GOKALDAS
EXPORTS LIMITED

Creating Global Value

2023

INVESTOR
PRESENTATION

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Table of
Contents

About the Transaction

01/

05

Expanding horizons
Enhancing value

Over the last five years Gokaldas Exports operated in a challenging environment, but relentlessly stayed focused on growth and consistently delivered value to its shareholders. The company's steady focus on organic growth by emphasizing strong customer relationships, operations excellence, and judicious capital investments resulted in significant progress in all operating and financial performance indicators, delivering a healthy ROCE and strong free cash flow.

The company believes that it has the opportunity to augment its growth with inorganic measures and proceeded carefully in identifying opportunities that

1) are strategically relevant,
2) possess a good complementary customer base,
3) are operationally strong, and above all
4) are a leader in its own sphere.

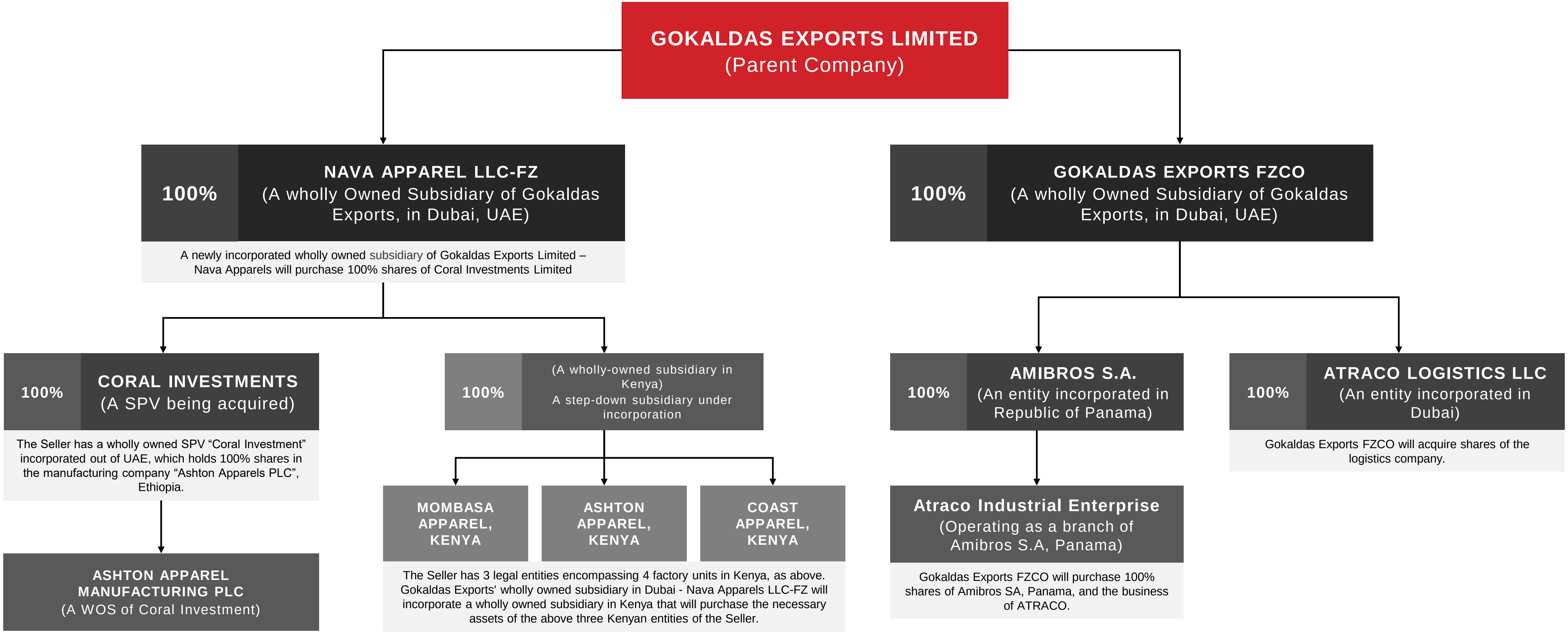
With such a restrained and selective approach, the company identified Atraco, an apparel export company headquartered in Dubai, with assets in UAE and Africa.

Gokaldas Exports partners with Atraco

Gokaldas Exports has **signed a definitive agreement** with the shareholders of **Atraco** to acquire 100% of the equity of the business for a total consideration of up to **US$ 55 million**, with US$ 45 million being paid upon closure of the transaction and the remainder at the end of March 2024.

The company seeks to significantly expand its global footprint, widen its customer base, and increase its production capacity.

Gokaldas Exports partners with Atraco



02/

About the

Asset

05

Atraco at a Glance

Atraco advances our growth strategy, bringing in a well-run apparel manufacturing company with deep experience in the MEA region.

Atraco has thrived for over 35 years in a very competitive industry due to a number of key differentiators.

- Relentless focus on cost and efficiency,
- Emphasis on profitability and scale,
- Strong sales and marketing expertise,
- Long standing relationships with its customers.

107
US$ million revenue in 2022

05
State-of-the-art manufacturing facilities, with 4 in Kenya and 1 in Ethiopia.

40
Million garments manufactured annually

13,000
Strong workforce, comprising mainly women

03
Countries where operations are spread across, with marketing, product development and corporate functions in UAE, and manufacturing in Africa.

7,000
Operational machines spread across 5 manufacturing facilities

More about Atraco (1/4)

A regional leader in apparel manufacturing

INTRODUCTION

- A leading manufacturer of apparel since 1986.
- Headquartered in Dubai, UAE, with a network of 5 manufacturing units, 4 in Kenya and 1 in Ethiopia, with a production capacity of about 40 million garments annually.
- Employ over 13,000 workers.
- Strong customer relationships with global brands, currently exporting about 95% of its output to the USA.
- Product range includes shorts, pants, shirts, t-shirts, blouses, and dresses.
- Hitherto privately held.
- E&Y has been the company’s main auditor for over five years.

THE OPERATING MODEL

Business arm for **customer relationships & service excellence**

Focusing on key customer segments that drive profitability. Atraco has chosen to focus on those customers that generate a certain level of contribution margin to the business. The company has been very disciplined about rejecting orders and new business that doesn’t meet its profitability thresholds. This strategy of prioritizing profitability over growth is an important part of the success and longevity of the business.

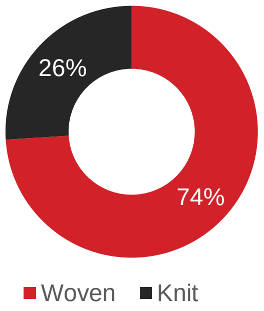
Manufacturing arm that takes care of **execution excellence**

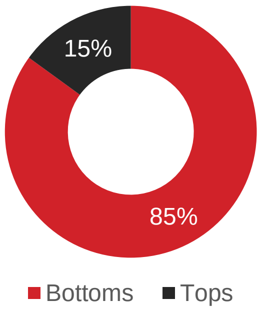
Maximizing the productive efficiency of its operations. The company has restructured manufacturing operations and a new performance measurement system has resulted in a substantial increase in the efficiency of its manufacturing units.

More about Atraco (2/4)

Strong Competitive Advantage in apparel manufacturing

PRODUCT CATEGORIES, REVENUE SHARE (%)





PRODUCTS AND MARKET

The company sources most of its raw materials from China, Indonesia, India, Pakistan, Taiwan, and the U.A.E and exports 95% of its production to the USA. The company specializes in the production of casual wear, including shorts, pants, shirts, blouses, t-shirts, and dresses.

COMPETITIVE ADVANTAGE

- Duty-free access to the US is a key strength, as duties range from 11% to 28%. Exports from Kenya to the USA are eligible for duty-free concession under African Growth and Opportunities Act (AGOA).
- Access to the EU through EPA and LDC
- Large-scale production facilities in low cost locations, with the possibility for further expansion to drive future growth.
- Strong manufacturing capabilities, high employee productivity, and machine efficiency built over the years.
- Long-standing relationships with well-recognized global apparel brands, giving the company a strong performance track record.

RISK FACTORS

- AGOA is due for renewal by December 2025. Given the geopolitical factors and significance of African regions for the USA, such benefits are likely to continue.
- AGOA benefits for Ethiopia have been suspended since 2022 and are likely to get restored in the near term.
- The Company may need to consider some upgradation of machines, though not immediately.
- Ethiopia experienced civil unrest in 2021 and 2022. This did not impact the capital Addis Ababa, where the operations are. The peace process is on in the affected region. There was no business impact on the company’s operations through this period.

More about Atraco (3/4)

Good-sized profitable player with a consistent track record

Consolidated Financial Highlights (Calendar Year)

In USD Million

KEY PERFORMANCE METRICS	2019	2020#	2021	2022
Revenue from operations	78	70	86	107
EBITDA	9	5	11	10[1]
EBITDA Margin	11.6%	7.5%	12.7%	9.1%
Profit after tax	6	2	9	7
Net profit margin	7.3%	3.4%	11.1%	6.7%

In ₹ Crore

	2019	2020#	2021	2022
Revenue from operations	550	519	634	843
EBITDA	64	39	80	77
Profit after tax	40	18	70	57

[1] Includes the initial set-up costs of USD 1.4 mn. impacting operating EBITDA of 2022 as one of the new manufacturing entities in Kenya commenced its operation in mid-FY22 with production yet to ramp up.

#Covid Impacted

USD/AED conversion rate : 3.675

USD/INR: converted at average exchange rate

REVENUE

US$ 107 *mn.*

The company has achieved a consistent growth in Revenue with a CAGR of 11%

25% Y-o-Y

EBITDA[1]

US$ 10 *mn.*

EBITDA has grown at a CAGR of 3%. EBITDA for 2022 adjusted for the one-time impact of the initial set-up costs of US$ 1.4 mn. in a new factory will be US$11.2 mn, at a margin of 10.4%.

(10%) Y-o-Y

PAT

US$ 7 *mn.*

Consistent growth in PAT year on year over the last 5 years. Adjusting for the one-time costs in 2022, the PAT margin was 8%.

(19%) Y-o-Y

More about Atraco (4/4)

Strong management team will continue to be the driving force

PEOPLE

Atraco is headquartered in Dubai, UAE where policy making, designing, marketing, logistics, and finance are carried out and implemented.

The large executive staff and workforce come from all races, ethnicities, religions, and backgrounds, and are well-integrated at all levels of the organization.

The company has a culture of tolerance and understanding, participating and implementing numerous employee and social welfare programs.

Siraj
DIRECTOR
MARKETING AND SOURCING

Educated in Eritrea, Siraj has worked in Africa, the Middle East, and Europe.

He has been with Atraco since the company was established in 1986 and is responsible for leading the company and the entire Marketing and Sourcing function of the company.

He is the primary point of contact for Atraco's customers with the organization and his time is almost exclusively spent in strengthening and developing relationship with its existing and potential customers.

Manan
DIRECTOR
OPERATION

Mannan was educated in India. He has worked in the Middle East, USA, and Africa.

He has been with Atraco since 1989 and is responsible for managing operations through all the manufacturing units in Kenya and Ethiopia.

All factory General Managers report to him.

FACTORY HEADS OF KENYA AND ETHIOPIA

Each manufacturing unit has the following key management members.
- Factory Production Head
- HR & Admin Head
- Finance Head
- Quality Head
- Logistic Head
- Compliance Head

The above personnel of all 5 manufacturing units will continue to be in the organization.

03/

The Strategic Intent

05

Exploring all growth drivers and executing

With over ₹ 300 Crore cash surplus, the company has the ability to explore an array of strategic alternatives for growth

Augmenting existing capacity through productivity improvements, debottlenecking and incremental capacity enhancements

Will continue to be the main stay of our strategy. Continuous improvement in productivity through industrial engineering and digitalization is key. Debottlenecking existing capacity and setting up incremental capacity in existing units is the most cost-effective way to grow.

Setting up green field projects in cost effective regions of India for driving growth

Leveraging the emerging low-cost destinations in India, which offers attractive financial incentives, will help the company to grow consistently while improving margins.

Vertical integration through investments in fabric processing mill

Having control over fabric processing, a key raw material resource, is essential for long term growth of the company. The work in progress knit fabric processing mill is a step in this direction.

Inorganic growth

Offshore production offers **geographic diversification, access to new customers, taps into duty arbitrage and positions the company as a global delivery platform. Acquisition of a well-run asset at a reasonable price offsets the start up risks and reduces the learning curve.**

Impeccable execution, astute financial management, and prudent capital allocation will be the guiding factor in all such initiatives.

Acquisition is a critical tool for growth

Gokaldas Exports believes that this move will create immense value for its shareholders besides bringing in numerous potential benefits for the business, like building scale, improving operating performance, and enabling long-term profitable growth.

Deriving **synergy benefits** from this acquisition, Gokaldas Exports' competitive advantage will be further strengthened. The company can

- Leverage the nearly mutually exclusive customer bast for cross-selling opportunities
- Gain excess to low-cost duty-free locations for manufacturing, offering a wider choice to its customers
- Explore cost advantages in operating costs with superior scale of operations.
- Access additional skilled resources for growth

IMPROVES CUSTOMER VALUE PROPOSITION AND DRIVES SYNERGY

Expand customer base

- Brings in new global brands with long-standing relationships to the combined company.
- Gokaldas Exports can benefit from synergies in cross-selling and as increased product portfolio.
- Provides a better product mix to customers and the opportunity to leverage India's traditional strength in cotton textiles, ability to cater to fast fashion needs, and offer efficient, high-volume, and mass manufacturing, especially in synthetics, from new regions.

Cost advantages and efficient production

- Brings in one of the largest and highly efficient manufacturing capability in the MEA region to Gokaldas Exports, allowing the company to leverage low-cost regions for growth.
- Newly launched factory in Kenya provides opportunity for future growth and margin enhancement.
- By obtaining access to efficiently run operations in lower cost regions of Kenya and Ethiopia, Gokaldas Exports expects to be truly globally competitive.

Growth opportunity and geographical diversification for a superior customer value proposition

- Atraco's considerable experience in the MEA region can be leveraged by Gokaldas Exports for future growth. Will allow greater organizational agility and responsiveness.
- Offers a diversified production capability to all customers enhancing the value proposition to customers. Address geographical risks in any one region through a global network of operations to serve our customers.

Trade agreements, Concessions and Tax holidays

- Duty-free access to the US market from Kenya under AGOA and to the EU from both Kenya and Ethiopia through GSP.
- Manufacturing entity operating in Kenya Export Processing Zone will enjoy 10 years of corporate-tax holiday.

Comparative advantage of major alternate exporting countries

IMPORT DUTY STRUCTURE

IMPORTING COUNTRY	EXPORTING COUNTRY					
	China	Bangladesh	Vietnam	Ethiopia	Kenya	India
US	11%-28%	11%-28%	11%-28%	11%-28%	0%	11%-28%
EU	12%	0%	0%	0%	0%	12%
Japan	9%	0%	0%	0%	9%	0%
UK	12%	0%	0%	0%	0%	12%
Canada	18%	0%	0%	0%	18%	18%

Kenya has duty free access to US under AGOA which is the largest exporting African country under AGOA. In addition it has the duty free access to EU & UK under Economic Partnership Agreement (EPA) & Generalized Scheme of Preference (GSP) with EU & UK. Ethiopia has duty free access to Japan, EU, UK, and Canada because of the Least Developed county Status. It was also under AGOA but was excluded in 2022 and might be included back.

Source: Kearney - Creating a competitive advantage for India in the global textile and apparel industry & Other Sources.

FACTOR COSTS

COST ELEMENTS	EXPORTING COUNTRY					
	China	Bangladesh	Vietnam	Ethiopia	Kenya	India
Cost of labour (US $ per month)	514	139	300	110	150	180
Labour skills	High	High	High	Low-Medium	Low-Medium	High
Cost of electricity (US¢ / kWh)	9-15	9	8	2-5	16-18	7-12
Lead Time (days)	30-45	50-70	35-50	60-90	60-90	40-60
Textile integration	High	Medium	Medium	Low	Low	High (Cotton)

Kenya and Ethiopia have low labor costs and an abundant labor pool with low to medium skills. The region has a high lead time due to the absence of the fabric ecosystem which has to be imported. Ethiopia being landlocked has a longer lead time. The cost of electricity is not a major factor as this industry is not power intensive.

Source: Various sources. The cost of labour in Vietnam, Ethiopia, and Kenya is our estimate.

Addressing key concerns and country risks

ATRACO has a deliberate strategy of focusing its product and manufacturing capacity to those product types that attract the highest US duties and tariffs.

ATRACO has been actively marketing to those customers that have expressed interest in establishing manufacturing hubs in Africa.

Africa is increasingly seen as the future for apparel manufacturing given its labor cost advantages over the rest of the world.

UNDERSTANDING THE RISKS

KENYA

Discontinuance of African Growth and Opportunities Act (AGOA) benefits

- **Strategic**: The US Government is keen to cultivate stronger relationships with developing African countries, as they provide access to key resources and market access. They are particularly keen to counter the dominance of China in the region and are unlikely to let go the system of trade preference and tariff advantage.
- **Historical**: Kenya has traditionally enjoyed close connection with the US and is working on a strong bilateral trade relationship.
- **Market**: Kenya has duty-free access to the EU as well under Economic Partnership Agreements (EPA).
- **Infrastructure**: Improved Rail & Road connectivity in recent years under Kenya Vision 2030. Kenya has seaports in Mombasa and Lamu.
- **Competitiveness**: Labor costs are below India, Vietnam & China offering a manufacturing edge.
- **Government Support:** Export Processing Zone (EPZ) entities are eligible for a 10-year tax holiday. 100% investment deduction on new investment. Perpetual exemption from VAT and customs import duty.

ETHIOPIA

AGOA suspension, challenging business environment

- **Market:** Ethiopia has duty-free access to the EU under LDC (least developed country). AGOA, which was suspended in the aftermath of the civil conflict, is likely to be restored soon.
- **Infrastructure**: Improved rail and road connectivity to Djibouti port. Ethiopia has the second largest hydropower potential in Africa. Bole Lemi industrial park offers excellent infrastructure and safety.
- **Competitiveness**: Factor costs such as labor costs, power, and water costs are much lower in Ethiopia than in Asian and other regional countries.
- **Government Support**: 100% exemption from payment of customs duties. Tax holiday between 6-8 years for 100% export-oriented units

With or without AGOA, the countries are cost-efficient due to labour cost advantage, low operating costs, and high productivity

Source: Allianz.com

Valuation, Funding &

04 & 05/

Consolidated benefits

05

A compelling strategic acquisition

ATRACO VALUATION CY 2022

In ₹ Crores, unless specified

EV/EBITDA MULTIPLE	AMOUNT
Consolidated EBITDA	81
Enterprise Value	
▪ Equity Value	454
▪ Debt	136
▪ Less: Cash	(1.2)
Enterprise Value of ATRACO	**589**
Implied EV/EBITDA Multiple	7.3x

PAT / PE MULTIPLE	AMOUNT
Consolidated PAT	*59*
Equity Value	**454**
Implied PE (Ex-cash)	7.6x

PEER COMPARISION

LIST	REVENUE FY 23	EBITDA FY 23	PAT FY 23	NET DEBT (31-03-23)	M/CAP (28-08-23)	EV	EV / EBITDA	PE
Gokaldas Exports	2,247	296	173	(333)	3,717	3,384	11.4	21.5
Kitex Garments Limited	601	105	57	(58)	1,281	1,223	11.7	22.5
Pearl Global Industries	3,181	278	153	119	1,496	1,615	5.8	9.8
SP Apparels Limited	1,101	166	83	43	1,358	1,401	8.4	16.4
KPR Mills Limited	6,248	1,336	814	1,108	24,734	25,842	19.3	30.4
Mean							11.3	20.1
Median							11.4	21.5

USD/INR conversion rate:₹ 82.50
Source: Publicly available data of the respective companies

Financing and Leverage
US$ 15 million is to be paid through internal accruals as equity. Funding arrangements for US$40 million through bank borrowings are already in place, which would result in a D/E leverage of ~0.35x of the group at close.

PROFORMA EPS ACCRETION ANALYSIS

PARTICULARS (IN ₹ MN)	AMOUNT
PAT of Atraco (Consolidated unaudited basis of CY22)	594
Less: Cost of Funding the Transaction[2]	(312)
Incremental PAT Accretion to GEL	282
Total Share Outstanding of GEL (in mn)	**60.64**
EPS Accretion (in ₹)	4.64
EPS of GEL (Consolidated diluted basis for FY23)	27.20
Potential EPS Accretion (in ₹)	17.08%

Note:
1) The above analysis is done broadly on a proforma basis and indicative in nature
2) Cost of Funding Working:
a) Cost of Debt is assumed to be 7.5% per annum
b) Loss of Interest on Internal accrual use for the Transaction assumed to be 7% per annum

3) Currency rates (Assumed):
USD 1: AED 3.65
AED 1: Rs. 22.52
USD 1: Rs. 82.5
USD 1: KES 136
KES 1: Rs. 0.60
USD 1: ETB 55
ETB 1: Rs. 1.51

Acquisition aligns with strategy of Gokaldas Exports

Atraco

Established **customer** base over two decades generate sustained earnings

Cost-Efficient manufacturing locations with abundant labour

Experience in handling **multiple product portfolio** builds customer confidence

A long history of managing people and delivering excellence

Leadership position in the African Market

Structural advantage arising from trade treaties and tax benefits

High growth company with a sustainable revenue base

Capability to handle variety of product portfolio of all kinds

EPS Accretive for the shareholders

Gokaldas Exports after Consolidation

Long standing, broad customer base for growth

Highly efficient manufacturing environment

A well managed multi-national apparel manufacturing company

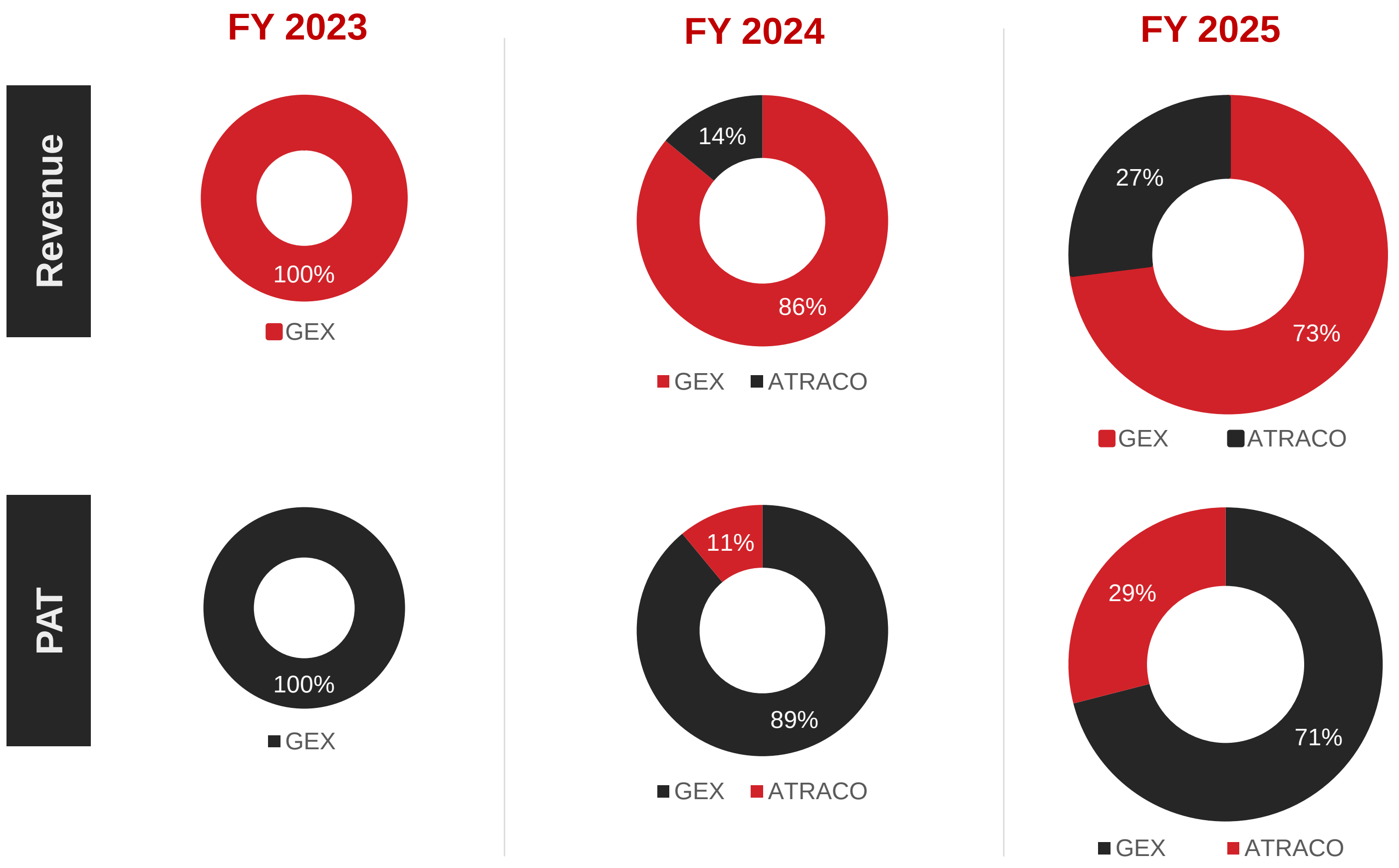
Gokaldas Exports + Atraco

Combined Value Proposition

- Expand capabilities for our existing customer segment
- Accelerate global expansion
- Drive two-way cross-sell

With a potential to grow by another US$ 30 million in Kenya in the near term, the acquisition can bring scale and presents an opportunity for margin improvement.

Benefits that Drive Shareholder Value



The company believes the international acquisition strategy will accelerate its overall growth trajectory, besides realizing an outcome that would otherwise have taken three years and more. Atraco is a quality asset with a consistently profitable track record and has deep experience in operating in the Middle East and African market.

Key Differentiators to Gokaldas Exports

- Accelerate the company's vision to drive profitable growth
- Enhance the company's abilities to tap the global market servicing customers with a wide range of products
- Unlocks geographical diversification opportunities

PAT / Earning accretion

of the company is subject to the following additional costs

- interest on the loan
- depreciation on the new assets,

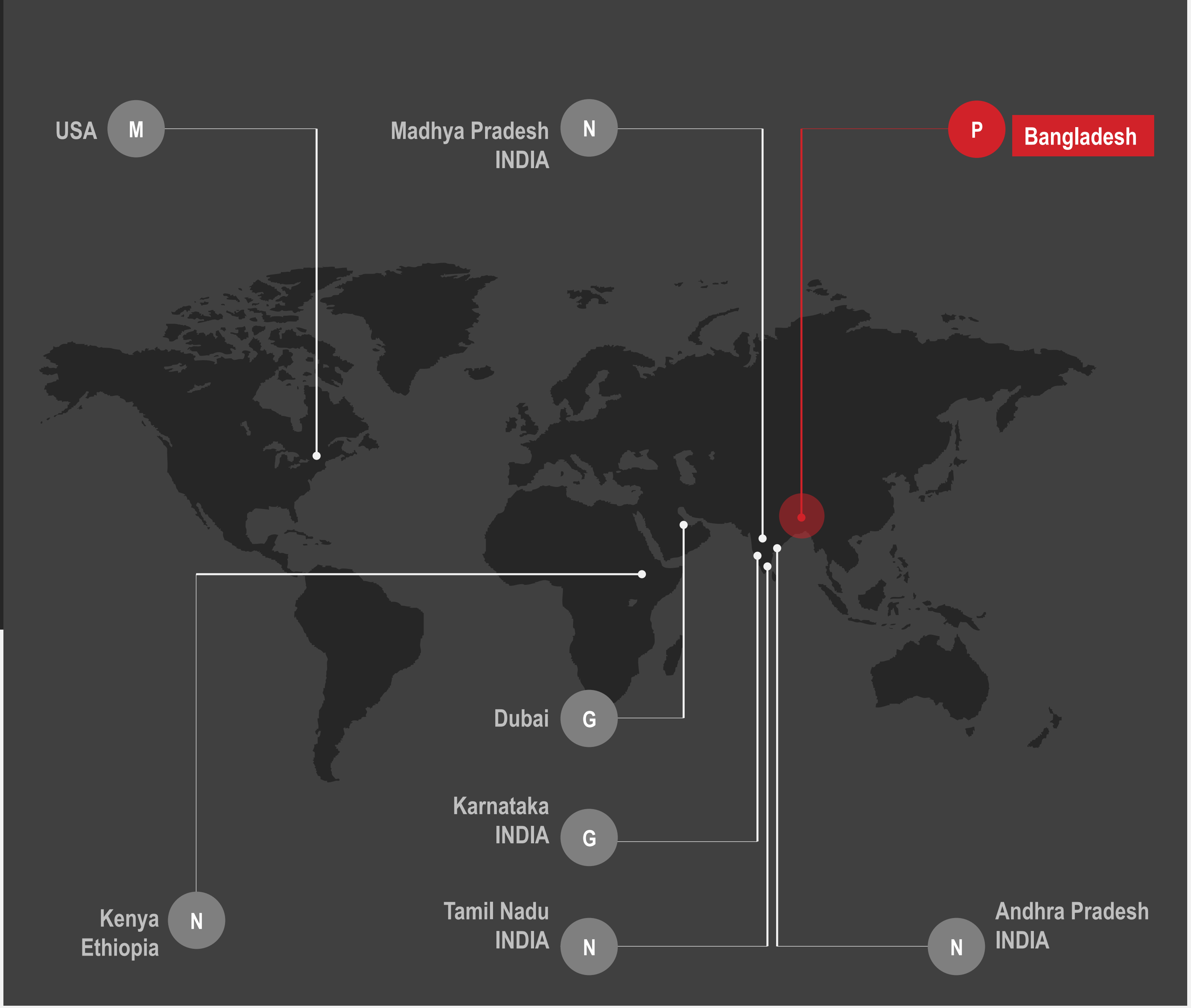
Our Vision

Taking a step further

Gokaldas Exports is focused on being a leading manufacturer that is sought-after by top global apparel brands for its product capability, quality and consistency, with a strong commitment to sustainability, while delivering profitable year on year growth.

Map legend:

- G GE Corporate
- M Marketing Office
- N New Manufacturing Location
- P **Prospective Manufacturing Location**



GOKALDAS
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Thank You

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