

gokaldas exports ltd

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

Scrip Code – 532630

Scrip Code: GOKEX

Dear Sir / Madam,

Sub: Transcript of Q2 FY'26 earnings conference call

Pursuant to Regulation 30 and Regulation 46(2) (oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Q2 FY'26 earnings conference call held on November 12, 2025. The Transcript is also available on the Company's website at www.gokaldasexports.com.

Please take this into your records.

Thanking you,

Yours truly,

For Gokaldas Exports Limited

Gourish Hegde
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Encl: as above



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**“Gokaldas Exports Limited
Q2 FY '26 Earnings Conference Call”
November 12, 2025**



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

MODERATOR: MS. KASTURI SHARMA – EY INVESTOR RELATIONS

Moderator:

Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY '26 Earnings Conference Call for Gokaldas Exports Limited. As a reminder, all participant lines will be in the listen-only



mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Kasturi Sharma from EY's Investor Relations team. Thank you, and over to you, Ms. Kasturi.

Kasturi Sharma:

Thank you, Sarthak. Good morning to all the participants on the call. Before we proceed, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with the company's business risks that could cause future results, performance or achievements to differ significantly from what is expressed or implied by such statements. Please note that the Q2 results and the investor presentation have been e-mailed and the same are also available on the company's website.

In case you haven't received them, you can write to us, and we'll be happy to send them over to you. Moving on. To take us through the results and answer your questions today, we have the top management of Gokaldas Exports Limited, represented by Mr. Sivaramakrishnan Ganapathi, Vice Chairman and Managing Director; and Mr. Sathyamurthy, Chief Financial Officer. We'll start the call with a brief overview of the quarter gone by, post which we will open the floor for the Q&A session. With that, I'll hand over the call to Mr. Siva. Over to you, sir.

S. Ganapathi:

Thank you, Kasturi. Good morning, everyone. Happy to have you at our earnings call for the second quarter of FY '26. In the quarter, the company registered a total income of INR1,003 crores, a growth of 7% over the previous year. India operations registered a strong growth of 14% year-on-year against a 2% decline in Indian apparel exports. This is primarily because of our continuous effort to grow organically in India, leveraging the company's expanded capacities. The imposition of a higher tariff on India by the U.S. initially impacted the business momentum. There was a risk of orders moving to other favorable geographies.

However, through good relationship management and meaningful partnerships on tariff burden share, the company has retained its U.S. business and has managed to secure a strong order book from our existing customers for the near future. In addition, the company focused on diversifying more into U.K. and Europe, expanding its relationship with customers there.

The Africa operations declined by 24% year-on-year, primarily due to lower volumes resulting from delayed order placements amidst uncertainty surrounding AGOA rollover. As you may recall, AGOA, which stands for African Growth and Opportunity Act, confers duty-free purchase of apparel from African countries by U.S. entities.

Orders for our Africa business are usually booked 6 months in advance. And with AGOA expiring on September 30, 2025, requiring goods to be in the U.S. by that date, there was consternation amongst customers to place orders at the same price, resulting in a weaker order book for Q2. Subsequent developments have reversed the sentiment on Africa as the region now enjoys a low reciprocal tariff of 10% and there is a considerable spur for renewal of AGOA. At the moment, without AGOA, Kenya enjoys a tariff delta of 10% vis-a-vis Bangladesh. However, if AGOA is restored, the tariff and duty differential with Bangladesh will widen to almost 30%.



This is reflecting in the order book for Africa in the quarters ahead. The company reported an EBITDA of INR84 crores with flat Y-o-Y growth after being impacted considerably by tariffs. Prudent cost control and productivity gains offset some of these effects. However, the PBT declined on account of higher finance and depreciation costs.

This is on account of new capex in factories, which are in a ramp-up stage and yet to yield returns and higher charges on account of Ind AS treatment of capitalized lease assets. On the demand front, apparel imports in the U.S. during the period January to July 2025 continue to witness a decent growth of 5%, while retail sales grew by 7%.

Imports from U.K. and EU continued to show higher growth of 8% and 9%, respectively, in the period January to August 2025. In the quarters ahead, the company has a strong order book visibility for both India and Africa business. If the U.S. penal tariff on India continues through the entire second half of this financial year, we could see some margin erosion. The company, like the rest of the industry, is hopeful of an early resolution of the tariff impact and could see ourselves tiding through this without much ramifications. Our Africa business is seeing a tailwind as the region now enjoys a relatively favorable tariff regime.

We intend to help through these challenges by focusing on a strong customer engagement, cost optimization and productivity gains across the group. Our strategic investment in BTPL, a fabric processing unit, positions us for future success. An integrated play enables a superior margin and provides access to a larger market opportunity.

In the longer term, sourcing diversification is a key theme for all customers, and with the likely tariff rationalization, India would remain one of the top contenders amongst its Asian peers. The recently announced India-U.K. FTA offers a 12% duty advantage over China and puts India on par with Bangladesh, creating a strong export potential. The trade deal with EU could open significant opportunities for Indian apparel exporters.

I quote a stanza from Kahlil Gibran's poem,

Defeat, my defeat, my deathless courage, you and I shall laugh together with the storm. And together, we shall dig graves for all that die in us. And we shall stand in the sun with a will, and we shall be dangerous.

We are talking of a transformation from seeing tariff as an enemy out to defeat us to recognizing it as a source of power and knowledge that would make us a formidable and a dangerous force. I thank you for listening and would be happy to address questions that you may have.

Moderator:

Thank you very much. Our first question is from the line of Kishore Kumar from Unifi Capital. Please go ahead.

Kishore Kumar:

Sir, my first question is on the tariff impact for the Indian business. I presume that much of the impact actually came to the Indian business. If we look at the tariff percentage post August 27, it's 50%. And could you please bifurcate how much was taken up by Gokaldas and some by the value chain? And how much was already passed on to the consumers by the retailers?



S. Ganapathi:

So at a 50% tariff, there is practically no business possible. And that's why most customers came to us, had a long discussion, and we had a lot of bilateral discussions with customers on how do we split the tariff. So the 20% of tariff, which is generally applicable to most countries, if you look at Vietnam, Bangladesh, Indonesia, on all of these countries, they're all at 20% and ours is 50%. So there's a tariff delta of 30%.

But even the first 20%, which is applicable for sourcing from most parts of the world, there is some degree of burden share that brands sought partly from the supply chain, which includes manufacturers and their suppliers, i.e., fabric manufacturers, trims suppliers, etcetra as well as the brands themselves bearing some of it.

On top of it, for us in India, we had to contend with a 30% additional tariff for which we had to do some partnerships with our customers. So the partnerships vary from customer to customer. At its highest, we have agreed to some tariff burden share of 15% with some customers.

And there are some who are a lot lower than that as well. So it's bespoke kind of negotiations where each customer is at a different level. Some of that tariff burden share that we bore, which is up to 15%, we have passed on to our supply chain as well. So they have also been instrumental in sharing that. So all of this impacted.

However, it impacted only part of the quarter because the additional tariff or the penal tariff was imposed somewhere towards end of August. So it has impacted only part of the quarter. If this penal tariff continues through whole of Q3, the impact would be a little higher. And again, it depends on when it is withdrawn, if it is withdrawn, when it is changed, etcetera. So that is the impact. In number terms, the impact came to about INR12 crores to INR15 crores here in India.

Kishore Kumar:

Got it. And sir, just a follow-up on this. If we are taking 15% and passing some to our value chain, how much the brands took actually and passed on to the consumers?

S. Ganapathi:

So in those cases, out of 50%, the brands bore most of the rest, right?

Kishore Kumar:

Yes, they have to in that case.

S. Ganapathi:

Yes. So which is pretty significant. We can't expect brands to bear more than that, much more than that. It will make their business unviable as well. So we did manage to secure businesses on this basis. See, the underlying assumption on both sides, on the U.S. side as well as India side is that this penal tariff is not going to last long.

And that is why we did what we did. –We prioritized holding business in India as opposed to letting it go to some other country. And then winning it back from the other country once it moves lock, stock, barrel with its supply chain would be very hard. So we prioritize sacrificing some bit of margin in the interim.

And all of these negotiations are very clear that it will be valid only till the date the penal tariff is enforced. The day the penal tariff is pulled out, which is the 25% out of 50%, all these discounts will fall away. So the idea is to hold the business, make sure that we continue to fill our capacities and even seek some growth out of business.



As you saw in this quarter, of course, most of the quarter's business was booked before the tariff was announced. But even in the quarters ahead, we have a fairly robust order book, which signifies some degree of growth, which is primarily because of all of these negotiations and our customer relations help secure it.

Kishore Kumar:

Got it, sir. Sir, my second question is on the retail demand. So much of the 7% growth in the U.S. retail stores, most probably based on the inventory that the brands held actually some time back and purchased before the tariff came into effect. And now are you seeing price hikes at the retailers? And will it actually dampen the sentiment in the U.S.? What do you think on that?

S. Ganapathi:

Good question. So let's analyze this, right? While there is a 7% retail growth Y-o-Y, this has been somewhat front-loaded in H1, but still there is a growth every month. And if you look at U.S. imports, which signifies how the retailers are building up their inventory, that -- its growth has been 5%. So clearly, retailers are sensing that there could be a slight slowdown in demand. But if you look at the retail demand in the first half or at least almost till July, it's been spectacular. A 7% growth in the U.S. is very high. Historically, it has been at 2% or 3% growth.

So it's kind of defying economists, defying gravity and U.S. still continues to show a robust consumption. Now partially, it could be because most of the goods or the inventory that they have are all pre-tariff or where tariff has been absorbed by the supply chain and not passed on to the consumers. So all of the time when we were at a 10% tariff from April through to nearly end of August, the supply chain, including the retailers absorbed the 10% tariff and the consumers did not see any impact whatsoever on price rises. So despite that, there has been a significant increase in purchases, it's stellar and stunning.

But going forward, there will be price increases, which will be passed on to the customers. Most of that will happen from spring '26. The inventory for holiday season, which is from Thanksgiving to December, that's the peak selling season in the States, are still at low tariff or the old price tickets and retailers don't intend to pass on much of the price increases to the consumers unless they miss out on the selling season.

Going forward, I think from early '26, you would see price increases, and that could have some bearing on demand. Demand is very price sensitive. And if there is a 4% to 6% price increase, which is passed on to the consumers, which is most likely to happen, I think there could be some degree of demand contraction.

Retailers are factoring that in and accordingly placing orders. The good news for us is that regardless of all of that, our order book seems to be still very full because we have better relations. Our product types are sophisticated that they still will have to come and buy from us, and we have engaged well with customers.

So overall, there could be a bit of a slowdown in purchasing. But again, all that will be depending on how the holiday season sale goes. And since this will be one without too much of price rises or really no price increases, we will have to wait and watch as to how that takes off, how the holiday season sales takes off. So far, the indication seems to be good.

Moderator:

Our next question comes from the line of Bhavin Chheda from Enam Holdings.



- Bhavin Chheda:** Decent results in challenging environment. Just a few questions. First, if you could share the volume data in pieces in quarter 2 and first half?
- A Sathyamurthy:** Sure, Bhavin. For the quarter 2, in total, in Gokaldas, it was 7.97 million and realization is at INR 826. Atraco delivered 3.29 million, @ INR 445 and Matrix with 1.7 million @INR 600. In total, for the Q2, we ended up with 12.97 million at an average realization of INR 700. For H1, it was 14.91 million in Gokaldas, 6.97 million by Atraco and 3.7 million in Matrix, totalling to 25.58 million for the company at a consolidated level. Realization for Gokaldas, it is @ INR 847, Atraco at INR 444 and Matrix is at INR 568. Overall average realisation is @ INR 697.
- Bhavin Chheda:** So basically, on the volume front, on a quarter-on-quarter basis is almost flattish, right? So if I total -- I think this quarter was also 12.8 million and last quarter, including all the 3 companies.
- A Sathyamurthy:** Yes.
- Bhavin Chheda:** Okay. Second question, I think your presentation doesn't mention the absolute order value. And as you said, the Africa order you have received. So can you break it up and give the order value?
- S. Ganapathi:** Is it for Q2? Or what are you asking?
- Bhavin Chheda:** Current order book in hand.
- S. Ganapathi:** So for Africa, I mean, you're asking for Africa, right?
- Bhavin Chheda:** I'm asking for the company as a whole and Africa separately, yes.
- S. Ganapathi:** So I mean, when I look at the order book for -- first of all, the order book stands full. So when I look at the order book for India, almost INR900-plus crores for India. And for Africa, it will be almost INR240 crores, INR250 crores.
- Bhavin Chheda:** And this has to be executed in next 6 months, right?
- S. Ganapathi:** So are all being built up. So this is like confirmed, but these are orders which are -- there are also constantly additions coming in.
- Bhavin Chheda:** Sure. And sir, my last question, have you also started importing cotton or other raw materials from U.S.? Because I believe the tariff is on the incremental portion over and above the...
- S. Ganapathi:** So case to case. Wherever there is a possibility of doing that, we have done that, where we've used imported cotton. Again, this is a decision that we have to take in conjunction with the brands as well that we work with. There is a price implication and all of that. So there are cases where we have done that, used imported cotton in our fabrics.
- Bhavin Chheda:** Is it substantial in quarter 2, sir?
- S. Ganapathi:** No, not substantial.
- Moderator:** Our next question comes from the line of Perna Jhunjhunwala from Elara Securities.



- Prerna Jhunjhunwala:** Congratulations on a decent performance in challenging times. So just wanted to understand now you're saying that AGOA, Africa still has INR250 crores order book. So just wanted to check with you how much should we building for Africa going forward, at least in the next half, so that we know whether there is any decline like Q2 that came in?
- S. Ganapathi:** So I believe for next half, that is Q3 plus Q4, our Africa revenue should exceed USD 50 million. I'm saying exceed. So this is the base level, and we could do better than that. The reason I'm saying that is multifold. A, there is a tariff advantage even without AGOA for Africa; B, there is a strong conviction amongst all players that AGOA will get restored for a year or 2. And that period would allow Kenya to strike an FTA with the U.S. So that's also work in progress as we speak.
- And with AGOA coming in, the tariff delta widens even more, which is why there is a lot of interest amongst U.S. brands to source more business from Africa. And three, we have added a few customers in Africa, we were not working with them, which will -- who will come up -- one of them has already come up and the others will be coming on in H2. So all of that will lead to growth. And I can see that we may well, well exceed that \$50 million top line in H2. And that would set the stage for a stronger growth in next FY.
- Prerna Jhunjhunwala:** Understood, sir. And sir, what will be the geographical mix of revenues as you were taking efforts to add new countries and new geographies to your customer base? So first, some highlights over there would help.
- S. Ganapathi:** So currently, Africa could be about 20-odd percent, 22%. But in my assessment, if we look at the years ahead, we would see international revenue probably grow faster than India and would contribute to as much as 30%, just given the traction that we are seeing across the different geographies.
- Prerna Jhunjhunwala:** Sorry, sir, I was asking from U.S., non-U.S
- S. Ganapathi:** U.S., non-U.S. Okay. I'm so sorry. So if you look at U.S., non-U.S., currently, we are at 70%. And regardless of tariff, this is being maintained. I am sensing our U.K. plus Europe, which was at about 13%, 14% can grow, and it will grow by, say, in 1 year, it may grow by another 4%, 5% in terms of overall contribution. The U.S. is also growing. So our contribution could grow higher from U.K. and Europe. That is primarily because our current business volumes there are small and they are growing at a very fast clip.
- In fact, we are prioritizing business opportunities from there. So some of those customers that we are working with in U.K. and in Europe are growing at a fast clip. The other thing is that we are also seeing a lot more discussions going on with customers that we have not worked with in U.K. in the past. They are coming and discussing with us in anticipation of FTA. So that business is expected to grow.
- Prerna Jhunjhunwala:** And sir, lastly, on the capex plan, you have spent around INR110 crores in first half. So could you just help us understand where the capacities are coming? And for the second half also, there is INR40 crores odd capex lined up. So where the new capacities are coming up? And how do



you see capacity additions for FY '27 and '28 as well, given that there could be a resolution to this macro headwind that we are in right now as well as opportunities for U.K. and Europe?

A Sathyamurthy:

Yes. Out of INR110 crores, the INR75 crores is for the new capacity additions. There are 3 new facilities. One is in Madhya Pradesh in Bhopal Unit-2, which the work is in progress. The other one, is a new plant coming up in Bangalore and one more unit in Jharkhand. All -- these put together in India, we have invested close to INR50 crores for the new capacity additions. And about INR20 crores is the investment which we have made in Kenya for capacity expansion, We are ramping up the capacity to take care of the incremental flow of orders.

So about INR70 crores - INR75 crores is total we have invested, another INR 5 crores is in Matrix for any additional capex for the existing capacity expansion. So totally INR75 crores for capacity expansion, balance INR35 crores is for the modernization and upgrade. Now with reference to H2, whatever we have already committed, especially for the new units which are in the final stage of completion , we shall ensure the same is completed..

Our investment focus is more in Kenya because of the incremental order flow anticipated. That's the plan for now, but we will be spending it very judiciously. Depending upon further visibility about tariff and other factors, we shall increase our capex plan.

S. Ganapathi:

That said, if the tariff is rationalized in India, we will continue to push for more growth. We don't have any constraint on getting business from our customers. So there is -- we seem to be in that position where we can get more orders. At the moment, we have held back on incremental capex in India, barring whatever is happening on the textile side, on the fabric side. But once the tariff resolution happens, we should be back on looking for growth avenues here too. So when you look at FY 2028, I think we should be looking at a capex in the region of about INR150-odd crores to sustain our growth.

Moderator:

Our next question comes from the line of Kaustubh Pawaskar from ICICI Direct.

Kaustubh Pawaskar:

Congrats on a good set of numbers, sir. Sir, I just have one question. Just if we build up a few scenarios, first scenario, if this tariff negotiation continues and we don't have any deal till end of this fiscal, then should we expect Q3 to be much, much weaker compared to Q2 in terms of margins? Because in Q2, you have done extremely well in terms of EBITDA margins because of your cost-saving initiatives and maybe 45 days of the business were good.

But Q3 scenario might not be similar, and we might see further dip in terms of realization and that might have an impact on the margins. So this is the first scenario. Second scenario, if we are able to crack a deal, maybe in another 15 days or maybe by end of the November, then should we expect Q3 to bottom out and then from Q4, things should be improved in terms of profitability? Just an understanding from your end, sir.

S. Ganapathi:

Sure. To answer your first question, I think if you look at Q2, the incremental tariff or the penal tariff came from August 27 or thereabouts. So it was not half, but less than half of that period, which got impacted with this. So naturally, with this tariff support that we are extending, Q3 could be a little worse than Q2 if the penal tariff continues all the way through to end of Q3,



right? Having said that, Africa will kick in with a better performance in Q3. So there will be some offset from there.

But all things considered, Q3, if the 50% tariff continues through Q3, the performance at the bottom line level may be top line may grow -- will grow over Q2 levels, but bottom line may show a lower performance than Q2 level. And if it continues in Q4, I think Q4 and Q3, Q4 may be better than Q3, even if tariff continues all the way till Q4, simply because Africa will come in again more stronger in Q4 over Q3.

Now if the tariff corrects somewhere in this quarter, that is the third quarter, then definitely, we have bottomed out in Q3 and Q4 onwards, we should see growth in margins. Growth in revenue anyway will continue, but there will be a flip to growth in both top line and margins after Q3.

Kaustubh Pawaskar: And just an addition to it, sir, as you said that Africa will come back in quarter 3 because there were delayed in orders, and you are seeing a strong order book in the second half of the year. So second half revenue should be much better compared to H1 because Q3 operations did 14% growth. Africa, there was declining. But Africa coming back in second -- quarter 3, I think the revenue growth should also be much, much better. And that might provide some lever in terms of margins supporting...

Moderator: Kaustubh sir, sorry to interrupt your question, but your line doesn't seem to be clear. Can you please move to a quieter area while asking the question?

S. Ganapathi: So Kaustubh, I heard your question, even though there was a lot of background noise. And answer is yes, there will be revenue growth. Keep in mind that some of the burden share that we are doing with the customer hits the top line as well because it's a direct discount to FOB. So to that extent, there will be a reduction in top line, which will effectively hit the India business. Having said all of that, despite everything, the revenue will be -- in H2 will be above H1.

Moderator: Our next question comes from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: Very good in the initial commentary, you had given a very good indication how this tariff thing is panning out. Sir, in the initial commentary, you also talked about some of the countries -- some of the companies in the countries like Vietnam and Bangladesh, etcetera, sharing the tariff burden of, let's say, 15% to 20%, whatever the rate is for that particular country. So let's say, in India's case, hopefully, the trade negotiations happen and our rate settles anywhere between 15% to 20%. So how will the tariff sharing happen with customers in this case?

S. Ganapathi: So the penal burden is what we are sharing. So that will go away once the penal tariff goes away and our tariff comes in the range of 20%. So that's what it is. Having said that, since there is -- even then, there will be generally a 20% tariff on -- most of the Asian countries, there is going to be a pricing pressure as brands will seek to get some price benefits or cost burden share with all the suppliers. So there's generally a tendency to operate at a lower -- to source at a lower price point. So there is a pressure across the ecosystem. I'm saying globally. This is not at all pertaining to India, globally on sourcing at a lower cost.



Some of that could -- the suppliers respond by passing on some cost increases to -- or margin challenges back to fabric suppliers and suppliers. Some of it is by becoming a little more efficient and also de-specing the product where possible. So all of these things are going on. Brands are also absorbing some of that 20% cost. And over a period of time, I can see that all this will get passed back to the consumer.

So, a 20% price increase in sourcing cost for the brand effectively translates to 7 - 8% or thereabouts in the cost increase to end consumer. Why? Because they mark up the price by almost 3x to account for their overheads and discounting in the future, etcetera. So, a \$10 garment going at \$30 with a 20% tariff, let us say, there is a \$2 tariff impact.

On a \$30, the impact is 8%, right? So if, let's say, 5%, 6% or 4%, 5% is passed on to the consumer, then only the other half is being absorbed by the value chain. And over a period of time, I believe all of it will get passed on to the consumer. We have to wait and see how that pans out, but that's the general feeling that ultimately, it will get passed back to the consumer.

Ankit Gupta:

Sure, sure. And let's say, if this -- at least for the time being, we come to 20% and some of the tariff burden we have to share, how much of that is passed on to our suppliers as well and how much we have to absorb? As of now, let's say, for the month of September and October, how much would we have absorbed and how much is passed on to our suppliers?

S. Ganapathi:

September, October, in this quarter, we have been paying a much higher tariff. We are sharing a much higher tariff burden because we are at 50%. So, when we are at 50%, that's why I said initially that we are sharing up to 15% with some brands. So that is the impact. But once the 50% comes to somewhere in the range of 20%, then the cost impact on us will be sub-5%. And that -- again, part of that will be pushed back to the fabric suppliers, part of that, we will absorb.

But that remains to be seen. My sense is, first and foremost, once it comes down to 20%, the tariff burden share goes down to 0. The rest will be absorbed in terms of lower cost of sourcing, which means it's already reflected in price reductions from the brands because this is a global pricing reset, which happened with the 20% tariff. And that pricing reduction amounts to about anywhere between 2% to 5%. Will that impact the margins by that equivalent amount? Answer is no because there will be pushback into your supply chain, into cost management, etcetera.

Ankit Gupta:

Sure, sure. And second question was on the opportunity that we see in the U.K. as well as hopefully in the EU market with the FTAs kicking in. So what kind of opportunities does it open for Indian suppliers like us?

S. Ganapathi:

So I think it opens huge opportunities, but more so with U.K. than with EU, right? EU has -- EU will wait and watch until the FTA with EU comes into place. And the timeline is, in my opinion, at least we have another 6 months or even longer for that. And then by the time it takes effect, it will be another 1 year because it requires ratification from European Union countries. So that is a 2027 story. But EU in the meanwhile has already signed an FTA with Indonesia, and they are now favouring Indonesia as a sourcing region.

We will see a lot more business coming from U.K. We are -- at least Gokaldas is seeing European companies talking to us in anticipation of tariffs later on, right? So, prepping themselves slowly



seeing to increase the business volume with us in preparation for an FTA regime. So, our European to a lesser extent and U.K. to a larger extent, business is seeing double-digit or even in some cases, triple-digit growth in the initial phase of a small base.

- Moderator:** Our next question is from the line of Rohit Maheshwari from Tata AIG.
- Rohit Maheshwari:** Congratulations for a very good set of numbers in difficult times. Sir, just to clarify, out of the 50% tariff, 15% is shared by you and 35% is shared by brands and their given nominated supplier, correct?
- S. Ganapathi:** Yes.
- Rohit Maheshwari:** So -- and out of the 15%, what has been shared by Gokaldas, some are shared by your supplier. And of that 15%, we had an impact of INR16 crores in the current quarter?
- S. Ganapathi:** Yes, about INR15-odd crores -- up to INR15 crores, yes.
- Rohit Maheshwari:** So but -- and -- but when I see your consolidated number is INR25-odd crores is the tariff, that INR9-odd crores will be of Africa business?
- S. Ganapathi:** Correct.
- Rohit Maheshwari:** So this -- if the tariff does not get sorted out in November, so I guess then in the month of -- in quarter 3, the impact should be -- roughly would be close to INR40 crores, INR45 crores?
- S. Ganapathi:** Could be. The Africa portion will come down, but the India portion will grow.
- Rohit Maheshwari:** On an average, can we -- to just be -- like you have INR15 crores, INR16 crores impact per month if you want to maintain a run rate of INR300-odd crores?
- S. Ganapathi:** Yes, yes, you're right. If it continues till end of December, you're right.
- Rohit Maheshwari:** Okay. But what you're saying seems to me like because you would be discussing with your brands and all that. Because I guess, they would be also running low on the inventory, yes...
- S. Ganapathi:** So imagine the brands' predicament, right? They are bearing a much higher than this number on their side. And if they are continuing to do business, it shows volumes for the relationship that we have and the need of us for them. Having said all of this, if this continues in perpetuity, then obviously, business will go out of India. But the general assumption across United States, and I'm talking of all the top brands that I'm in discussions with, that this tariff -- the penal tariff should not continue for long.
- That's also the feelers that we are getting from statements from White House. So the general impression is that the penal tariff at least should fall off pretty quickly. And if that happens, most of the discounts that we discussed will go away to zero. So, we are back to normal from the day that penal tariff is gone. So, we feel that we are better off holding on to the business, sustaining the business by offering some of these constructs to ensure that the business is kept in country and not really worrying about letting it go and then trying to pull it back subsequently.



- Rohit Maheshwari:** Okay. But -- and see -- so basically, I mean, textile is a very labour-intensive industry and you being Gokaldas and you being associated with various bigger brands, so you can have an impact of like, I mean, INR40 crores, INR45-odd crores. But a smaller industry would have been hard -- hit hard at this point of time. So, we -- are you not seeing any incentive of the government to just keep this industry alive?
- S. Ganapathi:** Not yet. So, we have been in discussions. Probably the government is also thinking -- I'm purely speculating here, so pardon me for that. Government may be thinking that maybe this tariff is going to go away, so they may not be coming with something. But if not, there has to be some support, particularly to help the smaller scale industry. For now, there is no government support whatsoever, and we have not baked anything from the government as a relief or a support measure in this. If something comes in, that could help in the future. But at the moment, we have not factored...
- Rohit Maheshwari:** Okay. And the last question is, sir, this capex on the new capacity and new projects of INR100 crores in this year and henceforth in FY '27, what will be the top line addition because of this new capex?
- S. Ganapathi:** About INR400-plus crores. And then in Africa also, we are doing some capex where there could be another INR150-odd crores.
- Rohit Maheshwari:** And currently, you will be working on a capacity utilization of 80%, 85%?
- S. Ganapathi:** At the moment, we are almost like 90-plus percent, 95%.
- Rohit Maheshwari:** But sir, then why your operating margins was down in quarter 2?
- S. Ganapathi:** Wait a minute, barring some of the new capacities because some of the new capacities which came in just this quarter, those are operating at much lower. So, I have not factored that in the denominator or the numerator. So, if I factor that in, the capacity utilization will be in the 80%. 3 new factories which have come up, one in Bhopal, one in Kolar Gold Fields, which is in Karnataka and one in Ranchi.
- These facilities are at early stage of manpower filling, and they will go through a ramp-up period. This ramp-up will take almost a year before the factory reaches its full potential of its workforce because filling the workforce by recruiting them, training them and putting them on the production floor takes time. So, it's going to be a ramp-up over the next 4 quarters.
- Rohit Maheshwari:** So, can I say that 280 basis points, the margin -- adjusted EBITDA margin impact in the current quarter is because of -- largely because of the 3 new factories, which has come up?
- S. Ganapathi:** No. That has no impact in Q2. So, some of that margin impact is not because of these 3 factories because they have come on board in Q3 and maybe towards the end of Q2. So, they'll be very, very marginal there. It is also because our knit fabric mill, which is on a ramp-up as we speak, which is in need of a 20 ton per day knit fabric mill and some earlier capacities were on a ramp-up, our first phase of MP, which is now at full capacity.



So some of those were the reasons. Now that will get -- that will be generating higher margins in the quarters ahead, while new factories will come in and may have an impact of 1% or thereabouts in terms of margin. But again, the older ones will contribute more positively offsetting it.

Rohit Maheshwari: So why I'm asking this question is because in quarter 1, we had an adjusted EBITDA margin of 13.6% and while in quarter 2, we have an adjusted EBITDA margin of 10.8%. And vis-a-vis if I see your realization was better in quarter 2 versus quarter 1. So, if 280 basis point means 280 basis point...

S. Ganapathi: Let me explain that. That is primarily because of Africa business. Our Africa business has fallen by about 25% in Q2, which is correcting itself in Q3 and Q4. So that drop results in operational deleverage, right? So, when the revenue falls, there is -- your cost does not fall in proportion as there is a lot of fixed costs we carry.

So, on account of AGOA going away, when we booked the business 6 months prior to Q2, that is last December, January, we had a struggle. Unless we gave them a price break, customers wouldn't come in fearing that goods have to be in the U.S. before September 30, which means it impacted half of Q2. So that is why you saw a margin drop in the second quarter of this year. Africa contributed to a good chunk of that delta, which you are seeing.

Rohit Maheshwari: Just taking my follow-up on the last kind of question. So, then it is a clear case that quarter 2 should be a bottom out of your margin because if your margin gets recovered due to Africa, so whatever the additional margins is coming from Africa business, it can take care of your additional impact if the penal tariff stays till quarter 3?

S. Ganapathi: Right. So that's the point. So, if, let us say, the penal tariff continues through entirety of Q3, there will be an impact on the India side of the business. Africa will offset some of it, but India side will take a higher hit.

Moderator: Our next question comes from the line of Vishal Mehta from IIFL Capital.

Vishal Mehta: So, the first question is our volumes probably on consol level were down Y-o-Y, but our realization was up quite a bit Y-o-Y again. So, is it the same continuation like last quarter where we had probably high spring/summer shipments in quarter last year and which is not there probably this quarter?

S. Ganapathi: That is always the case. In fact, Q2 will always be -- is a seasonally weak quarter.

Vishal Mehta: No, no. I'm comparing quarter -- year-on-year, Q2 last year to Q2 this year.

A Sathyamurthy: Vishal, this is largely contributed by Atraco. Last year, Atraco was 5.2 million, and this year, it is 3.2 million. When you look at the numbers and volume, that is the reason why the volume is less...

Vishal Mehta: And we did that air freighting in Atraco that time, right? So that's the reason or...



- A Sathyamurthy:** No, no. You're talking about volume, right, in Q2 Y-o-Y basis? Atraco last year, we did 5.2 million. For the current year, we sold 3.29 million. That is the reason ,for reduction in terms of pieces. The drop in volume at Atraco, was partly offset by Gokaldas, with a higher value. That's why you the number of pieces is lower compared to PY But in terms of the value, we could maintain at the same level.
- Vishal Mehta:** And these number of pieces have majorly been down Y-o-Y because of this AGOA issue?
- S. Ganapathi:** Correct. Correct. Correct. AGOA expects the goods to be in the country, in U.S. before September 30. So effectively, shipments from end of July itself got impacted. So that is why when we booked an order, the order book which was built many quarters ago, we saw softness at that point in time in anticipation of AGOA going away. But subsequent tariff imposition across the world has changed the scenario for Africa again and made it favourable. So now the order book from Q3 onwards looks better, stronger.
- Vishal Mehta:** Okay. And secondly, on depreciation, you've given the reason that probably lease and start-up cost has resulted in increase in depreciation. So, this lease pertains to what? Because we've probably seen an increase in depreciation in 4Q of last year as well, which was mainly attributed to Africa lease being reinstated. So, what has happened this quarter in lease? And what are the start-up? So, is it your new factories of Bhopal, Ranchi, which you've capitalized?
- A Sathyamurthy:** Some of them, the new facilities. Other one, any existing lease, when it is renewed every time for a period of 5 years, then in the year in which it is renewed, then you have to really reclass or you have to capitalize as the lease asset and then you charge off the depreciation and interest as per the Ind AS treatment. And that is the reason you see that increase happening over there and the depreciation across.
- Vishal Mehta:** Okay. Fair. And just last one, if you can just give us the subsidiary total income and EBITDA, which you used to probably give before.
- A Sathyamurthy:** I'll tell you. For Q2, the subsidiary total income is INR250 crores and EBITDA is around 3.4%.
- Moderator:** Our next question comes from the line of Monish Ghodke from HDFC Mutual Fund.
- Monish Ghodke:** Sir, my question is partially answered, but I wanted revenue of Atraco and Matrix separately as well as EBITDA for Q2 of this year and Q2 of last year.
- S. Ganapathi:** We normally don't split -- we have already started consolidating Matrix and Gokaldas together because there's a lot of business which we have cross-fertilized, put factories, merged all of them. So we are not really tracking it between Matrix anymore. So I can give you Atraco and then we can give India. Will that be okay?
- Monish Ghodke:** Yes.
- S. Ganapathi:** INR148 crores is sales value from Atraco this quarter. And last year, it was INR192 crores.
- Monish Ghodke:** And sir, EBITDA?



- S. Ganapathi:** EBITDA last year, it was breakeven. And this year, they had close to 4.5%, 5% was a negative margin.
- Monish Ghodke:** Okay. And India?
- S. Ganapathi:** India is the rest of the value, you can take it.
- Monish Ghodke:** Okay. Okay. And sir, do we have any state incentives in Africa?
- S. Ganapathi:** No, no.
- Moderator:** Our next question comes from the line of Bijal Shah from RTL Investments.
- Bijal Shah:** Congratulations on very good performance in challenging environment and very commendable outlook also. So my question is, if we assume that all the tariff-related issues are sorted and if you look at F '27, so what kind of margin we should think of? Because all said and done that there might be 15% to 20% tariff and which you might be required to share over a period -- I mean, for at least for some time. So what kind of margin should we look at for the business?
- S. Ganapathi:** What kind of margin for which period you're saying? For...
- Bijal Shah:** Yes, F '27, assuming the tariff goes to 20% and...
- S. Ganapathi:** So if you're talking of FY '27, let me reiterate your question, and please correct me if I'm -- please let me know if I'm correct. Your ask is what is the margin in FY '27 if the tariff in India goes back to 20%? Is that the question?
- Bijal Shah:** Yes, yes. Absolutely, sir.
- S. Ganapathi:** It will be over 12% EBITDA margin.
- Bijal Shah:** Including other income or without other income because at operating level or...
- S. Ganapathi:** No, the way we are reporting, the way we are reporting.
- Bijal Shah:** The way you are reporting. Okay. Okay. And assuming -- I mean, continuing on the same assumption, if we -- I mean, what kind of -- after all the capex is done during the year, what kind of revenue capacity at a consolidated levels would you have? And would you be able to fill like -- I mean, as you are saying, the order books even with the current tariff issue remains very good. So would it be okay to assume 90%, 95% kind of utilization for the coming years?
- S. Ganapathi:** So if we are at that level, I think we should be looking at a top line of about 4,500 or thereabouts.
- Bijal Shah:** And sir, sorry, I'm just squeezing in last question. How do you see with U.K. FTA happening? How do you see over next probably 3 to 5 years? Do you have some target to reduce dependence on U.S.? And I mean, if you have some thoughts on that?
- S. Ganapathi:** Correct. So our aim is to bring the U.S. side of business to -- currently from -- it is about 70%. We will like to bring it to about 60% or under. And we will see that U.K. and Europe will grow.



U.K. is growing, and we are also -- we have 3 strong customers that we work with in U.K., and we are also in discussions with a few more.

And we feel that some of those businesses which are growing at a super fast clip will continue to place this momentum. So the U.K. plus EU contribution to our revenue, which is currently at about 13%, 14% will probably approach 20% in the foreseeable future.

Moderator: Our next question comes from the line of Dheeraj Thakur from Elara Capital. Mr. Dheeraj Thakur, are you on the line with us?

As there is no response from the line of Dheeraj Thakur, we will move on to the next participant. The next question comes from the line of Chirag Jain from Catamaran.

Chirag Jain: So just a couple of clarifications. Just first on the AGOA piece, which impacted this quarter. Is it fair to assume that it was a known problem, say, 3 months back where you would have been sitting?

S. Ganapathi: Yes, yes, it was a known problem. Again, the exact quantum of problem may not be known because people -- the brands may push back taking deliveries. So all of those happened. Like there was a news around AGOA getting renewed and that got delayed. And then U.S. Congress shut down. There was a bipartisan support for it. So some of the shipments, the brand said, you hold back, I will take it once the AGOA is reinstated. So that -- to that extent, you can't predict upfront in the future. These are more dynamic happening through the quarter when there is mutual negotiations to hold back some business or hold back orders to ship later.

So it was evident, but the exact quantum was not fully evident because there were some of these impacts. The whole point was when we were booking in Q2 itself for Q2, which was almost like in January or December of previous year, we saw a very soft Q2 primarily because of AGOA uncertainties. Later on, AGOA, there was a lot of positivity around AGOA getting renewed in anticipation of a tariff negotiation or FTA negotiation with Kenya. So that is what helped build the business for subsequent period, but Q2 got impacted there.

Chirag Jain: Got it. Got it. Understood, sir. And second, on the depreciation piece, I know you answered to a certain extent, but on both stand-alone and consol, so for stand-alone, our depreciation used to be around the INR20 crores mark, which rose to INR26 crores this year -- this quarter. Is this largely lease renegotiation which has happened? Or -- because if I understand right, the Bhopal and the Jharkhand expansion is happening in different entities, which should not impact stand-alone depreciation, right?

A Sathyamurthy: Yes. A significant portion of it are on the lease assets, yes, on the stand-alone basis.

Chirag Jain: Okay. And then on the consol piece, in Q4, sir, you had highlighted that there was a full renegotiation done and the entire impact was taken in Q4 for the consol. And you had highlighted that it should be INR32.5 crores or INR33 crores thereabouts going forward. But again, it's reaching the INR40 crores, INR43 crores mark. So just trying to understand what is happening on that piece also.



- A Sathyamurthy:** Primarily on account of the fresh leases whenever -- there are 2 new leases we have taken for the new facilities, whatever we have now going ahead in this quarter, the current new installations, whatever is happening, some of the new leases are also coming in. That is where the lease assets are capitalized, point number one. And second, some of the existing leases for - the lease agreement for the existing properties got renewed in this financial year for a fresh 5 years.
- So whenever you renew the leases, then you capitalize that lease asset in that year of renewal and then charge the depreciation over the period of the balance tenure of the lease. So as the tenure ends up in the fag-end of the lease period, normally, it gets reclassified as a normal rent. But whenever the lease renewed, it gets back to the lease assets and then the depreciation and interest get charged.
- Chirag Jain:** Got it. That's understood, sir. Is it fair to assume that the current quarter's depreciation is what should be looked at going forward?
- A Sathyamurthy:** The current run rate of depreciation, INR23 crores is on account of normal depreciation at a consol level. Another INR20 crores is Ind AS depreciation.
- Moderator:** The next question comes from the line of Dheeraj Thakur from Elara Capital.
- Dheeraj Thakur:** I wanted to understand the accounting treatment of the U.S. tariff in our financials. As I noticed that the other expenses have declined by around 6% Q-on-Q and remains flat Y-o-Y. So could you please help us understand the key drivers behind the reduction despite the U.S. tariff?
- A Sathyamurthy:** The U.S. tariff impact is normally -- it is taken -- adjusted against our top line itself because it's a discount offered on the FOB.
- Dheeraj Thakur:** Okay. Got it. So no tariff close to the other expenses?
- S. Ganapathi:** Correct.
- Moderator:** As there are no further questions, I would now like to hand the conference over to the management of Gokaldas Exports Limited for closing comments.
- S. Ganapathi:** Thank you so much. Thank you for patiently listening through our explanation, and thank you for asking all the questions. As I said, we remain focused on maintaining and growing the business momentum. We are -- we were on an expansion spree, and we want to maintain that momentum going forward as well.
- That's why when -- with the capacity increases that we had planned, we wanted to ensure that our customers stay with us, even though the tariff is very high and nearly impossible to do business at 50%. We are hopeful that there will be a tariff rationalization sometime soon and really look forward to it.
- And once that happens, I think the business momentum will get a further boost. Until then, we will be very focused on protecting the margins, very focused on being prudent with our capex



as well. We have to be prepared for the worst case, and we will be mindful of that. And we will keep a close eye on how the tariff negotiations are going on.

In the meanwhile, we will continue to explore growth avenues with European and U.K. customers as well as in Africa because it will have a different tariff regime for United States. Anyway, we will continue to look for growth and continue to look to defend our margins. Thank you so much.

Moderator:

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