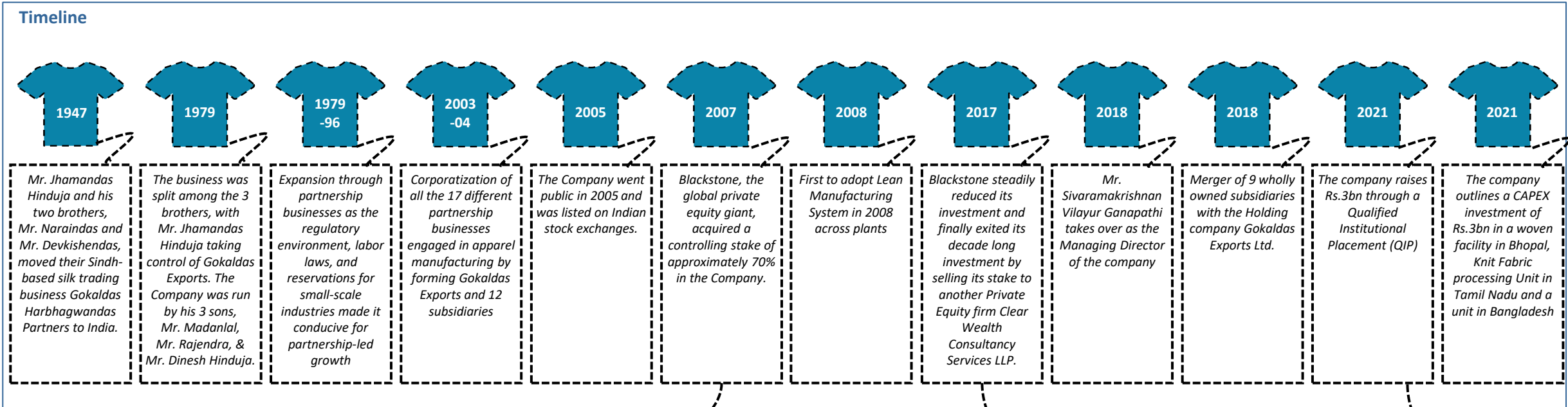
Source: Company Filings, Spark Capital

Process Flow – GEXP is only into garmenting as of today

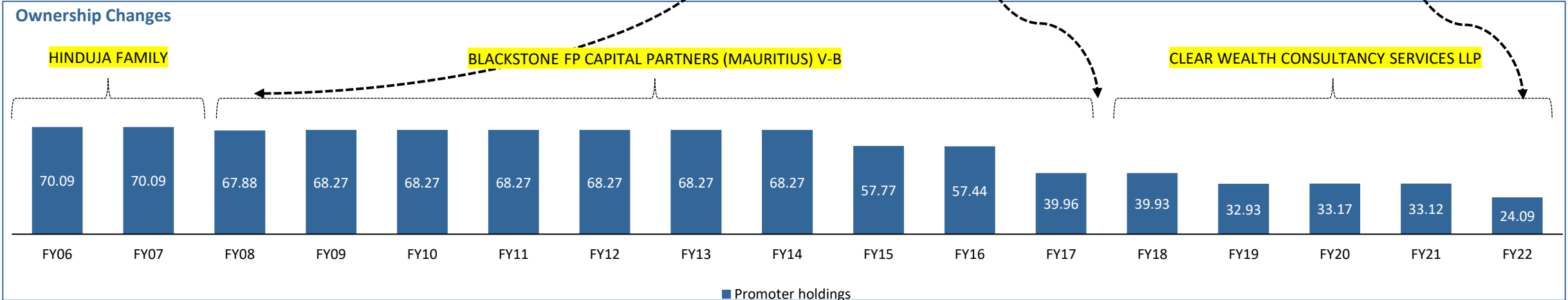


	Design	▪ Process of planning and producing a fabric's appearance and structure		Laser Treatment	▪ Used to cut the fabric into the desired pattern shapes
	Development	▪ Conversion from fabric to finished product that align with, or improve upon, the Customers requirements		Washing	▪ Used to remove impurities from the surface of fibres, yarns and fabrics
	Laying	▪ Laying out of the fabric in superimposed layers for cutting		Finishing	▪ Final process to improve appearance, hand-feel, other aesthetics etc.
	Cutting	▪ Process of separating a garment into parts that are the precise size and shape of the pattern pieces on a marker		Ironing	▪ Subjecting a cloth to heat and pressure to remove unwanted creases
	Printing	▪ Process of applying color to fabric in definite patterns or designs		Labs	▪ Lab testing to examine the physical, mechanical and chemical properties of a textile
	Sewing	▪ Joining of different parts of garments with the use of needle and thread		Checking	▪ Process to ensure quality of garment meets specific standards
	Quilting	▪ A method of stitching layers of material together		Fusing	▪ Process of fabric joining which is widely used to attach interlinings
	Polyfill	▪ Synthetic fibre (polyfill) used as stuffing in pillows etc.		Scraping	▪ Dry process applied after whiskering to remove the color or fade specific area of the garments
	Embroidery	▪ Process of embellishing the surface of textiles with decorative stitching using colorful threads		Hand grinding	▪ Destruction of edges or the worn out effect on the edge of the garments

Timeline and Ownership



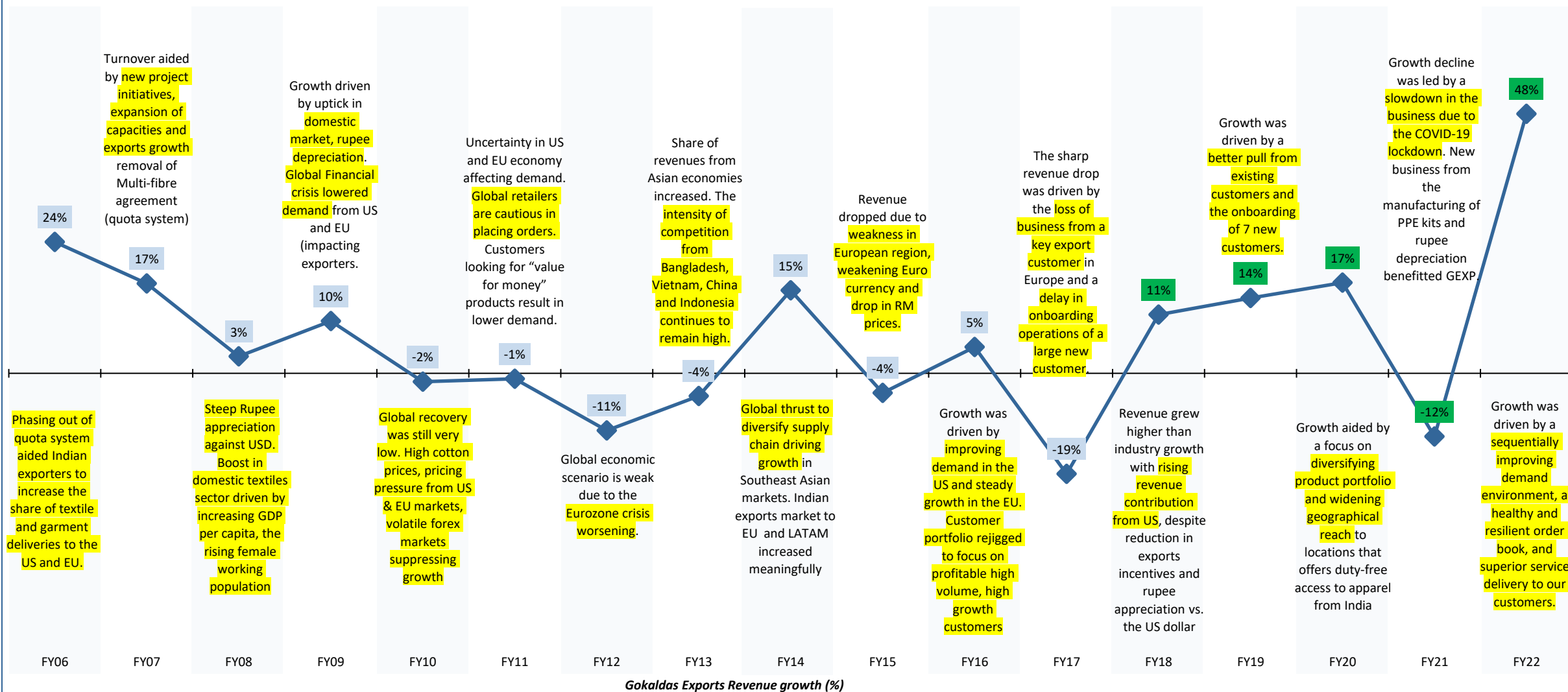
Company Filings, Spark Capital



Source: Company Filings, Spark Capital

What has been the revenue growth driver over the past 15 years?

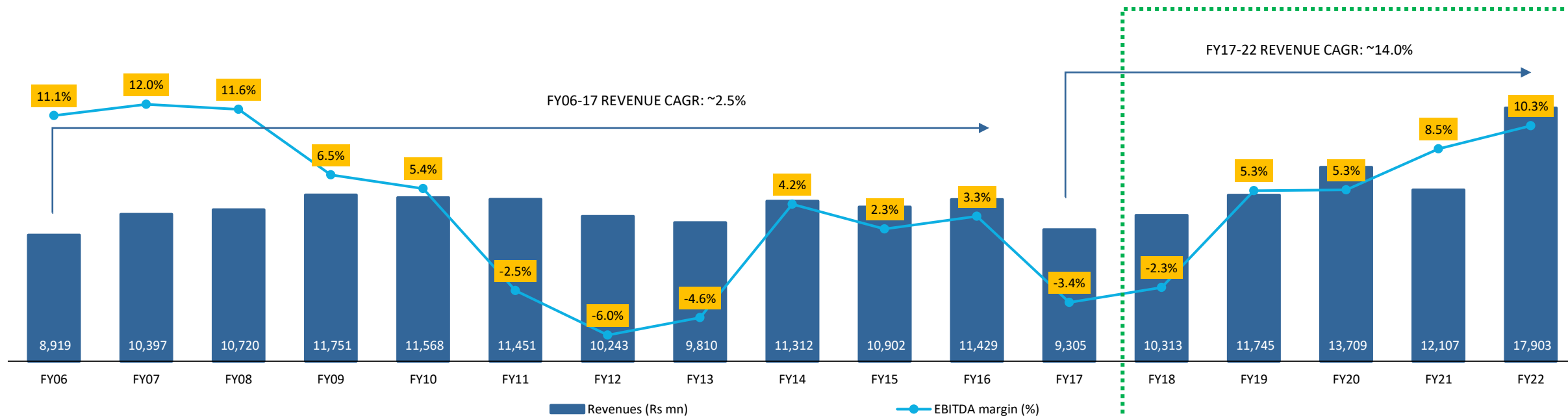
Pick-up in underlying demand in the import destinations and the ability to win new customers have been the key revenue growth drivers for GEXP over the past 15 years



Source: Company Filings, Spark Capital

WHAT HAS CHANGED IN THE PAST 5 YEARS?

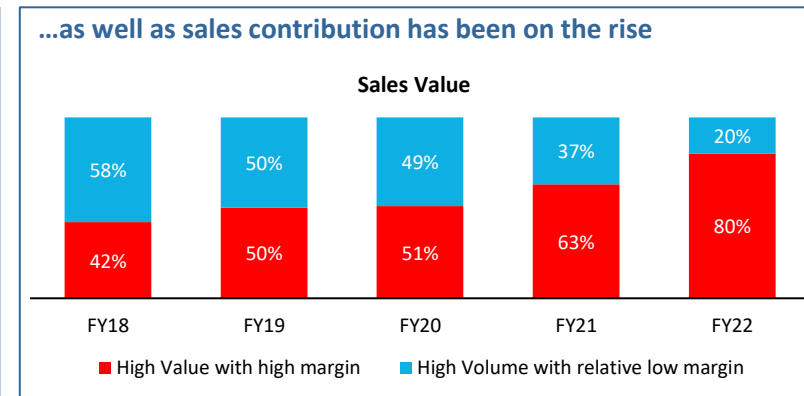
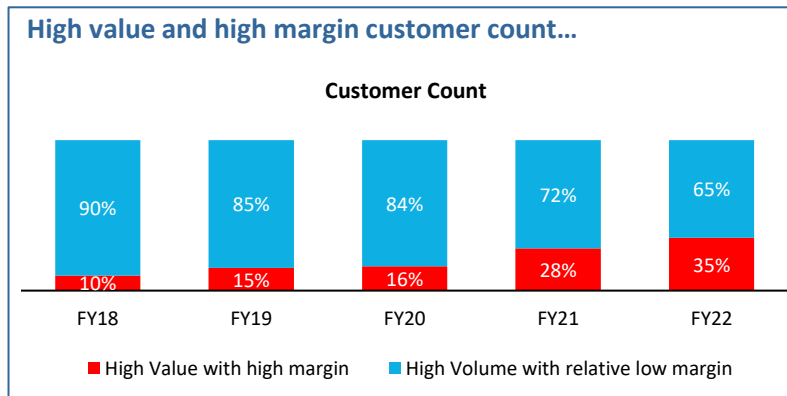
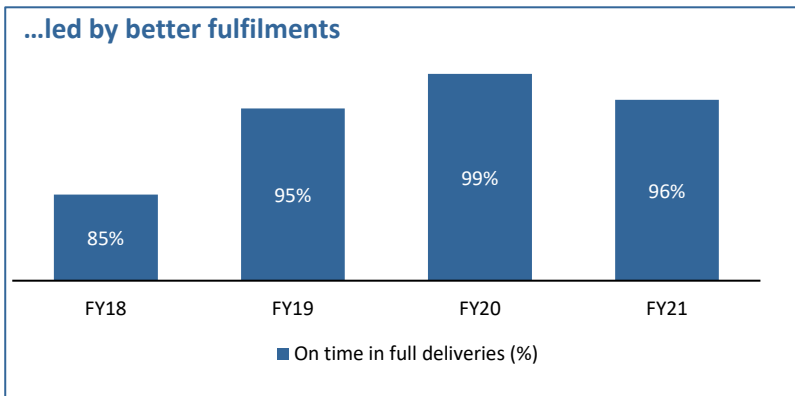
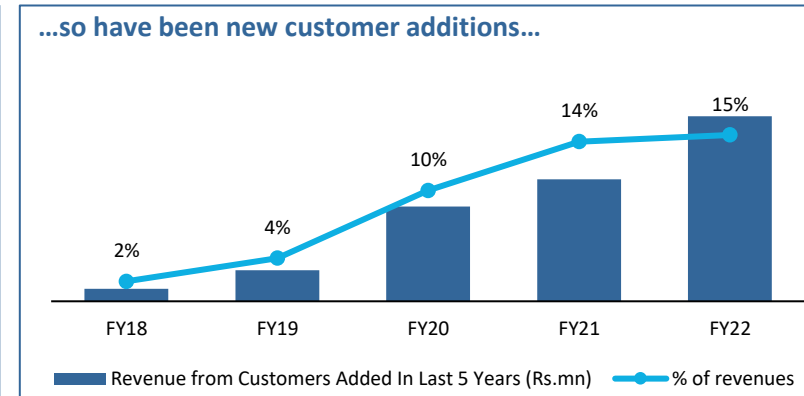
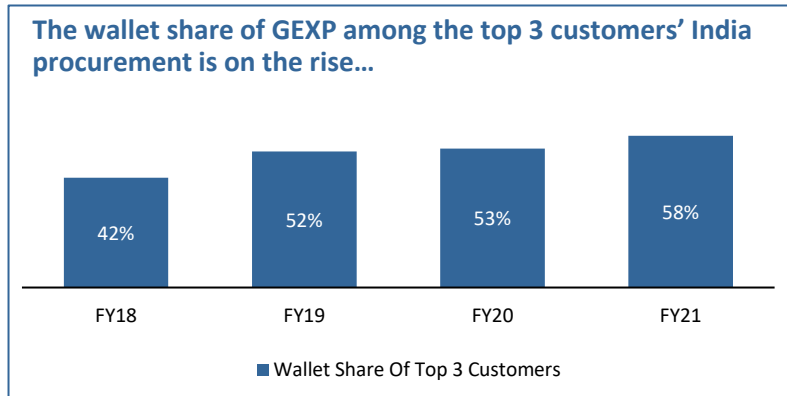
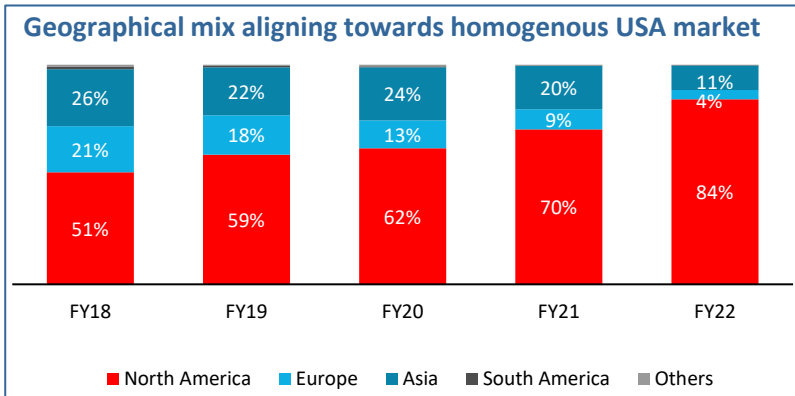
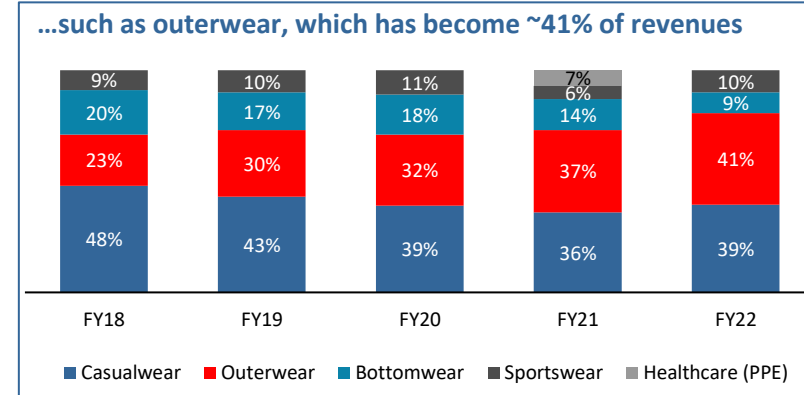
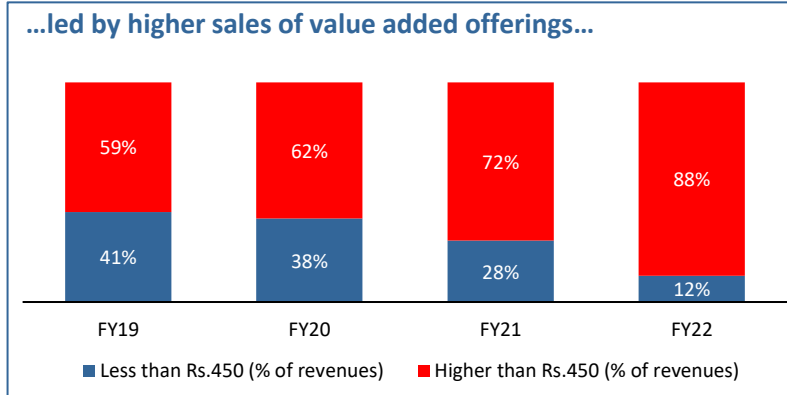
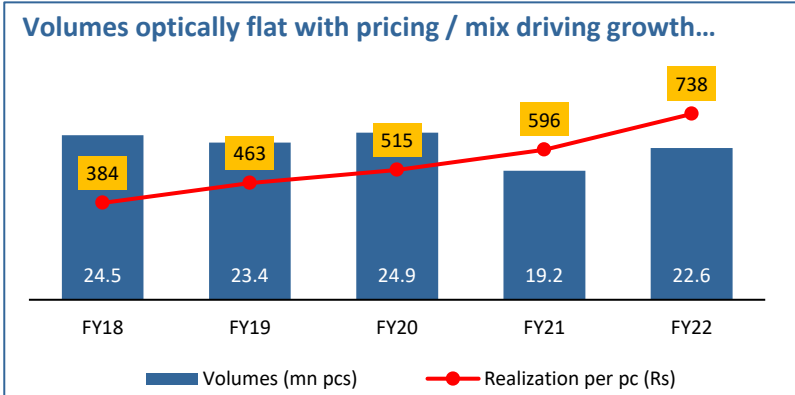
Revenue and EBITDA have significantly rebounded from FY17, despite a challenging macro-economic scenario, led by new ownership/management



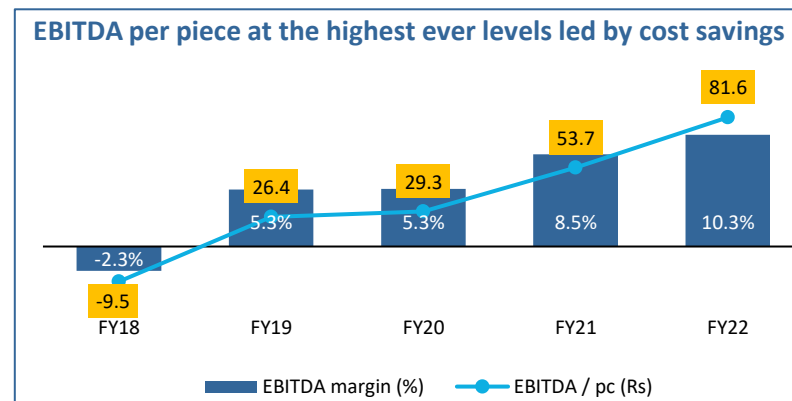
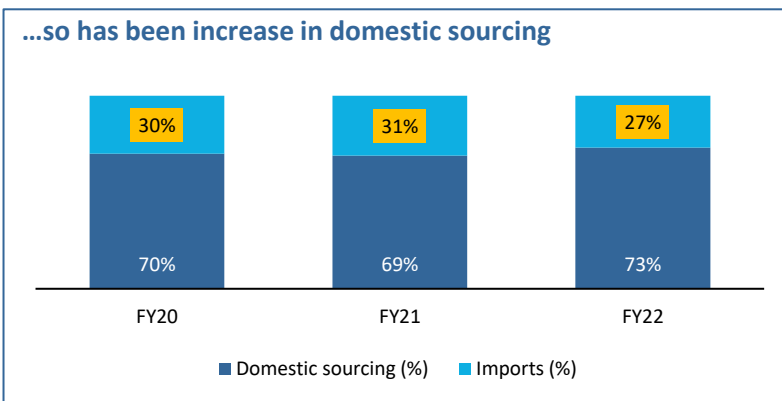
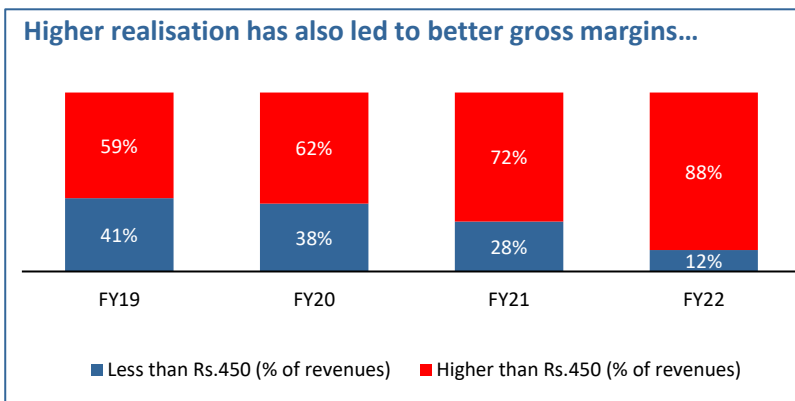
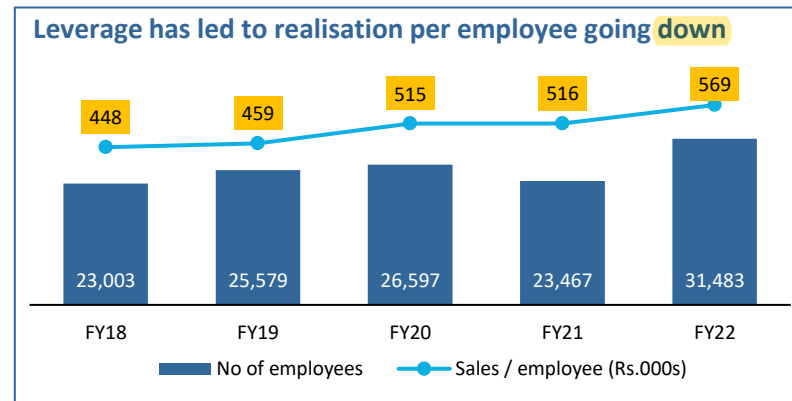
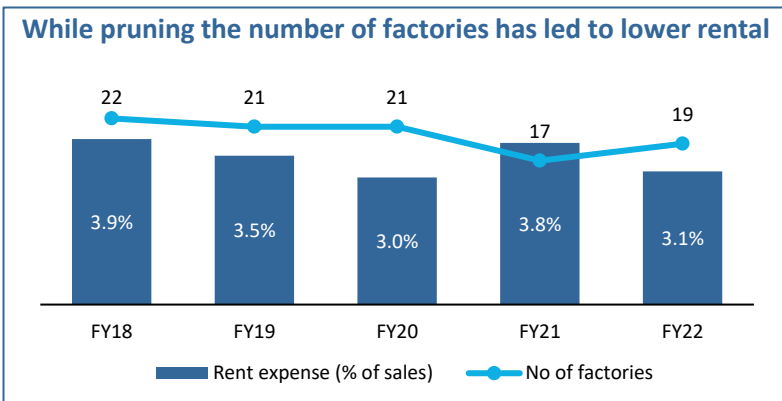
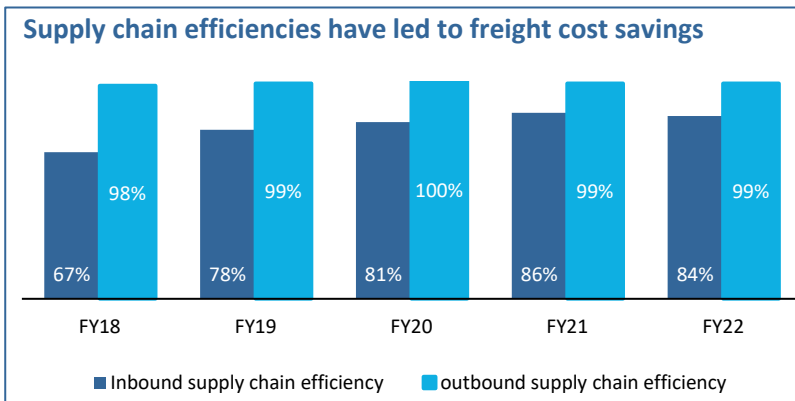
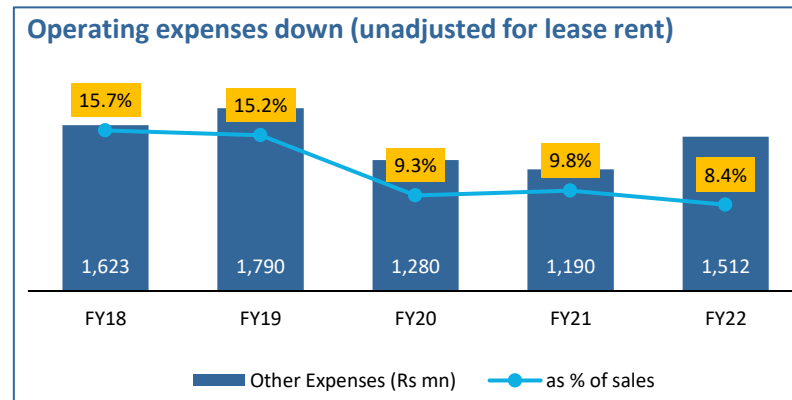
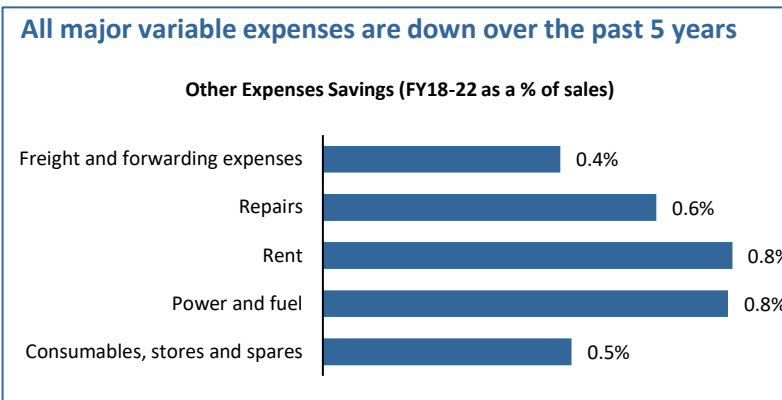
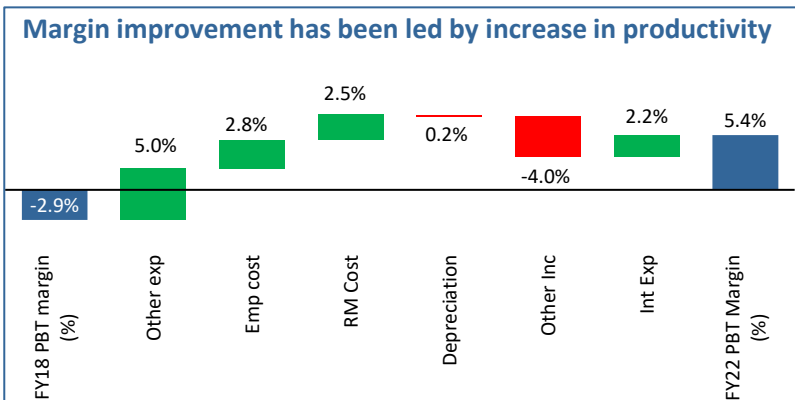
	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	
Promoter & Holding	Hinduja Family		Blackstone – Private Equity firm										Clear Wealth Consultancy Services LLP					
	70.09%	70.09%	67.88%	68.27%	68.27%	68.27%	68.27%	68.27%	68.27%	57.77%	57.44%	39.96%	39.93%	32.93%	33.17%	33.12%	24.09%	
Chairman	Mr.Madanlal J Hinduja											Mr. Richard B Saldanha						
CEO	Mr.Madanlal J Hinduja			Mr.Rajendra J Hinduja				Mr.Gautam Chakravarthi				Mr. P. Ramababu		Mr.Sivaramakrishnan Ganapathi				
CFO	-	-	-	-	-	-	Mr. Sumit Keshan					Mr.Sathyamurthy A						

Source: Company Filings, Spark Capital

Snapshot of how the revenues have transformed over the past 5 years

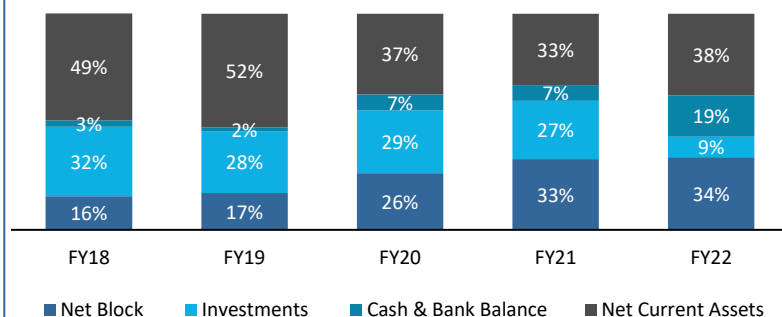


Snapshot of how the profitability has transformed over the past 5 years

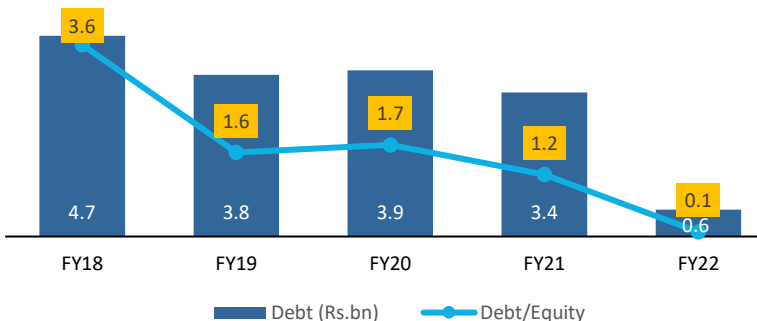


Snapshot of how the balance sheet has transformed over the past 5 years

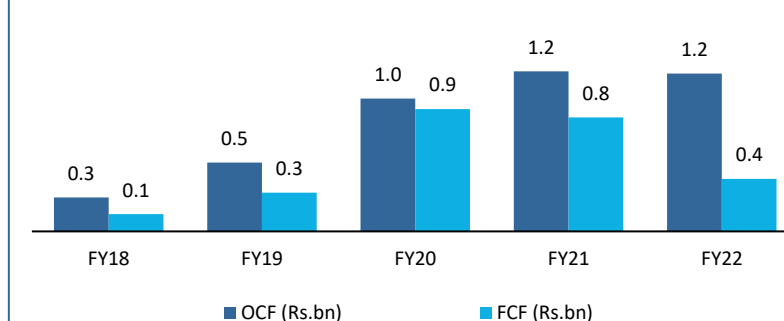
Net block has increased; working capital bought under control



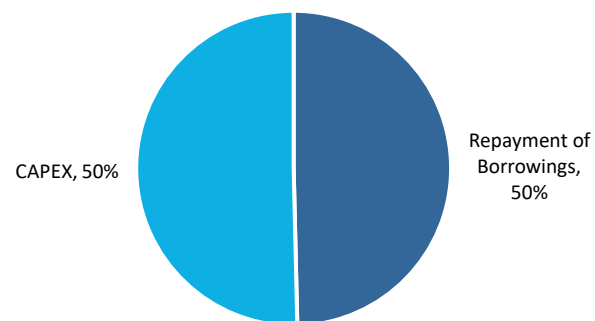
Debt has been repaid...



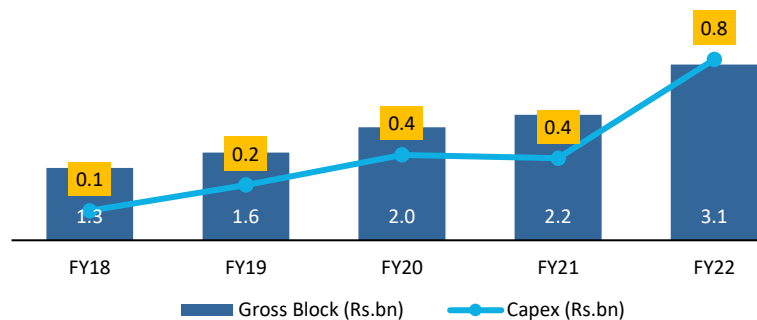
...using internal accruals...



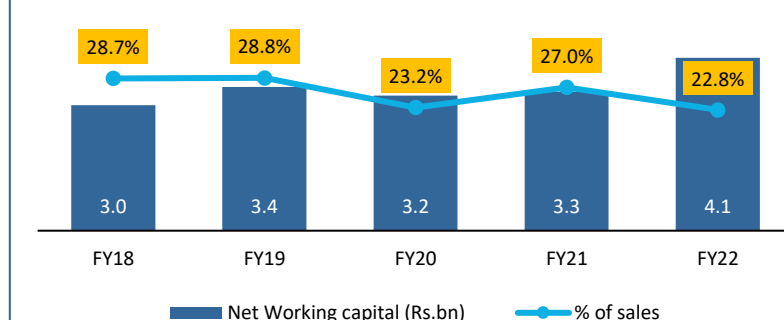
...as well as proceeds from the QIP (Rs. ~3bn)



Gross block on the rise...



...while working capital broadly under control



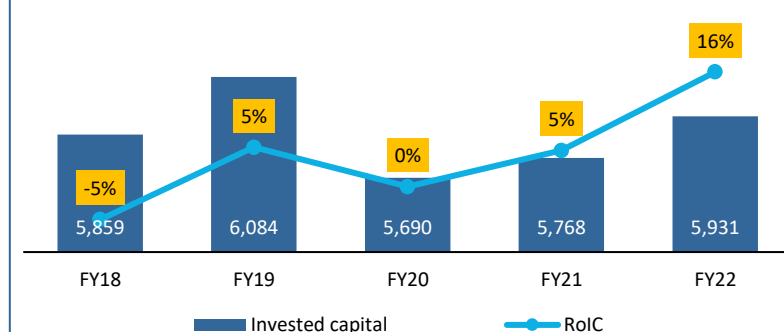
Net Working capital has reduced with better deliveries...

Working Capital days	FY18	FY19	FY20	FY21	FY22
Debtor days	77	50	38	54	19
Inventory days	63	82	77	78	88
Creditor days	35	27	30	34	24
NWC days	105	105	85	99	83

...while capital efficiency has improved on margins and TAT

Du-Pont Table	FY18	FY19	FY20	FY21	FY22
Asset Turnover (x)	1.6	1.9	2.1	1.8	2.2
Leverage (x)	4.2	3.3	2.7	2.7	1.6
PAT Margin (%)	-3.0%	2.7%	-0.2%	2.3%	5.4%
RoE (%)	-20.6%	17.2%	-1.1%	10.9%	19.2%

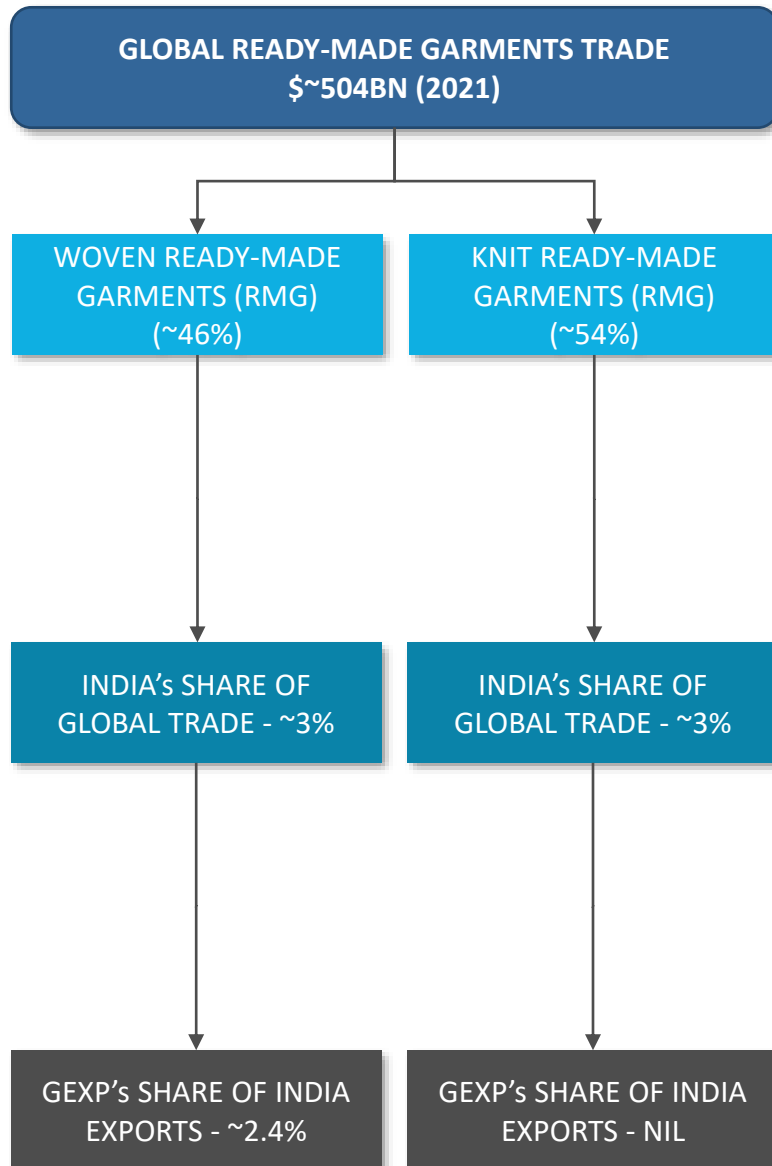
RoIC on the increase as the assets are better sweated out



WHAT IS IN STORE?



THESIS



ADVANTAGE WOVEN READY-MADE GARMENTS



#1 – Global Woven Apparel consumption picking-up led by 'Back to Office' pent-up demand

#2 – Indian domestic apparel market flourishing led by underlying consumption



ADVANTAGE INDIA



#3 – The Government of India's keenness to sign 'Trade Agreements'

#4 – With India becoming the key cotton supplier, domestic RMG manufacturers possess an edge

#5 – Performance Linked Incentive by the Government of India to establish a strong MMSF ecosystem

#6 – Economic crisis in other key RMG manufacturing hubs should lead to buyers alternating supply chain



ADVANTAGE GOKALDAS EXPORTS (GEXP)



#7 – Capacity Expansion plans over the next three years to enhance GEXP's production capabilities

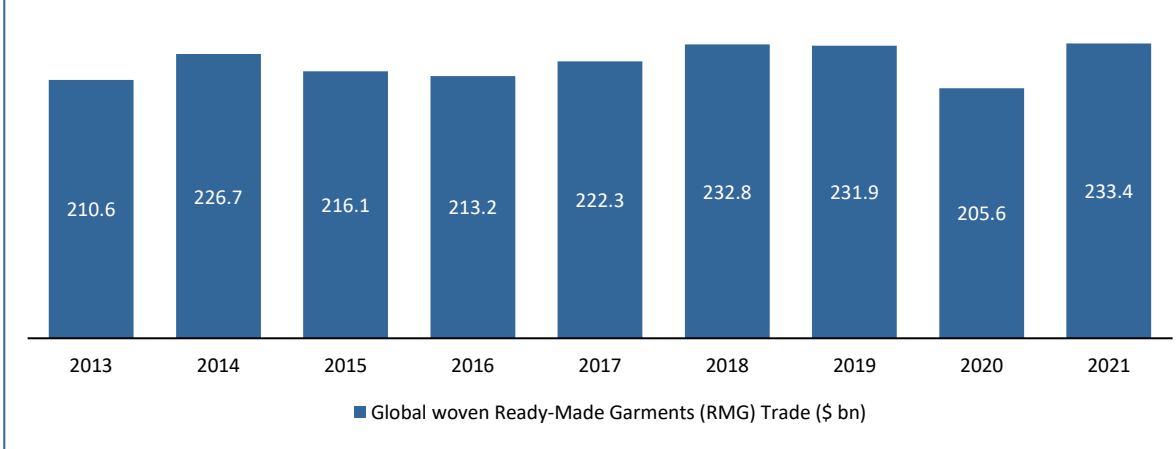
#8 – Supplier consolidation trends among global retailers to benefit large apparel manufacturers

#9 – Liaison with large apparel brands to enable GEXP increase it's wallet share with existing buyers

#10 – Tapping into knitted RMG trade on the back of upcoming capacity

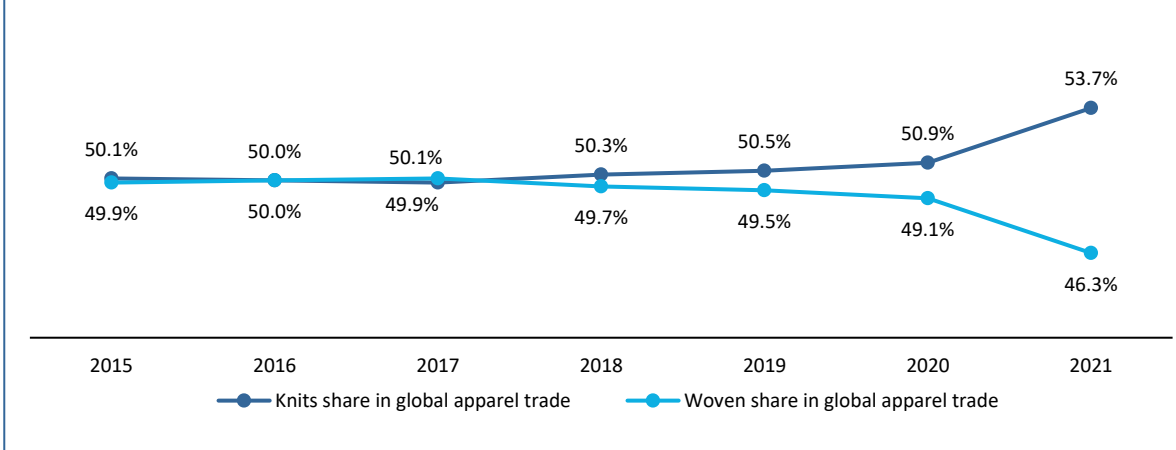
#1 – Global Woven Apparel consumption picking up led by ‘Back to Office’ pent-up demand

Woven RMG demand to pick up as office & outdoor wear rebound in the post pandemic era



Source: OEC, Spark Capital

Woven wear to regain its lost share to knits as demand revives



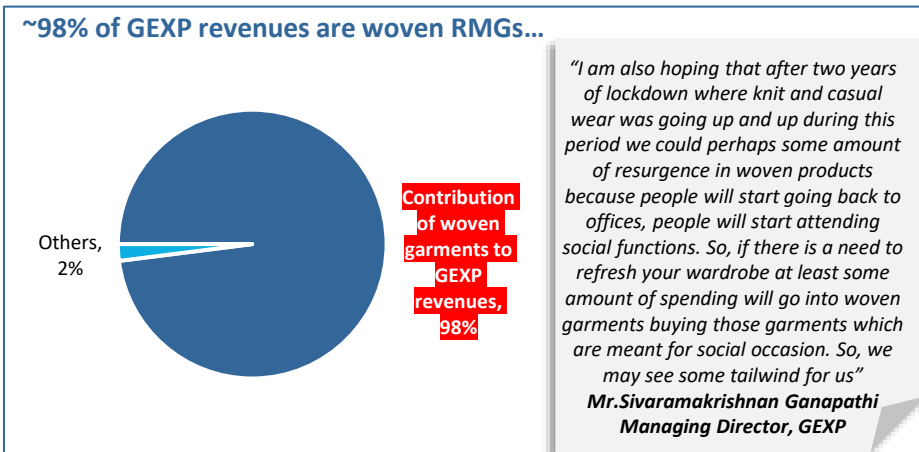
Source: Company Filings, Spark Capital

Several international brands indicating a pick-up in woven wear demand

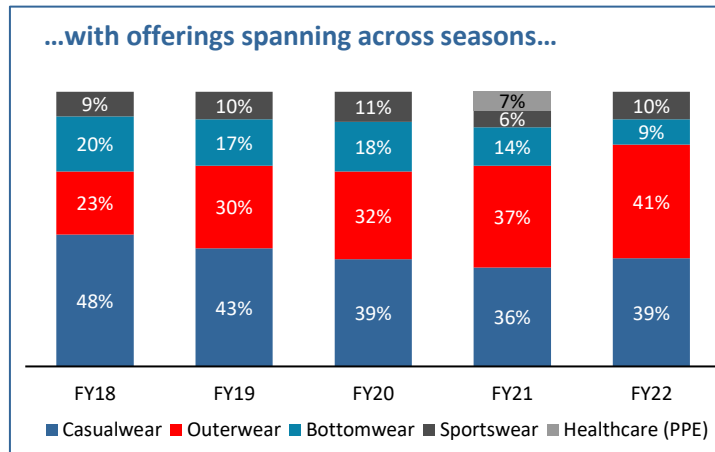
	"In the first half of the year we saw customers continue to purchase casual and activewear, a trend representative of the pandemic – before other categories such as formalwear began to return later in the year. "
	"People have been opting for suits, dresses, and skirts over casual wear as they increasingly venture out for social events and to offices, with demand for affordable luxury, which the Banana Republic specializes in, also staying firm."
	"Black tie is to 2022 as sweatpants were to 2020," Rent the Runway Co-founder and Chief Executive Officer Jennifer Hyman
	"Occasion-based clothing in men's and women's are "very healthy categories" with men's work clothing average selling prices increasing 29% and "missy career" items up 20%. Other categories have required heavy promotions to unload excess inventory" Chief Executive Officer Jeff Gennette
	"We're seeing interesting things in terms of purchasing patterns and the 'new normal'. Consumers are going out during the day and returning to social activities. That space is healthy for us and is growing." Chief Executive Patrice Louvet
	"The return to formal dressing "perhaps driven by pent-up demand for social events such as weddings", many of which were limited during COVID-19 restrictions, had also played to the brand's strengths"
	"While we track closely to apparel store traffic in the U.S., our customer was doing more browsing than buying and targeting special occasion items like women's dresses, where we registered our best ever Q2 sales, and men's woven shirts." Chief Executive Fran Horowitz
	"women's and men's "elevated casual" styles outperformed as more people returned to work."
	"Remote working in loungewear during the pandemic has left professionals yearning for new wardrobes as they embrace hybrid working. We've definitely seen a jump in formalwear for both men's and womenswear"

Source: Company Filings, Spark Capital

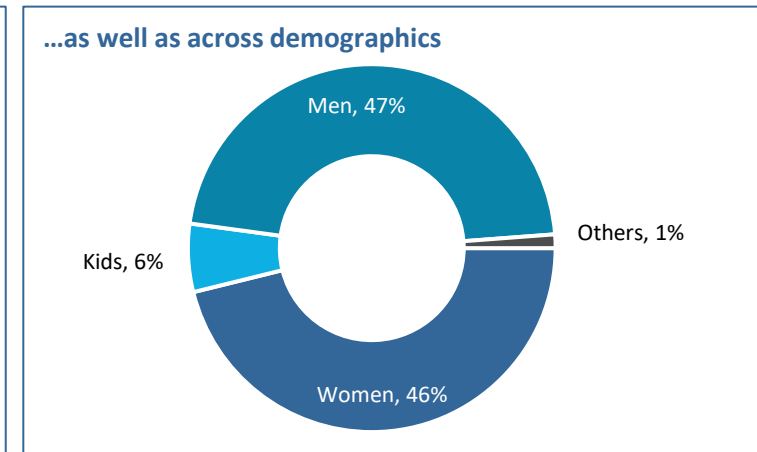
#1 – Global Woven Apparel consumption picking up led by ‘Back to Office’ pent-up demand



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

All key Woven RMG categories have witnessed spending cuts in 2020

Woven Apparel Category - (\$bn)	2015	2016	2017	2018	2019	2020	1yr CAGR	2yr CAGR
Women's Suits	60.1	58.6	61.8	64.3	66.2	56.1	-15%	-7%
Men's Suits	46.8	45.9	47.2	48.8	47.9	38.4	-20%	-11%
Felt Coated Fabric Garments	10.7	9.7	10.0	10.6	10.9	24.2	123%	51%
Women's Coats	17.0	17.5	19.8	21.9	21.6	18.2	-16%	-9%
Men's Coats	13.4	13.7	15.1	17.3	17.5	14.5	-17%	-8%
Women's Undergarments	13.5	13.8	14.3	14.7	14.1	12.2	-13%	-9%
Active Wear	11.3	11.6	12.0	12.7	13.7	11.6	-15%	-5%
Women's Shirts	14.2	14.5	15.0	15.1	13.9	10.5	-24%	-16%
Men's Shirts	15.6	15.0	14.6	14.6	14.1	10.1	-28%	-17%
Scarves	4.5	4.2	4.0	4.0	3.8	2.9	-26%	-16%
Other Accessories	2.5	2.4	2.5	2.6	2.5	2.2	-10%	-8%
Babies' Garments	2.7	2.6	2.6	2.6	2.4	2.0	-16%	-12%
Men's Undergarments	1.6	1.5	1.4	1.4	1.4	1.2	-15%	-10%
Gloves	1.1	1.0	1.1	1.2	1.2	1.0	-14%	-7%
Neck Ties	0.8	0.8	0.7	0.7	0.6	0.3	-47%	-32%
Handkerchiefs	0.2	0.2	0.2	0.2	0.2	0.2	-9%	-9%
Global Woven RMG trade	216.1	213.2	222.3	232.8	231.9	205.6	-11%	-6%

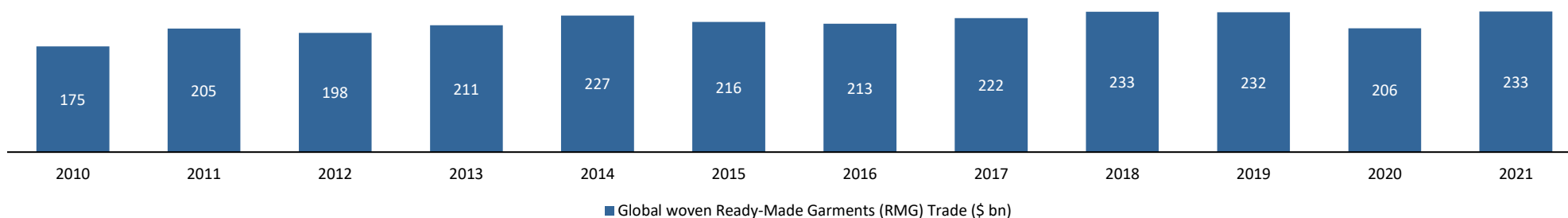
Source: OEC, Spark Capital

GEXP's boasts a few of the largest woven market apparel brands as its customers

Source: Company Filings, Spark Capital

#1 – Global Woven Apparel consumption picking up led by ‘Back to Office’ pent-up demand

Woven RMG category growth over the past decade has been at ~2.6% and over the past 5 years has been just ~1.8%

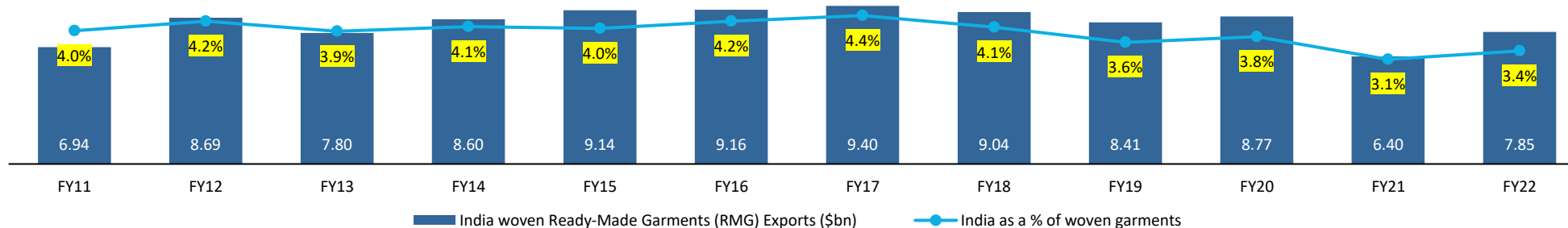


Global woven Ready-Made Garments (RMG) Trade (\$ bn)

FY11-22 CAGR FY17-22 CAGR

2.6% 1.8%

Indian woven RMG exports, however, has not even replicated the underlying growth as India lost share across several categories

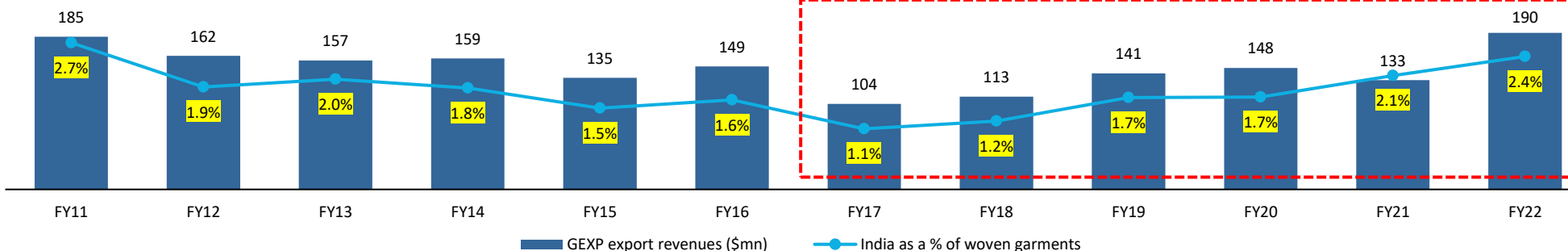


India woven Ready-Made Garments (RMG) Exports (\$ bn)

FY11-22 CAGR FY17-22 CAGR

1.1% -3.6%

GEXP though has outgrown the category and India exports significantly over the past 5 years led by consolidating its share among the woven exporters from India

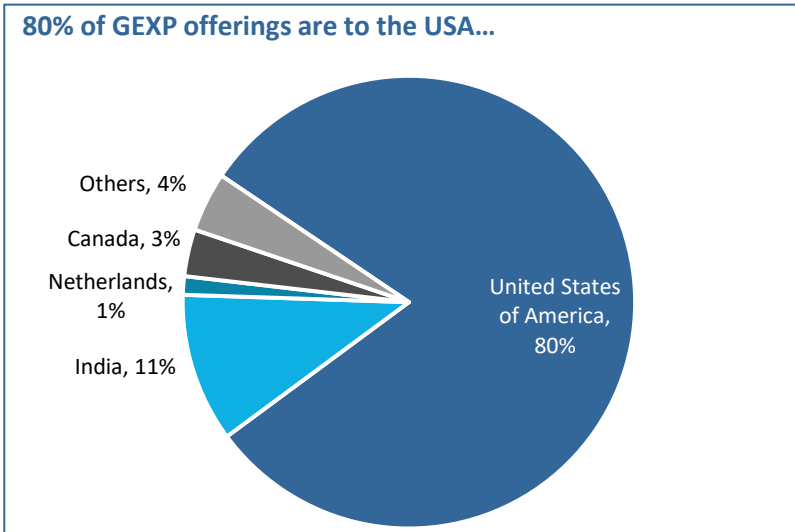


GEXP export revenues (\$ mn)

FY11-22 CAGR FY17-22 CAGR

0.2% 12.9%

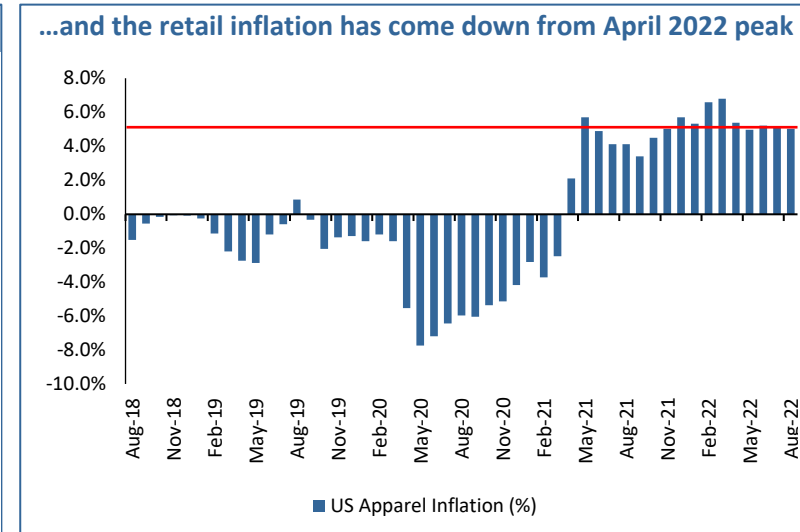
#1 – Global Woven Apparel consumption picking up led by ‘Back to Office’ pent-up demand



Source: Company Filings, Spark Capital



Source: FRED, Spark Capital

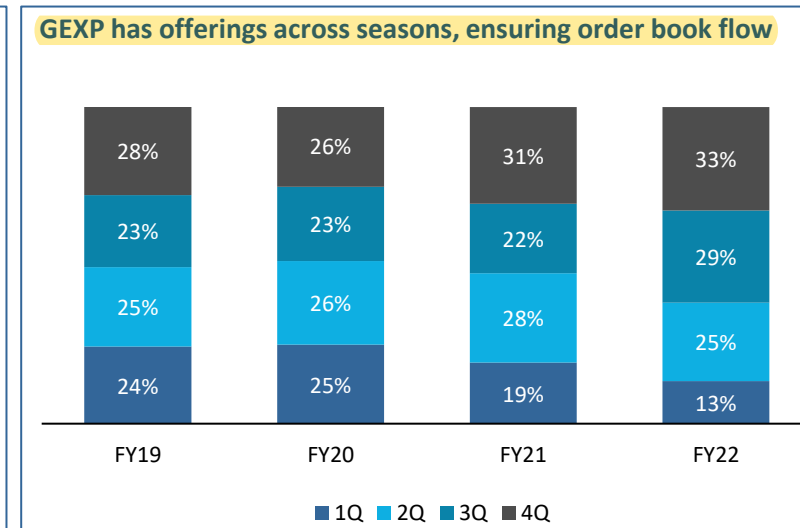


Source: FRED, Spark Capital

In RMG, inventories are not carried forward to next quarter – they are discarded on ‘discount sales’

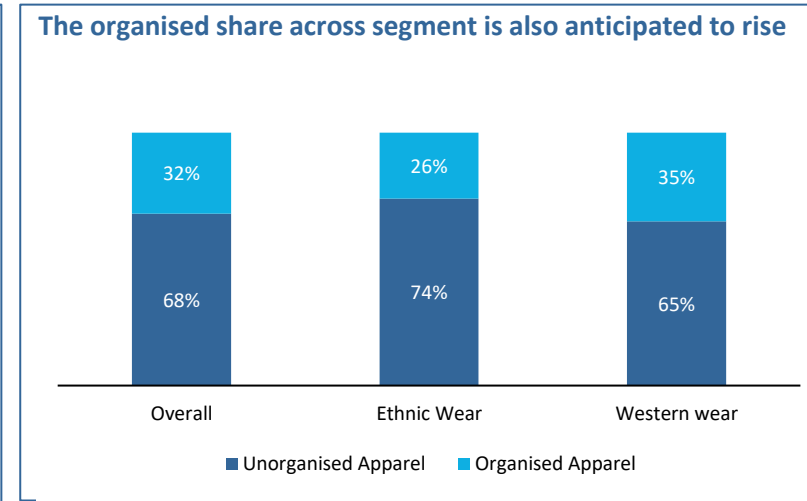
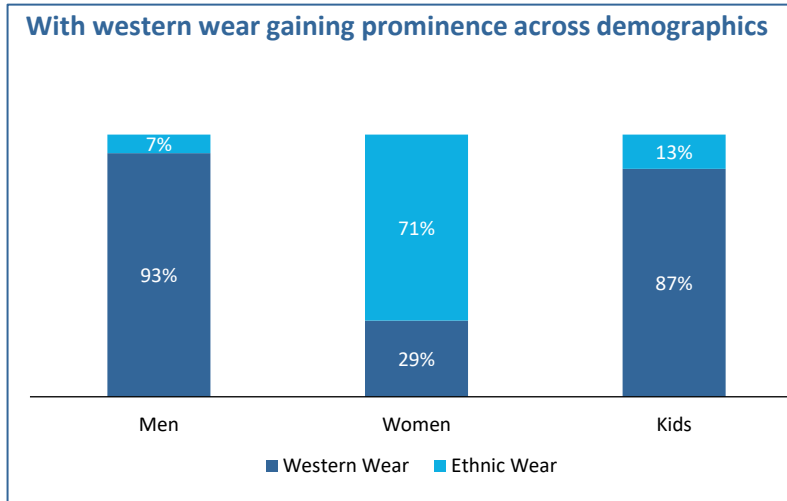
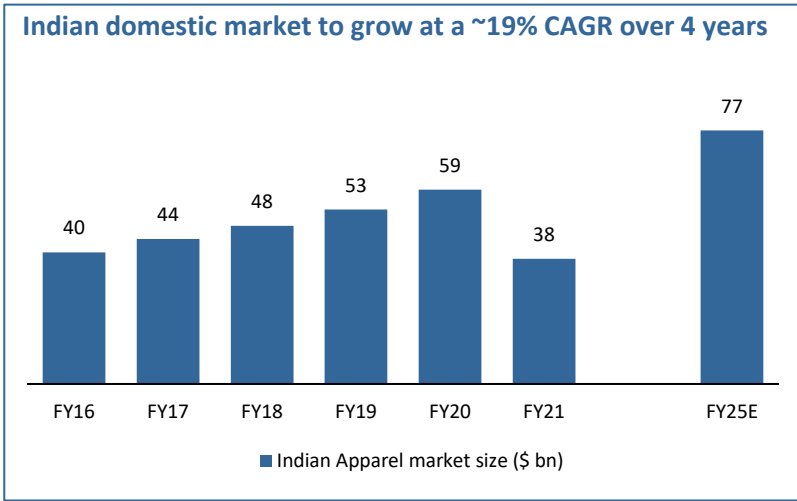
Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Traditional Sales period			Spring - Summer						Autumn - Winter				
Designer Collections	Autumn-Winter Collection			Selection of spring fabrics and cuts			Spring - Summer Collection			Selection of fabrics and cuts for next winter			
Manufacturing	Spring - Summer				Autumn - Winter								Spring - Summer
Traditional Close-out period	January			Inter-season			July				Inter-season		
Inventory warehouse removal					Spring - Summer						Autumn - Winter		

Source: Industry, Spark Capital



Source: Company Filings, Spark Capital

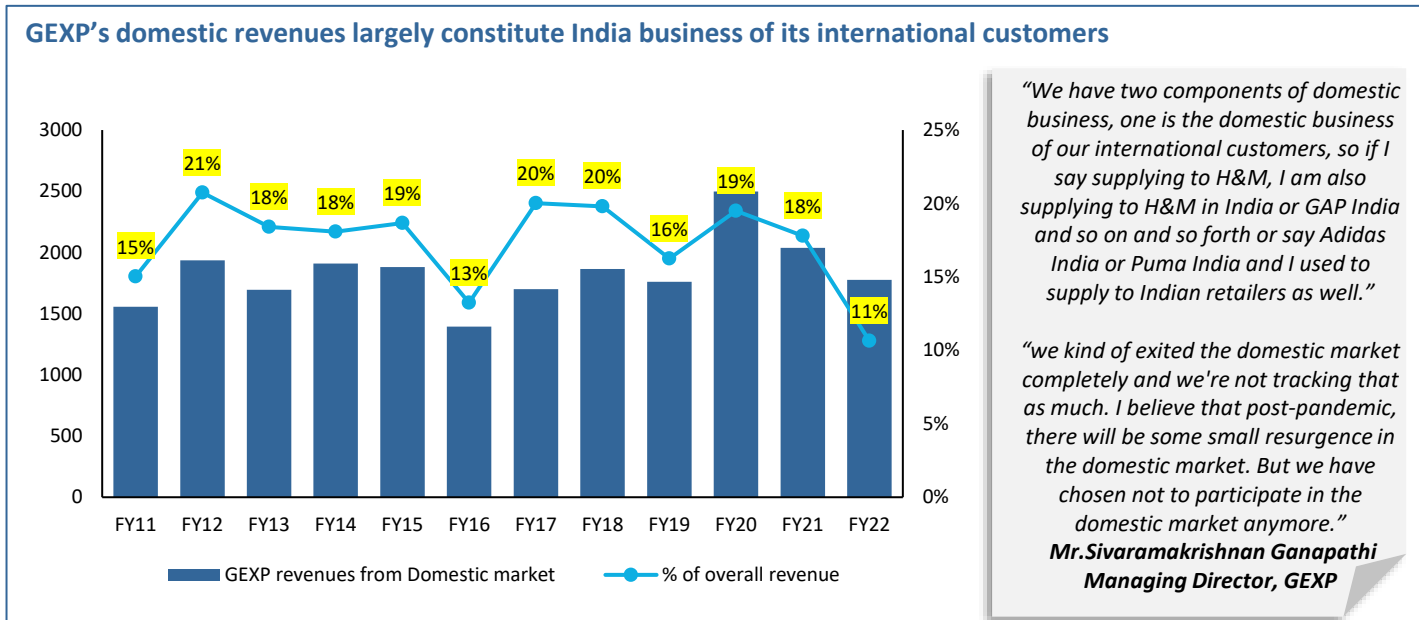
#2 – Indian domestic market apparel market flourishing led by underlying consumption



Source: Company Filings, Spark Capital

Source: Industry, Spark Capital

Source: Industry, Spark Capital



Source: Company Filings, Spark Capital

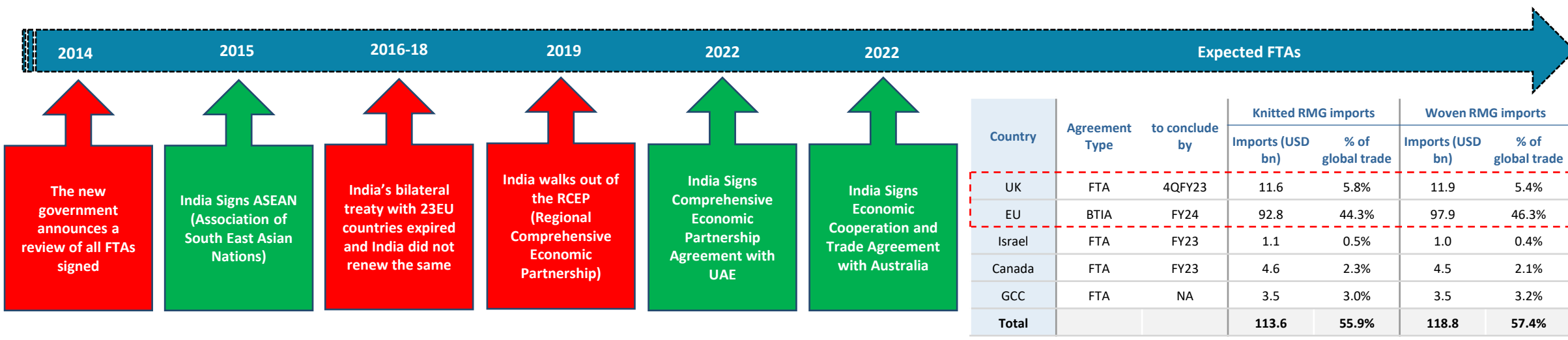
Of their top 16 customers, 9 brands have their retail presence in India

GEXP Top 16 Customers	Presence in India	Partnership
GAP	Yes	Reliance Retail
Banana Republic	Yes	Reliance Retail
Carhatt	No	-
JC Penney	No	-
Columbia Sportswear	Yes	Chogori India Retail Limited
Puma	Yes	Puma India
Walmart	No	Flipkart
Carrefour	No	-
Bestseller	Yes	Bestseller Retails India
Adidas	Yes	Adidas India
H&M	Yes	H&M India
TJ Maxx	No	-
Marks & Spencers	Yes	Reliance Retail (JV)
Old Navy	Yes	Reliance Retail
SanMar	No	-
Abercrombie & Fitch	No	-

Source: Industry, Spark Capital

#3 – The government of India’s keenness to sign ‘Trade Agreements’

Government of India’s (GOIs) perspective on Trade Agreements has changed in the past few years; trade treaties with UK and EU can transform the Indian textile trade significantly



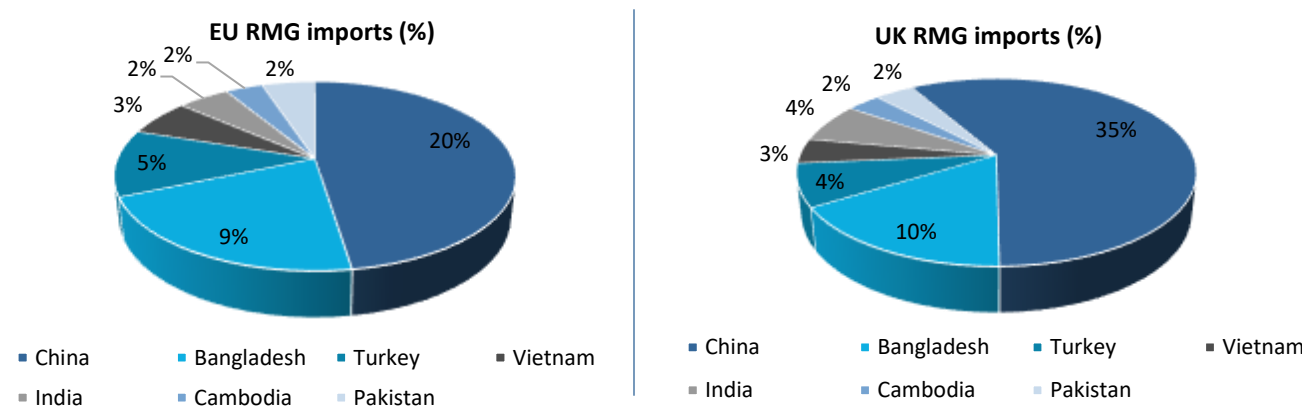
Source: Ministry of Textiles, Industry, Spark Capital

FTAs becoming prominent part of Textile ministry commentary in the past few years



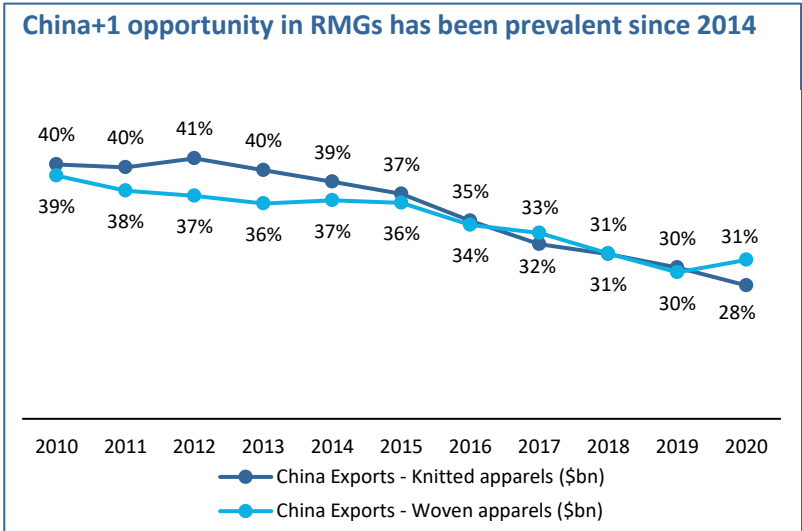
Source: Ministry of Textiles Tweets, Spark Capital

Bangladesh and Vietnam enjoy high share in the EU market on the back of their FTA status



Source: OEC, Spark Capital

#3 – The government of India’s keenness to sign ‘Trade Agreements’



Source: OEC, Spark Capital

Vietnam emerged as the alternate source for buyers in USA...

KNITTED RMG^	China	Bangladesh	Vietnam	Turkey	Cambodia	India	Others
United States	-4.7%	0.5%	8.9%	0.1%	-0.5%	-0.6%	-8.1%
Germany	-12.7%	4.7%	0.8%	-5.2%	2.1%	-0.8%	7.3%
United Kingdom	-14.7%	4.7%	0.8%	-1.3%	1.9%	-0.3%	4.2%
France	-10.8%	0.1%	1.8%	-2.4%	1.1%	-1.1%	-5.9%
Spain	-8.3%	9.0%	-0.8%	3.1%	2.0%	-0.7%	-5.8%
Japan	-27.5%	3.8%	11.5%	0.1%	3.8%	0.3%	7.0%

Note: ^2010 - 20 share delta. Source: OEC, Spark Capital

...while Bangladesh gained in the EU region

WOVEN RMG^	China	Bangladesh	Vietnam	Turkey	Cambodia	India	Others
United States	-8.9%	1.3%	9.9%	0.8%	-0.8%	0.0%	-2.4%
Germany	-13.9%	5.8%	0.4%	-1.1%	-0.7%	-1.5%	11.1%
United Kingdom	-2.5%	3.7%	-0.2%	-0.8%	-1.5%	-4.0%	5.3%
France	-9.7%	2.4%	2.3%	-0.8%	-0.2%	-1.4%	7.4%
Spain	-8.7%	9.9%	-0.7%	4.3%	-0.5%	-1.7%	-2.5%
Japan	-25.6%	3.3%	9.1%	0.0%	2.4%	0.2%	10.6%

Note: ^2010 - 20 share delta. Source: OEC, Spark Capital

India remains competitive until the Cotton fabric stage...

Cost of Production (\$/KG)	Vietnam	Bangladesh	China	India
Waste	0.10	0.11	0.13	0.09
Labour	0.06	0.06	0.11	0.03
Power	0.11	0.17	0.22	0.21
Aux.Mat	0.22	0.22	0.26	0.25
Capital*	0.15	0.25	0.20	0.20
Raw.Mat	0.38	0.38	0.48	0.34
Total	1.02	1.19	1.40	1.12

Source: OEC, Spark Capital

...however, is costlier in garments, due to labor costs and...

Cotton garment Production costs*	Bangladesh	China	Vietnam	India
Raw Material	105	85	96	100
Employee	68	230	115	100
Others	95	141	82	100
Total	94	131	98	100
Difference to India	-6%	31%	-2%	

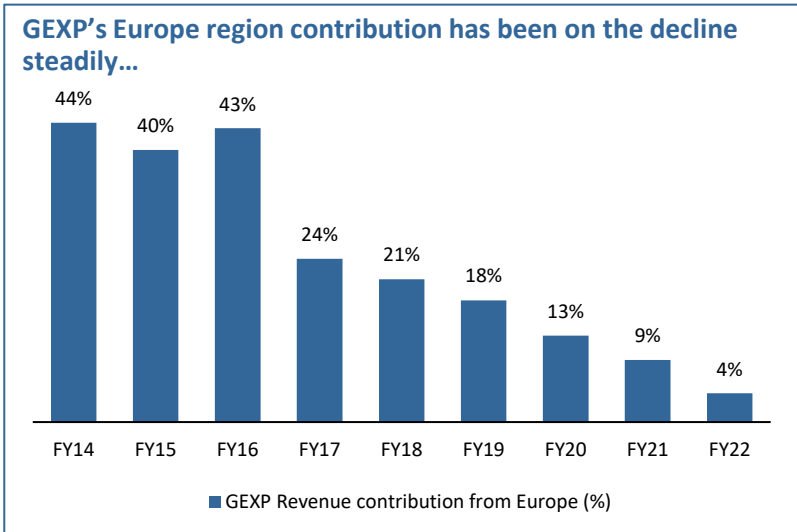
Source: OEC, Spark Capital

... favorable trade treaties that Vietnam & Bangladesh enjoys

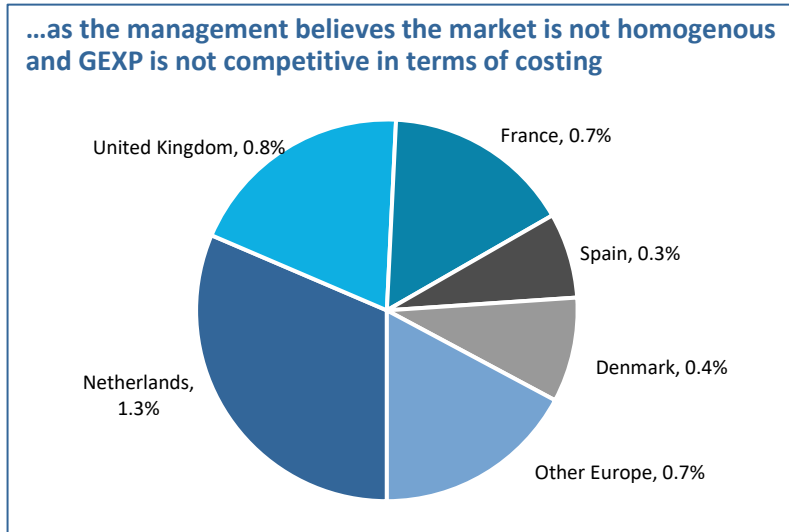
	Textile and Cotton Import Duty in USA – Effectively Applied Weighted Average (%) tariff	Tariff Rates in EU
China	10.9% + 7.5%	12.0%
Vietnam	13.3%*	0.0%
India	9.5%	9.6%
Bangladesh	11.0%	0.0%

Source: OEC, Spark Capital

#3 – The government of India’s keenness to sign ‘Trade Agreements’



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

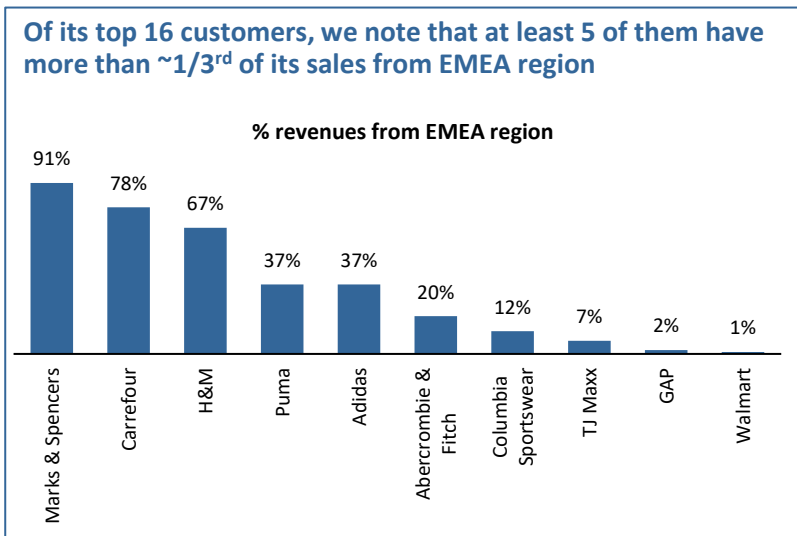
EU & UK FTA to open a large opportunity for Indian apparel exporters

“As far as FTA goes, I view Australia and UAE have very small market, a population of Australia will be less than that of Mumbai or maybe of that size. So, you can imagine how much of apparel consumption will happen whereas the UK is a much larger market and level-playing market. We are hopeful of the FTA with the UK getting concluded by end of this year which would mean opening up a very large opportunity and more importantly UK becomes a forerunner for opening up the FTA with Europe and if that happens that opens a very large market for India. So, FTAs with the UK and Europe is the most critical one to watch out for which will open up a large market for the country automatically we will start focusing more and more on that sub-segment from a growth standpoint as it does bring in a huge arbitrate potential for all of us.”

*“So, I see the trends reversing good forward the reason why we have focused on US was manifold. One US is a large homogenous market so we get very good run sizes and hence a better profitability as compared to **Europe which is fragmented**. Two when we go to Europe, we tend to compete with **Bangladesh which goes duty free into Europe as opposed to ourselves where we go with the 10% to 11% duties**. So, we have a duty disadvantage going into Europe. So, clearly the **margins catering to Europe was not as great** and third, post COVID US saw the best bounce back of the economy unlike Europe which continue to stagnate in calendar 2021 and now again **Europe will go slow because of the war in Europe**. So, all of these reasons we focused more and more on US and we were opportunistic, we were also very conscious of our bottom line and focused on the larger markets for us. Now going forward with FTA expected with UK by the year end and FTA negotiations which could start with Europe in calendar 2023 it presents a good opportunity for us. **We are looking at slightly reversing the European trend and going a bit more focused on Europe in anticipation of FTA’s coming in place.**”*

Mr.Sivaramakrishnan Ganapathi Managing Director, GEXP

Source: Company Filings, Spark Capital



Source: Bloomberg, Spark Capital

GEXP to expand into Bangladesh to gain duty-free access to EU

“We are working on the Bangladesh project. We anticipate that we should have some amount of output coming from Bangladesh in the second quarter. We are still contemplating between leasing our factory versus building our own, building our own takes time. So, it will delay the commissioning of the projects and it will take it to FY24. We are thinking of starting off with a lease in which case we may not have as much CAPEX. So, it is all work in progress. Bangladesh has got a very robust garment manufacturing industry. Worker availability is strong and our ability to grow there will be faster simply because of the established ecosystem there and the government support that we get there. So, that is one of the reasons for diversification, the ability to grow faster, and access to the European market, and hitherto Bangladesh has enjoyed duty-free access to Europe. So, several of these factors meant that we thought we would need a footprint in that location to take advantage of some of these.”

Mr.Sivaramakrishnan Ganapathi Managing Director, GEXP

Source: Company Filings, Spark Capital

#4 – With India becoming the key global cotton supplier, domestic RMG manufacturers possess an edge

Knitted Apparels (USD BN)	2017	2018	2019	2020
USA imports	46.8	48.5	49.5	42.5
% of global trade	21%	21%	21%	21%
EU imports	106.2	114.9	115.0	104.4
% of global trade	48%	49%	49%	51%
Total Trade (USD bn)	220	233	236	206

USA imports of Knitted Apparels from (%)				
Country imported from	2017	2018	2019	2020
China	33.2%	34.4%	30.5%	29.8%
Vietnam	15.6%	16.5%	17.1%	18.0%
Cambodia	4.0%	4.5%	4.6%	5.5%
Indonesia	4.8%	4.7%	4.7%	4.5%
India	3.8%	3.8%	4.1%	3.5%
Bangladesh	3.1%	3.2%	3.4%	4.0%

EU imports of Knitted Apparels from (%)				
Country imported from	2017	2018	2019	2020
China	19.4%	18.4%	17.5%	16.2%
Bangladesh	12.5%	13.0%	13.4%	13.3%
Germany	8.3%	8.5%	8.8%	9.7%
Turkey	7.0%	6.7%	6.6%	6.9%
Italy	5.6%	5.6%	5.8%	5.6%
Netherlands	3.8%	4.0%	4.3%	4.7%

Woven Apparels (USD BN)	2017	2018	2019	2020
USA imports	37.8	39.4	40.0	34.0
% of global trade	17%	17%	17%	17%
EU imports	110.8	119.0	118.7	109.8
% of global trade	50%	51%	51%	53%
Total Trade (USD bn)	222	233	232	206

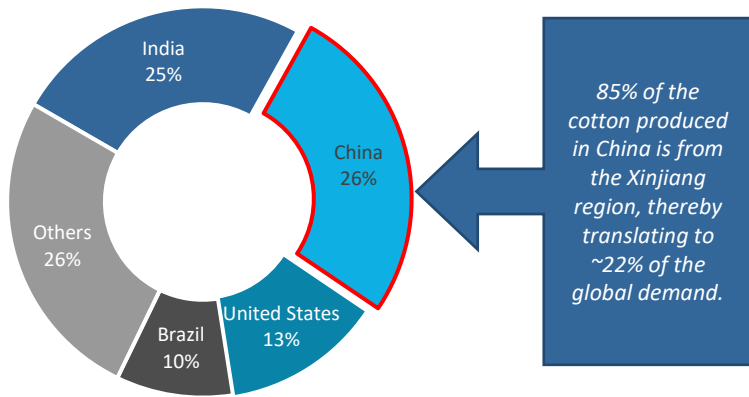
USA imports of Woven Apparels from (%)				
Country imported from	2017	2018	2019	2020
China	34.2%	34.0%	30.4%	31.4%
Vietnam	13.3%	14.0%	15.4%	17.4%
Bangladesh	9.6%	9.9%	10.6%	10.6%
Indonesia	5.9%	5.7%	5.6%	5.1%
India	5.8%	5.5%	5.7%	4.8%
Mexico	5.7%	5.5%	5.3%	4.9%

EU imports of Knitted Apparels from (%)				
Country imported from	2017	2018	2019	2020
China	22.1%	20.4%	19.2%	21.7%
Bangladesh	8.9%	9.3%	9.7%	9.0%
Germany	8.1%	8.5%	8.8%	9.3%
Italy	6.6%	6.6%	6.7%	6.1%
Turkey	4.5%	4.5%	4.6%	4.8%
Spain	4.9%	4.6%	4.8%	4.3%

(as a % of cotton/yarn imports)	EXPORTING COUNTRIES							Domestic Production
	IMPORTING COUNTRIES	Vietnam	India	Brazil	Pakistan	USA	China	
China	26.0%	12.0%	9.0%	8.0%	8.0%	NA	0.3%	75%
Vietnam	NA	5.4%	8.0%	1.2%	33.0%	35.2%	0.7%	
Bangladesh	0.9%	24.8%	5.0%	9.3%	6.3%	37.5%	2.3%	
Indonesia	2.5%	3.9%	17.3%	1.2%	21.8%	29.3%	0.7%	
India	1.9%	NA	4.4%	0.8%	40.2%	11.7%	0.6%	94%
Turkey	2.2%	2.8%	9.1%	6.8%	24.2%	3.5%	NA	45%
Mexico	0.2%	2.8%	0.9%	2.5%	65.7%	20.3%	0.9%	
Cambodia	8.3%	0.7%	NA	2.3%	NA	71.9%	0.9%	
Germany	0.1%	9.4%	0.1%	13.7%	1.2%	8.1%	13.9%	
Italy	0.3%	7.5%	1.4%	15.2%	0.8%	16.8%	20.9%	
Spain	1.2%	5.2%	0.2%	17.9%	0.6%	9.3%	19.2%	
Netherlands	0.4%	2.3%	0.9%	19.8%	3.7%	15.6%	12.3%	

#4 – With India becoming the key cotton supplier, domestic RMG manufacturers possess an edge

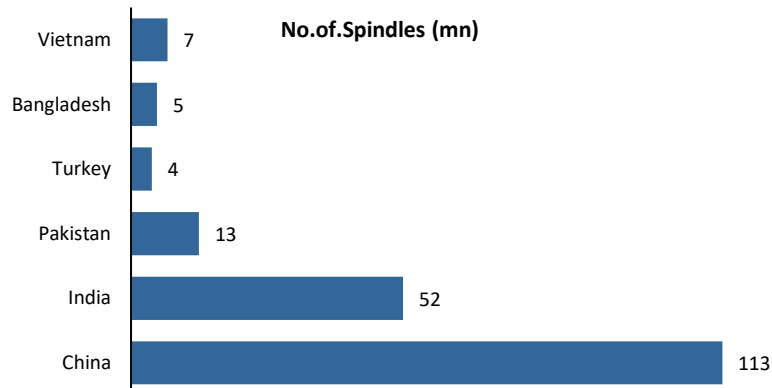
Indian Cotton takes global precedence with Xinjiang cotton ban



85% of the cotton produced in China is from the Xinjiang region, thereby translating to ~22% of the global demand.

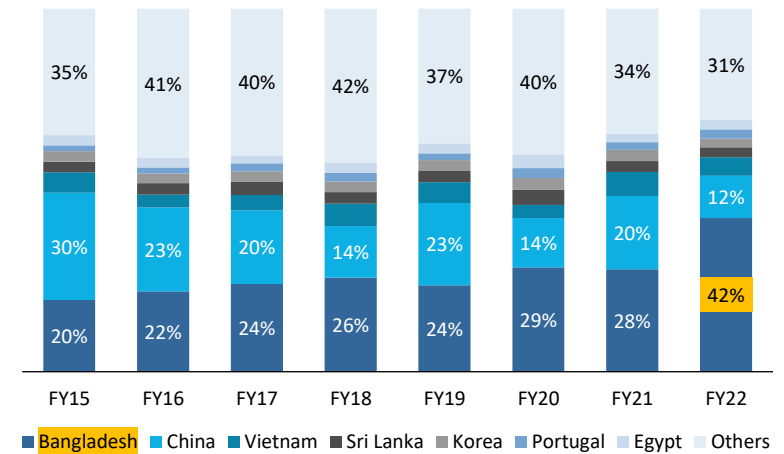
Source: USDA, Spark Capital

With the 2nd largest spindle capacity; India to become the global cotton yarn supplier



Source: Industry, Spark Capital

Bangladesh has already increased share of India sourcing

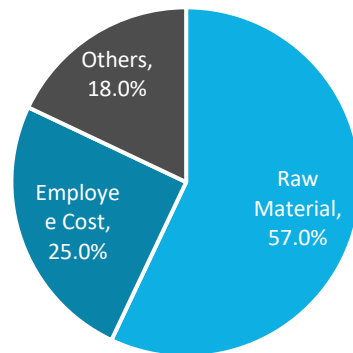


Source: Ministry of Commerce, Spark Capital

Given the raw material is ~3/5th of the cost of production; India's established cotton eco-system should benefit local exporters

Cotton garment Production costs*	Bangladesh	China	Vietnam	India
Raw Material	105	85	96	100
Employee	68	230	115	100
Others	95	141	82	100
Total	94	131	98	100
Difference to India	-6%	31%	-2%	

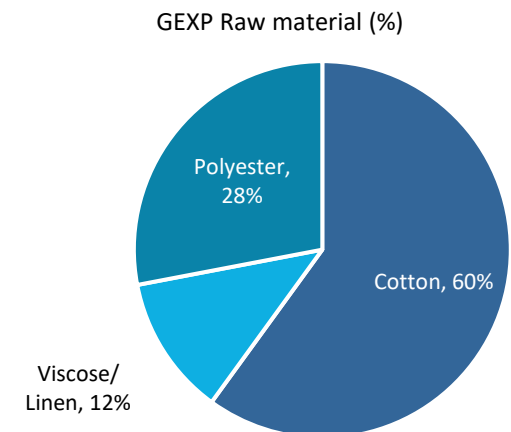
Garment Production cost (%)



"So, Bangladesh is not backward integrated. India is. India has a thriving, spinning, weaving capacity [ph] processing industry, particularly on the cotton side, which is our strength area. So India is fairly backward integrated. Bangladesh isn't. Bangladesh still largely depends on fabric from India or China for their needs. So to that extent, India is in an advantageous position. We have very good cotton fabric, viscose fabric producer"
Mr. Sivaramakrishnan Ganapathi
 Managing Director, GEXP

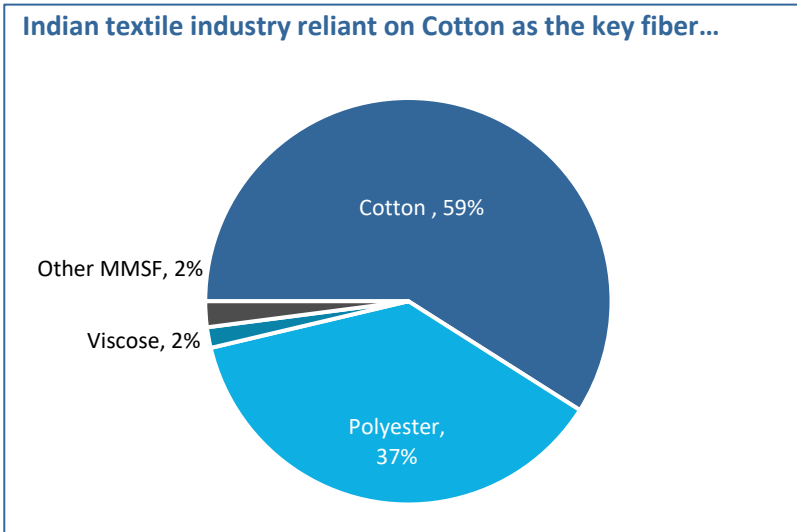
Source: Industry, Spark Capital

GEXP's raw material pie comprises ~60% of cotton

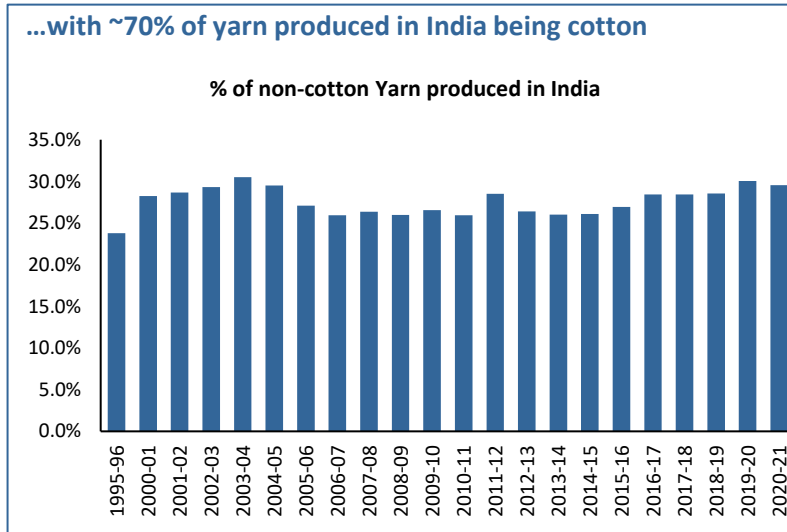


Source: Company filings and Spark Capital

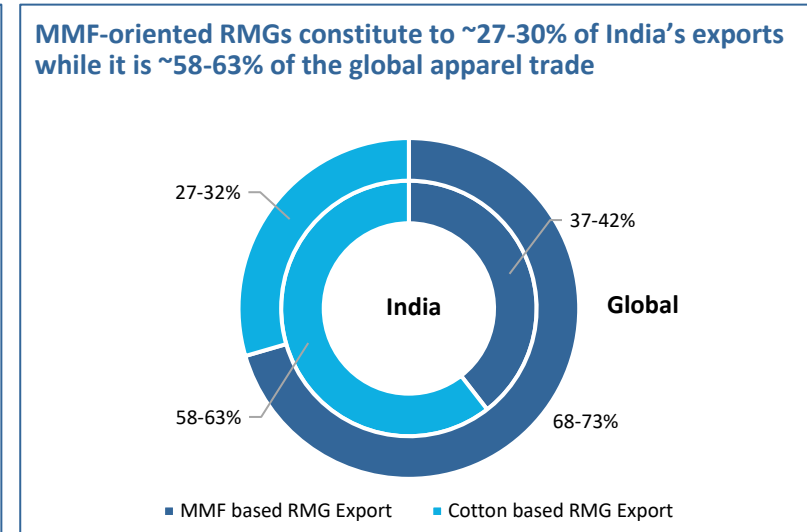
#5 – Performance Linked Incentive by the Government of India to establish a strong MMSF ecosystem



Source: DRHP filings, Spark Capital



Source: USDA India cotton Bulletin



MMF – Man-Made Fiber such as Polyester, Viscose etc. Source: DRHP Filings, Spark Capital

MMF is predominantly winter/autumn collection oriented

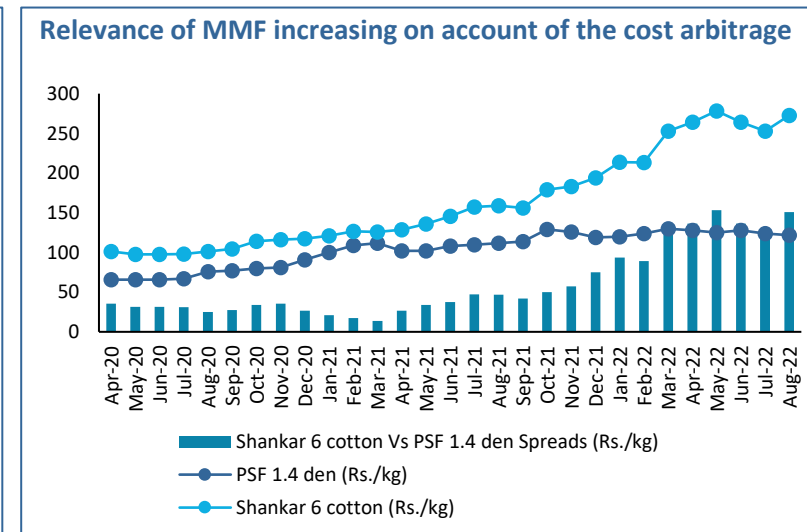
Fibre Used	Cotton	Man-Made Fibre
Predominant Stitching Type	Knitting	Woven
Seasons	Spring/Summer	Winter/Autumn, Sportswear
Input	Cotton	Polyester, Viscose, Acrylic...
Key raw material	Cotton Seeds	Petroleum derivatives /Tree Bark based offerings
India Sourcing	Indigenous	Imported
Indian Suppliers	Fragmented	Concentrated

Source: Industry Sources, Spark Capital

India Share across MMF RMG weaker than cotton

	MMF RMG share	Knitted RMG Share	Woven RMG Share
China	38%	30%	30%
Vietnam	9%	7%	7%
Bangladesh	6%	9%	8%
India	2%	4%	4%

Source: OEC, Spark Capital; RMG – Ready Made Garments



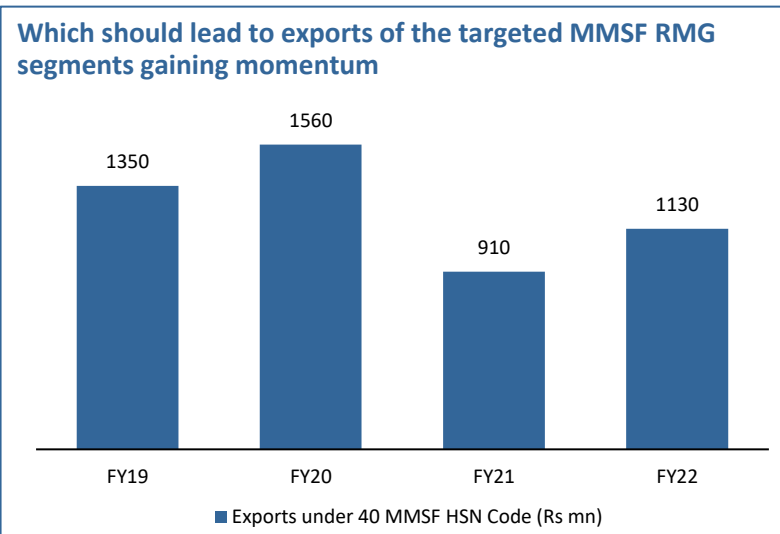
Source: Cotton Association of India, Textiles Newsletter, Spark Capital

#5 –Performance Linked Incentive by the Government of India to establish a strong MMSF ecosystem

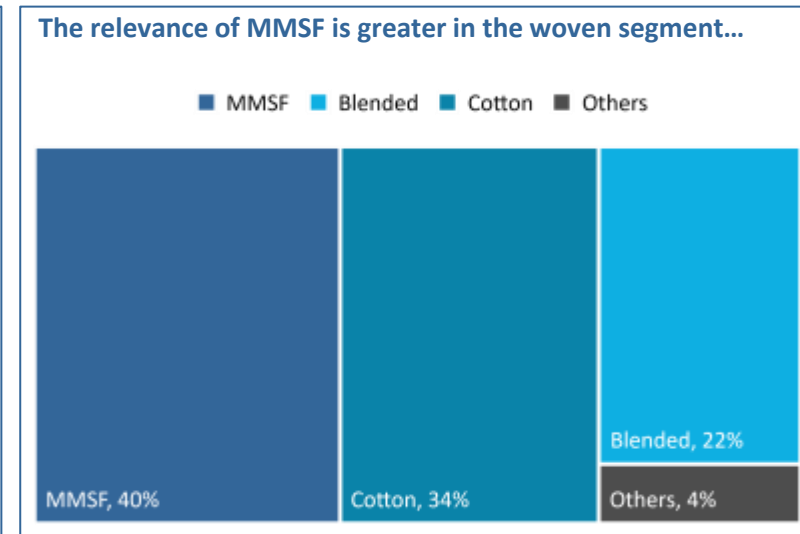
PLI for the MMSF segment to establish the ecosystem in India

Applicants Approved: 64 companies	Scheme 1 (minimum investment is of Rs.3bn and minimum turnover required for incentive is Rs.6bn) – 14 companies	Scheme 2 (minimum investment is of Rs.1bn and minimum turnover required for incentive is Rs. 2bn) – 50 companies
Proposed Total Investments: Rs.~197bn	Projected Turnover: Rs.1939.26bn	Proposed Employment: ~0.25mn
Notified 6-digit HS codes eligible for incentive: 40 RMG and 14 fabric	IRR generated @ 9% incentive : 17-18%	Capacity to be incrementally added: 2.5 – 3 mn tonne

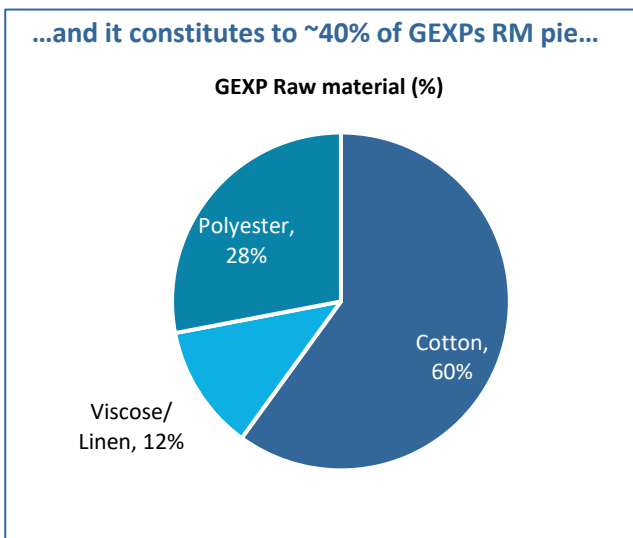
Source: Ministry of Textiles, Spark Capital; MMSF – Man-Made Staple Fibre



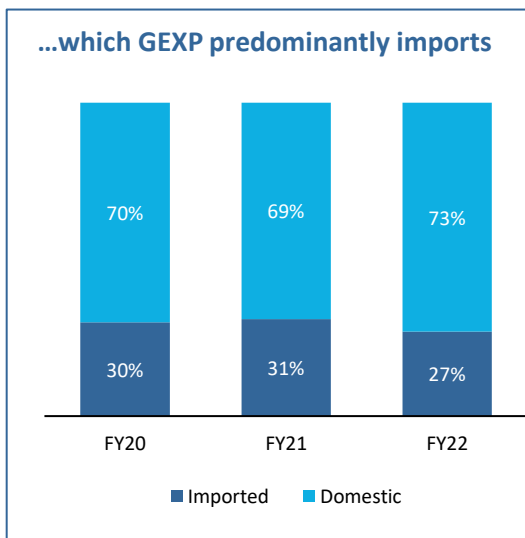
Source: Company Filings, Spark Capital



Source: OEC, Spark Capital



Source: Company Filings, Spark Capital

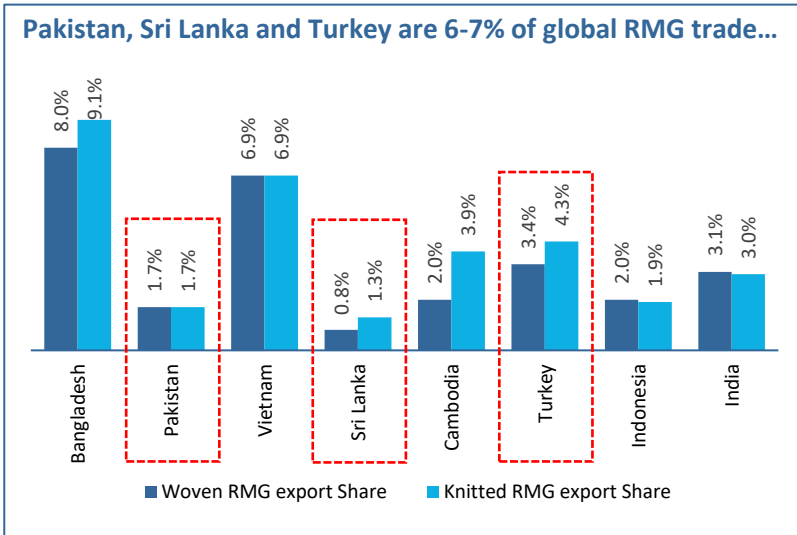


Source: Company Filings, Spark Capital

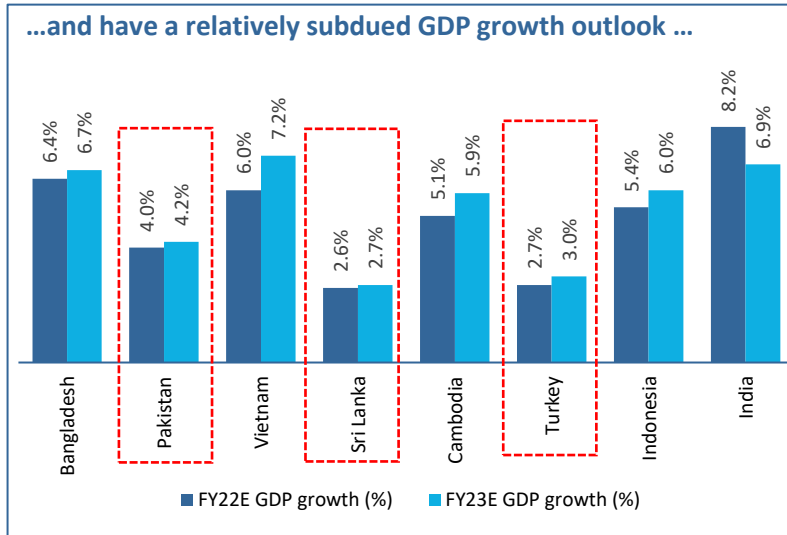
*“We applied for a PLI scheme that was scheme II which is for Rs.100 crore CAPEX we could produce garments which fall under the MMF product category and their government has specified 40 specific HS codes which qualifies the product which fall under those HS codes would qualify for PLI incentive. So, the investment is work in progress, the factory is under construction which is in Madhya Pradesh. We intend to produce the products which fall under those HS codes, it will take at least a year before the factory starts becoming able to produce and generate the targeted revenue. The target revenue for a Rs.100 crore investment as per PLI scheme is Rs.200 crores of revenue falling under the specific HS code and for that in year 1 the government will give a 11% PLI incentive and for year 2 they would expect a 25% growth over the year 1 level. So, Rs.200 crores going up to Rs.250 crores and for that incremental revenue they will give 9%. So, it is a sliding scale 11%, 9%, 7%, 5% and so on so forth for 5 years and incremental 25% gets the benefit that is the kind of broad PLI scheme. By the time we actually realize the PLI revenue PLI incentives and qualifies for PLI scheme it will be FY25. **So, it is a bit away at the moment, but the notion here is that it brings in the ability to Indian manufacturer to get into MMF based products incentivize Indian manufacturer to produce more of manmade fibre based garments. The raw material ecosystem for that is pretty weak at the moment it needs to be established. We already produce garments under these HS codes we do have the technical capability to do so. So, we are in a sense a little better qualified and take advantage of it, but it is something which will take a bit of time before we start seeing the benefits of PLI.**”*

Mr.Sivaramakrishnan Ganapathi Managing Director, GEXP

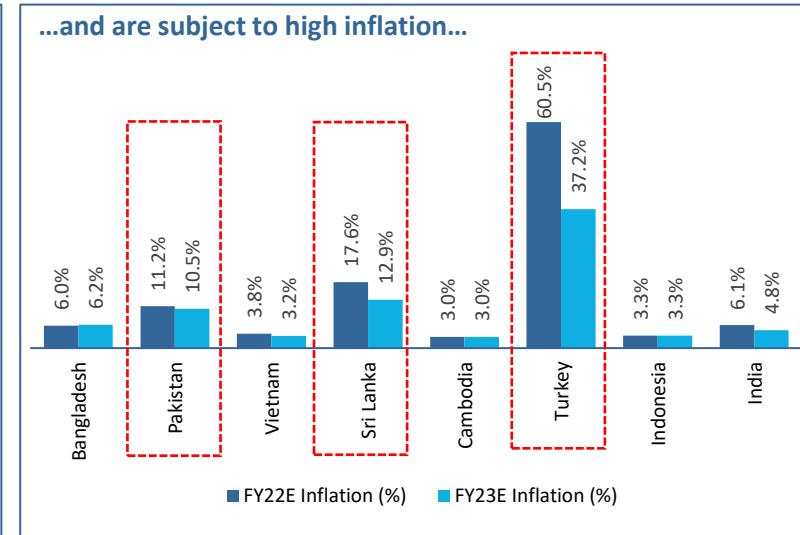
#6 – Economic crisis in other key RMG manufacturing hubs should lead to buyers alternating supply chain



Source: OEC, Spark Capital



Source: World Bank data, Spark Capital



Source: World Bank data, Spark Capital

...opening up a new opportunity for Indian garment exporters

<https://www.economist.com/asia/2022/04/17/sri-lanka-crisis-sends-global-demand> - Sri Lanka crisis sends global demand ... - The Economic Times
 17 Apr 2022 - Sri Lanka exports \$2.42 billion worth of garments to the global markets annually. While export orders for apparel are being diverted to India...

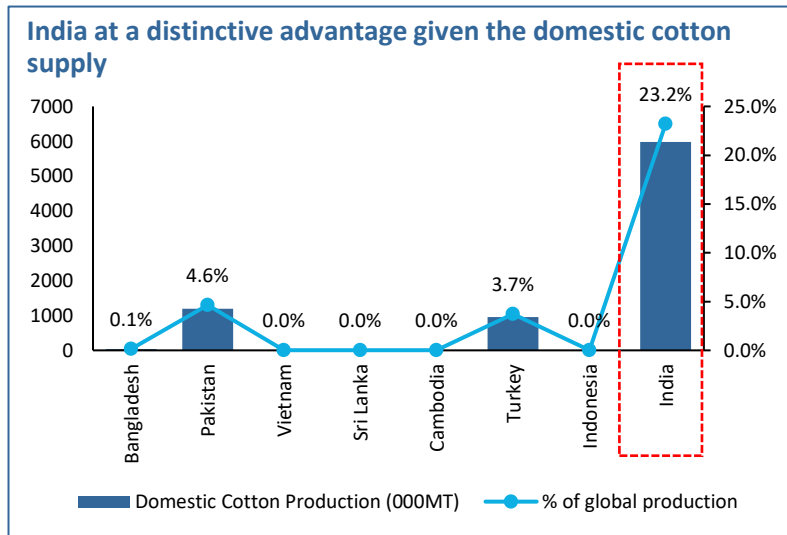
<https://www.india.com/news/india/why-sri-lanka-financial-crisis-can-be-a-boon> - Why Sri Lanka's financial crisis can be a boon ... - Times of India
 25 Apr 2022 - Export demand is expected to grow at least by 10-15%, despite the higher cost of raw material, as overseas players continue to diversify their...

<https://www.jalstyle.com/news/india-timeline-sri-lanka-economic-crisis> - Timeline - Sri Lanka's economic crisis and the apparel sector
 05 Jul 2022 - A lot of the focus in Sri Lanka centered around apparel exporters, already under pressure as a result of the economic crisis...

<https://www.economist.com/asia/2022/04/17/sri-lanka-crisis-sends-global-demand> - Sri Lanka crisis sends global demand ... - The Economic Times
 17 Apr 2022 - Sri Lanka exports \$2.42 billion worth of garments to the global markets annually. While export orders for apparel are being diverted to India...

<https://www.economist.com/asia/2022/04/17/sri-lanka-crisis-sends-global-demand> - Sri Lanka crisis sends global demand ... - The Economic Times
 17 Apr 2022 - Sri Lanka exports \$2.42 billion worth of garments to the global markets annually. While export orders for apparel are being diverted to India...

Source: News Sources, Spark Capital



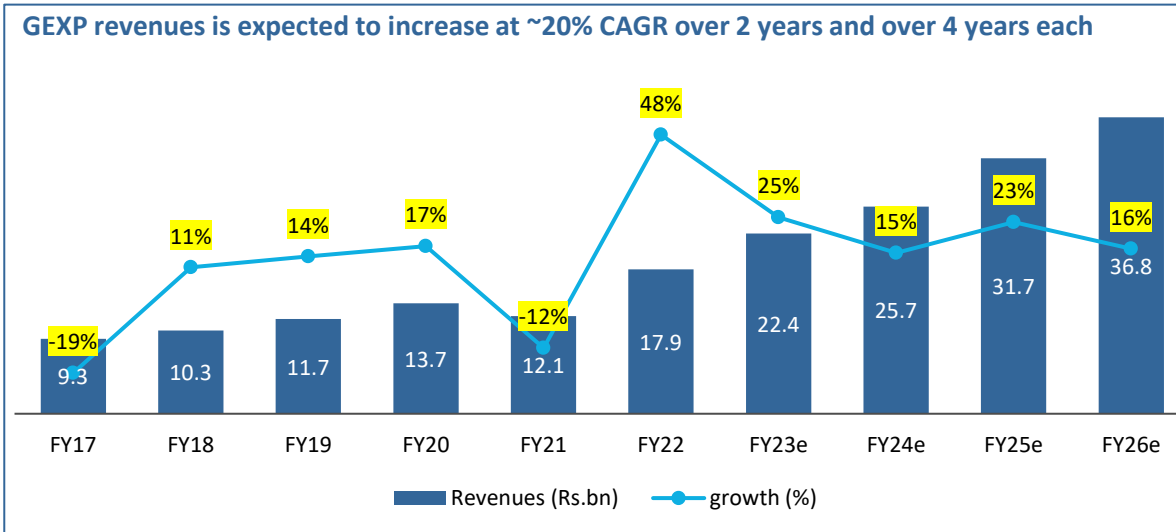
Source: USDA, Spark Capital

"Sri Lanka has lot more knits and intimate wear, we do not do those products at the moment. So, while we intend getting into knits going forward at the moment we are not as much in competition with Sri Lanka and for that matter with Pakistan. The answer is no those are not benefitting us in particular, but we do tend to benefit from COVID in China, COVID related close down in Southern Vietnam so those benefits have come to us as we make lot more complex products and we are more in competition with suppliers in those countries."

*"...they are also under pressure to diversify their procurements and when you look at the world of production unfortunately there is only Asia which seems to shine well, Africa showed promise, but Ethiopia did not work out, Kenya did not scale up, Central America like Nicaragua, Haiti, etc., could not scale up, Europe or ancillary parts to Europe like Turkey, etc., are also high cost. So, **literally they have to look at other locations in Asia, Vietnam is more expensive, Cambodia is growing very fast and so is India and Indonesia and Bangladesh continues to grow. So, these regions which are the only ones left for a buyer or a large brand.**" Mr.Sivaramakrishnan Ganapathi Managing Director, GEXP*

Source: Company Filings, Spark Capital

#7 – Capacity Expansion plans over the next three years to enhance GEXP’s production capabilities



Source: Company Filings, Spark Capital

...with ~90% of the growth expected from newer production facilities

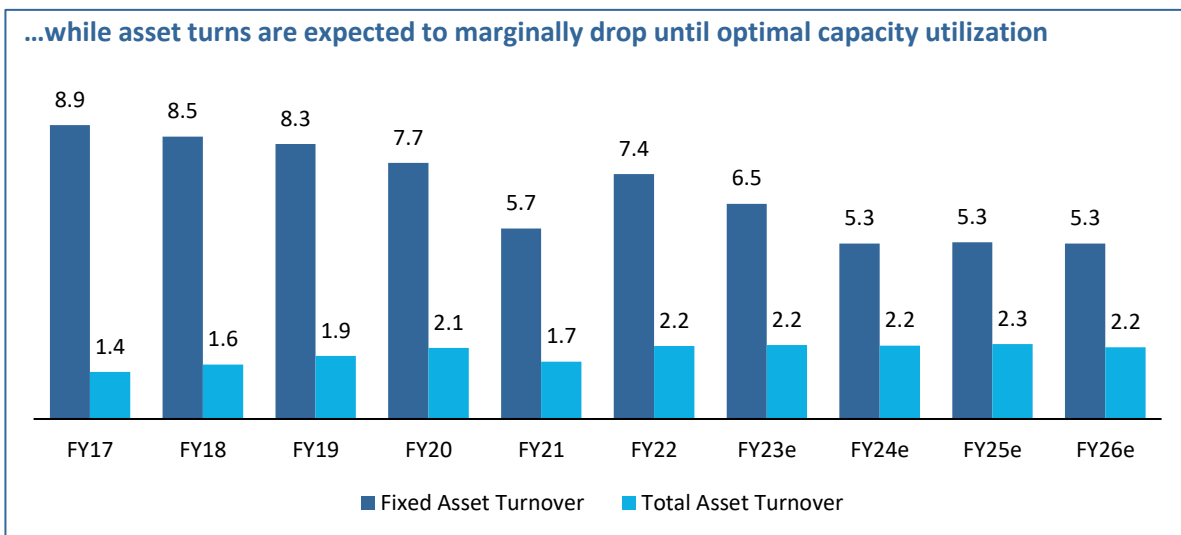
Revenue (Rs.mn)	FY21	FY22	FY23	FY24	FY25	FY26
Existing Facilities Modernisation	0	0	360	560	760	760
Tumkur, Bommanahalli, Krishnagiri		560	2,200	2,200	2,200	2,200
Bhopal			214	2,430	4,905	4,905
Perundurai				1,600	3,780	3,780
Bangladesh					675	1,350
New South Indian facility					225	900
Others					0	3,500
Total Incremental Revenues (Rs.mn)	0	560	2,774	6,790	12,545	17,395

Source: Company Filings, Spark Capital

~Rs 4.8bn investments to be made over FY22-25 towards capacity expansion...

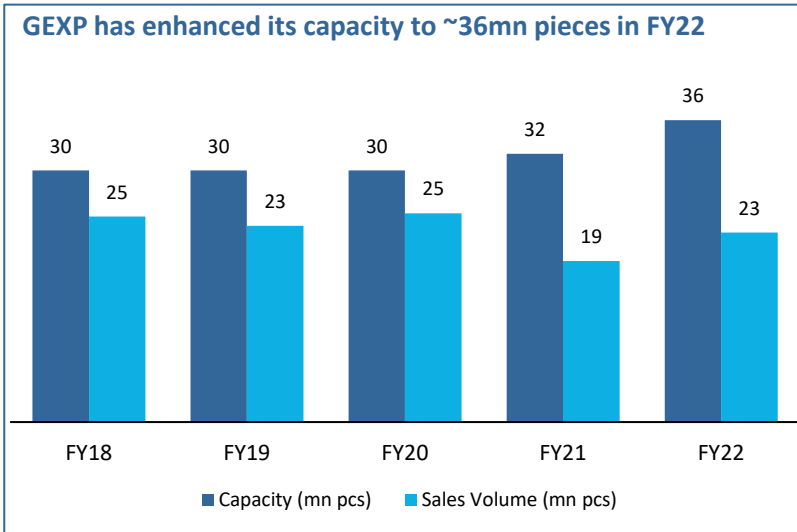
CAPEX (Rs.mn)	FY21	FY22	FY23	FY24	FY25	FY26
Existing Facilities Modernisation	0	180	200	200		
Tumkur, Bommanahalli, Krishnagiri	0	360	50			
Bhopal		190	700	200		
Perundurai	0	110	670	300		
Bangladesh				300		
New South Indian facility				200		
Others				0	1,000	1,000
Total CAPEX outlay (Rs.mn)	0	840	1,620	1,200	1,000	1,000

Source: Company Filings, Spark Capital

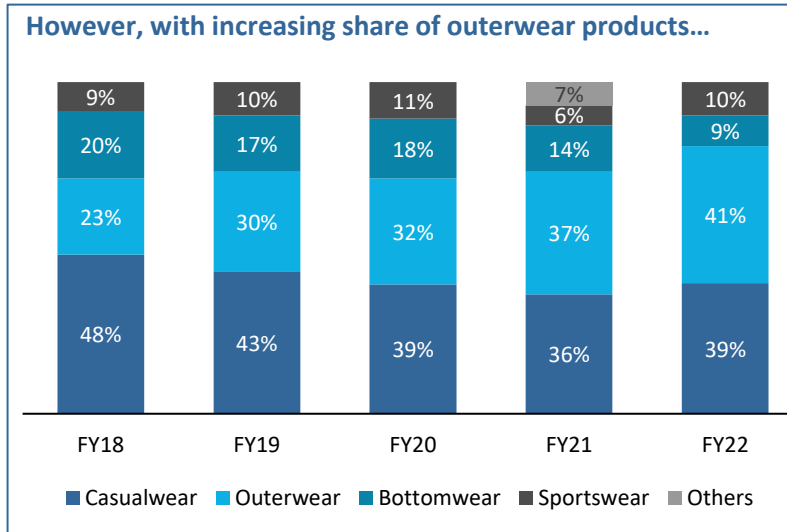


Source: Company Filings, Spark Capital

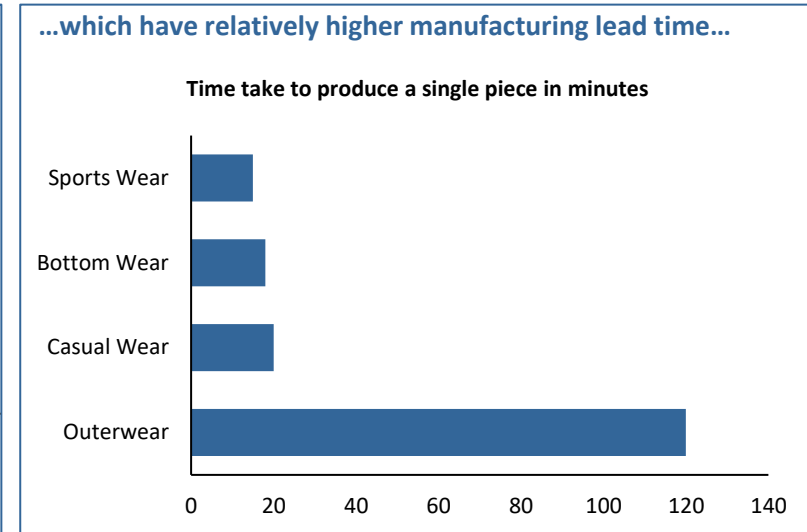
#7 – Capacity Expansion plans over the next three years to enhance GEXP’s production capabilities



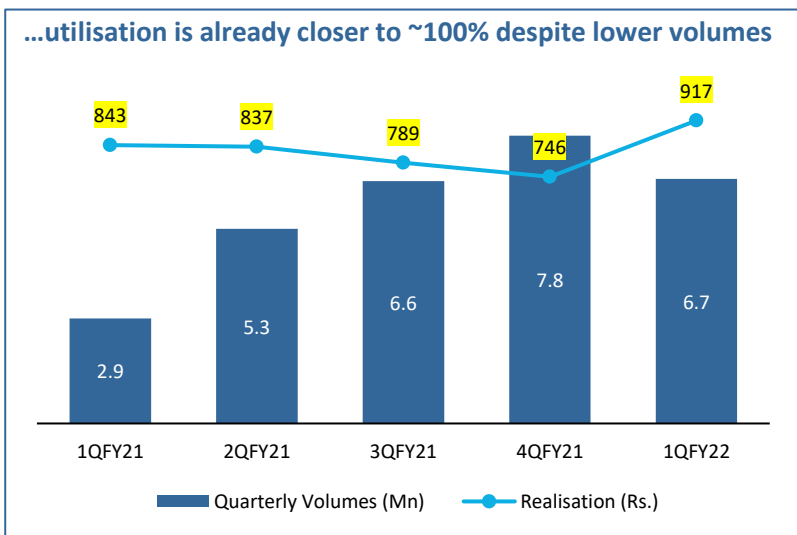
Source: Company Filings, Spark Capital



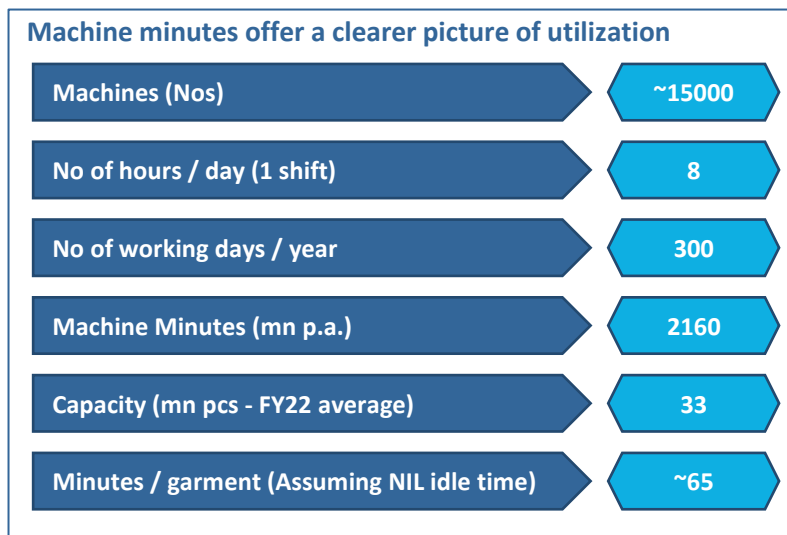
Source: Company Filings, Spark Capital



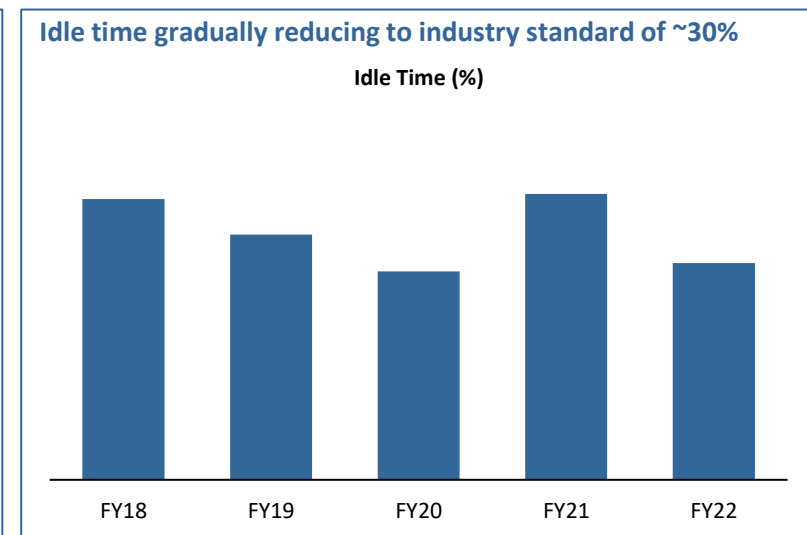
Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

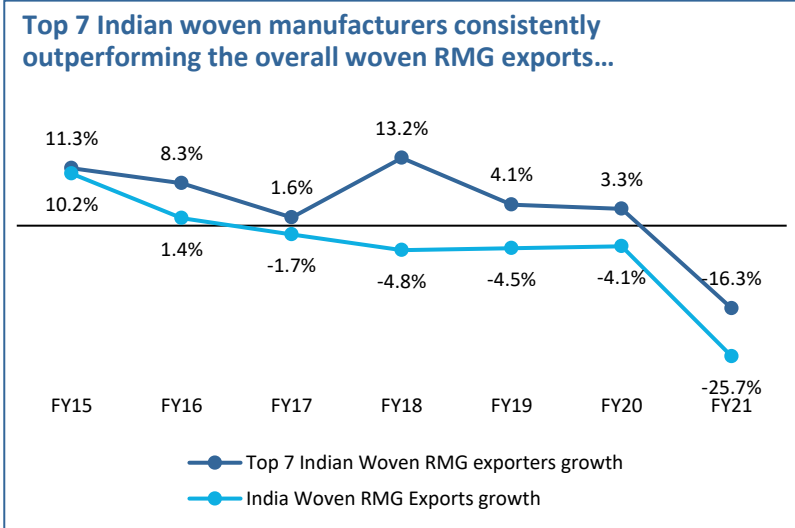


Source: Company Filings, Spark Capital

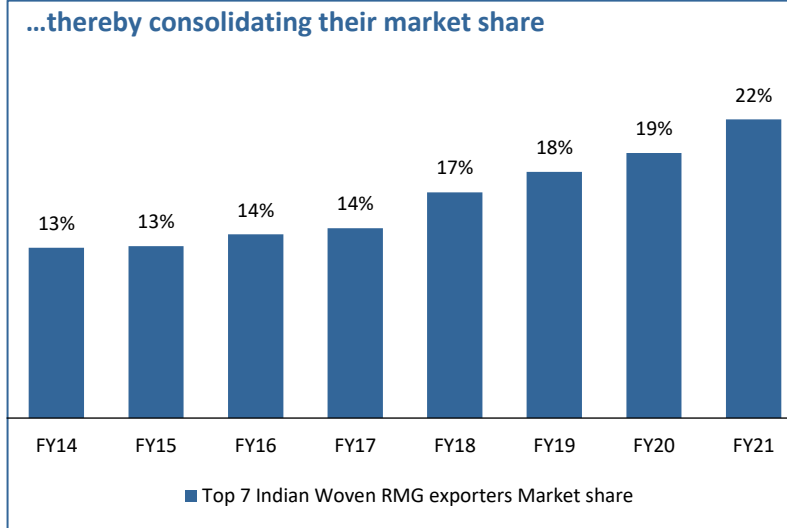


Source: Company Filings, Spark Capital

#8 – Supplier consolidation trends among global retailers to benefit large apparel manufacturers



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

The large players derive a significant operating leverage

Latest Reported Year	Shahi Exports Private Limited	Orient Craft Limited	Gokaldas Exports Limited	Richa Global Exports Pvt Ltd	Indian Designs Exports Private Limited
Raw Material Cost (%)	43%	48%	51%	46%	61%
Employee Cost (%)	28%	27%	30%	29%	21%
Other Operating expenses (%)	19%	24%	9%	15%	11%
EBITDA Margin (%)	10%	2%	10%	10%	6%

Source: Company Filings, Spark Capital

Organized/Large Suppliers	Key Constraints	Smaller Players
No constraints to commit to large orders given their capacity availability and the fungibility to change across product categories and customers	Capacity	Given the limited capacity available, they take orders only that are within their capacity constraints or undertake sub-contracting.
Advanced machinery that not only improves efficiency but also ensure on-time deliveries with minimal defects	Machinery	Often short changed in-terms of machinery capability leading to higher need for skilled labors and are more error prone.
The balance sheet strength enables them to procure raw materials at cheaper cost/nominated cost	Balance Sheet Strength	Procurement of raw material at market prices acts as a huge hindrance as key raw material prices remain volatile
Given their higher volume significance and better bargaining power, we notice that majority of raw material cost pressure is passed through	Raw Material/Price Pass through	More orders which are loss making are being undertaken to protect the liaison with the apparel buyer leading to raw material inflation impacting profitability
A wide employee base on a permanent basis which gives them the ability to take on huge orders. Better social compliance measures given their size of operations	Employee	Social compliance measures are always questionable. Most employees on contractual basis.

Source: Industry Sources, Spark Capital

#8 – Supplier consolidation trends among global retailers to benefit large apparel manufacturers

GAP has reduced its vendor base significantly with reduced exposure towards China

GAP Supplier base	Vendors	No of countries	Highest exposure
2009	1000	60 countries	China 31%
2010	1020	50 countries	China 27%
2011	1000	43 countries	China 26%
2012	1000	40 countries	China 26%
2013	1000	40 countries	China 28%
2014	1000	40 countries	China 27%
2015	1000	40 countries	China 24%
2016	800	40 countries	Vietnam - 25%, China 23%
2017	800	50 countries	Vietnam - 25%, China 22%
2018	700	40 countries	Vietnam - 28%, China 21%
2019	800	30 countries	Vietnam - 32%, China 16%
2020	800	30 countries	Vietnam - 32%, China 16%
2021	250	25 countries	Vietnam - 33%, Indonesia 16%



Source: Company Filings, Spark Capital

Columbia Sportswear’s top 5 vendors’ contribution share on the rise indicating consolidation

Columbia Sportswear Supplier base	Top 5 vendors share	No of countries	Highest exposure
2009	15%	13 countries	Vietnam + China 71%
2010	20%	13 countries	Vietnam + China 68%
2011	25%	15 countries	Vietnam + China 73%
2012	25%	20 countries	Vietnam + China 67%
2013	30%	20 countries	Vietnam + China 67%
2014	30%	17 countries	Vietnam + China 68%
2015	29%	15 countries	Vietnam + China 66%
2016	28%	17 countries	Vietnam + China 65%
2017	29%	19 countries	Vietnam + China 64%
2018	32%	14 countries	Vietnam + China 61%
2019	30%	12 countries	Vietnam + China 50%
2020	30%	12 countries	Vietnam + China 50%
2021	35%	13 countries	Vietnam - 45%, Bangladesh 15%, Indonesia 15%



Source: Company Filings, Spark Capital

Puma sourcing could shift more towards India from China over the medium term

PUMA Supplier base	Vendors	No of countries	Highest exposure
2011	489	32 countries	Vietnam - 21%, China - 39%
2012	540	32 countries	Vietnam - 23%, China - 39%
2013	411	28 countries	Vietnam - 22%, China - 31%, Bangladesh - 8%, Cambodia - 11%, Indonesia - 10%
2014	203	31 countries	Vietnam - 26%, China - 30%, Bangladesh - 8%, Cambodia - 9%, Indonesia - 8%
2015	189	32 countries	Vietnam - 29%, China - 26%, Bangladesh - 9%, Cambodia - 12%, Indonesia - 7%, India - 4%
2016	163	34 countries	Vietnam - 32%, China - 23%, Bangladesh - 10%, Cambodia - 12%, Indonesia - 5%, India - 3%
2017	160	34 countries	Vietnam - 32%, China - 24%, Bangladesh - 10%, Cambodia - 13%, Indonesia - 6%, India - 4%
2018	152	33 countries	Vietnam - 32%, China - 24%, Bangladesh - 13%, Cambodia - 14%, Indonesia - 4%, India - 3%
2019	131	32 countries	Vietnam - 33%, China - 25%, Bangladesh - 15%, Cambodia - 13%, Indonesia - 4%, India - 3%
2020	139	31 countries	Vietnam - 35%, China - 26%, Bangladesh - 14%, Cambodia - 13%, Indonesia - 4%, India - 2%
2021	134	27 countries	Vietnam - 32%, China - 29%, Bangladesh - 14%, Cambodia - 13%, Indonesia - 4%, India - 2%



Source: Company Filings, Spark Capital

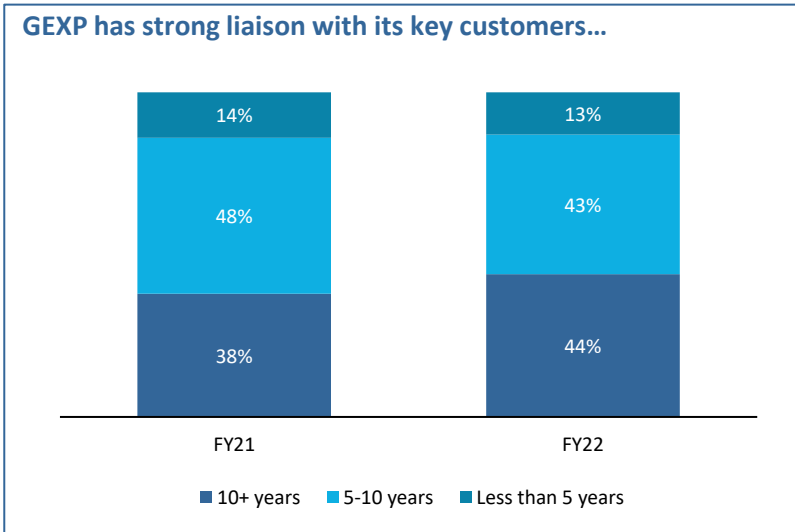
Nike has reduced its vendor base but has increased its country exposure

Nike Supplier base	Vendors	No of countries	Highest exposure
2012	517	28	China, Vietnam, Thailand, Sri Lanka, Malaysia, Indonesia, Turkey,
2013	452	28	China, Vietnam, Thailand, Indonesia, Sri Lanka, Pakistan, Malaysia,
2014	430	41	China, Vietnam, Thailand, Indonesia, Sri Lanka, Pakistan, and Malaysia
2015	408	39	China, Vietnam, Sri Lanka, Thailand, Indonesia, Malaysia & Cambodia
2016	394	39	Vietnam - 23%, China 26%, Indonesia 9%
2017	363	37	Vietnam - 16%, China 26%, Thailand 10%
2018	328	37	Vietnam - 18%, China 26%, Thailand 10%
2019	334	36	Vietnam - 22%, China 27%, Thailand 10%
2020	329	38	Vietnam - 28%, China 23%, Cambodia 12%
2021	344	33	Vietnam - 30%, China 19%, Cambodia 12%

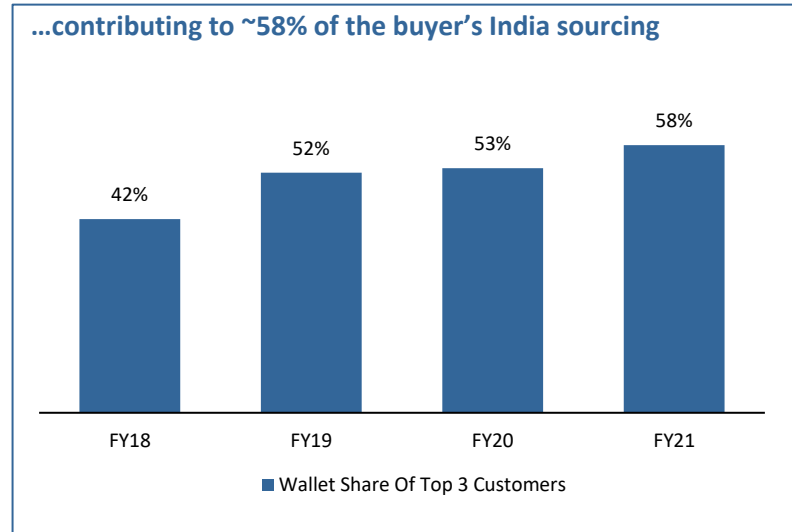


Source: Company Filings, Spark Capital

#9 – Liaison with large apparel brands to enable GEXP increase its wallet share with existing buyers



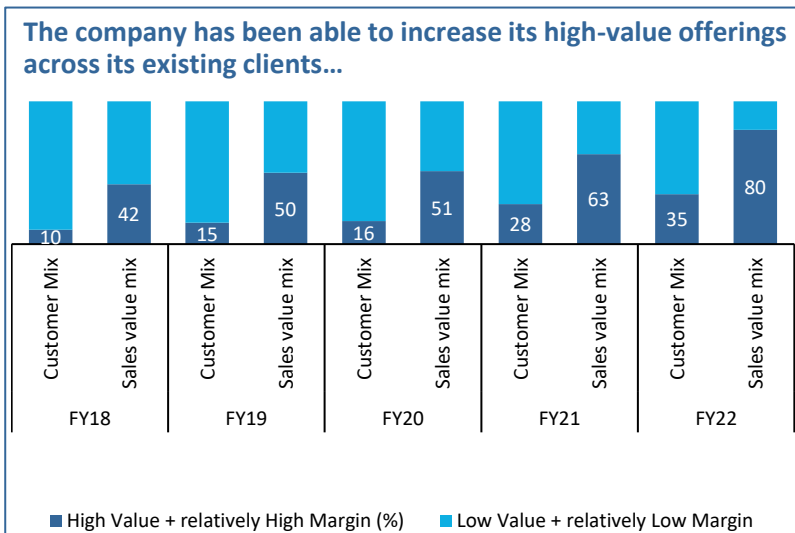
Source: Company Filings, Spark Capital



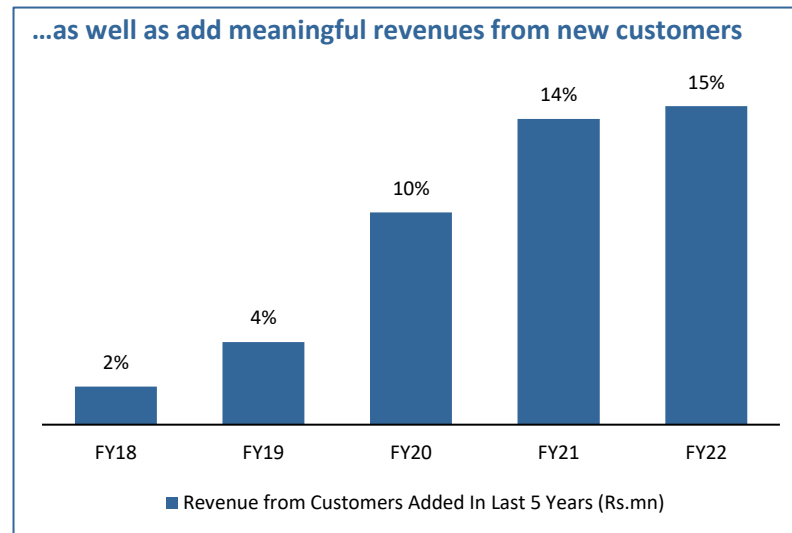
Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

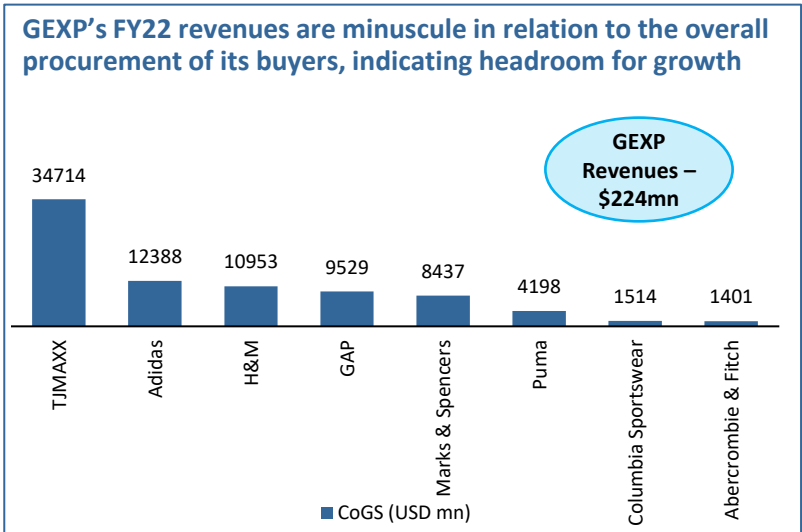
*"...So the new accounts are obviously growing at a much faster pace. And I think, currently they form about 15% to 18% of our revenue. And which was non-existent 2 years, 3 years back. And at this moment, when I'm looking at the order flow from some of these customers, it is fairly buoyant. And should assume a percentage. **But we are also in a unique situation where our existing large volume customers are also pushing more and more orders to us. So we have to manage our customer relations within our given capacity. So we are handling that as carefully as possible...**"*

*...and we have a good long-term relationship with our fabric suppliers, we have long-term contracts with them, which allows us to get better pricing and wherever possible, **we have pushed back and passed on the prices back to our customers.** So I don't foresee too much of a raw material problem, whatever little we may have, we will get it absorbed and still deliver the margins. So it may not be a big factor for the moment..."*

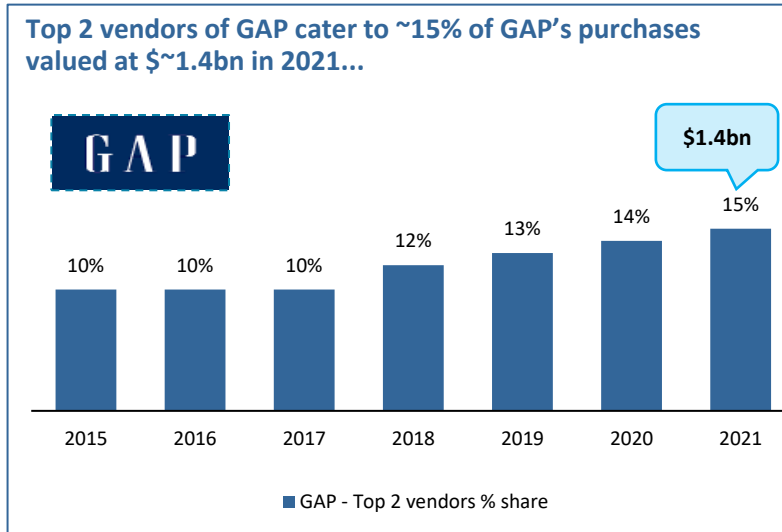
Mr.Sivaramkrishnan Ganapathi Managing Director, GEXP

Source: Company Filings, Spark Capital

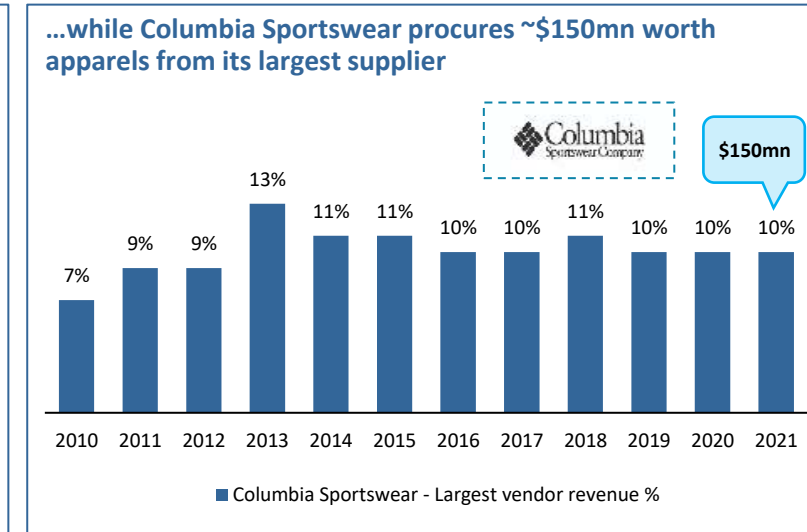
#9 – Liaison with large apparel brands to enable GEXP increase its wallet share with existing buyers



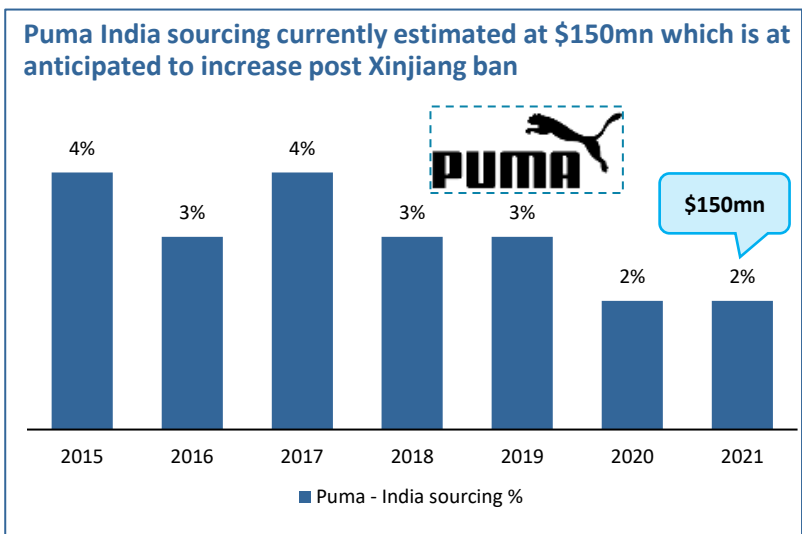
Source: Company Filings, Spark Capital



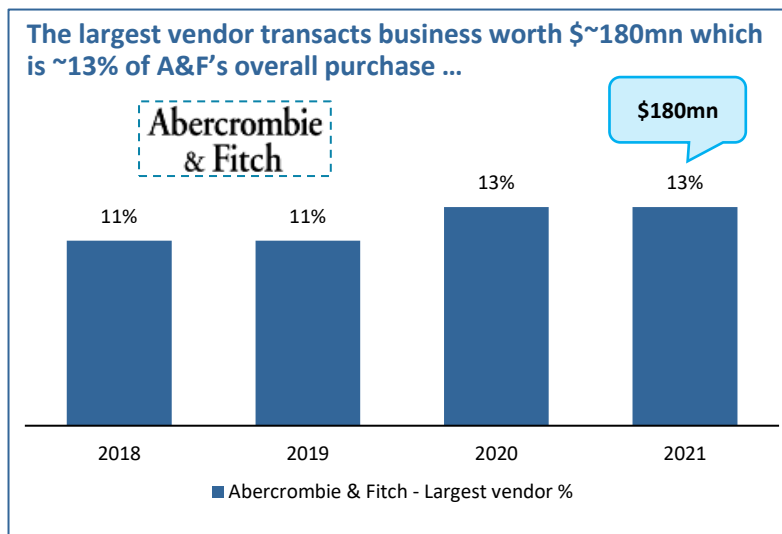
Source: GAP Filings, Spark Capital



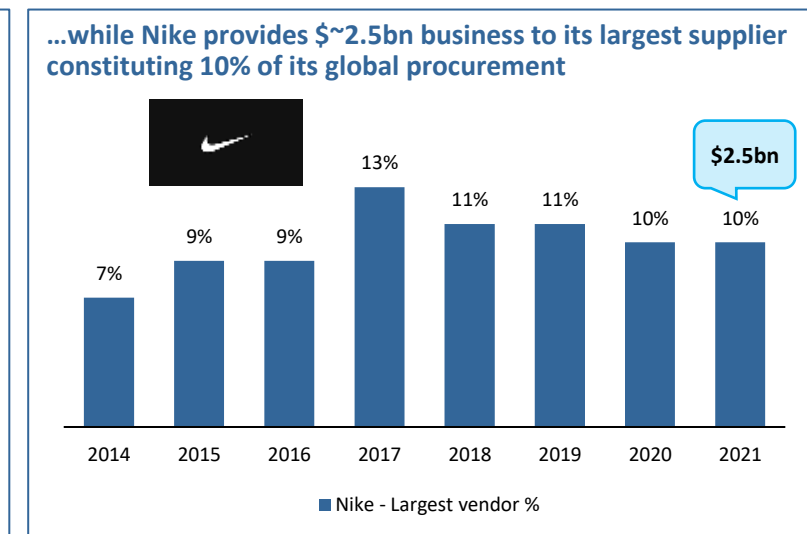
Source: Columbia Sportswear Filings, Spark Capital



Source: Puma Filings, Spark Capital



Source: Abercrombie & Fitch Filings, Spark Capital



Source: Nike Filings, Spark Capital

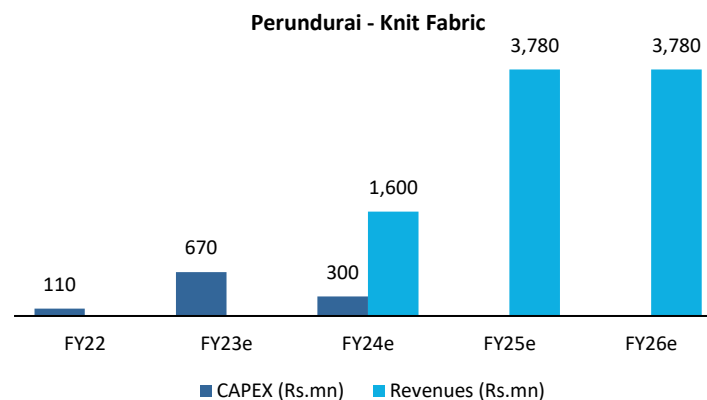
#10 – Tapping into knitted RMG trade on the back of upcoming capacity

“...the fabric production unit is in line with our intention to get into the Knits Business. Currently 97% to 98% of what we produce are Woven Garments and the customers that we serve to sell both Woven and Knits Products in their market in their stores. We do have an opportunity to get into Knits, as a means to diversify our offering to our customers and with the existing customers itself, we can leverage to get additional growth. So, with that in mind, we, we thought that Knits could be a good natural move for the Company. Moreover, Knits as a segment globally, is 50% of the global apparel trade in value terms, and it is growing a bit faster than woven given a general casualization trend, general athleisure trends in the industry. So, given that we are having we chose Knits and to be a competitive player in Knits, you need to not just have a garment in business which we are in but also be able to have control over Knits Fabrics, especially fabric processing, because that is where most of the value addition happens, because our intention to set up a Knits Fabric Processing Unit is to exclusively cater to our own garment production...”

Mr.Sivaramkrishnan Ganapathi Managing Director, GEXP

Source: Company Filings, Spark Capital

The upcoming knit facility at Perundurai, Tamil Nadu to be with an investment of Rs.~1bn and to yield Rs.~3.8bn revenues

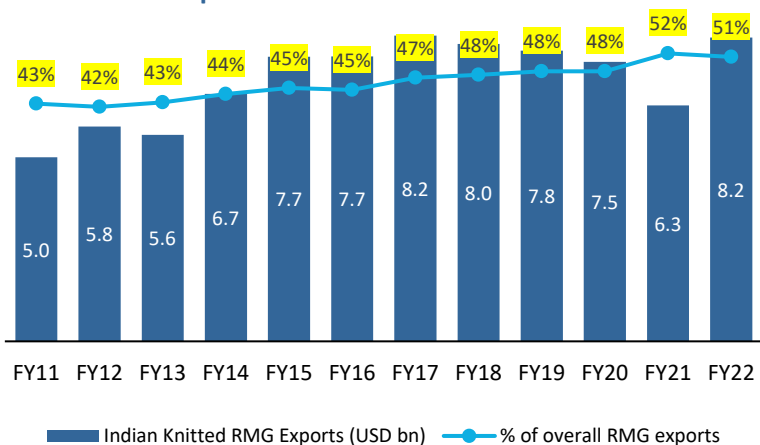


Source: Company Filings, Spark Capital

Criteria	Knit Fabric	Woven Fabric
Structure	Single looped yarn construction	Structure of crossed yarns
Stretch	Very stretchy because of the open, interlocked thread structure.	Does not stretch except on the bias.
Durability	Does not fray easily but can pill and stretch out, making it less durable.	Many types of woven fabric have a lot of durability and can withstand many washes without pilling or stretching out.
Common uses	T-shirts, sweatshirts, sportswear, leggings, socks, underwear, swimsuits.	Shirts, jackets, pants, dresses, skirts.

Source: Company Filings, Spark Capital

Indian Knitted RMG exports are \$~8.2bn constituting ~51% of overall RMG exports



Source: Ministry of Commerce, Spark Capital

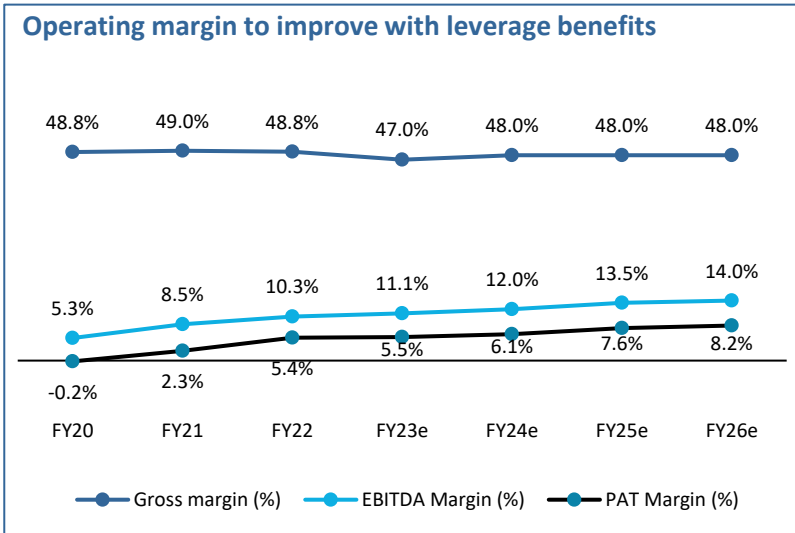
	Knit RMG	Woven RMG
Capex (Rs mn)	100	100
Asset Turnover (x)	3.5	4.5
Revenues (Rs mn)	350	450
Margin	14%	11%
EBITDA	49	50
PBT	39	40
PAT	29	29
RoCE %	29%	29%
RoCE % (post WC)	15%	14%

Source: Spark Capital

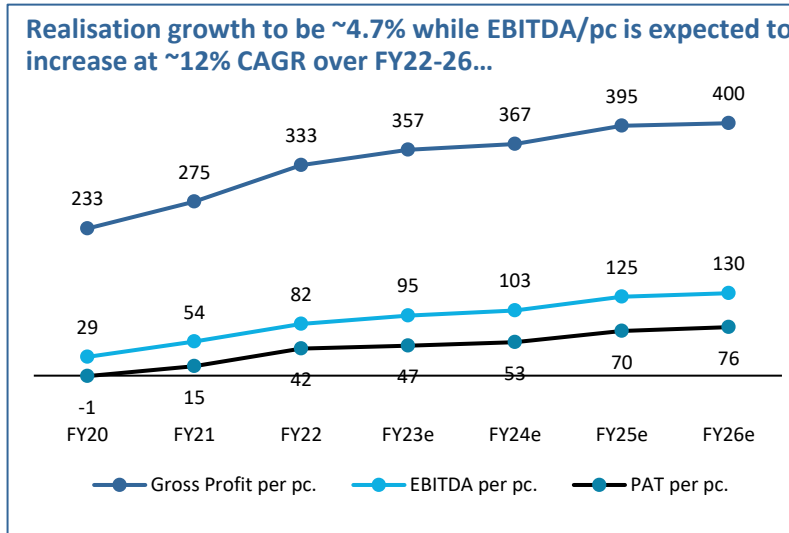
GEXP Key Customers	Presence in Knit Ready Made Garments (RMG)
Abercrombie & Fitch	✓
Adidas	✓
Banana Republic	✓
Bestseller	✓
Carhatt	✓
Carrefour	✓
Columbia Sportswear	✓
GAP	✓
H&M	✓
JC Penney	✓
Marks & Spencers	✓
Puma	✓
SanMar	✓
TJ Maxx	✓
Walmart	✓

Source: Spark Capital

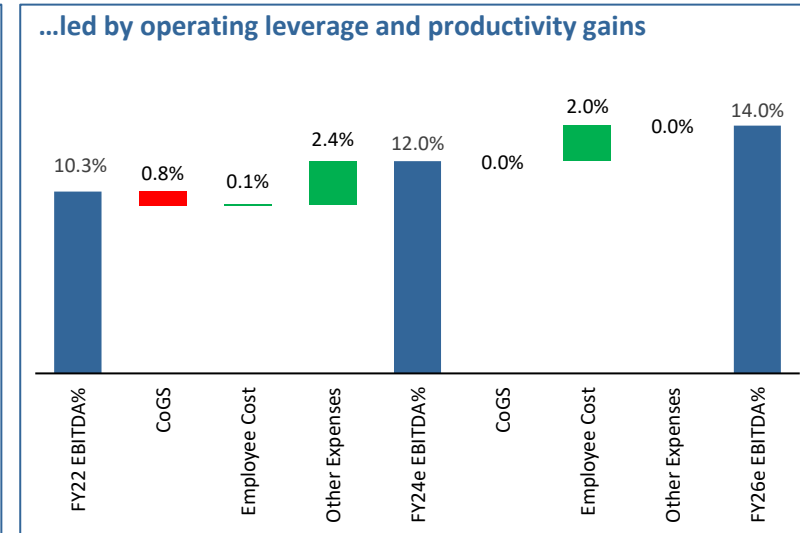
Margin drivers - Expansion to be led by operating leverage and productivity gains



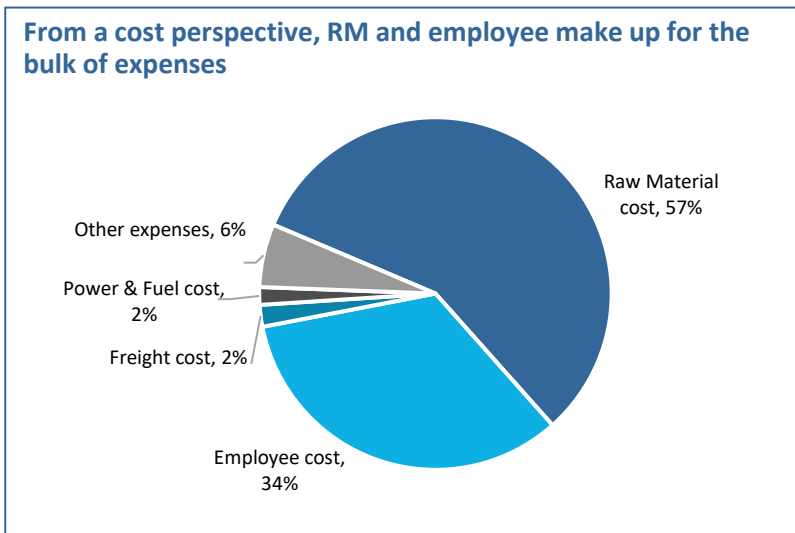
Source: Company Filings, Spark Capital



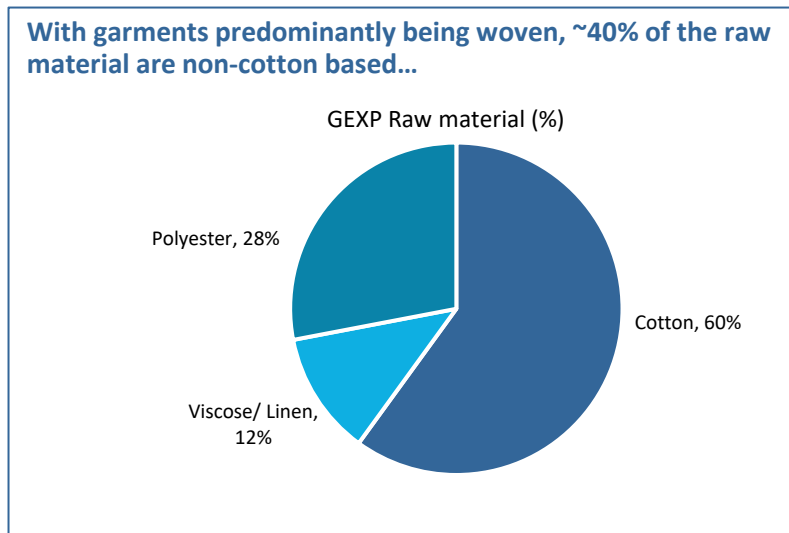
Source: Company Filings, Spark Capital



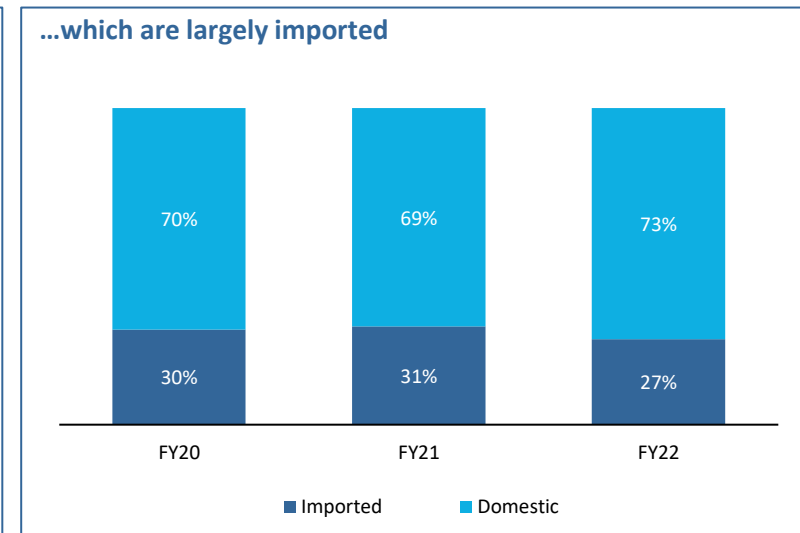
Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

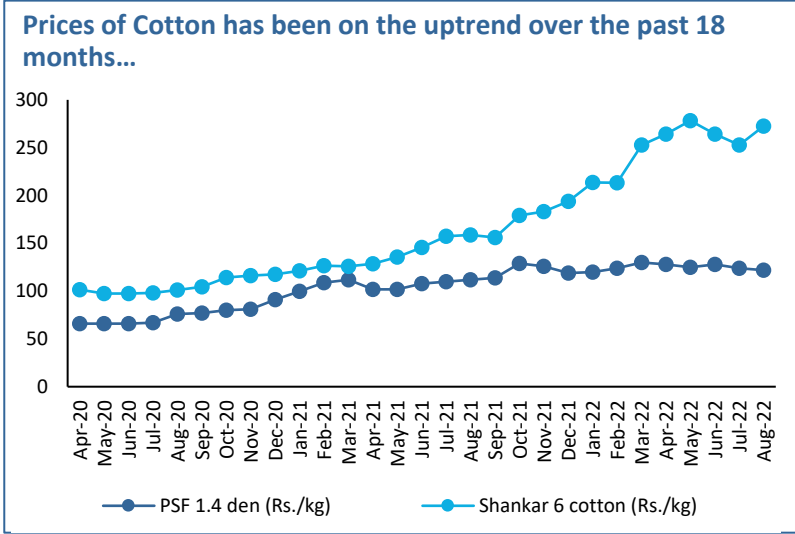


Source: Company Filings, Spark Capital

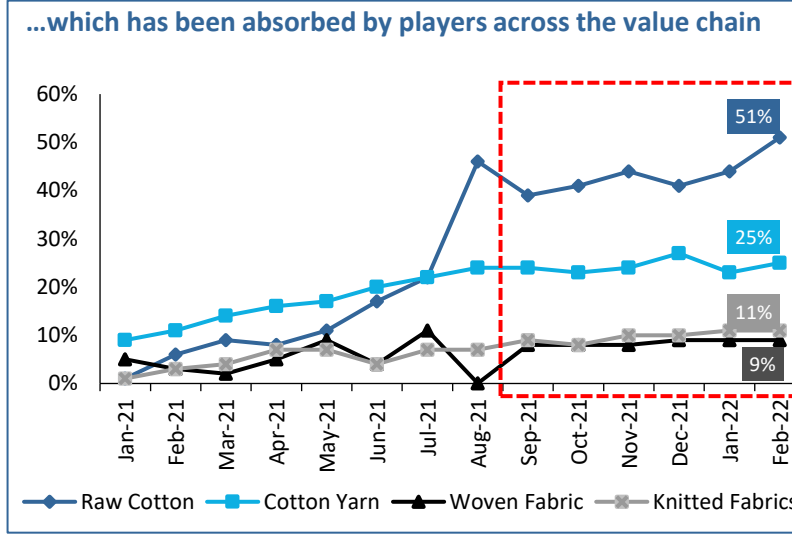


Source: Company Filings, Spark Capital

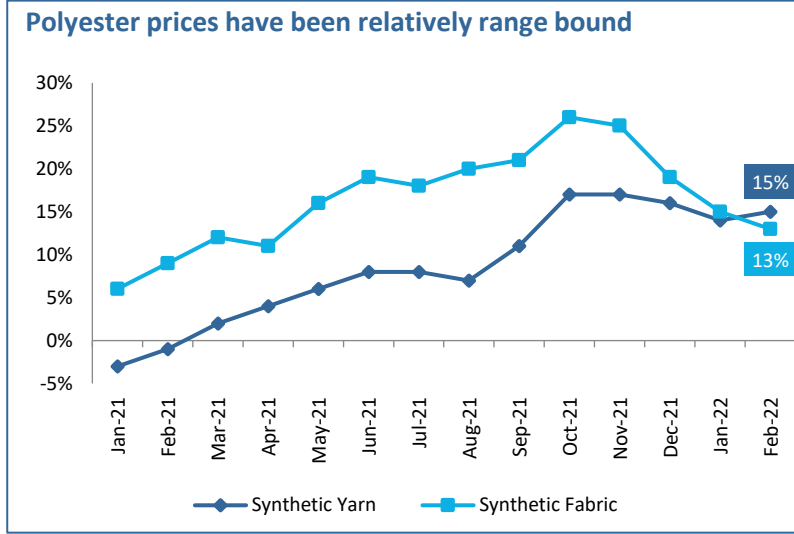
Margin drivers – GEXP has passed through raw material inflation seamlessly



Source: Cotton Association of India, Textiles Newsletter, Spark Capital



Source: Company Filings, Spark Capital

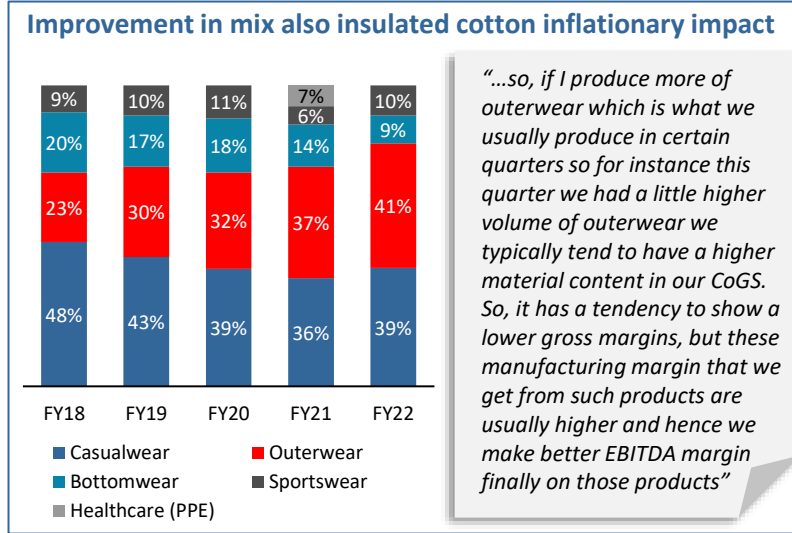


Source: Company Filings, Spark Capital

GEXP has passed on RM inflation as most contracts are nomination based

	FY18	FY19	FY20	FY21	FY22	FY18-22 CAGR	FY20-22 CAGR
Realisation per pc.	384	463	515	597	738	17.7%	19.8%
Material cost per pc.	226	230	282	321	405	15.7%	19.8%
Gross Profit per pc.	159	233	233	275	333	20.4%	19.7%

Source: Company Filings, Spark Capital

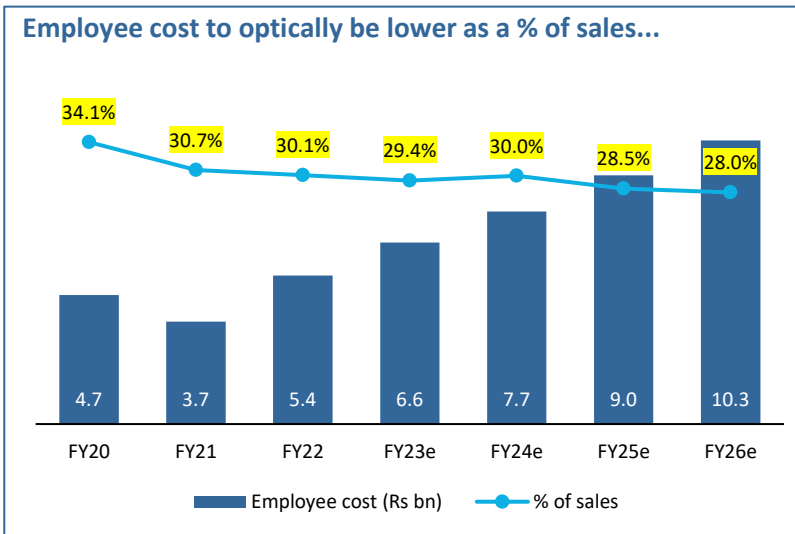


Source: Company Filings, Spark Capital

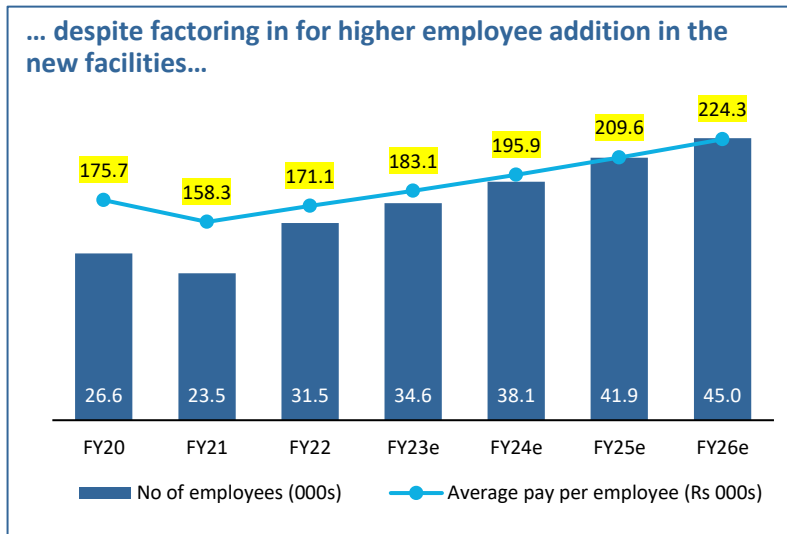
“So, our endeavor is to pass 100% back to the customers of course we will negotiate with our suppliers the best possible price since we have long term supply contract and then pass it back to the customers. **Now most of the instances we do tend to get away by passing to the customers because we also bring in the customers in to nominate the fabric supplier and nominate the pricing of the fabric as well, so it becomes a three-way understanding between ourselves, the customers as well as the raw material supplier and fabric is the largest raw material by the way.** So, from that perspective we do tend to lock-in the pricing with the customers clear understanding. So, it is largely pass through in the event there is a small amount where we lose out in negotiation, we tend to make up this with higher productivity and other parameters, but by and large over 90% of the cases we have been able to pass it in full. Raw material prices while they have gone up both in cotton side as well as on manmade fibre-based fabric we have been reasonably successful in passing on our cost increases back to our customer so that explains the raw material cost.” **Mr.Sivaramkrishnan Ganapathi Managing Director, GEXP**

Source: Company Filings, Spark Capital

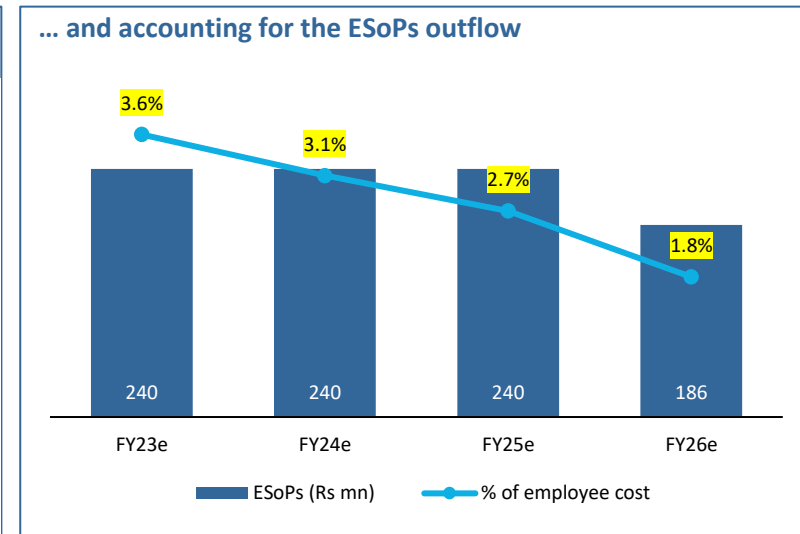
Margin drivers – GEXP employee cost on the higher side as it employs more skilled labour force



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital



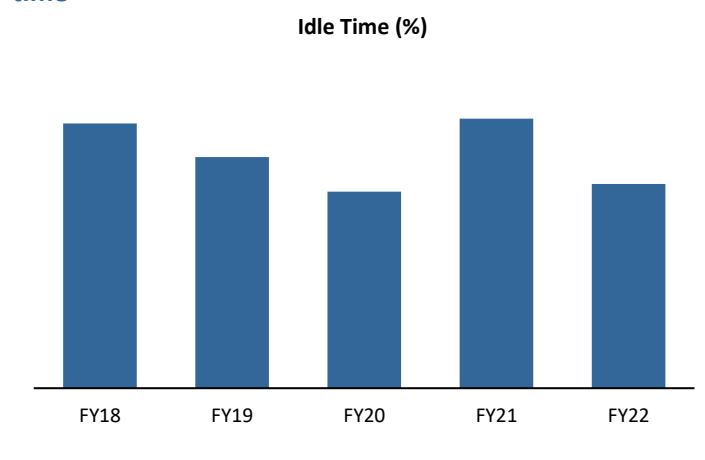
Source: Company Filings, Spark Capital

Employee Cost savings from MP facility can positively surprise margin

Employment Generation Assistance	Assistance of Rs.5,000/employee per month for a maximum period of 5 years for new employees for 10 years - subject to 50%/75%/90% of employees being MP domicile within 1/3/5 years from the date of commercial production, respectively.
Skill Development/ Training Incentive	Skill development and training expenses reimbursement assistance of INR. 13000 per new employee shall be provided for 5 years for MP domicile employees
Power Tariff Rebate	Power supply at a fixed rate of INR 5 per unit on new electrical connection, for 5 years from the date of commercial production
Interest Cost Subvention	Interest subsidy of 5% for 7 years on term loan taken for Plant & Machinery approved under Amended Technology Upgradation funds (ATUFs) scheme of Ministry of Textiles

Source: Govt of Madhya Pradesh filings, Spark Capital

Improved productivity to accrue from reduction in Idle time



Source: Spark Capital

“...we have always a year-on-year productivity growth we have usually witnessed a 3% to 4% productivity growth year-on-year I am talking of CAGR over the last five years, and we have every reason to believe that we will be able to drive that as well and the weakening rupee also absorbs some of the labor cost inflation and other factor cost inflation. **So, overall while there may be cost pressure our ability to push back some of these prices with our suppliers, push it back to the customers or bake it into the costing and absorb it through productivity increases and rupee depreciation all of which combines us to neutralize some of these effects.** In all our existing factories we have added lot of machines to automate our production. The several such investments have taken place within our existing factory so you know machineries which can automate like collar attachments, cuff attachments, welt pockets and many such investments even we have upgraded our cutting and fusing machines, we have upgraded our embroidery machines, printing machines. So, those things will actually give a higher throughput and some of these newer machines have a lower cost of operations as well. So, it will indeed help us in getting productivity up going forward...”

Mr.Sivaramakrishnan Ganapathi Managing Director, GEXP

Source: Company Filings, Spark Capital

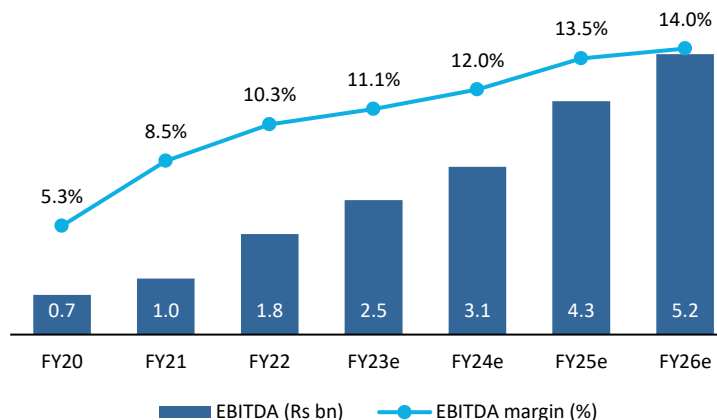
Margin drivers – ~30% of GEXP's other expenses are fixed in nature which should drive leverage gains

We observe that 65-70% of the expenses are variable in nature; fixed costs are 30-35% of other expenses

Other Expenses (Rs bn)	Nature of Expense	FY20	FY21	FY22
Manufacturing				
Consumption of consumables, stores and spares	Variable	97	63	191
Power and fuel	Variable	236	191	260
Other manufacturing expenses	Variable	26	21	na
Repairs and Maintenance				
Plant and machinery	Variable	61	47	83
Buildings	Variable	14	19	16
Others	Variable	53	40	63
Administration Expenses				
Rent	Fixed	44	146	151
Rates and taxes	Fixed	26	37	24
Insurance	Fixed	43	52	53
Legal and professional fees	Fixed	98	75	113
Printing and stationery	Fixed	40	34	na
Communication costs	Fixed	15	16	17
Travelling and conveyance	Fixed	63	36	54
Payment to auditors	Fixed	3	3	3
Sitting fees	Fixed	5	5	6
Provision for doubtful deposits and advances	Fixed	0	0	16
CSR expenditure	Variable	0	1	5
Irrecoverable balances written off	Fixed	0	8	27
Provision for doubtful debts	Variable	51	81	1
Miscellaneous expenses	Variable	215	150	109
Freight and forwarding expenses	Variable	190	165	321
Total Expenses		1,280	1,190	1,512
Variable expenses (% of other expenses)		74%	65%	69%
Fixed expenses (% of other expenses)		26%	35%	31%

Source: Company Filings, Spark Capital

EBITDA margin to improve by ~370bps over FY22-26e...

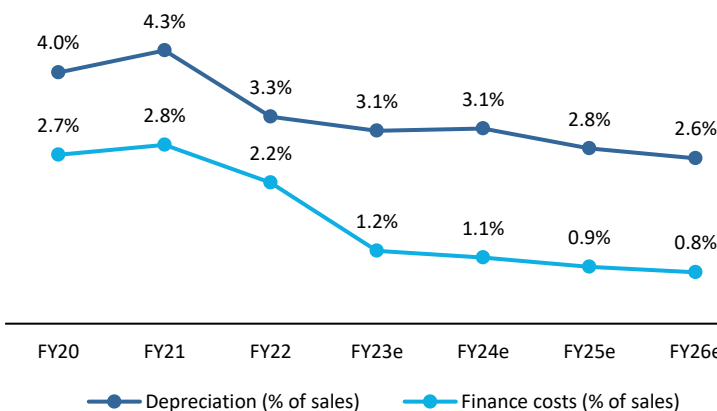


Source: Company Filings, Spark Capital

“...as far as the margin guidance goes you have seen us perform at about 12% EBITDA margins. So, as far as margin is concerned, our aim is to continue to improve our margins further going forward, **we will directionally target to improve it by another 1% to 2% over the next two years**, we are working on it, while the ramp up goes on, there will be pressures on margins, as new people will keep coming on board, new factories will keep coming on board and they may have a tendency to in the short term could bring down the margins, which we will have to offset by bringing up their productivity to normal levels of other factories, raw material prices do put a pressure on the margins effectively, we have pushed back all of those raw material cost increases back to the customers, we were trying our best to keep it that way. You know it is always a negotiation. You know that that happens between us and the buyers, but so far, we have been able to do it, we hope to keep pushing it. **Our endeavor is to be able to sustain the EBITDA margin in the longer run I continue to maintain that I will be able to improve my EBITDA margin by a percentage and half in a two and half to three year timeframe simply because there will be some operating leverage as we grow in scale and productivity there will be some benefits...**” Mr.Sivaramakrishnan Ganapathi Managing Director, GEXP

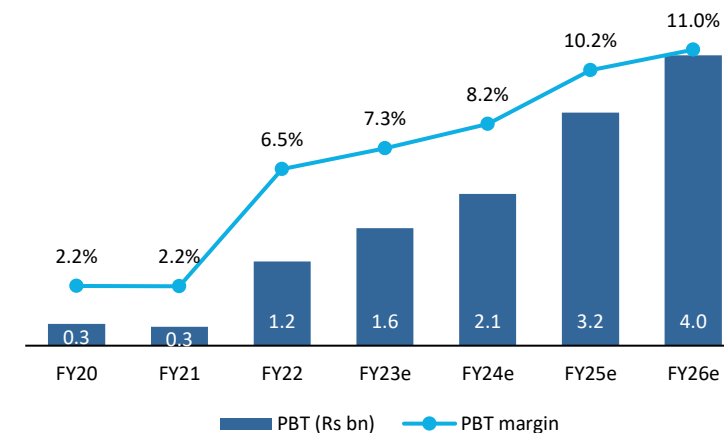
Source: Company Filings, Spark Capital

...aided by operating leverage benefits...



Source: Company Filings, Spark Capital

...which is reflected in the bottom-line improvement as well



Source: Company Filings, Spark Capital

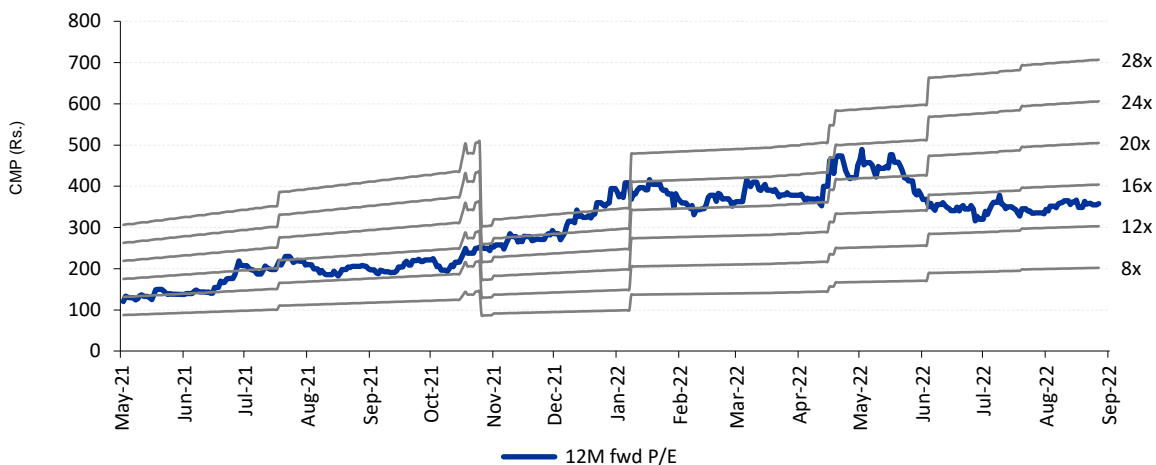
Large Capex planned for the next 4 years – to be funded by robust cash flow generation

Rs mn	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	Total (FY13-22)	FY23e	FY24e	FY25e	FY26e	Total (FY23-26E)
Cash Flow from Operations	-439	539	609	603	21	135	764	929	1,149	2,056	6,366	2,471	3,083	4,289	5,154	14,998
Less: Tax	-51	-15	2	-37	-15	-14	39	4	26	-134	-195	-411	-531	-814	-1,015	-2,771
Total Operating Cash flows	-490	524	611	566	6	121	803	932	1,175	1,922	6,171	2,059	2,553	3,475	4,140	12,227
Changes in Working Capital	-172	-124	68	355	112	130	-292	54	12	-750	-607	-1,013	-760	-1,371	-1,156	-4,300
CAPEX	-90	134	48	369	-119	-124	-223	-78	-341	-782	-1,206	-1,620	-1,200	-1,000	-1,000	-4,820
Other Investments	424	69	-211	-1,198	376	-13	224	-308	19	259	-359	841	94	-382	-1,652	-1,100
Dividend	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest + Lease liabilities	-286	-315	-374	-330	-361	-376	-345	-286	-286	-251	-3,210	-108	-120	-137	-152	-518
Total Expenses	-124	-235	-470	-805	8	-382	-637	-618	-596	-1,524	-5,382	-1,901	-1,986	-2,891	-3,960	-10,738
Debt raise / (repayments)	582	-59	0	365	-189	-23	-907	-161	-577	-3,105	-4,074	-151	-151	-151	-151	-602
Equity raise	0	0	7	6	5	1	683	0	0	2,926	3,628	-259	-271	-288	-302	-1,120
Net Debt on Books	2,862	2,703	2,148	3,958	4,283	4,550	3,695	3,431	3,131	-1,041		-58	-475	-1,424	-3,253	

Source: Company Filings, Spark Capital

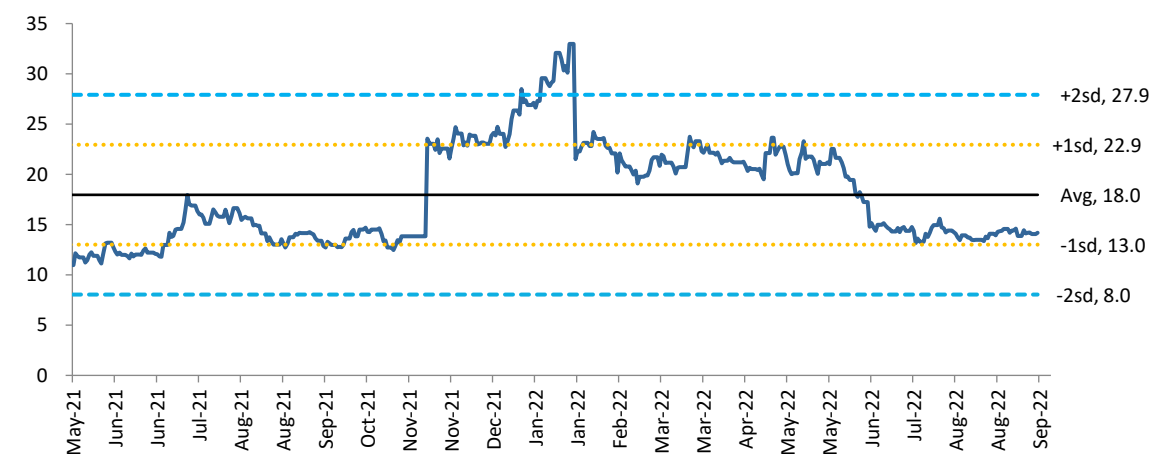
We anticipate the stock to move higher than its average levels of 18x

GEXP is currently trading at ~14x one-year forward multiple...



Source: Bloomberg, Spark Capital

We expect GEXP to inch closer to +1SD levels as it further consolidates its market share



Source: Bloomberg, Spark Capital

GEXP is expected to command higher multiples led by better revenue & profitability visibility

P/E Multiple range	No. of days traded	% of no. of days	Cumulative traded no. of days	% of Cumulative no. of days
Under 10	0	0%	0	0%
10 - 12x	18	4%	18	4%
12 - 14x	114	24%	132	27%
14 - 16x	114	24%	246	51%
16 - 18x	21	4%	267	55%
18 - 20x	16	3%	283	59%
20 - 22x	78	16%	361	75%
22 - 24x	79	16%	440	91%
24 - 26x	13	3%	453	94%
26 - 28x	12	2%	465	96%
28 - 30x	8	2%	473	98%
30 - 32x	4	1%	477	99%
32 - 34x	6	1%	483	100%
Total	483	100%	483	100%

Source: Bloomberg, Spark Capital

Key Risks/Concerns



GEXP faces the key man risk associated with Mr. Ganapati as chartered the business turn-around



Lack of manpower availability, strikes by employees can adversely impact business



Delay in commencement of new facilities due to external factors and interferences



Given that GEXP imports ~30% of its key raw materials, the inability to source and currency risk persist



Given that most GEXP facilities are leased, the inability to renew leases of GEXP factories can impact volumes



High dependence on the USA market exposes GEXP to a significant geographic concentration risk



Excess dependence on limited number of customers exposes to key customer risk



Stringent labour laws and other regulatory changes can adversely impact margins



GEXP's inability to adjust to customer's fast changing fashions and design requirements



Threat of slowdown impacting apparel sector offtakes in the domestic and international markets.



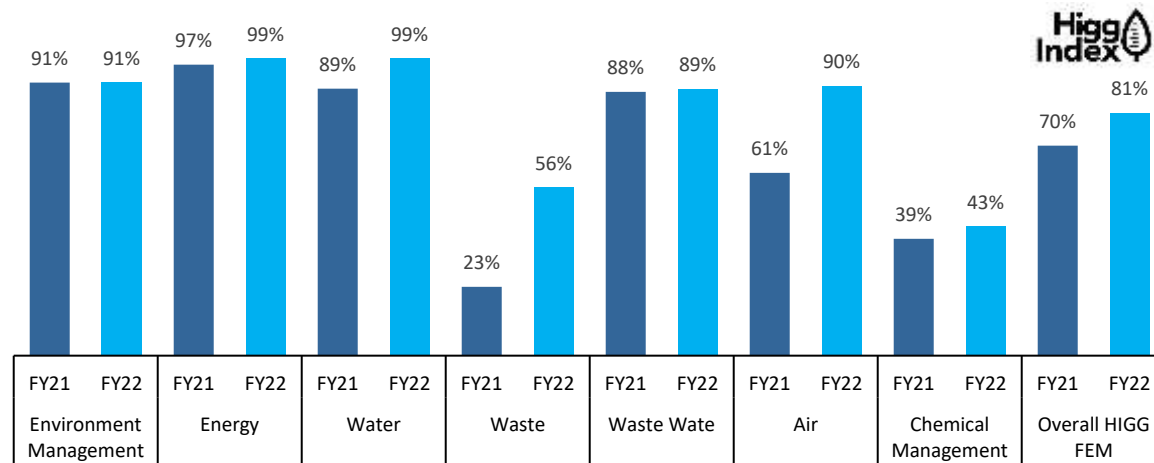
GEXP losing out key clients on account of competitors undercutting on pricing



Absence of long-term sale contracts with customers

ESG – Environmental aspects – In line with global supplier requirements

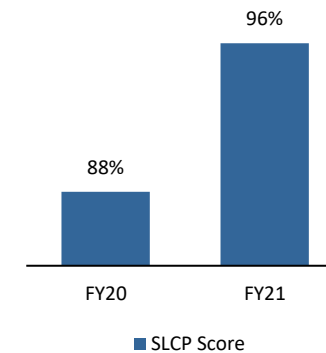
GEXP has improved on all environmental and sustainability parameters in FY22



“The Higg Facility Environmental Module (Higg FEM) measures and quantifies the sustainability impacts of a facility. This global sustainability assessment tool standardises how industrial facilities measure and evaluate their environmental performance, year over year. Gokaldas Exports has consistently achieved good scores across all sustainability parameters, and is only getting better every year.”

- FY22 Annual report

GEXP monitors Social and Labor conditions across factories



The Social & Labor Convergence Program (SLCP) streamlines auditing of labour standards in apparel and footwear facilities - geared towards improving working conditions by using a Converged Assessment Framework (CAF). Conformance to the SLCP involves a self-assessment followed by independent verification by SLCP-approved verifiers. Gokaldas Exports conducts SLCP in all its facilities to assess their working conditions, and gauges whether the same are improving over time.

- FY22 Annual report

Source: Company Filings, Spark Capital

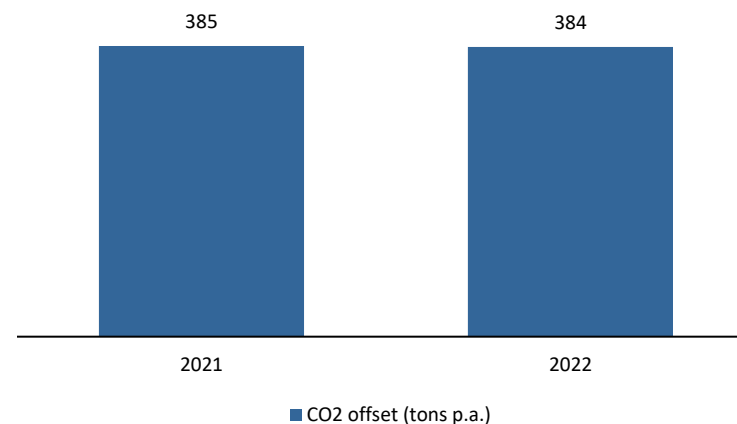
Source: Company Filings, Spark Capital

GEXP’s manufacturing capability augmented by Certifications across all units



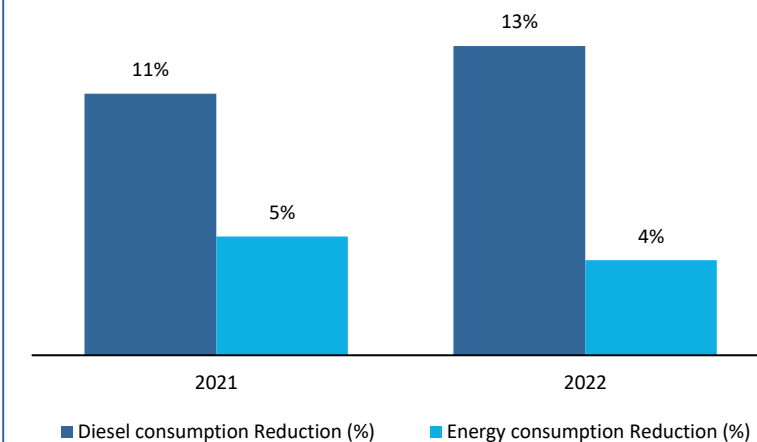
Source: Company Filings, Spark Capital

Initiatives undertaken to reduce carbon footprint...



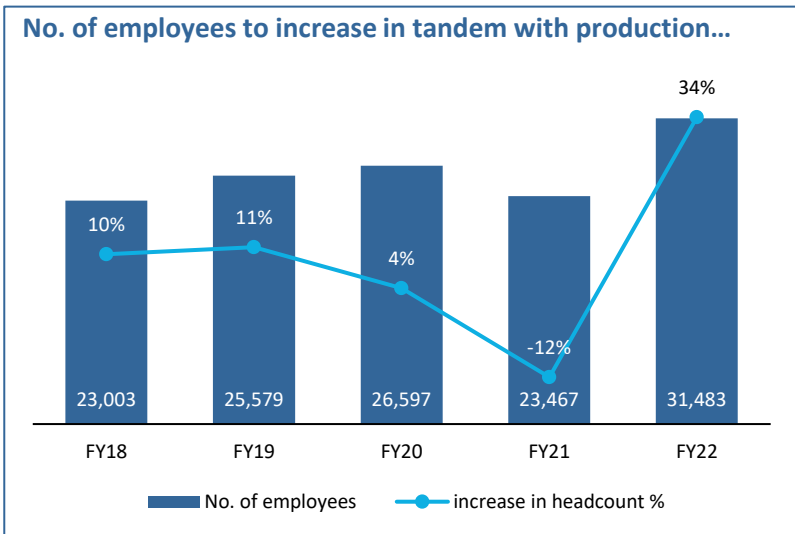
Source: Company Filings, Spark Capital

Energy saving initiatives implemented...

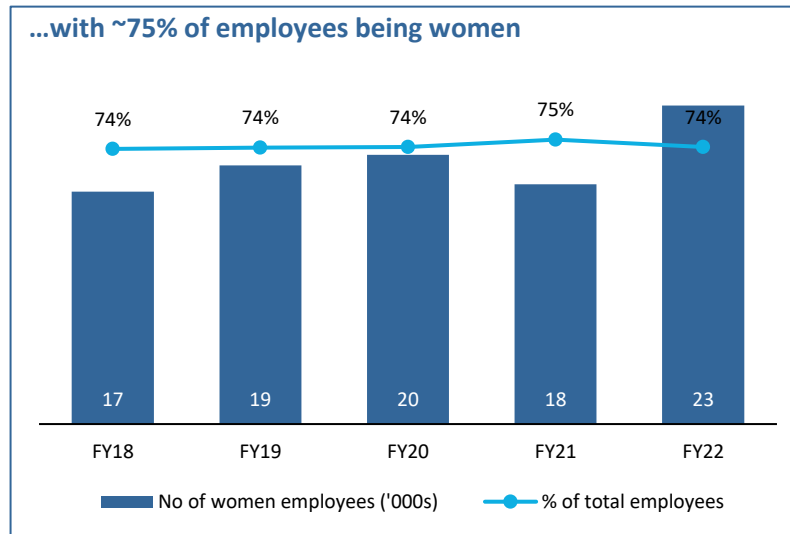


Source: Company Filings, Spark Capital

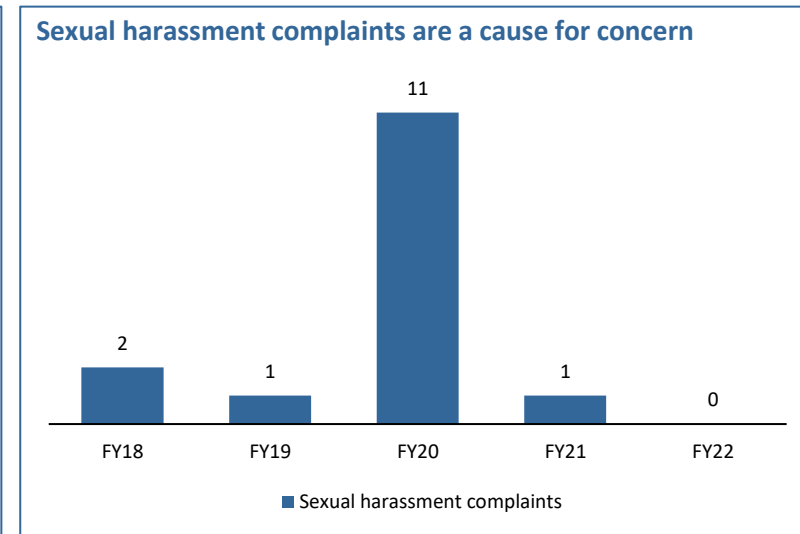
ESG – Social aspects – Given the labor intensity in operations, employee engagement has been crucial



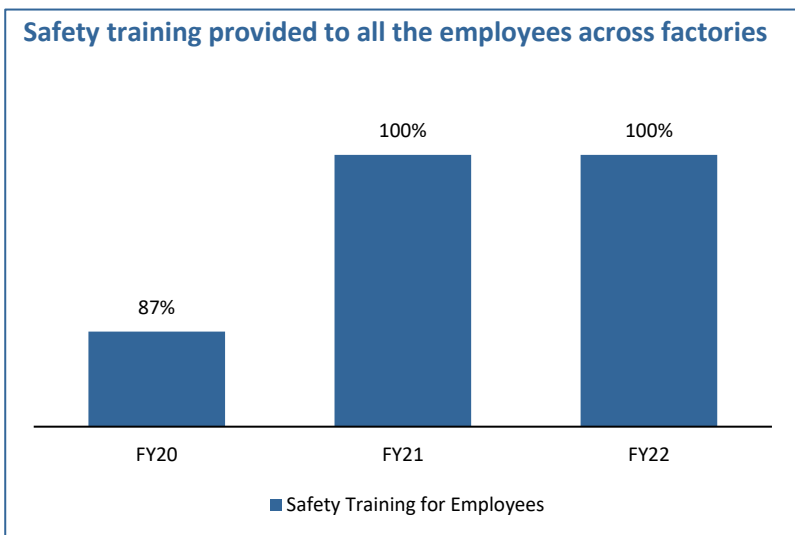
Source: Company Filings, Spark Capital



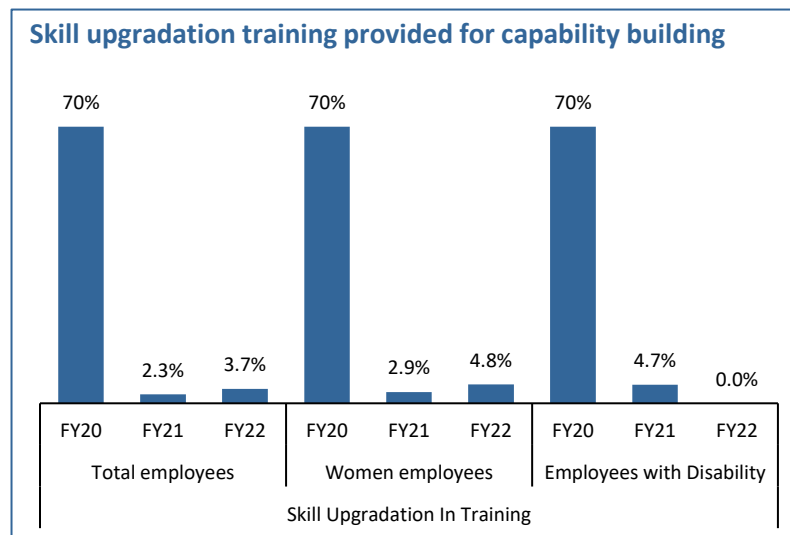
Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

Employee strikes have hit operations during last few years

The Independent
Indian factory workers protest after 'H&M cancels orders' leaving 1,000 jobless
 Sacked workers are still protesting outside the Euro Clothing Company factory (ECC-2), owned by Gokaldas Exports, in Srirangapatna, ...
 24-Jun-2020
<https://starofmysore.com/tag/gokaldas-exports-limited/>

Gokaldas Exports Limited Archives - Star of Mysore
 Mysuru: The indefinite strike by employees of Gokaldas Exports Limited (Atlantic Apparels) in front of the factory gate at Belawadi Industrial Area here ...
<https://starofmysore.com/indefinite-strike-by-garment/>

Indefinite strike by garment workers enters second day
 05-May-2016 — Mysuru: The indefinite strike by employees of Gokaldas Exports Limited (Atlantic Apparels) in front of the factory gate at Belawadi ...
<https://www.telegraphindia.com/india/cid/>

Top exporter Gokaldas Exports shuts a plant in Karnataka
 07-Jun-2020 — Top exporter shuts a plant. One of Karnataka's oldest garment manufacturers closes allegedly without mandatory 1-month notice to labour dept.

Source: Company Filings, Spark Capital

ESG – Governance aspects – In line with regulatory requirements

The current Board members have been in GEXP for at least 3 years

Board Composition	Designation	Associated since
Mr. Richard B. Saldanha	Chairman, Independent Director	Apr'11
Ms. Anuradha Sharma	Independent Director	Oct'17
Mr. Mathew Cyriac	Non-Executive Director	Feb'08
Mr. Gautham Madhavan	Non-Executive Director	Nov'18
Mr. Sivaramakrishnan Ganapathi	Managing Director, CEO	Oct'17
Mr. Prabhat Kumar Singh	Executive Director	Nov'18

Source: Company Filings, Spark Capital

Currently, 1/3rd of the Board are independent directors

Board Composition	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Non Executive Independent Directors	4	3	3	4	3	2	2	2
Other Non- Executive Directors	1	2	2	2	2	2	2	2
Executive Directors	2	1	1	1	2	2	2	2
Total	7	6	6	7	7	6	6	6
Women Director	1	1	1	1	1	1	1	1

Source: Company Filings, Spark Capital

Board is very active with 7 Board meetings held in FY22

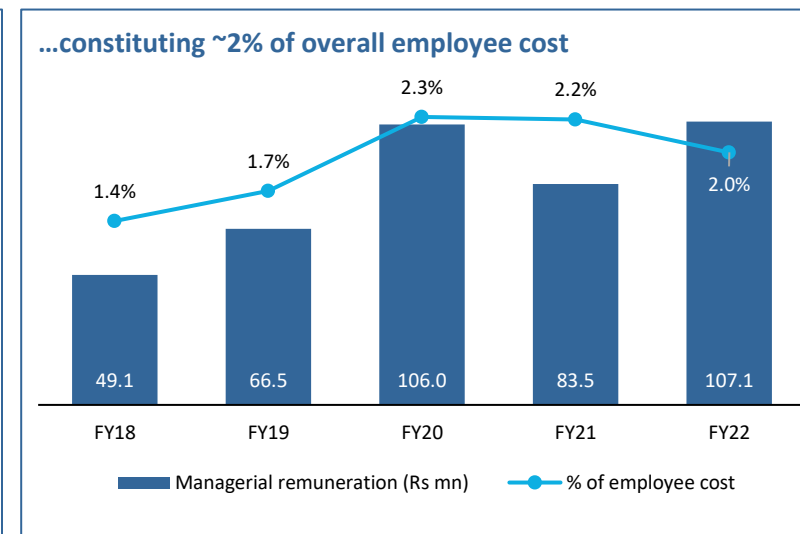
Managerial Remuneration	Designation	Board Meetings attended
Mr. Richard B. Saldanha	Chairman, Independent Director	7/7
Ms. Anuradha Sharma	Independent Director	7/7
Mr. Mathew Cyriac	Non-Executive Director	6/7
Mr. Gautham Madhavan	Non-Executive Director	7/7
Mr. Sivaramakrishnan Ganapathi	Managing Director, CEO	7/7
Mr. Prabhat Kumar Singh	Executive Director	6/7

Source: Company Filings, Spark Capital

Overall Managerial remuneration including share-based payment expenses increased by ~28% in FY22...

Managerial Remuneration	Designation	FY18	FY19	FY20	FY21	FY22	yoy%
Mr. Richard B. Saldanha	Chairman, Independent Director	1.6	1.5	1.2	1.4	1.4	6%
Ms. Anuradha Sharma	Independent Director	0.2	1.3	1.1	1.4	1.7	24%
Mr. Mathew Cyriac	Non-Executive Director	-	1.5	1.4	1.3	1.4	13%
Mr. Gautham Madhavan	Non-Executive Director	-	0.2	0.8	1.0	1.3	23%
Other Directors	-	4.0	3.7	0.7	0.0	0.0	na
Director Sitting Fees (A)		5.8	8.2	5.2	5.1	5.8	
Mr. Sivaramakrishnan Ganapathi	Managing Director, CEO	9.1	22.2	38.9	24.1	68.8	185%
Mr. Prabhat Kumar Singh	Executive Director	-	3.8	6.5	4.0	6.5	63%
Mr. Sathyamurthy A	Chief Financial Officer	9.5	12.8	14.1	11.6	17.4	50%
Ms. Shrithee M S	Company Secretary	-	-	-	0.3	1.4	290%
Others	-	14.2	1.1	1.3	0.7	0.0	-100%
Total KMP remuneration (B)		32.8	39.9	60.8	40.8	94.0	131%
Share Based Payment expenses (C)		10.5	18.5	39.9	37.7	7.3	-81%
Total Managerial Remuneration (A+B+C)		49.1	66.5	106.0	83.5	107.1	28%

Source: Company Filings, Spark Capital



Source: Company Filings, Spark Capital

ESG – Governance aspects – In line with regulatory requirements

Board members composition in various committees

	Mr. Richard B. Saldanha	Ms. Anuradha Sharma	Mr. Mathew Cyriac	Mr. Gautham Madhavan	Mr. Sivaramakrishnan Ganapathi	Mr. Prabhat Kumar Singh
Directorship Category (Meetings attended)	Independent	Independent	Non-Executive	Non-Executive	Executive - MD	Executive - WTD
Audit Committee	Chairman	Member	Member	-	-	-
Corporate Social Responsibility Committee	Chairman	Member	Member	-	Member	-
Nomination and Remuneration Committee	Member	Chairman	Member	Member	-	-
Stakeholders' Relationship Committee	Member	-	Chairman	-	Member	-
Risk Management Committee	-	Member	-	Member	Chairman	-

Contingencies and other commitments

(In Rs.mn)	2018	2019	2020	2021	2022
Contingent liabilities	522	389	351	375	414
as % of net worth	40%	16%	15%	13%	6%

Corporate Social Responsibility Spend

(In Rs.mn)	2018	2019	2020	2021	2022
Amount Required to be spent	-	-	-	0.9	4.7
Amount Spent	-	-	-	0.9	4.7
Amount Spent/ Required	-	-	-	100%	101%

Audit Fees

(In Rs.mn)	2018	2019	2020	2021	2022
Audit fee	4.1	3.5	3.0	3.3	3.3
For other services	0.2	0.2	0.1	0.1	0.2
Total	4.3	3.7	3.1	3.4	3.5

Auditors

	2018	2019	2020	2021	2022
Statutory Auditors	S. R. Batliboi & Associates LLP	MSKA & Associates	MSKA & Associates	MSKA & Associates	MSKA & Associates

Source: Company Filings and Spark Capital Research

Financial Summary

Financial Statements

Rs mn	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Profit & Loss										
Revenue	9,305	10,313	11,745	13,709	12,107	17,903	22,351	25,684	31,701	36,774
Gross profit	4,377	4,780	6,358	6,684	5,936	8,744	10,505	12,328	15,216	17,652
EBITDA	-319	-233	618	729	1,030	1,844	2,471	3,083	4,289	5,154
Depreciation	183	165	192	548	526	589	687	798	884	968
EBIT	-502	-398	426	181	504	1,255	1,784	2,286	3,405	4,187
Other Income	415	471	217	163	122	107	109	94	118	148
Interest expense	364	375	329	368	345	402	259	271	288	302
Exceptional items	0	0	-63	329	-16	211	0	0	0	0
PBT	-451	-301	251	304	266	1,170	1,634	2,109	3,235	4,032
Reported PAT (after minority interest)	-472	-310	193	503	265	1,171	1,223	1,578	2,421	3,018
Adj PAT	-472	-310	320	-25	280	960	1,223	1,578	2,421	3,018
EPS (Rs.)	-13.5	-8.9	7.6	-0.6	6.5	16.3	20.0	25.9	37.8	47.1
Balance Sheet										
Net Worth	1,694	1,309	2,404	2,266	2,901	7,082	8,315	9,893	12,329	15,347
Total debt	4,742	4,724	3,807	3,910	3,652	631	631	631	631	631
Other liabilities and provisions	45	37	73	340	908	1,098	1,098	1,098	1,098	1,098
Total Networth and liabilities	6,482	6,071	6,284	6,516	7,461	8,811	10,044	11,622	14,058	17,076
Gross Fixed assets	1,142	1,280	1,553	1,999	2,217	2,634	4,254	5,454	6,454	7,454
Net fixed assets	965	944	1,055	1,271	1,253	1,553	2,760	3,379	3,666	3,833
Capital work-in-progress	9	1	14	8	0	110	110	110	110	110
Intangible Assets	10	13	18	22	19	27	27	27	27	27
Investments	1,676	1,781	1,658	2,121	2,229	2,262	1,530	1,530	2,030	3,830
Cash and bank balances	460	174	112	123	153	127	144	561	1,010	1,039
Loans & advances and other assets	1,837	1,947	1,789	1,887	1,928	835	1,103	1,103	1,103	1,103
Net working capital	3,202	2,993	3,295	2,419	2,639	3,315	4,329	5,088	6,459	7,616
Total assets	6,482	6,071	6,284	6,516	7,461	8,811	10,044	11,622	14,058	17,076
Capital Employed	6,436	6,034	6,211	6,176	6,553	7,712	8,946	10,524	12,960	15,978
Invested Capital (CE - cash - CWIP)	5,977	5,859	6,099	5,698	6,032	6,041	8,257	9,419	10,906	12,094
Net debt	4,283	4,550	3,695	3,431	3,131	-1,041	-58	-475	-1,424	-3,253
Cash Flow										
Cash flows from Operations (Pre-tax)	132	265	472	982	1,161	1,306	1,457	2,324	2,918	3,998
Cash flows from Operations (post-tax)	118	251	511	986	1,187	1,172	1,046	1,793	2,104	2,984
Capex	-119	-124	-223	-78	-341	-782	-1,620	-1,200	-1,000	-1,000
Free cashflows	-1	127	288	908	846	390	-574	593	1,104	1,984
Free cashflows (post interest costs)	-362	-248	-57	622	561	139	-683	473	967	1,832
Cash flows from Investing	257	-137	0	-386	-322	-523	-779	-1,106	-1,382	-2,652
Cash flows from Financing	-545	-398	-569	-447	-862	-430	-249	-271	-273	-302
Total cash & liquid investments	460	174	112	478	521	1,671	689	1,105	2,054	3,884

Financial Summary

Financial Statements

	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Key Variables										
No of pieces sold (mn)		24.5	23.4	24.9	19.2	22.6	26.0	29.9	34.4	39.5
Realisation per pc (Rs)		384.4	463.2	514.8	596.6	738.3	813.0	813.4	874.7	883.3
EBITDA per pc (Rs)		-9.5	26.4	29.3	53.7	81.6	95.1	103.2	124.8	130.4
Growth ratios (%)										
Revenue	-18.6	10.8	13.9	16.7	-11.7	47.9	24.8	14.9	23.4	16.0
EBITDA	-185.6	-27.0	-365.3	17.9	41.4	79.0	34.0	24.8	39.1	20.2
Adj PAT	-643.1	-34.4	-203.1	-107.8	-1,230.6	242.2	27.4	29.1	53.4	24.6
Margin ratios (%)										
Gross	47.0	46.4	54.1	48.8	49.0	48.8	47.0	48.0	48.0	48.0
EBITDA	-3.4	-2.3	5.3	5.3	8.5	10.3	11.1	12.0	13.5	14.0
Adj PAT	-5.1	-3.0	2.7	-0.2	2.3	5.4	5.5	6.1	7.6	8.2
Performance ratios										
Pre-tax OCF/EBITDA (%)	-41	-114	76	135	113	71	59	75	68	78
OCF/IC (%)	2	4	9	17	20	19	15	20	21	26
RoE (%)	-25	-21	17	-1	11	19	16	17	22	22
RoCE (%)	-1	1	11	6	10	19	17	18	22	22
RoCE (Pre-tax) (%)	-1	1	10	6	10	19	23	24	30	30
Fixed asset turnover (x)	8.9	8.5	8.3	7.7	5.7	7.4	6.5	5.3	5.3	5.3
Total asset turnover (x)	1.4	1.6	1.9	2.1	1.7	2.2	2.4	2.4	2.5	2.4
Financial stability ratios										
Net Debt to Equity (x)	2.5	3.5	1.5	1.5	1.1	-0.1	-0.0	-0.0	-0.1	-0.2
Net Debt to EBITDA (x)	-13.4	-19.5	6.0	4.7	3.0	-0.6	-0.0	-0.2	-0.3	-0.6
Interest cover (x)	0	1	2	3	3	3	4	7	7	10
Cash conversion days	113	110	112	91	100	99	92	89	92	89
Total Working capital days	113	111	109	69	75	81	79	77	82	81
Valuation metrics										
Fully Diluted Shares (mn)	35	35	43	46	45	59	61	61	64	64
Market cap (Rs.mn)					20,505					
P/E (x)					73	21	17	13	8	7
P/Sales (x)					1.7	1.1	0.9	0.8	0.6	0.6
EV (Rs.mn) (ex-CWIP)					23,636	19,354	20,336	19,920	18,971	17,142
EV/ EBITDA (x)					23	10	8	6	4	3
EV/ OCF(x)					20	17	19	11	9	6
FCF Yield (%)					4.1	1.9	-2.8	2.9	5.4	9.7
Price to BV (x)					7.1	2.9	2.5	2.1	1.7	1.3
Dividend yield (%)					0	0	0	0	0	0
Dividend pay-out (%)	0	0	0	0	0	0	0	0	0	0

Crystal Ball Gazing

GEXP's revenues are likely to grow at ~20% CAGR over the next four years led by ~15% volume growth and ~5% uptick in realisation aided by improving mix. We expect margins to improve by ~370bps over the next 4 years as operating leverage benefits kick in. We assume an exit multiple of 20x on our FY26E EPS of Rs. 47.1.

Revenue growth estimated at ~20% CAGR over FY22-26 aided by capacity expansion

	FY12-FY14	FY14-FY18	FY18-FY22	FY22-FY26E
Revenue CAGR	2.8%	-2.3%	14.8%	19.7%
Gross Margin	47.2%	48.3%	49.4%	48.0%
EBITDA CAGR	na	na	na	29.3%
EBITDA margin	-2.1%	0.8%	5.4%	12.2%
EPS CAGR	na	46.1%	na	30.5%
Total Asset Turnover (x)	2.1	2.0	1.9	2.2
Total WC days	66	92	97	83
Pre-tax OCF/EBITDA (%)	98%	91%	83%	102%
Post Tax OCF as a % of IC	7%	10%	14%	19%
Debt/Equity	1.8	2.3	1.5	-0.1

Capital efficiency to significantly improve over the medium-term with better capacity utilization and leverage

	FY12-FY14	FY14-FY18	FY18-FY22	FY22-FY26E
RoCE (%)	-6.7%	6.7%	9.3%	18.7%
RoE (%)	-42.0%	-10.4%	5.1%	17.8%
RoIC (%)	-18.1%	-3.0%	4.1%	20.4%
Average 1 yr fwd				
PE (x)	-	-	18.3	17.2
EV/EBITDA (x)	-	-	7.3	10.2
Peak 1 yr fwd				
PE (x)	-	-	33.0	23.7
EV/EBITDA (x)	-	-	12.5	16.3

We have assumed an exit multiple of 20x; the assumed multiple is above historical average

P/E multiple	FY26E EPS (Rs.)	Price target
18	47	849
20	47	943

Entry = Rs. 339 @ 13x FY24E EPS

Cumulative Dividends: Nil

EPS CAGR of ~30%, exit multiple of 20x on FY26E EPS

Total Return of 179%

Abbreviations

ASEAN	Association of Southeast Asian Nations
ATUF	Amended Technology Upgradation Funds Scheme
bn	Billion
bps	Basis points
BTIA	Broad Based Trade and Investment Agreement
BV	Book value
CAF	Converged Assessment Framework
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CEO	Chief Executive Officer
CMP	Current Market Price
CSR	Corporate Social Responsibility
CWIP	Capital Work-In-Progress
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation & Amortization
EPS	Earnings Per Share
ESoP	Employee Stock Option Plan
EU	European Union
EV	Enterprise Value
FCF	Free Cash Flow
FEM	Facility Environment Module
FTA	Free Trade Agreement
GoI	Government of India
GDP	Gross Domestic Product
GEXP	Gokaldas Exports
HSN / HS	Harmonised System of Nomenclature
IC	Invested Capital
INR / Rs.	Indian Rupee
KMP	Key managerial Personnel
LATAM	Latin America
LLP	Limited Liability Partnership
MD	Managing Director
MMF	Man made Fibre
MMSF	Man made Staple Fibre
mn	Million
MP	Madhya Pradesh
OCF	Operating Cash flows
OFS	Offer for Sale
P/E	Price to Earnings
P/Sales	Price to Sales
PAT	Profit After Tax
PBT	Profit Before Tax
PLI	Production Linked Incentives

PPE	Personal Protective equipment
PSF	Polyester Staple Fibre
QIP	Qualified Institutional Placement
RCEP	Regional Comprehensive Economic Partnership
RMG	Ready made garments
RoCE	Return on Capital Employed
RoE	Return on Equity
RoIC	Return on Invested Capital
SD	Standard Deviation
SLCP	Social and Labour Convergence program
TAT	Total Asset Turnover
TP	Target Price
UAE	United Arab Emirates
UK	United Kingdom
US / USA	United States of America
USD	United Stated Dollar
WC	Working capital
WTD	Whole-Time Director

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	SELL	Stock expected to fall >10% over a 1-year horizon

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