SECTOR RATING: Overweight

Textiles

Sector Report

Tailwinds Converging for a Multi-year Upcycle

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Quick Pointers

- Multiple macro-level growth drivers converging for Indian apparel exporters
- Organization-level factors will decide the winners/losers

India's textile and apparel (T&A) sector is entering a rare window of structural opportunity. Global brands are diversifying supply chains away from China, while Indian textile industry is benefiting from policy support through PLI and PM MITRA, improving trade access through the UK (GBP20bn apparel market) CETA and potential EU FTA (EUR200bn apparel market), and a resilient domestic demand base. While macro policy and demand tailwinds should support the broader textile sector, value creation is poised to concentrate at the apex of the value chain—ready-made garments (RMG). Yet the opportunity is not automatic: India's apparel export share remains constrained (~3%) by fragmented garmenting capacity, longer lead times, limited man-made fiber (MMF) depth, higher working-capital intensity, and slower technology adoption versus China, Vietnam and Bangladesh.

In this report, we delve into the possibility of Indian players scaling up to the levels of global giants and becoming the growth engines for India's target to capture the lion's share of global textile value chain. Our analysis indicates that the next phase of value creation in the domestic T&A industry will favor scaled, compliant and execution-driven apparel manufacturers, rather than the broader textile ecosystem. Buyers are consolidating vendor lists around partners that can offer capacity, reliability, traceability, ESG compliance and multi-country supply resilience. This shifts the competitive debate from low wages to integrated manufacturing capability, speed-to-market and balance-sheet discipline.

Within this framework, Pearl Global Industries (PGIL), Gokaldas Exports (GEXP), and KPR Mill (KPR) emerge as the primary listed Indian beneficiaries. Each brings in a distinct competitive edge: PGIL leverages a diversified, multi-country manufacturing footprint; GEXP benefits from aggressive capacity expansion and enhanced strategic positioning; and KPR demonstrates the operating leverage of large-scale vertical integration. These companies are poised to benefit from the changing industry landscape considering their proven operational execution capabilities, scalable manufacturing platforms, and clear trajectory toward global competitiveness. We initiate coverage on GEXP (BUY, TP: INR953) and KPR (Accumulate, TP: INR1,259).

Gokaldas Exports (GEXP IN)

RATING BUY | CMP INR 695 | TP INR 953

Key Financials - Consolidated

Y/e Mar	FY26	FY27E	FY28E	FY29E
Sales (INR mn)	39,876	46,507	58,196	66,435
EBITDA (INR mn)	3,564	4,447	6,582	8,374
Margin (%)	*8.9*	*9.6*	*11.3*	*12.6*
PAT (INR mn)	1,001	1,524	2,788	4,168
EV (INR mn)	58,751	59,844	60,009	56,874
Total Debt (INR mn)	12,116	15,616	12,616	9,616
C&C Eq. (INR mn)	1,359	3,766	601	736
EPS (INR)	13.7	20.8	38.1	56.9
Gr. (%)	*(38.4)*	*52.2*	*83.0*	*49.5*
DPS (INR)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*4.7*	*6.8*	*11.4*	*14.9*
RoCE (%)	*6.1*	*6.7*	*11.0*	*14.9*
EV/Sales (x)	1.5	1.3	1.0	0.9
EV/EBITDA (x)	16.5	13.5	9.1	6.8
PE (x)	50.8	33.4	18.3	12.2
P/BV (x)	2.4	2.2	2.0	1.7

K.P.R. Mill (KPR IN)

RATING Accumulate | CMP INR 1,115 | TP INR 1,259

Key Financials - Consolidated

Y/e Mar	FY26	FY27E	FY28E	FY29E
Sales (INR mn)	66,504	74,613	83,772	91,781
EBITDA (INR mn)	12,673	14,793	16,309	19,077
Margin (%)	*19.1*	*19.8*	*19.5*	*20.8*
PAT (INR mn)	8,665	9,768	10,649	12,579
EV (INR mn)	372,759	372,967	369,423	361,190
Total Debt (INR mn)	5,961	5,961	5,961	5,961
C&C Eq. (INR mn)	13,683	13,475	17,019	25,253
EPS (INR)	25.4	28.6	31.2	36.8
Gr. (%)	*6.3*	*12.7*	*9.0*	*18.1*
DPS (INR)	5.0	5.0	5.0	5.0
Yield (%)	*0.4*	*0.4*	*0.4*	*0.4*
RoE (%)	*16.2*	*16.0*	*15.3*	*15.8*
RoCE (%)	*17.9*	*18.5*	*18.0*	*18.9*
EV/Sales (x)	5.6	5.0	4.4	3.9
EV/EBITDA (x)	29.4	25.2	22.7	18.9
PE (x)	44.0	39.0	35.8	30.3
P/BV (x)	6.7	5.9	5.2	4.5

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Apparel industry dynamics

Global apparel market

Characteristics

- **Buyer-driven value chain:** Global apparel industry is heavily controlled by large retailers who dictate product offerings and outsource manufacturing to low-cost developing countries.

- **Asia-Pacific dominance:** Driven by the massive manufacturing bases and surging domestic consumption in China and India, the APAC region stands as both the largest producer and the fastest-growing consumer market in the world.

- **Luxury segment growing fast:** While the mass and value tiers generate the highest sales volume, the luxury sector is experiencing the quickest value growth. This distinction is critical for Indian exporters, who primarily compete in the mass-to-mid-market segments, rather than luxury.

- **Fragmented buyer base:** Brand-level market concentration remains remarkably low. In 2025, the top 5 global apparel companies (Inditex, LVMH, H&M, Fast Retailing, and TJX) held a combined market share of only 7-8%. This fragmentation has historically prevented reliance on a single sourcing destination, allowing multiple low-cost manufacturing hubs to thrive simultaneously.

- **Retail channels & agility:** Brick-and-mortar stores still generate most sales. However, the rapid rise of e-commerce and social commerce is shrinking traditional lead times, giving a distinct competitive edge to manufacturers with highly agile and responsive supply chains.

Key trends in global apparel exports

- **Automation and the changing labor-cost calculus:** Apparel manufacturing has historically resisted full automation because garment assembly (as opposed to fabric or yarn production) remains difficult to robotize at scale – sewing flexible fabric is a harder machine-vision and dexterity problem than most discrete-parts assembly. This has preserved the labor-cost arbitrage as a durable advantage for that gives an edge to lower wage geographies. However, automated cutting systems, robotic material handling and AI-assisted quality control are increasingly standard at the largest manufacturers, raising the capital intensity required to compete at the top tier and modestly narrowing – without eliminating – the pure labor-cost gap between China/Vietnam and lower wage alternatives.

- **Sustainability and traceability as a vendor-selection filter:** EU regulatory initiatives (the Circular Economy Action Plan, extended producer responsibility rules, and forthcoming supply-chain due-diligence requirements) are pushing global brands to demand verifiable sustainability credentials from vendors, not just price and lead time. Certifications and standards such as Global Organic Textile Standard (GOTS), OEKO-TEX and Bluesign, alongside renewable-energy adoption, are increasingly becoming important prerequisites for large-brand relationships rather than differentiators. Indian manufacturers investing early in verifiable, third-party-audited sustainability infrastructure are better positioned to be retained as brands consolidate vendor lists around fewer, larger, more compliant suppliers – a dynamic that favors large-scale operators as the compliance infrastructure itself carries meaningful fixed cost that smaller vendors struggle to absorb.

- **E-commerce, social commerce and compressed lead times:** Industry data shows offline channels still account for the large majority of global apparel sales value, but e-commerce and social-commerce channels are growing faster and are structurally compressing the time between design finalization and shelf-ready product. These favor manufacturers located closer to end markets or those with ability to deliver faster replenishment orders alongside traditional bulk seasonal production – a capability that rewards flexible, well-invested factories over purely low-cost, low-tech ones.

Synthetic garments contribute ~32% to India's garment exports in 2025

- **Fiber mix shifting toward synthetics:** Coherent Market Insights data shows synthetic fibers holding roughly 68.9% of the combined global T&A market by material type, reflecting durability, cost and versatility advantages across both fashion and technical-textile applications. India's export mix has traditionally been skewed toward cotton-based garments, which accounted for ~56% of garment exports in 2025, leaving the country relatively less aligned with the global shift toward MMF and synthetics. However, the mix is gradually evolving, with synthetic garments accounting for ~32% of India's garment exports in 2025 and exports growing at 9% CAGR over 2020–25. This indicates a gradual realignment of India's apparel export portfolio toward the faster growing global MMF opportunity.

Exhibit 1: India's synthetic garment exports grow 9% CAGR over FY20-25

Exports (US$ mn)	FY20	FY25	*Share in total exports (%)*	*CAGR (FY20-25)*
Cotton garments	8,205	9,030	*56.4%*	*2%*
Synthetic garments	3,371	5,156	*32.2%*	*9%*
Other garments	3,933	1,822	*11.4%*	*-14%*
Total Garments exports	**15,509**	**16,008**	-	*1%*
MMF garments	**6,941**	**6,103**	-	*-3%*

Source: Wazir Advisors

Indian apparel manufacturing industry

India accounts for ~4% of global textile trade in CY25

In FY26, India's T&A exports stood at ~US$37bn, representing ~8% of its total merchandise exports. Despite being one of the largest T&A exporters globally, India only held ~4% of the global market in CY25. RMG/Apparels accounted for the largest chunk (44%) of the exports. While estimates of the global apparel market's size vary widely by methodology and scope, most researchers agree on the growth trajectory, i.e., low-to-mid single-digit value CAGR through the early 2030s. This growth, coupled with the scope to increase market share, presents an attractive opportunity for the Indian textile industry. The Government of India is taking strategic steps to reach its target of US$100bn of textile exports by FY30. As a major contributor to overall textile exports, the garmenting industry is expected to be at the forefront. However, for the industry to become competitive at the global level, modernization of operations is the key. In this report, we have tried analyzing where Indian apparel industry stands (relative to global majors), what steps will be needed to make it happen, and the key players that can benefit the most from this wave.

Three trade policy shifts have converged in 2026 to reshape India's competitive position: the US reciprocal tariff cut from a 50% peak to 10% in Feb'26 (in addition to MFN tariffs), India-UK CETA comes into force (15th Jul'26, ~99% tariff-line duty-free access), and conclusion of India-EU FTA talks (27th Jan'26, pending ratification). Together with the PLI scheme for MMF/technical textiles and PM MITRA, these initiatives have removed several structural disadvantages – tariff parity, capital cost, and fragmented infrastructure – that have historically led to India lagging behind Bangladesh and Vietnam in global apparel export share. While the policy tailwinds open up a large long-term opportunity of Indian apparel exporters, scale remains the key constraint. While India possesses a robust raw material base (specifically in terms of cotton) and an integrated textile value chain, its downstream apparel manufacturing remains structurally fragmented. Considering the increasing customer preference for factors like scale, resilience, and traceability, larger players are likely to do better than smaller ones with limited scale.

Exhibit 2: India accounts for only ~4% of global T&A exports in CY25

Country	Rank	Exports value (US$ bn)			*Market share (%)*
		Textile	Apparel	Total	
China	1	145	146	291	*32%*
Extra EU-27	2	29	40	69	*8%*
Vietnam	3	7	39	46	*5%*
Bangladesh	4	3	37	40	*4%*
India	**5**	**21**	**16**	**37**	***4%***
Turkey	6	14	17	31	*3%*
US	7	14	5	19	*2%*
RoW		138	230	368	*41%*
Total		**370**	**530**	**900**	

Source: Wazir Advisors

The apparel exports opportunity

Vietnam has doubled its share of global textile trade over the past decade

According to the India Brand Equity Federation, the global apparel market stood at US$1.9trn in 2025 and is expected to grow at CAGR of 4.1% from 2026 to 2034. Rising demand for casualwear and athleisure, social media trends, higher disposable incomes, and e-commerce expansion are expected to be key growth drivers. China remains by far the largest contributor with ~27% global apparel export share in 2025, despite the recent drop (from ~37% in 2010) as buyers pursue the 'China+1' strategy. Tightening environmental standards within Chinese manufacturing hubs, rising industrial wages, and strict western legislative frameworks regarding supply chain traceability have caused a significant reallocation of global order books.

Exhibit 3: Bangladesh and Vietnam biggest beneficiaries of China+1 strategy

Exporting country	Value (US$ bn)	Share in world apparel exports (%)			
	2025	*2000*	*2005*	*2010*	*2025*
China	157	*18.2*	*26.6*	*36.9*	*27.3*
Bangladesh	39	*2.6*	*2.5*	*4.2*	*6.8*
Vietnam	38	*0.9*	*1.7*	*3.0*	*6.5*
India	17	*3.0*	*3.1*	*3.2*	*3.0*
Türkiye	17	*3.3*	*4.2*	*3.6*	*2.9*
Cambodia	12	*0.5*	*0.8*	*0.9*	*2.0*
Pakistan	10	*1.1*	*1.3*	*1.1*	*1.7*
Indonesia	9	*2.4*	*1.8*	*1.9*	*1.6*
US	7	*4.4*	*1.8*	*1.3*	*1.1*

Source: Industry

The year 2005 marked complete liberalization of global textile trade through the termination of the WTO Agreement on Textiles and Clothing, which ended decades of restricted import quotas. This shift transitioned the sector back into regular General Agreement on Tariffs and Trade rules. Consequently, China's share of global exports surged post 2005, accounting for more than one-third of global exports. However, the China+1 wave has led to moderation of this share by ~9.6%. This contraction in Chinese export dominance has released US$50-60bn in floating volume into the global sourcing matrix. The primary beneficiaries of this volume migration have historically been lower production cost nations like Bangladesh and Vietnam, growing from a combined ~7% of world apparel export share in 2010 to ~13% by 2025. As per the Indian Council for Research on International Economic Relations, key factors behind the dominance of these 3 countries have been as follows:

- China built large-scale, state-supported fiber-to-fashion clusters
- Bangladesh minimized transaction costs through export-oriented systems
- Vietnam leveraged FTAs and FDI to build plug-and-play manufacturing ecosystems that global brands could integrate into quickly.

India, by contrast, still lacks integrated hubs combining fiber, fabric and fashion under one roof, and carries a materially higher cost of capital. As a result, India's share has been broadly stagnant. However, changing tariff architectures are now heavily favoring diversified, large-scale, vertically integrated manufacturing hubs. International retail buyers are fundamentally altering their vendor management strategies. Rather than managing fragmented networks of hundreds of small, regional suppliers, global brands are executing a consolidation strategy. This structural consolidation creates a major barrier to entry for unorganized players while expanding the order book visibility and pricing power of scaled corporate manufacturers.

'China + 1' reshaping apparel exports landscape

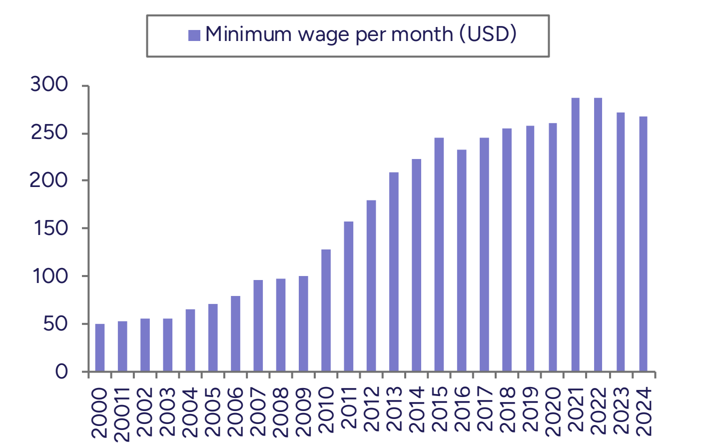
Over the years, China's apparel export share has declined from a peak near 37% to ~27%, driven by the supply chain diversification trend on account of rising Chinese labor costs, US-China trade tensions (Section 301 tariffs), and buyers' own risk-management imperative to avoid single-country concentration. However, despite these developments, China continues to dominate the apparel exports industry, while other countries have focused on developing their own niche at global levels.

Despite global supply chain diversification, China retains a dominant share of global apparel exports, at ~27%

- **Volume & scale:** China, Bangladesh, and Vietnam dominate high-volume apparel sourcing globally. Bangladesh wins on unit cost for basics, Vietnam on activewear/complex outerwear, and China on speed, synthetics, and end-to-end reliability.
- **Raw material self-sufficiency:** China and India are the only 2 major exporters in this list with complete, self-contained supply chains from raw fiber (cotton/synthetics) to yarn, fabric, and garmenting.
- **Speed to market:** Turkey serves as the primary nearshoring hub for European fashion brands needing short lead times.
- **High value vs. high volume:** Italy and Germany export high-value items – the former driving global luxury fashion and the latter leading smart/technical textiles.

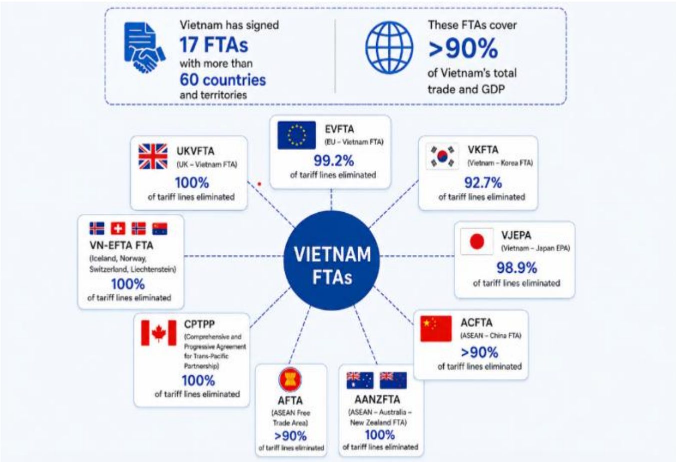
While China continues to dominate the market, labor costs in China have increased significantly in recent years, forcing it to rely on automation to scale up output. Alternatively, Chinese players are shifting focus toward upstream products and MMF garments, which are less labor intensive. As a result, Vietnam and Bangladesh have emerged as alternate sourcing hubs. FTA-driven market access and high level of technological adoption have been the key drivers behind Vietnam's success.

Exhibit 4: Rising labor costs in China



Source: Industry

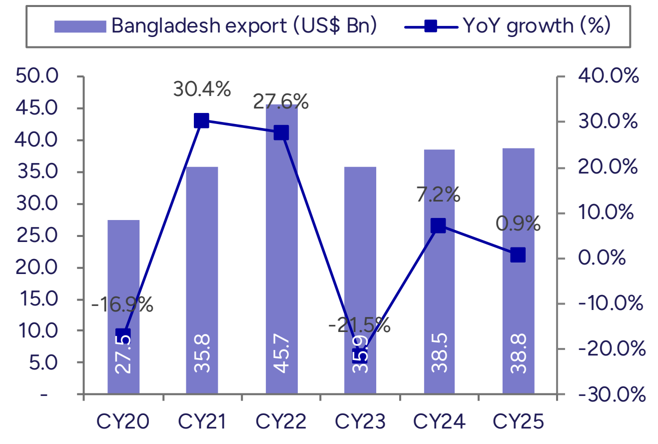
Exhibit 5: FTAs helped Vietnam gain significant share of market



Source: Industry

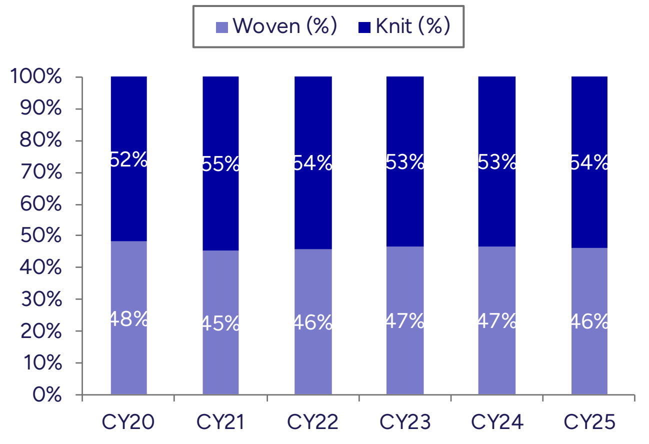
Bangladesh, on the other hand, has the lowest labor costs among major producers along with a large and experienced workforce. Duty-free, quota-free access to the EU under its least developed country (LDC) status has also been a key competitive advantage for the country. The product mix, however, is skewed toward the knitwear segment.

Exhibit 6: Bangladesh exports stabilizing after rapid gains



Source: Industry

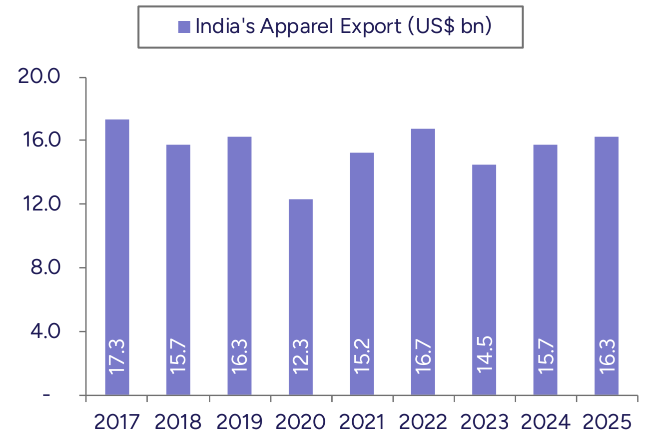
Exhibit 7: Knitwear continues to increase its share



Source: Industry

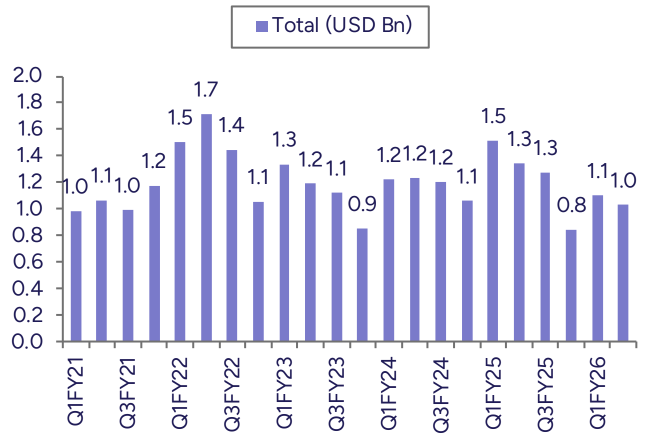
India's apparel exports have remained rangebound over the past few years, despite being the world's second-largest cotton producer and second-largest MMF producer. A core constraint has been scale, which impacts the productivity and lead times. Unfavorable tariff rates have been another major hurdle, particularly in case of the US, where tariff-related uncertainties have led to a constant decline in apparel exports from India to the US.

Exhibit 8: India's apparel exports remain rangebound



Source: Industry

Exhibit 9: India's apparel exports to the US impacted by tariff uncertainty



Source: Industry

Scale and integration: The building blocks of global competitiveness

Global apparel brands are increasingly consolidating sourcing with fewer, larger, more compliant vendors capable of running complex multi-country supply chains, absorbing large single orders, and meeting escalating ESG/traceability requirements. These large-scale manufactures are also better placed to generate higher returns by acquiring a larger value pie, enjoying benefits of scale, and allocating larger resources toward innovation and automation. Scale is thus the primary qualifying criterion for a manufacturer to be treated as a strategic, top-tier supplier by brands like Nike, Gap, Uniqlo, H&M and Inditex.

Exhibit 10: Comparison of dominant global RMG players (annual garments production capacity ~100mn pieces or more)

Company	Country / HQ	Listed / Private	Garment capacity (mn pcs p.a.)	Revenue (latest FY, US$ mn approx), incl all segments	EBITDA margin (%)	Key clients	Specialization	Other relevant notes
Shenzhou International	China (mfg also in Vietnam, Cambodia)	Listed (HKEX: 2313)	~600	~4,250	23-24%	Nike, Adidas, Uniqlo, Puma (78-82% of revenue combined)	Vertically integrated knitwear – sportswear, casual wear, lingerie	World's largest vertically integrated knitwear manufacturer; fabric-to-garment integration; high customer concentration
Youngone Corporation	South Korea (mfg in Bangladesh, Vietnam, Uzbekistan, Ethiopia, El Salvador, India)	Listed (KRX: 111770)	~100	~2,900	16-17%	Own brands and global brands like The North Face, Patagonia, Lululemon	Outdoor apparel, footwear, and technical gear, specializing in down jackets, performance sportswear, and backpacks	Vertically integrated, mass production for B2B sale as well as own brands
Crystal International Group	Hong Kong (mfg in China, Vietnam, Bangladesh, Cambodia; new Egypt site)	Listed (HKEX: 2232)	~470	~2,640	13-14%	Uniqlo, Adidas, Levi's, Gap, VF Corporation, Victoria's Secret	Diversified multi-category - lifestyle wear, sportswear/outdoor, denim, intimates, knits	Knits, denim and intimate apparel manufacturer. Building a self-owned fabric mill in Vietnam
Hansae Co	South Korea (mfg in US, Vietnam, Nicaragua, Guatemala, Indonesia, etc.)	Listed (KRX: 105630)	~400	~1,300	7-8%	Old Navy/Gap, Walmart, Target, Uniqlo (broad US mass-market retail base)	Large-scale basics-focused OEM apparel manufacturer for US mass-market and value retailers	Vertically integrated through subsidiaries
Eclat Textile	Taiwan (mfg in Vietnam, Cambodia, Lesotho, China, Indonesia)	Listed (TWSE: 1476)	~161	~1,220	19-20%	Nike, Lululemon, Target, Under Armour, Gap (top 4 clients ~40% of sales)	Performance knit fabrics + finished garments – activewear, yoga wear, running apparel	Fabric-and-garment dual model (sells both finished apparel and performance fabric); Lululemon's key Luon fabric supplier
Makalot Industrial	Taiwan (mfg across Asia – Vietnam, Indonesia, Cambodia, etc.)	Listed (TWSE: 1477)	180-200	~1,100	15-16%	Gap, Uniqlo, and other major US/global retail brands	OEM/ODM contract manufacturer – activewear, smart clothing, fast-fashion, etc.	Designs and innovates functional textiles and smart clothing platforms, but primarily a garment manufacturer
Shahi Exports	India	Private	~150	~1,050	15-16%	Leading global apparel brands - diversified	Woven and knit apparels, advanced fabric processing, and sustainable garments	Vertically integrated, ~1,00,000 employees, broadest and most diversified global brand client roster among Indian private players
Vinatex	Vietnam	Listed (UPCoM: VGT)	~410	~800	14-15%	Leading global apparel brands - diversified	Wide range of woven and knit apparels	Vertically integrated, designs, develops samples, and handles bulk manufacturing
KPR Mill	India	Listed (NSE/BSE: KPRMILL/532889)	~204	~700	20-21%	Diversified global retailers; largely in Europe	Range of knitted garments for men, women and children	Fully vertically integrated – spinning (yarn), fabric processing, garmenting, plus sugar/ethanol/power diversification

Company	Country / HQ	Listed / Private	Garment capacity (mn pcs p.a.)	Revenue (latest FY, US$ mn approx), incl all segments	EBITDA margin (%)	Key clients	Specialization	Other relevant notes
Brandix	Sri Lanka (mfg in Sri Lanka, India, Bangladesh)	Private	~500	~675	10-11%	Victoria's Secret, Gap, Marks & Spencer, Next, Uniqlo, Calvin Klein, H&M, Old Navy, Tommy Hilfiger	Casual bottoms, intimate & active wear	Vertically integrated yarn-to-fabric-to-garment model, >50% local value-addition via backward-linked textile/accessories operations
Pearl Global Industries	India (mfg in India, Bangladesh, Vietnam, Indonesia, Guatemala)	Listed (NSE/BSE: PGIL/532808)	~101	~525	9-10%	Major US/EU fashion & lifestyle brands - diversified client base	Multi-country woven & knit apparel manufacturer for global fashion brands	Primarily into garment manufacturing, no backward integration
Gokaldas Exports	India (mfg also in Africa through acquired entity Atraco)	Listed (NSE/BSE: GOKEX/532630)	~92	~425	10-11%	Leading global apparel brands - diversified	Woven & knit garments; focusing on outerwear, activewear, and fashion wear	Primarily into garment manufacturing, acquiring BTPL for securing fabric supply
SP Apparel	India (mfg also in Africa though acquired entity Atraco)	Listed (NSE/BSE: SPAL/540058)	~100	~165	16-17%	Some of the major global retailers, also has own brand	Children/infant wear	Integrated facilities, small quantities of fabric and yarn sold outside

Source: Industry; Note: Given the lack of disclosures/inconsistent style of reporting, the table includes estimated numbers that may vary materially from the actual numbers. Readers are advised to use the table only to gauge broader order-of-magnitude scale gaps, rather than precise like-for-like comparison

Most of the major players shown in the above table are not only large in volume terms but also vertically integrated and have design capabilities, enabling them to build partnerships with clients. For Indian players, the comparison is instructive, rather than discouraging, as it shows they can reach the scale of global majors (in revenue terms) as shown by Shahi Exports (private). Similarly, in terms of integration, KPR has already demonstrated the capabilities, while GEXP is also adding fabric capacity though acquisition of BRFL Textiles Pvt Ltd (BTPL).

Assessing India’s potential – Key competitive advantages

T&A contributes 2.3% to India’s GDP

India's T&A sector is not solely an export story. Its scale is underpinned by one of the largest domestic consumption and employment bases. This is a structural advantage that distinguishes it from smaller export-dependent hubs like Cambodia or even Vietnam and Bangladesh, whose domestic apparel markets are comparatively small relative to their export volumes.

Exhibit 11: T&A industry plays a critical role in Indian economy (FY26)

Metric	Value
Sector contribution to India's GDP	~2.3%
Contribution to industrial production	~13%
Contribution to India's merchandise exports	~12%
Direct employment	~45mn people (2nd-largest employer after agriculture)
Indirect livelihoods supported	>100mn
Domestic apparel market size (FY25)	~INR9.3trn (~US$110bn)
FY25 apparel export value (Ministry of Textiles / RMG)	US$15.99bn (+10% YoY vs. FY24's US$14.53bn)
Total T&A exports (FY26)	~US$37bn
Government's stated Vision 2030 target	US$350bn textile industry

Source: Industry

However, lower/zero duties have provided a competitive edge to India’s Asian peers in key export markets historically. Besides the tariff or policy factors, the scale gap (and resultant cost dynamics) highlighted in the earlier section is a key reason limiting the competitiveness of India apparel manufacturers at global level. The government's US$350bn Vision 2030 target for the textile industry (domestic plus export, per the Ministry of Textiles framing) implies the sector needs to roughly double from the current ~US$180bn combined base. India plans to achieve this within roughly 4 years – an aggressive target that, taken at face value, would require sustained double-digit compound growth across both domestic consumption and export volume simultaneously. While recent FTAs are expected to improve market access, the long-term competitiveness of Indian apparel exporters is more likely to be driven by internal factors (at country level as well as company level). Given below are some of the key factors:

Cost of capital and capital efficiency

China offers the lowest corporate WACC at 5–7% among Southeast Asian peers

Access to capital plays a pivotal role in development of any industry. China’s low cost of capital has played a major role in driving large-scale developments in the textile sector. The cost of capital in Vietnam is comparable to India; however, a significant portion of Vietnam’s garment sector is FDI-backed (China, Taiwan, South Korea).

Exhibit 12: Lower cost of capital supports large-scale capital investments in China

Particulars	China	India	Vietnam	Bangladesh
Sovereign Credit Rating (Moody's / S&P)	A1 / A+	Baa3 / BBB	Ba2 / BB+	B2 / B+
10Y Sovereign Bond Yield (Local)	1.7-1.9%	6.7–7.0%	4.2-4.6%	9.2-10.9%
Effective Corporate Tax Rate	25.00%	22.0–25.2%	20.0% (incentives available)	27.5–30.0%
Typical Corporate WACC Range	5.0–7.0%	8.5–10.5%	10.5–12.5%	11.5–14.0%

Source: Industry

India's working-capital-intensive apparel manufacturing strains the financial flexibility of textile companies. While both Indian and global companies operate in capital-intensive, low-margin, and seasonal environments, global players focus on asset-light, demand-led agility and tech-enabled supply chains, whereas Indian players have traditionally relied heavily on inventory buffers, long credit cycles, and working-capital debt financing. Global players have also adopted techniques like just-in-time, small-batch, dynamic replenishment to improve working capital efficiencies, where many Indian players are still in the nascent stage. Adoption of such initiatives with stringent focus on leaner working capital will be crucial for freeing up growth capital.

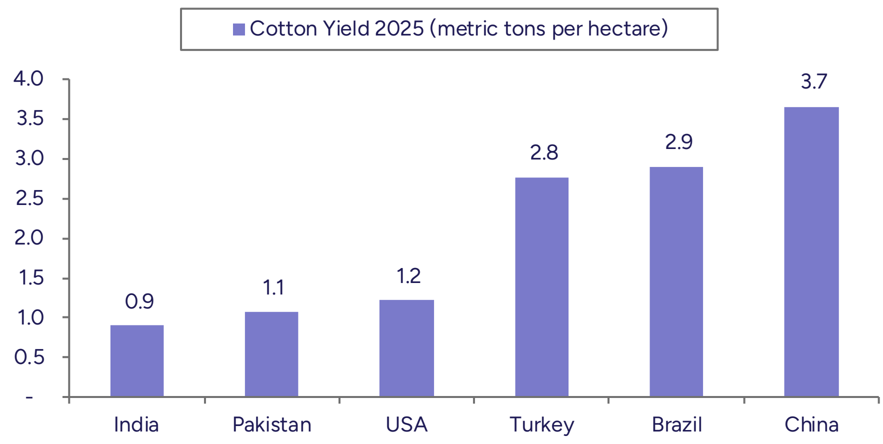
Additionally, availability of more efficient export-credit/insurance architecture is also expected to be a key factor requiring focused policy attention going ahead. Indian export-focused companies face significant buyer power from western brands. Western buyers often demand 60 to 120 days' credit terms. Building stronger customer relationships through vertical integration, supply chain digitalization and sustainable practices may help secure better payment terms.

Raw material dynamics

India leads global cotton production, but its yield per hectare remains low

India is the largest producer of cotton globally, accounting for 23% of total global cotton production. This is further supported by a large spinning and fabric industry. However, India's cotton yield is well below other major producers across the world. This means that India has further scope to leverage its cotton production capabilities, which can ultimately lead to improved competitiveness at the end of value chain.

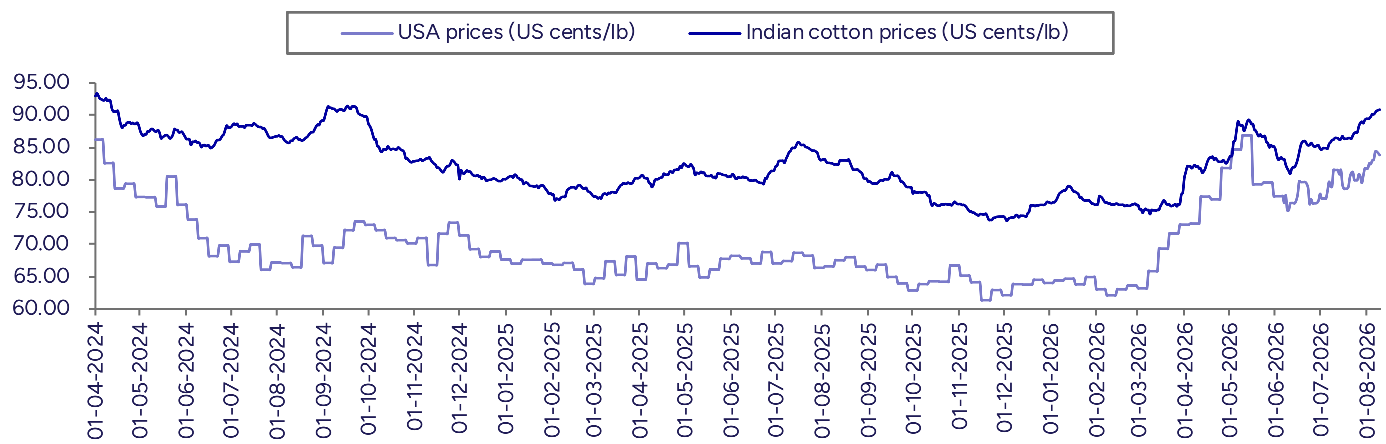
Exhibit 13: India's cotton yield is substantially lower compared to China, Brazil and Turkey



Source: US Department of Agriculture

Furthermore, Indian cotton prices are driven by MSPs, and cotton imports are regulated through protective duties. As a result, India's cotton prices are not always in sync with international markets, which are used as a benchmark for pricing of cotton-based goods. This gap often impacts the competitive position of Indian goods in international rates.

Exhibit 14: US and Indian cotton prices converging, bringing in parity of input costs for yarn manufacturing



Source: PL, industry

Another key factor limiting the increase in market share has been lower adoption of MMFs in India. According to industry estimates, the share of MMFs as the base fiber has increased from ~65% in 2010 to ~75% in 2025. However, India largely relies on imports for synthetic yarns, exposing it to supply disruptions and exchange rate volatility. Anti-dumping duty on MMF further impacts raw material prices, limiting the growth potential of Indian players in the high-value MMF-based/blended garments space.

Labor-related challenges

India's labor productivity remains below its Southeast Asian peers

Relatively cheaper labor availability is another area of strength for India's textile sector. However, the output per employee is considerably low in India – Indian workers are estimated to produce 8–10 T-shirts per hour on average, compared to 12–15 T-shirts per hour in Bangladesh and Vietnam. Besides productivity, Indian textile companies also face challenges related to workforce availability and skill levels due to following factors:

- A large chunk of textile employees is hired on contract basis. As a result, seasonal factors (such as festivals) lead to acute labor shortages in certain seasons. Low wages and informal subcontracting in certain clusters leads to frequent absenteeism and high churn rates.
- Global retailers are becoming increasingly demanding in terms of reporting related to working conditions at supplier's end. Poor health and safety preparedness in smaller factories, or even the inability to record and report relevant data impacts the eligibility of such suppliers.
- Most textile employees are trained on-the-job and hence may lack specialized skills/technical knowledge displayed by trained labor force in countries like Vietnam. Lack of trained supervisors further impacts the factory output levels.
- The resulting productivity loss not only leads to higher per unit labor costs but also impacts the aggregate output from the installed assets and the efficiency of overall textile chain across the country.

Major players like KPR have invested in upskilling the workforce and improving working conditions over the years, setting an example for other companies aspiring to grow in scale. The government has also announced initiatives like SAMARTH, aimed at improving the availability of skilled workforce in the textile sector. Targeted public and private investments toward textile-related skill development can prove to be a win-win for the industry and nearby communities.

Adoption of technology

Adoption of advanced technologies like computer-aided design (CAD), AI-driven quality inspection and 5G-enabled factory automation can significantly boost the factory output levels. Countries like China and Vietnam have widely adopted these measures. However, India's garment-export base remains dominated by small and mid-sized units compared to the scale concentration seen in China. This directly impacts the per unit economics (fixed-cost absorption, negotiating leverage on raw materials), limiting the ability of small-scale players to make large scale investments in technology.

Exhibit 15: Technology adoption levels across Asian peers

Technology / process	India	China	Bangladesh	Vietnam
CAD / 3D design	Medium	High	Medium	Medium-High
Automated fabric cutting	Medium	High	Medium-High	Medium
Automated sewing	Low-Medium	High	Medium	Medium-High
Automated material handling	Low	High	Medium	Medium
Digital production planning / MES	Low-Medium	High	Low-Medium	Medium
RFID / real-time tracking	Low-Medium	High	Medium	Medium
Automated quality inspection	Low-Medium	High	Medium	Medium-High
AI / computer-vision applications	Low	High	Low-Medium	Medium
Smart-factory integration	Low-Medium	High	Low	Medium

Source: Industry

The data related to textile machinery imports in India indicates that fabric manufacturing machines accounted for ~40% of the total in FY20. The share reached ~64% in FY26, at ~20% CAGR. In comparison, imports of sewing and fabric processing machines have grown at a moderate rate of ~7%. While the total value of imports is impacted by factors such as technological requirements, domestic self-sufficiency and capital intensity, the data points toward continued focus on fabric production activity and the dependence on imports for capital incentive machinery.

Exhibit 16: Weaving and knitting machines form the largest categories of textile machines being imported

HS code	Machinery description	Relevance	Machinery Imports (US$ mn)							CAGR (FY20-26)
			FY20	FY21	FY22	FY23	FY24	FY25	FY26	
8444	Machines for extruding, drawing, texturing or cutting man-made textile materials	MMF	44	27	58	161	116	75	155	23%
8445	Machines for preparing textile fibers; spinning, doubling/twisting machinery	Spinning	221	149	372	540	500	351	287	4%
8446	Weaving machines / looms	Weaving	378	262	461	776	660	591	1,088	19%
8447	Knitting machines and stitch-bonding machines	Knitting	292	189	354	413	441	569	930	21%
8451	Machines for Washing, drying, dyeing, finishing, coating, etc.	Processing	217	156	208	272	241	282	327	7%
8452	Sewing machines	Garment manufacturing	238	191	299	336	279	349	364	7%

Source: Ministry of Commerce

Limited adoption of advanced technology also impacts the ability to produce high-value-added garments with specific functionalities (e.g., athleisure). India also has limited access to high-end machinery and trained operators. As per industry estimates, 65-70% of textile machinery in India is imported. While policy-level efforts will be critical for improving the technological access, individual companies must make strategic (and prudent) investments keeping long-term growth in mind.

Logistics and infrastructure

China's textile towns and Vietnam's FDI-led industrial parks co-locate fiber, fabric and garment production, minimizing inter-stage transport and reducing lead times to levels that create low-friction, near-instant sourcing options for global buyers. India has historically lacked equivalent integrated hubs; the PM MITRA program is a direct, still in early-stage, policy response to this specific gap. However, with only 1 of 7 parks operational as of mid-2026, India has a long road to cover before achieving the synergies observed in other competing countries.

Exhibit 17: PM MITRA parks continue to attract investment interest

State	Park type	Land available (acres)	Investment interest (INR bn)	Internal infrastructure projects (nos.)		External infrastructure
				Projects completed	Projects underway	Expenditure incurred by state government (INR bn)
Madhya Pradesh	Greenfield	2,158	198.5	62	681	0.9
Tamil Nadu	Greenfield	1,052	20.7	21	346	0.3
Gujarat	Greenfield	1,000	130.9	6	-	2.0
Karnataka	Greenfield	1,142	17.0	-	-	1.0
Uttar Pradesh	Greenfield	1,000	53.5	23	5	2.2
Telangana	Brownfield	1,020	38.0	300	165	1.2
Maharashtra	Brownfield	1,327	120.0	112	-	0.3

Source: PIB

Additionally, Indian shipments to Europe and the US often face longer transit times of 25–35 days compared to 14–20 days from Southeast Asia. Deep-draft container terminals and automated container handling can facilitate direct mainline vessel calls, rather than routing via transshipment hubs (e.g., Colombo or Singapore), thus reducing the transit time. Overall, development of a complete ecosystem with a strategic focus on logistics will be a key factor for increasing the competitiveness of India's textile industry.

Quality and speed

Factors like speed to market (lead time), quality & material consistency, and supplier reliability are becoming increasingly important to global customers. The long-term/opportunity costs associated with supply chain disruptions due to these factors often outweigh the cost advantages one may achieve by neglecting these factors. Supply chain fragmentation, lower worker efficiency, and port logistics bottlenecks can lead to longer lead times and incremental costs.

Exhibit 18: Multiple factors contribute to higher lead times in India

Country	Typical order lead time	Port/Customs clearance	Structural driver	2025 T&A exports	Efficiency signal
India	60–90 days	48 hrs–several days	Fragmented, multi-state supply base	~US$15.7bn	45mn textile workforce, only ~US$15bn exported – heavy domestic absorption, low export throughput per worker
China	30–45 days	Same day/24 hrs	Full raw-material-to-garment ecosystem	~US$151bn	Automation lifting output by 4–5x/worker in leading factories
Vietnam	45–60 days	~24 hrs	FDI-led industrial parks co-locate stages	~US$39bn	Workers 10–15% more efficient than Bangladesh (WTO)
Bangladesh	45–75 days (repeat orders)	48 hrs–1 month	Scale offsets import dependency	~US$51bn	Scale-driven; lags Vietnam on quality & lead-time indices

Source: Industry

Low labor productivity, limited automation, longer raw-material supply time (in case of MMF) and internal/external hurdles related to customer clearance are the major factors impacting the lead times in India. Lack of skilled manpower and lower adoption of technology also impact the quality and consistency of goods. On a positive note, larger Indian players are perceived to be doing well on reliability factor, given the political stability and self-reliance in the cotton value-chain.

Sustainability

Over the last few decades, sustainability has moved from a reputational add-on to a binding commercial and regulatory constraint across the global T&A value chain. Major factors driving this change are as follows:

- EU regulation is turning voluntary ESG claims into mandatory, audited product data;
- Global brands are pushing recycled- and certified-fiber content requirements down into sourcing contracts;
- Capital is increasingly priced on climate and compliance risk.

For export-oriented manufacturers, including Indian players, sustainability compliance has become a condition of market access, not a differentiator. For example, in mid-2026, European authorities conducted a EU-wide labelling inspection/enforcement campaign, where clothing items were inspected for fiber content and corresponding labels. The inspections also resulted in sale of certain products being banned. This not only highlights the growing focus on sustainability but also emphasizes on the traceability aspect of goods. Even, the recently ratified India-UK FTA sets 'rules of origin' for availing preferential customs duties, necessitating adoption of tracking systems, which can produce auditable data.

Exhibit 19: Increasing focus on sustainability and traceability in garments reflected in European regulatory landscape

Regulation	Effective / Mandatory	What it requires
ESPR / Digital Product Passport	In force since Jul'24; textile DPP phasing in 2027–29	QR/RFID-accessible data on fiber composition, origin, certifications, durability and end-of-life instructions for every SKU sold in the EU
Textile EPR (Waste Framework Directive)	Mandatory across EU member states by 2027–28	Brands pay collection/recycling fees on volumes sold; fees are eco-modulated – lower for more durable, recyclable, higher-recycled-content products
Green Claims Directive	Enforcement started; generic 'climate neutral' claims banned from Sep'26	Environmental claims must be substantiated and verified – over half of existing EU textile sustainability claims were found vague or unsubstantiated
France Environmental Cost Label	Mandatory if any environmental score is communicated	National eco-score requirement layered on top of EU-wide rules

Source: Industry

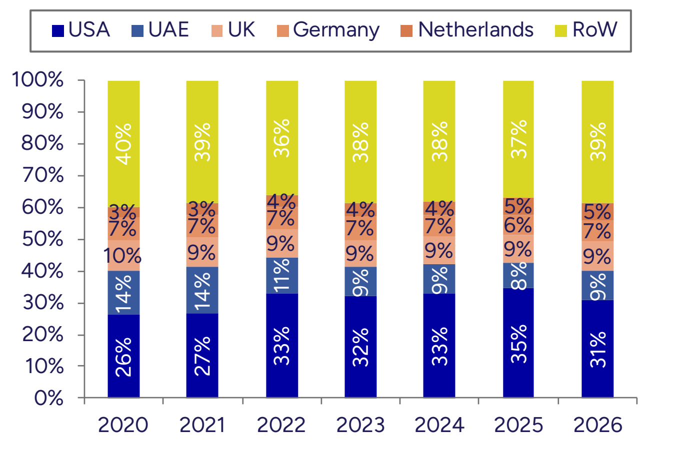
According to industry estimates, 120mt of textile waste is generated every year, and regulatory bodies are actively pushing for lower wastage and higher recycled content in apparels. Brand-level demand signals reinforce this as global apparel buyers sourcing from Asia-Pacific increasingly write recycled-fiber content minimums into supplier contracts, and majors such as Inditex have expanded lower impact fiber program. Lenzing's closed-loop cellulosic fiber (lyocell/Tencel) is emerging as the reference input for brands seeking to combine performance with certified sustainability credentials. Focus on recycled or greener content can generate new growth opportunities for Indian players, while simultaneously improving their positioning as leading supply partners.

End-market and manufacturing footprint diversification

US accounts for ~30% of India's apparel exports

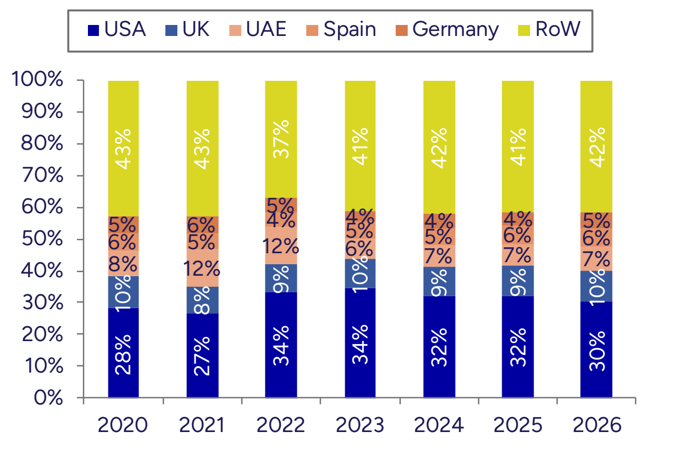
India's apparel exports are largely concentrated in the US and EU regions. The US alone imports more than a quarter of India's total apparel exports, and overall, a handful of destination markets absorb the bulk of shipments.

Exhibit 20: More than 30% of knitted apparels land in the US



Source: Industry

Exhibit 21: Similar pattern observed for non-knitted apparels



Source: Industry

A similar concentration is also visible at exporter levels, as some of India's largest listed exporters carry meaningful single-country revenue concentration. This exposes the country and the companies to risks associated with tariff shock, labor disruption, infrastructure bottleneck, or demand slowdown in specific regions. While recent FTAs are expected to facilitate diversification of revenue base, and some of the companies have taken strategic steps in this direction – most of the players remain disproportionately concentrated in a few regions. A wider customer-location base will be critical for a stable growth of Indian apparel exporters.

Diversification of the manufacturing base can also help in reducing the tariff-related risks. For example, GEXP draws 75-78% of standalone revenue from the US alone, which made the 2025 tariff shock disproportionately painful vs. PGIL's more geographically diversified India-Bangladesh-Vietnam-Indonesia footprint.

The stage is set; it's time to act

The global backdrop is favorable for Indian T&A exporters: US tariffs have normalized from a punitive 50% peak to a manageable 10-18%, the India-UK CETA is now in force, the EU FTA has concluded and is pending ratification, and the domestic policy architecture (PLI, PM MITRA) is slowly building the integrated infrastructure that has historically differentiated China and Vietnam from India. Bangladesh's structural position, meanwhile, is weakening for reasons unconnected to India's own competitiveness (political instability, LDC graduation). The rise of Indian players will however depend on their ability to make the right strategic decisions that allow them to make the most of the opportunity.

Capacity scale-up – Organic or via consolidation

The most direct lever is simply adding capacity faster than peers while maintaining utilization and quality – the path GEXP is pursuing (INR1.7bn FY26 capex, further INR0.8-1.0bn guided over 2 years, capacity up from ~92mn to ~104mn pieces in a single year, including Africa). Sustained double-digit capacity growth over a multi-year horizon, if matched by order-book depth, is the only route to closing the gap with 200mn+ piece majors within a reasonable timeframe.

Vertical integration

Shahi Exports' 80%+ in-house fabric sourcing is the clearest evidence within the Indian ecosystem that vertical integration materially improves cost control, lead times and traceability – all increasingly non-negotiable requirements for large global brand relationships. Among listed players, KPR holds similar scale and integrated operations, while most other players either lack scale or upstream capacities. While Arvind and Vardhman hold the potential and are moving toward vertical integration, execution and scale are in the early stages relative to global majors.

Augmenting cotton products with MMF and technical textiles

India's MMF apparel segment remains under-indexed relative to global demand patterns. India contributes an estimated 25% to global MMF supply, as per the Ministry of Textiles commentary. But MMF's share in India's apparel exports lags the global mix, which has shifted decisively toward synthetics. The PLI scheme's explicit MMF/technical textiles focus and the EU FTA's coverage of technical textiles are both direct policy levers aimed at this gap. Indian players who build genuine MMF/technical-textile capability stand to access a larger share of global demand than what the traditionally cotton-weighted Indian export base has historically captured.

Multi-country manufacturing diversification

PGIL's 5-country footprint (India, Bangladesh, Vietnam, Indonesia, Guatemala) and GEXPs Africa expansion (Kenya, Ethiopia-adjacent capacity under AGOA) both illustrate a second lever: geographic diversification of manufacturing. This reduces exposure to any single country's tariff, political or labor-cost shock and allows a company to shift volume toward geography with the most favorable trade terms with the end market. This is the model global majors have long used and that only a handful of Indian-headquartered players currently replicate. Manufacturers with multi-country footprint are also likely to get a higher preference from major retailers trying to de-risk their supply chains.

ESG, compliance and brand-relationship depth

Global buyers are consolidating vendor lists partly around sustainability and traceability credentials like GOTS, OEKO-TEX, Bluesign, and publicly stated carbon-neutral energy commitments. Indian players investing early in verifiable ESG compliance are better positioned to be treated as strategic, rather than transactional, vendors by brands increasingly required to disclose supply-chain sustainability metrics under the EU and other regulatory regimes (e.g., the EU's Circular Economy Action Plan).

Conclusion and potential winners

Reduction of China's share in global clothing exports from ~37% in 2010 to ~27% in 2025 has led to a vacuum of ~US$55bn (vs. India's total exports ~US$17bn), which has been largely filled by Vietnam and Bangladesh. The FTAs provide Indian players a level-playing field, allowing them to gain global market share in addition to organic industry growth. Yet none of this will automatically produce an Indian global major. The gap that matters most is scale: the world's largest garment manufacturers operate at 200-550mn pieces annually with deep vertical integration and multi-decade brand relationships. KPR is the only listed Indian player with capacity of more than 200mn pieces per annum. Players like Arvind and Vardhman hold large upstream capacities but have only ~50mn garment capacity. At this stage, PGIL and GEXP appear to have the potential to reach similar scales over the next few years.

Additionally, in order to identify the Indian players best positioned to benefit from the tailwinds, three characteristics appear most critical: (i) demonstrated multi-country manufacturing diversification (PGIL's 5-country footprint), (ii) sustained double-digit capacity growth funded through disciplined capex rather than one-off orders (GEXP's multi-year expansion program), and (iii) genuine vertical integration reducing dependence on externally sourced fabric or yarn (KPR's integrated capacities). While we have PGIL under our coverage, we are initiating coverage on KPR and GEXP, companies exhibiting 2 or more of these traits over a sustained multi-year period.

India’s leading garment exporters: A comparative view

Exhibit 22: Brief overview of Indian listed garment exporters

Parameter	KPR Mill Ltd (BBG: KPR)	Pearl Global Industries Ltd (BBG: PGIL)	Gokaldas Exports Ltd (BBG: GEXP)
Market cap (approx)	INR389.7bn	INR106.1bn	INR57.4bn
FY26 revenue (consolidated)	INR66.5bn (grown at 9.8% CAGR over FY16-26)	INR50.3bn (grown at 13.7% CAGR over FY16-26)	INR40.6bn (grown +4% YoY)
FY26 EBITDA & margin	INR12.7bn; margin at 19.1% (Textiles: PBIT margin ~17.5%; Sugar: PBIT margin ~8.2%)	INR4.6bn; margin at 9.2%. Adj EBITDA (ex-tariff & stabilization cost in Bihar/Guatemala) stood at 10.2%	INR4.3bn; margin 10.7% (adj EBITDA margin ~13.0%, +166bps YoY)
Segments (key segments & FY26 revenue contribution)	3 segments: Textiles (74%), Sugar (16%) and Others (10%). (within Textiles, Garment contributes ~58% to revenue)	Single segment (garment export). Has a diversified manufacturing base across Bangladesh, India, Vietnam, Indonesia and Guatemala	Single reportable segment (apparel manufacturing). Internally tracked as: India business (~85% of revenue) and Africa business (~15%). BTPL fabric-processing unit expected to be merged
Garment capacity as of FY26 (mn pcs/annum)	204	101	92
Product offerings	Knitted garments across segments; FASO innerwear/athleisure; yarn & knitted fabrics; sugar, ethanol & power diversification	Covers major garment segments across men, women and children, with a strong presence in woven apparel and a broad range of lightweight and heavyweight knitted garments	Full-range apparel for men, women & children: outerwear, jackets, activewear, sportswear, shirts, bottoms, denim, fashion-wear; one-stop CMT-to-ODM solutions for global brands
Knit vs. woven split	Predominantly knits	Knits (27%) and Woven (73%). Continuing a multi-year shift toward knits	Historically a woven-outerwear specialist, increasing knits share with acquisition of Matrix which specializes in Knits
Backward integration (upstream capacities)	Fully vertically integrated from cotton & viscose yarn spinning (~1,10,500mt) to knitted fabrics (~40,000mt) and garmenting (~204mn pieces p.a.), supported by captive green power and integrated sugar & ethanol operations	Primarily a garment manufacturer, with limited in-house yarn/fabric capacity; differentiation driven by scale, 25 multi-country facilities and global design studios rather than vertical fiber-to-garment integration	Limited historically (garment-focused); building integration via investment in BTPL - one of India's largest single-location fabric-processing units, also setting up captive fabric processing at the Tamil Nadu knitwear unit
Geographic revenue split	Europe (63%), North America (~16%), Australia (~15%), Asia (~5%) and RoW (1%)	US (~50%), Europe (17%), Japan (11%) and RoW (22%)	India-manufactured exports skewed toward North America (78%); Africa manufacturing base (~15% of revenue) serves largely the US market under AGOA-linked access
Key customers	Hennes Mauritz (contributes ~13% to revenue), Gap (added for US & Europe), Walmart (added for US exports), Primark, Marks & Spencer, H&M	Inditex (Zara), Aritzia, PVH Corp (Tommy Hilfiger, Calvin Klein), Polo Ralph Lauren, Kohl’s, PVH, Inditex, GAP, Old Navy, Macy’s, Muji, Talbots, Walmart, Big W, and Target	Gap, Old Navy, Banana Republic, Columbia (incl. Mountain Hardwear), Walmart, H&M, Adidas, Puma, PVH, Marks & Spencer, Levi's, Abercrombie & Fitch, Sanmar, JCPenney

Source: Company, PL

COMPANIES

RATING **BUY** | CMP **INR 695** | TP **INR 953**

PL Capital PRABHUDAS LILLADHER

Gokaldas Exports (GEXP IN)

Initiating Coverage

September 09, 2026

Geared for Sharp Recovery

Quick Pointers

- Easing tariff pressures, capacity expansion, and synergies to drive sharp volume recovery
- Earnings growth to outpace volume/revenue growth

We initiate coverage on Gokaldas Exports (GEXP) with 'BUY' rating and TP of INR953, valuing the stock at 20x Sep'28 EPS. Our valuation considers the likely sharp recovery in volume as tariff headwinds ease, improvement in EBITDA margin driven by operating leverage and backward integration, and jump in earnings from a suppressed level seen in FY26. In FY24, GEXP acquired Atraco Group (Atraco) in Africa and Matrix Design & Industries Pvt Ltd (Matrix) in India, which nearly tripled its annual garmenting capacity. The company has also been adding capacity organically, and total capacity is expected to reach 117mn by FY29, from 92mn pieces in FY26. However, in FY26, both India and Africa operations were impacted due to tariff-related headwinds in the US market. The resultant slowdown in export volumes coupled with incremental costs related to expansion curtailed the company's profitability. With the tariff tide receding, the company's garments volume is expected to grow at 13.7% CAGR over FY26-29E. Volume growth is expected to be accompanied by backward integration benefits and operating efficiencies. We expect revenue/EBITDA/PAT to grow at 19%/33%/61% CAGR over the period. Initiate with 'BUY'.

The scaled-up platform expected to start delivering volume growth: After posting ~135% jump in garment volume (aided by acquisitions) in FY25 GEXP reported ~17% decline in volume in FY26. India volume was flattish as US customers deferred orders owing to penal tariffs of 50%, and Africa volume fell nearly 40% due to temporary removal of zero tariff access. These concerns have been partially addressed, reviving customer confidence. As a result, volume is expected to fully recover in FY27 and grow at an accelerated pace over the next 2 years as the new capacities get ramped up.

FTAs and capacity diversification provide new growth opportunities: GEXP generates ~78% of its revenue from the US, and hence, faced a severe impact related to US tariffs in FY26. The company is actively tapping opportunities in other geographies, given the improved market access post the new FTAs. Additionally, the acquired entity Matrix has established presence in Europe and provides product diversification in knitwear. Broadening of revenue base along with the regulatory tailwinds is expected to create new growth avenues for GEXP.

Strategic capex and improving market conditions to drive sharp earnings recovery: While volume dropped due to tariff uncertainties in FY26, fixed costs increased owing to recent expansion. Depreciation and amortization expenses increased by ~30%, and finance costs, by ~23%. This had a severe impact on PAT, which fell ~37%. As the company recoups lost volume, fixed costs are likely to be better absorbed on per piece basis. Additionally, the company is expected to complete the acquisition of BTPL in FY27, and the resultant backward integration is expected to add 50-100bps to EBITDA margin by FY29.

Key Data	GOKL.BO | GEXP IN
BSE Code	532630
NSE Code	INE887G01027
52-W High / Low	INR 954 / INR 531
Face Value	5
Sensex / Nifty	74,859 / 23,414
Market Cap	INR 51 bn / $ 531 mn
Shares Outstanding	73.28 mn
3M Avg. Daily Value	INR 385.56 mn

Shareholding Pattern (%)

Promoters	19.02
FIIs	55.29
Mutual Funds	9.50
Domestic Institutions	1.93
Public & Others	14.26
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(12.9)	(15.1)	19.5	(16.9)
Relative	(9.8)	(12.9)	19.0	(8.2)

Key Financials - Consolidated

Y/e Mar	FY26	FY27E	FY28E	FY29E
Sales (INR mn)	39,876	46,507	58,196	66,435
EBITDA (INR mn)	3,564	4,447	6,582	8,374
Margin (%)	*8.9*	*9.6*	*11.3*	*12.6*
PAT (INR mn)	1,001	1,524	2,788	4,168
EV (INR mn)	58,751	59,844	60,009	56,874
Total Debt (INR mn)	12,116	15,616	12,616	9,616
C&C Eq. (INR mn)	1,359	3,766	601	736
EPS (INR)	13.7	20.8	38.1	56.9
Gr. (%)	*(38.4)*	*52.2*	*83.0*	*49.5*
DPS (INR)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*4.7*	*6.8*	*11.4*	*14.9*
RoCE (%)	*6.1*	*6.7*	*11.0*	*14.9*
EV/Sales (x)	1.5	1.3	1.0	0.9
EV/EBITDA (x)	16.5	13.5	9.1	6.8
PE (x)	50.8	33.4	18.3	12.2
P/BV (x)	2.4	2.2	2.0	1.7

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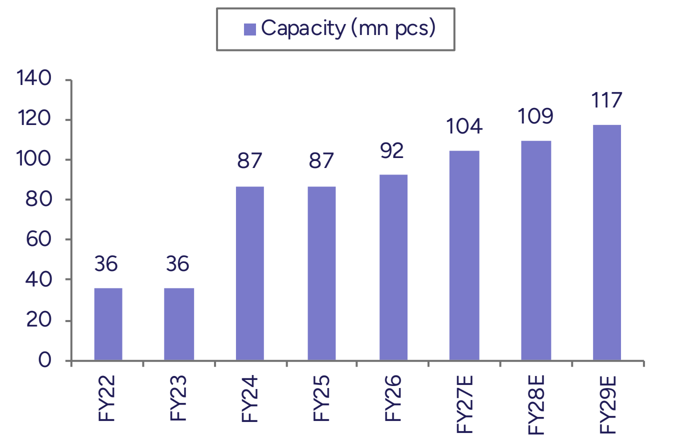
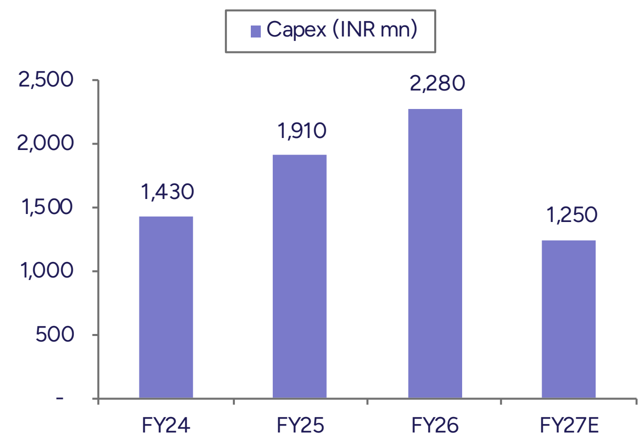
Story in Charts

Exhibit 23: Garment capacity ramped up post FY24



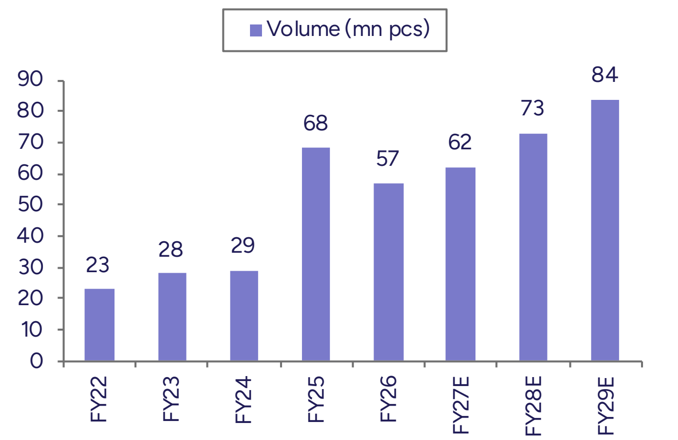
Source: Company, PL

Exhibit 24: Capital investments supporting future growth



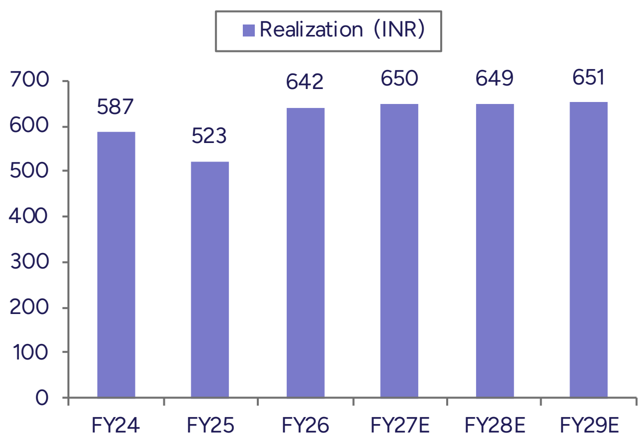
Source: Company, PL

Exhibit 25: Garment volumes to pick-up FY27E onward



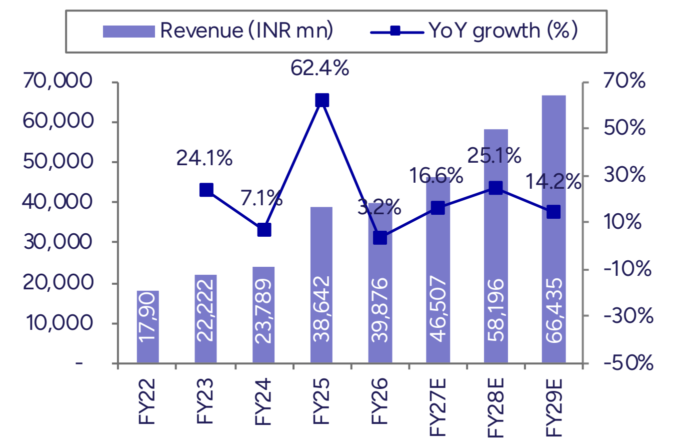
Source: Company, PL

Exhibit 26: Realization to remain steady



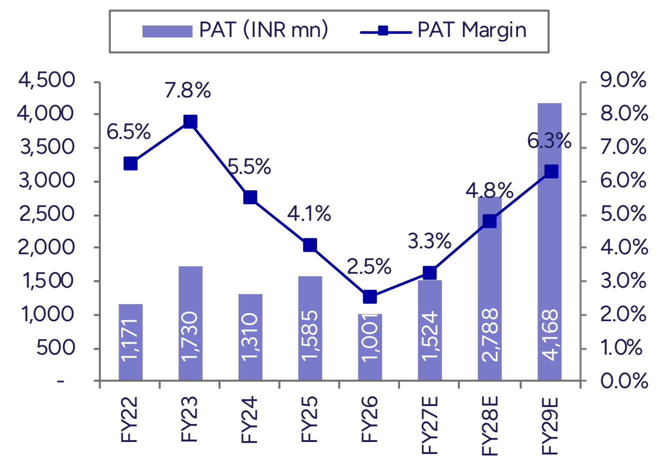
Source: Company, PL

Exhibit 27: Revenue growth driven by volume



Source: Company, PL

Exhibit 28: Robust recovery in PAT and PAT margin



Source: Company, PL

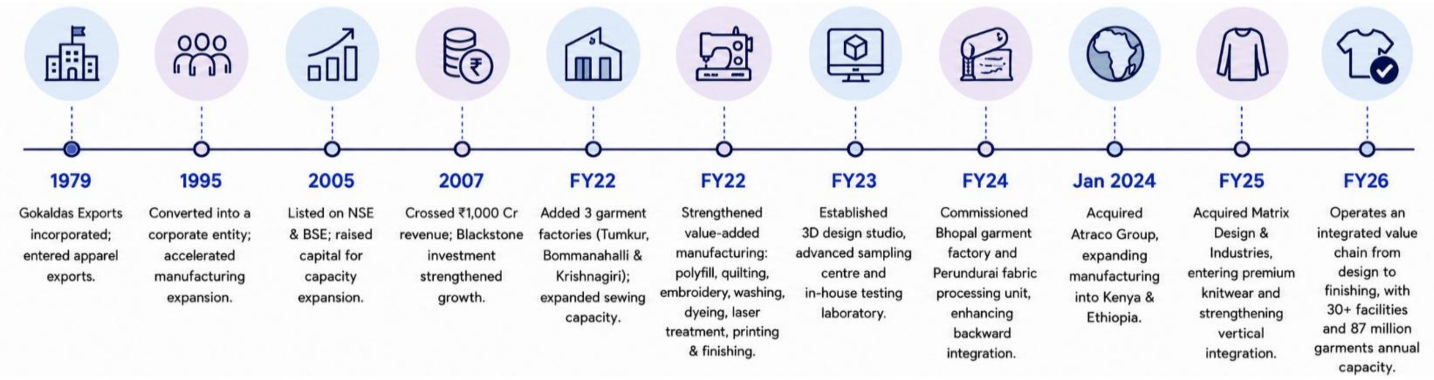
Company Overview

GEXP: An established garment manufacturer with capacities across India and Africa

A leading apparel manufacturer with multi-country presence and end-to-end capabilities

Founded in 1979, Gokaldas Exports (GEXP) is one of India's largest apparel manufacturers, offering end-to-end manufacturing solutions across design, product development, cutting, sewing, printing, embroidery, washing and finishing. The company caters to leading global fashion brands and retailers in more than 50 countries through an integrated manufacturing platform that emphasizes quality, scale and execution.

Exhibit 29: Key milestones



Source: Company, PL

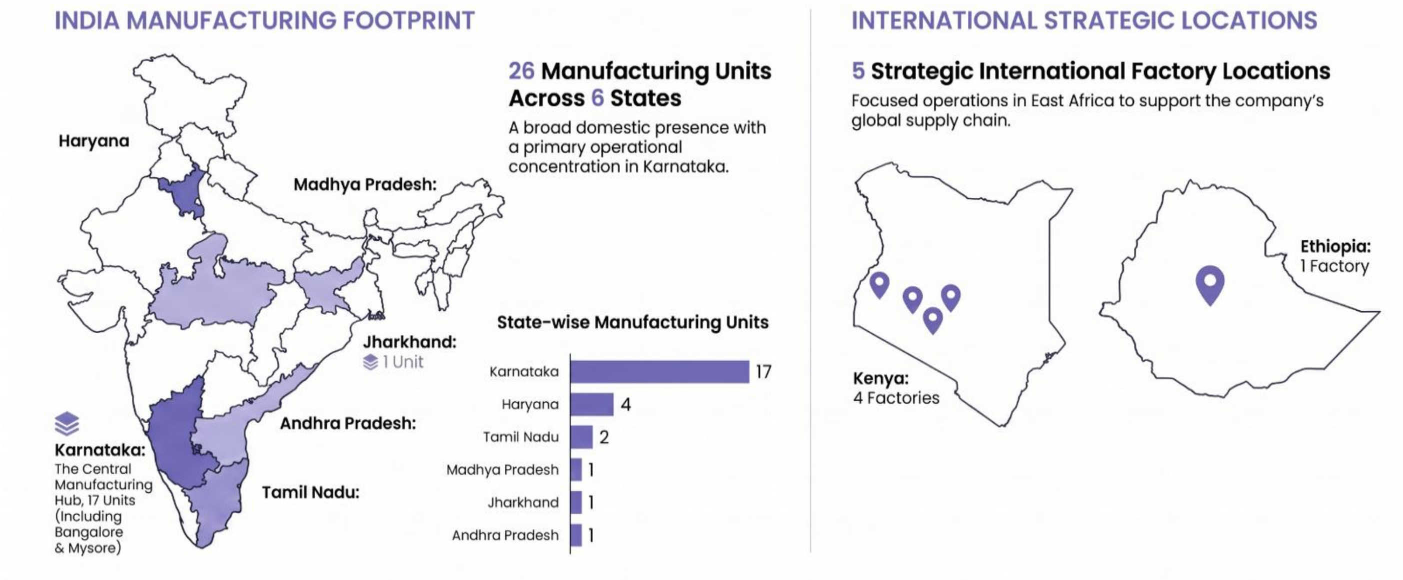
Over the last 4 decades, the company has built an end-to-end apparel manufacturing platform with annual production capacity of 92mn garments (may vary depending on the garment size and other parameters) through 30+ manufacturing facilities, 30,000+ machines, and 51,000+ employees. GEXP has manufacturing operations across India, Kenya and Ethiopia and marketing and product development offices in India, the UAE and the US, reinforcing its position as one of India's leading apparel exporters with a diversified global sourcing platform. The company operates design studios with 3D capabilities, in-house testing laboratories accredited by leading global brands, product development and sampling centres, advanced printing and embroidery facilities, polyfill manufacturing, quilting operations and modern washing infrastructure. This setup supports shorter product development cycles, greater quality control and the ability to manufacture complex value-added apparel.

Exhibit 30: GEXP has end-to-end apparel manufacturing capabilities

Source: Company, PL

Over the years, GEXP has invested in technology-led manufacturing capabilities, including 3D design, advanced printing and modern production systems, while simultaneously pursuing sustainability initiatives such as net-zero emissions, water positivity and zero-landfill operations. GEXP is also extending its upstream capabilities toward in-house fabric production through the merger of BTPL. BTPL has fabric production capacity of 70 lakh meters a month, which can be raised to 100 lakh meters per month. The merger is expected to be completed by Q3FY27, subject to NCLT approval.

Exhibit 31: Manufacturing operations in India and Africa

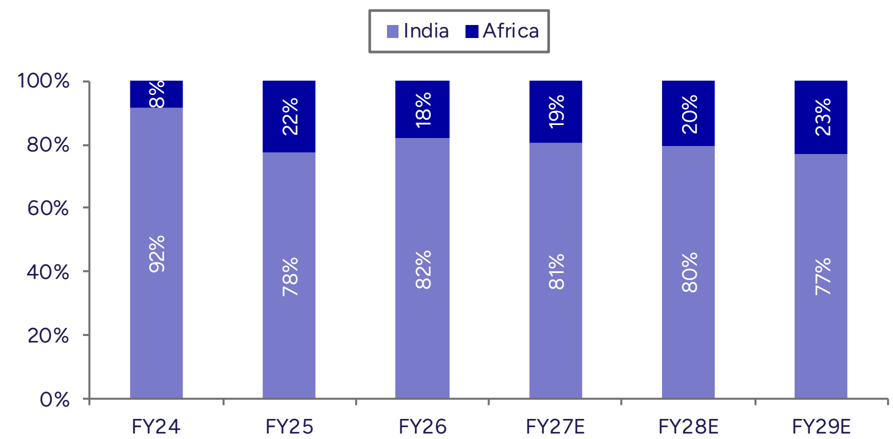


Source: Company, PL

India operations: The company's standalone entity (own India operations) had a capacity of ~41mn garments per annum as of FY26. These operations have traditionally been focused on woven garments. The company acquired the apparel business of Matrix, adding a capacity of ~11mn knitted garments per annum. Being focused on knitted garments, Matrix gives GEXP access to a newer segment with a mutually exclusive global customer base. GEXP has expanded its capacity in India by ~3.5mn garments with the addition of a new facility in Bhopal and is expected to continue adding capacities in a staggered manner.

Africa operations: The company also expanded its global manufacturing platform internationally through the strategic acquisition of Atraco in 2024. Atraco has strengthened GEXP's presence in Kenya and Ethiopia, providing access to duty-free export markets. These regions face zero duties in the US market under the African Growth and Opportunity Act (AGOA), which is currently in force until Dec'28. This acquisition has diversified the manufacturing base, adding a garment production capacity of ~40mn per annum.

Exhibit 32: Contribution from Africa diversifies revenue base

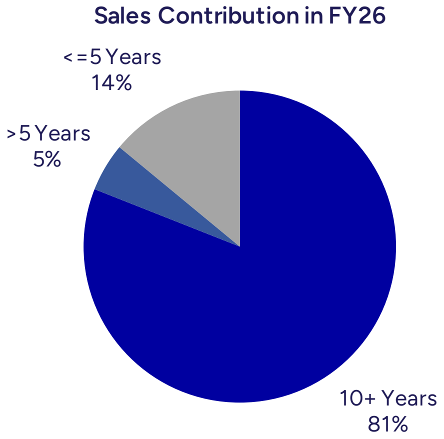


Source: Company, PL

81% of FY26 revenue came from customers with >10 years of association

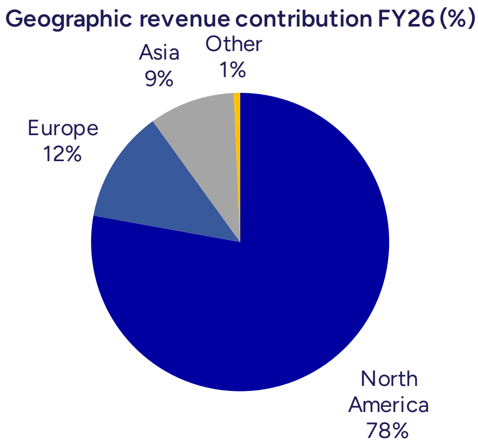
GEXP has consistently strengthened its position as a preferred sourcing partner for leading global apparel brands by focusing on value-added products, customer diversification and supply chain excellence. The company's long-standing relationships with marquee global brands continue to underpin business stability, with 81% of FY26 revenue generated from customers associated with the company for over 10 years, reflecting strong execution capabilities, high customer retention and deep integration into clients' sourcing strategies. At the same time, the company has successfully diversified its customer portfolio over the past 5 years. Customers acquired during this period contributed to ~14% of FY26 revenue, demonstrating GEXP's ability to consistently onboard new global brands while maintaining strong relationships with its existing customer base. This balanced customer mix reduces concentration risk and provides multiple avenues for long-term growth.

Exhibit 33: Longstanding relationships with customers



Source: Company, PL

Exhibit 34: Majority revenue comes from North America

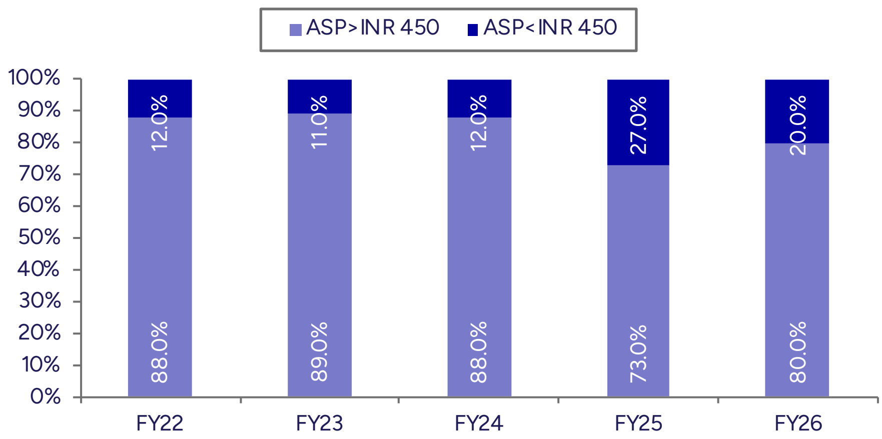


Source: Company, PL

Geographically, while North America continues to account for nearly 78% of revenue, the company has steadily expanded its presence in Europe, supported by the Matrix acquisition and favorable trade agreements. This gradual diversification, coupled with its manufacturing footprint across India, Kenya and Ethiopia, positions GEXP to benefit from the ongoing shift in global apparel sourcing as brands increasingly diversify their supply chains.

On the product front, GEXP continues to shift its portfolio toward higher value apparel categories. In FY26, products with average selling price (ASP) above INR450 accounted for 80% of sales, compared with 73% in FY25, reflecting an improving product mix driven by premium offerings. The company has strategically increased its focus on outerwear and sportswear categories.

Exhibit 35: Product mix remains healthy with high ASP products contributing nearly 20%



Source: Company, PL

Investment Thesis

Strategic acquisitions create a scaled, diversified apparel platform

The acquisitions of Atraco and Matrix have been the key inflection point in GEXP's evolution. Along with India, GEXP now has manufacturing sites in Kenya and Ethiopia also. The acquisition of Matrix added the knitwear segment. The acquisitions were intended to extend geographical reach and bring together diverse capabilities to build a more resilient and responsive enterprise as per the management. Atraco added manufacturing presence in Kenya and Ethiopia and secured duty-free access to priority markets, while Matrix strengthened GEXP's position in the premium knitwear segment and expanded its customer reach in Europe and the UK.

GEXP is making strategic investments to scale up and diversify capabilities

The INR4.9bn acquisition of Matrix has brought 5 manufacturing facilities, 11mn pieces of annual capacity, 2,500+ machines and 5,000+ employees. In FY26, the company's installed capacity stood at ~92mn pieces – with sales volume of ~57mn pieces. This also broadened the product range by including the premium knitwear, casualwear and athleisure products offered by Matrix. Atraco added 40mn pieces capacity with sales volume of 16mn pieces.

Exhibit 36: GEXP is diversifying manufacturing capacities

Entity	Annual Capacity (FY24 mn pcs)	Shipped Quantity (FY24 mn pcs)	Annual Capacity (FY26 mn pcs)	Shipped Quantity (FY26 mn pcs)	Specialization
Gokaldas Exports	36	29	41	34	Woven garments, outerwear, sportswear, fashionwear
Matrix Design & Industries	11	0.2	11	7	Premium knitwear, casualwear, athleisure
Atraco Group	40	8	40	16	Woven & basic apparel manufacturing
Total	**87**	**37**	**92**	**57**	

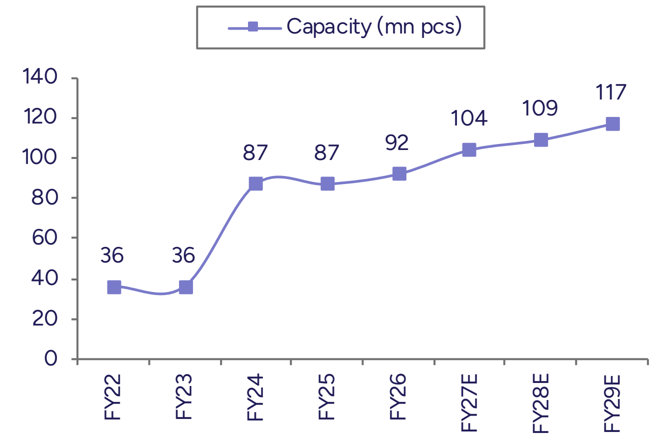
Source: Company, PL

The financial impact of these acquisitions was immediate and material. FY25 was the first full year reflecting the acquisitions, with the acquired businesses contributing ~34% of consolidated revenue. Consolidated revenue increased 62.4% YoY to INR38.6bn, EBITDA rose 46% YoY to INR3,710mn, and PBT increased 37% YoY to INR2,181mn.

The FY26 numbers further show that the enlarged platform has scaled meaningfully despite multiple geopolitical headwinds. Consolidated revenue rose to INR39.9bn, EBITDA stood at INR3,564mn, and PBT at INR1,716mn. FY26 margins were affected by the estimated INR970mn US tariff impact, airfreight costs, and other one-time expenses. Excluding the impact of headwinds, the company held EBITDA at 10.7% and continued to expand the scale of the business.

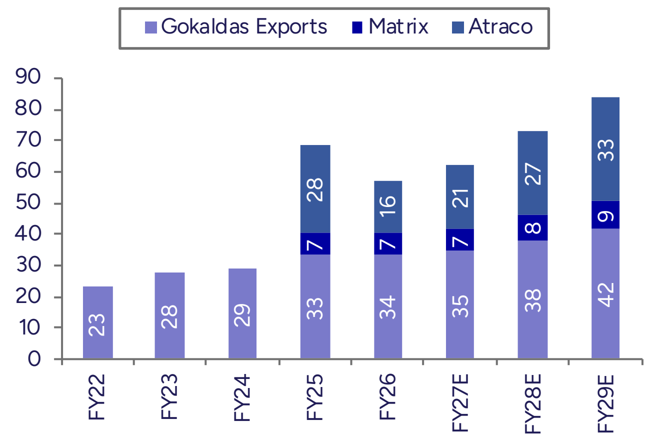
Going ahead, we expect a meaningful recovery in both India and Africa operations and estimate garment volume to grow at 14% CAGR over the FY26-29E period. During Q1FY27, India revenue grew by 17% YoY, signaling strong recovery, especially in the US, where removal of penal tariffs is leading to better realization. Similarly, Africa operations posted strong growth of 44% as renewal of AGOA and possibility of further extension are improving customer sentiment.

Exhibit 37: Garment capacity continues to grow



Source: Company, PL

Exhibit 38: Volume to grow at 16% CAGR over FY26 to FY29E



Source: Company, PL

Diversified manufacturing footprint enhances growth potential while reducing risk

Atraco has reshaped the company's manufacturing footprint by adding 5 manufacturing facilities (4 in Kenya and 1 in Ethiopia), ~40mn pieces of annual capacity and more than 11,000 employees. This has transformed GEXP from an India-centric manufacturer into a multi-country sourcing platform spanning India, Kenya and Ethiopia. Notably, India will now have zero duties in Europe/ the UK, while Kenya and Ethiopia already have zero tariff access in many countries, including the US. This places GEXP in a unique position to serve various geographies from a tariff neutral territory.

Atraco adds ~40mn pieces of capacity across India, Kenya and Ethiopia

This geographic diversification is strategically important because it also gives the company flexibility to allocate production based on customer requirement, labor availability, logistics costs and trade arrangements. Manufacturing operations are now spread across India, Kenya and Ethiopia, while marketing, product development and customer interface functions are based across India, the UAE and the US, enabling close engagement with global brands.

In FY26, India operations delivered INR33.7bn of total income, while Africa contributed INR6.9bn of total income. In volume terms, India shipped nearly 41mn pieces at ASP of INR730 per piece, while Africa shipped 16mn pieces at ASP of INR420 per piece. This mix of Indian and African platform improves sourcing flexibility and customer servicing options.

Exhibit 39: Africa capacity provides significant room for growth

Particular	Gokaldas Exports	Matrix	Atraco (Africa)
Volume (mn pcs)	34	7	16
Capacity (mn pcs)	41	11	40
Utilization	82%	64%	41%
Realization/pc (INR)	765	563	420

Source: Company, PL

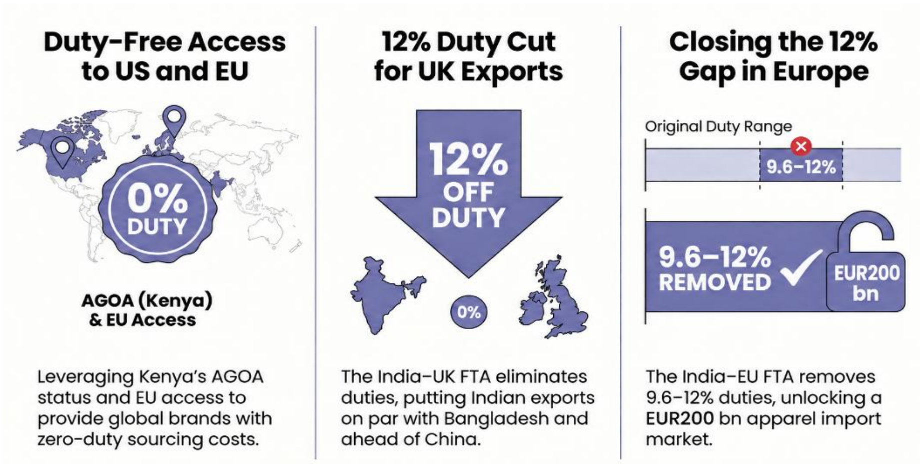
Volume in Africa dropped from ~28mn reported in the previous year to ~16mn garments due to temporary removal of zero tariff duties applied to African apparels in the US. This also dropped the utilization levels close to 40%. The zero tariffs under AGOA were later extended till Dec'26. While the uncertainties around future extension/removal of AGOA impacted buyer decisions in FY26, in Aug'26, the US senate passed extension of the same until 31st Dec'28, subject to regulatory approvals. Recovery in Africa to FY25 levels will simply add 12mn pieces to overall output, ~20% growth over FY26. Any incremental growth beyond that can be a major growth driver for the company over the medium term, also helping margin improvement as utilization rises.

FTAs and policy changes to benefit both geographies

Bilateral trade agreements are now becoming a major competitive lever in global apparel sourcing, and GEXP is positioned to benefit from both its India and Africa platforms. Through Atraco's manufacturing facilities in Kenya, GEXP enjoys duty-free access to the US under AGOA, while Kenya also benefits from preferential access to the UK and EU. In FY26, Africa business was affected in FY26 due to uncertainty around AGOA renewal. As AGOA has been renewed till Dec'26, Africa business grew 44% YoY in Q1FY27.

On the India side, post the removal of reciprocal tariffs – India is currently at par with Asian peers, excluding China (which has a higher duty). This is reflected in the company's Q1FY27 performance where India operations delivered 13% YoY growth driven by higher realization. Similarly, the India–UK FTA removes existing ~12% import duty on Indian apparel exports to the UK, placing India on par with Bangladesh and Vietnam while providing ~12% duty advantage over China. The FTA is also expected to remove existing 9.6%–12% import duties on Indian apparel exports to the EU. India currently has only 2.2% share of the EUR200bn apparel imports into the EU, which points to meaningful headroom if trade terms improve further. This provides GEXP a meaningful opportunity to diversify export avenues while recovering the lost business in the US.

Exhibit 40: Improving market access for India and Africa



Source: Industry

India accounted for 6.4% of US apparel imports in CY25

China has been the largest loser in the US apparel sourcing basket over the last decade, with its market share declining sharply as global brands diversified supply chains amid rising labor costs, the US-China trade war, geopolitical tensions and supply chain disruptions during COVID-19. The market share vacated by China has created an opportunity for Vietnam, Bangladesh and India.

Exhibit 41: Market share in US apparel imports by countries over the years

Particulars	Total apparel imports (US$ bn)						Market share (%)					
	CY20	CY21	CY22	CY23	CY24	CY25	CY20	CY21	CY22	CY23	CY24	CY25
Indonesia	3.5	4.1	5.6	4.2	4.2	4.6	5.5	5.1	5.6	5.4	5.4	6.0
India	3.0	4.2	5.7	4.7	4.7	4.9	4.7	5.1	5.7	5.9	5.9	6.4
Bangladesh	5.2	7.1	9.7	7.3	7.3	8.2	8.2	8.8	9.7	9.3	9.3	10.5
China	15.2	19.6	21.8	16.5	16.5	10.6	23.7	24.0	21.8	20.9	20.9	13.7
Vietnam	12.6	14.3	18.3	15.0	15.0	16.7	19.6	17.6	18.3	18.9	18.9	21.5
Rest of World	31.1	40.4	50.1	40.4	40.4	42.1	38.4	39.4	38.9	39.7	39.7	41.9
World	**64.1**	**81.5**	**99.9**	**79.2**	**79.2**	**77.6**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Industry

Total apparel imports by the US stood at US$77.6bn in CY25. CAGR for apparel imports by US has remained nearly flat at -0.9% from CY15 to CY25. While India's share in US apparel imports has increased from 4.3% to 6.4% during the period, it faces intense competition from Vietnam and Bangladesh. The recent US tariff realignment improves India's relative competitiveness against key sourcing destinations, and GEXP is among the best-positioned beneficiaries of this opportunity give that almost 78% of its revenue is derived from the North America market. Its diversified manufacturing footprint, strong execution capabilities, long-standing relationships with global brands and ongoing capacity expansion should enable the company to benefit from higher order inflows, improved capacity utilization and operating leverage. Consequently, any sustained increase in India's share of US apparel imports is likely to have a meaningful positive impact on GEXP's medium-term revenue growth and profitability.

Diversified customer & product portfolios broaden growth opportunities

GEXP has improved the breadth and balance of its customer base. 81% of FY26 revenue came from customers associated with the company for more than 10 years, while customers added in the last 5 years contributed to 13.7%. This shows that the company has preserved a highly stable base of long-term relationships while also broadening its customer universe with newer accounts.

The geographic mix is becoming more balanced as well. North America remains the core market, but the company has been expanding its footprint in Europe, helped by Matrix acquisition and favorable demand trends for Indian apparels in other geographies. North America still accounted for 77.9% of FY26 revenue, but Europe increased to 12.2%, while Asia stood at 9.3% and Africa at 0.18%. This diversification reduces dependence on a single export market and improves resilience against regional demand volatility.

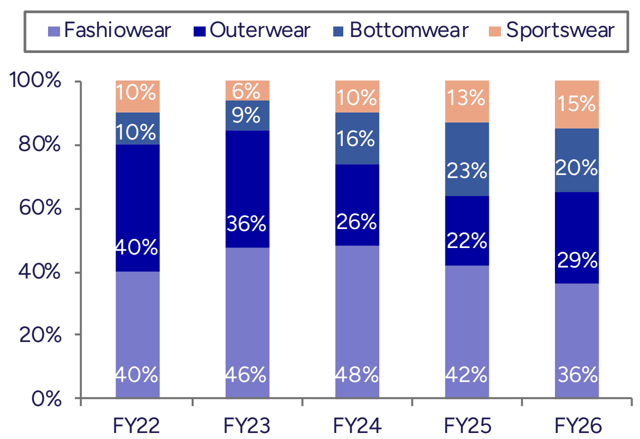
Exhibit 42: Reducing dependence on the US market

Particular	FY22	FY23	FY24	FY25	FY26
North America	84.3%	84.8%	80.8%	77.3%	77.9%
Europe	4.2%	3.7%	6.1%	8.9%	12.2%
Asia	11.3%	11.2%	12.7%	13.6%	9.3%
Other	0.3%	0.3%	0.4%	0.2%	0.7%

Source: Company, PL

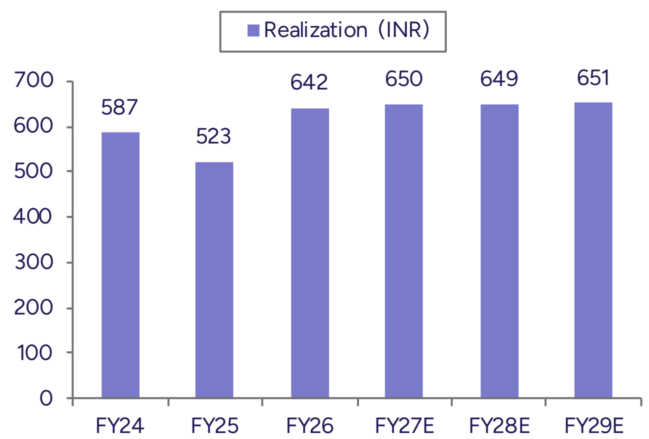
Product mix is also shifting to higher value categories. In FY26, products with ASP above INR450 accounted for 80% of sales, compared with 73% in FY25. The company has intentionally increased its focus on outerwear and sportswear, while continuing to serve women's fashion, fashionwear, bottoms and healthcare. This improvement in mix supports better realization and is consistent with the FY26 average ASP of INR642 per piece at the consolidated level.

Exhibit 43: Increasing share of outerwear and sportswear



Source: Company, PL

Exhibit 44: Realization improved in FY26 despite market headwinds



Source: Company, PL

Strategic capex improves revenue visibility along with profitability

Alongside acquisition of garmenting capacity, GEXP has continued to invest in organic growth and backward integration. Capex rose from INR1,430mn in FY24 to INR1,910mn in FY25 and INR2,280mn in FY26.

In FY25, the company invested ~INR1,910mn to modernize and upgrade machinery, create additional capacity and support new business lines. Of this, ~INR660mn was spent on sewing, printing and washing machinery, INR450mn on a fabric processing unit in Tamil Nadu, and INR800mn on production capacity expansion. For FY26, the split was INR580mn on modernization and upgrades, and INR1,700mn on new capacity and projects.

Exhibit 45: Capex allocation indicates a mix of modernization and capacity additions (INR mn)

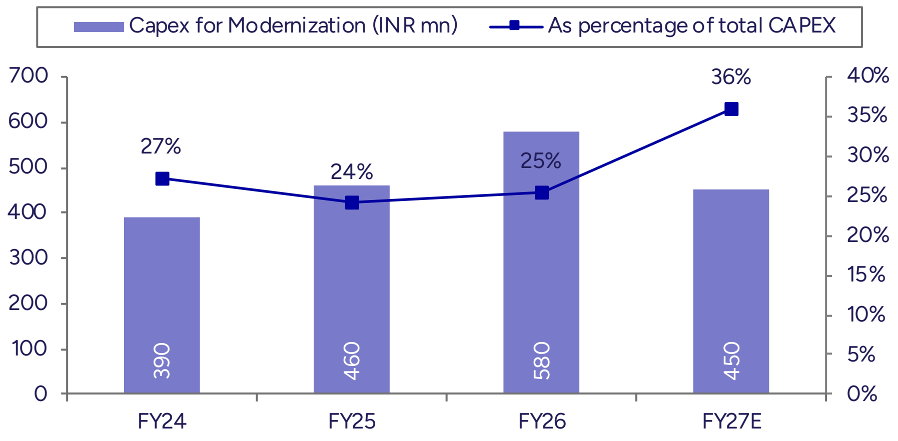
Year	Modernization and upgrades	New capacity and projects	Total
FY24	390	1,040	**1,430**
FY25	460	1,450	**1,910**
FY26	580	1,700	**2,280**
FY27E	450	800	**1,250**

Source: Company, PL

The company has recently commissioned Phase I of a new sewing factory in Bhopal with capacity to manufacture ~3.5mn pieces per annum. It is also setting up a knit fabric processing unit in Perundurai, Tamil Nadu, to enhance vertical integration. These investments were aimed at improving production efficiency and preparing for future volume growth. For FY27E, the company plans INR1,250mn capex, including INR450mn on modernization and upgrades, and INR800mn on new capacity and projects. The company is likely to review capex plans based on market conditions. This indicates a clear shift toward brownfield-led capital deployment, rather than large greenfield risk.

GEXP is strategically focusing on operational excellence, capacity expansion, technology upgradation and product innovation while also prioritizing automation and digitalization to improve efficiency and reduce costs. The company's investments in the modernization of processing units have grown steadily over the years. These investments are critical for long-term growth and mitigation of labor-related risks.

Exhibit 46: A major chunk of capex continues to be allocated toward modernization

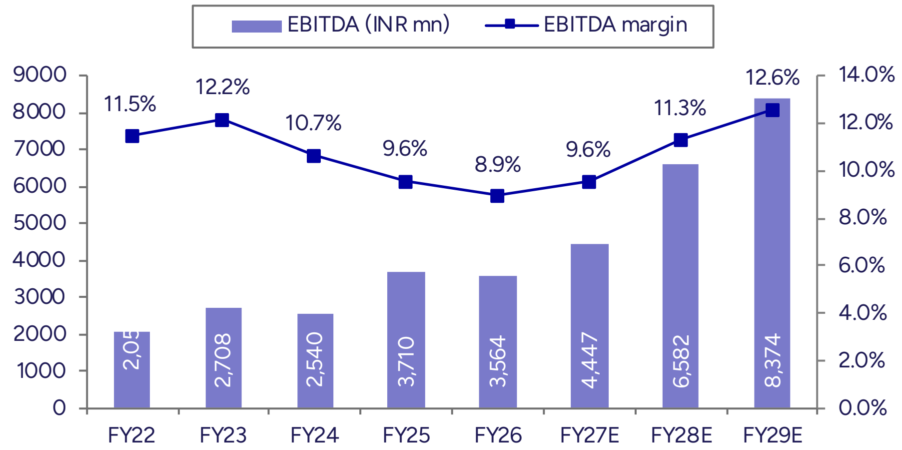


Source: Company, PL

The company is also investing in backward integration and value-chain strengthening through the investment in BTPL. The merger with BTPL (expected to be completed by Q3FY27) will strengthen the company's long-term competitive positioning by enhancing its backward integration capabilities and providing greater control over a critical component of the apparel value chain. BTPL's fabric manufacturing platform, with installed capacity of 70 lakh meters per month (expandable to 100 lakh meters through INR500–600mn investment), will enable GEXP to reduce dependence on external fabric suppliers, improve procurement efficiencies, and enhance supply chain reliability.

Besides integration benefits, BTPL is also expected to contribute to sales growth. The management expects BTPL to have a revenue potential of INR15bn by FY28, of which one-third will be captive consumption and rest, sold externally. EBITDA margin in BTPL is projected to improve from 4–5% in FY27 to 6–7% by FY28. Importantly, the business is operating at only ~71% capacity utilization (~50 lakh meters per month against 70 lakh meters installed capacity), providing meaningful scope to creating operating leverage before significant capital expansion is required.

Exhibit 47: EBITDA margin to recover supported by operating leverage and backward integration



Source: Company, PL

Financial Projections

Volume/Revenue to grow at 13.7%/18.5% CAGR over FY26-29E

We expect 18.5% revenue CAGR over FY26-29E as:

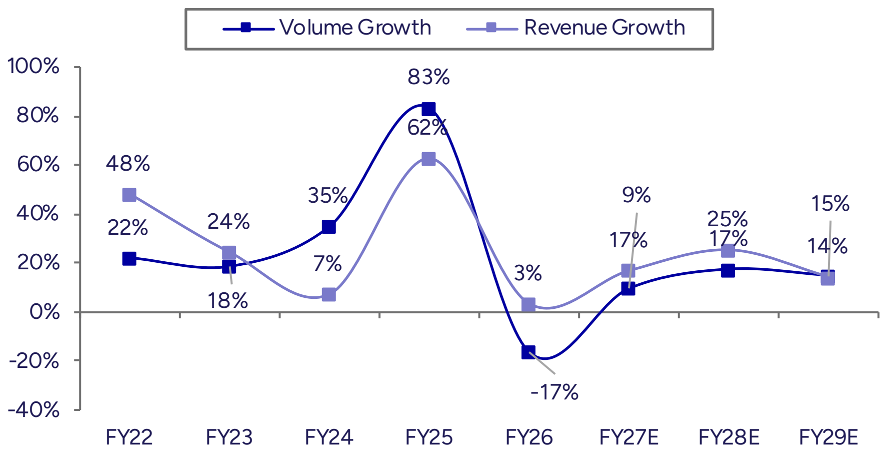
- Volume is expected to grow at 14% CAGR over FY26-29E. In absolute terms, we estimate the volume to grow to ~84mn pieces by FY29, compared to 57mn pieces in FY26. This will be supported by the increase in capacity (from 92mn pieces in FY26 to 117mn pieces in FY29) as the management is planning further investments in FY28 and the utilization is also expected to improve.

- In FY26, GEXP's India business was impacted by the uncertainty around US tariffs. With the reduction in US tariffs, India business is expected to gain momentum in FY27. Capacity addition (~10mn pieces) over the next 2 years is also expected to contribute to the increase in topline.

- With extension of AGOA and expected capacity addition of 4.5mn pcs in FY27, significant improvement is expected in the volume from Atraco to ~33mn by FY29 vs. ~16mn in FY26. This will also improve the utilization to ~70% from ~41%.

- Overall, the company's expansion strategy provides a strong runway for sustained revenue growth over FY26-29E. We estimate the group revenue to grow at 18.5% CAGR to INR66.4bn, including ~INR6.2bn contribution from BTPL.

Exhibit 48: Revenue growth to pick up as volume growth resumes



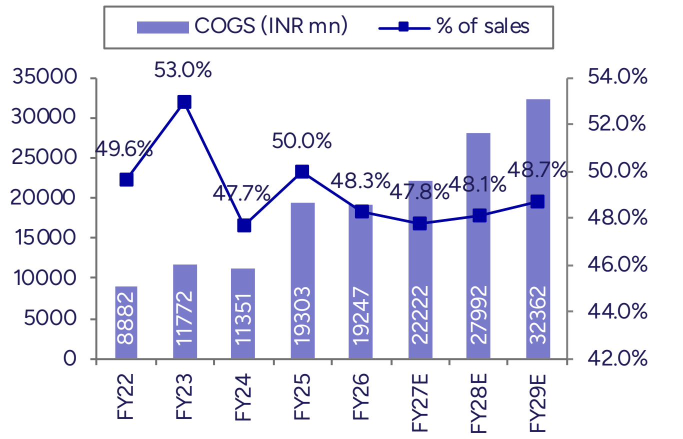
Source: Company, PL

EBITDA margin to improve driven by operating leverage and tariff reduction

GEXP's EBITDA stood at INR3,564mn, and EBITDA margin at 8.9% for FY26. EBITDA margin was affected by the muted revenue growth and US tariff (~INR970mn). We expect EBITDA margin to improve going ahead with reducing impact of tariffs, higher operating leverage and BTPL merger synergies. EBITDA margin is estimated to expand by more than 370bps to 12.6% by FY29.

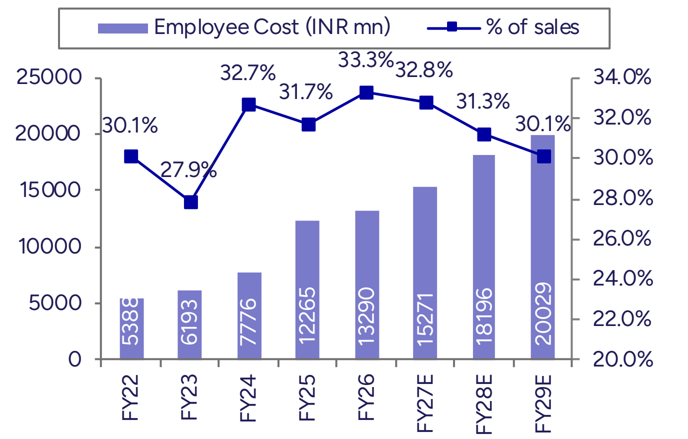
The company is expected to benefit from improving cost efficiencies, despite continued investments in capacity. COGS is projected to remain around 48-49% of revenue in as captive consumption of the fabric from BTPL is likely to counter external cost inflations. Employee expenses are expected to reduce from 33.3% to 30.1% of revenue and other expenses from 9.5% to 8.5% of revenue as volume grows and fixed costs are better absorbed. While BTPL integration may initially suppress the margins, the business is expected to break even toward the end of FY27.

Exhibit 49: Gross margins to benefit from BTPL acquisition



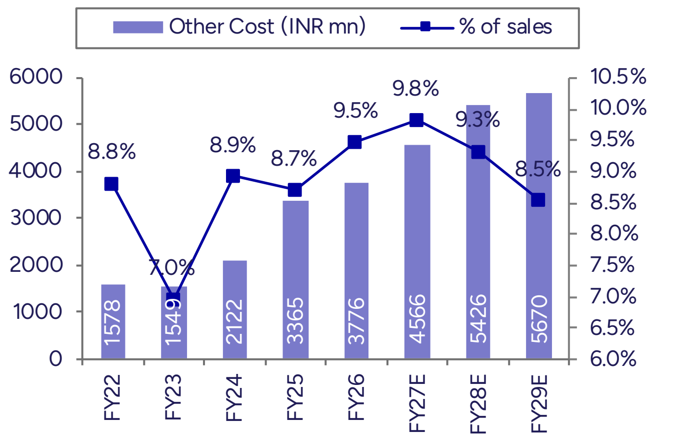
Source: Company, PL

Exhibit 50: Employee expenses as percentage of sales to decline



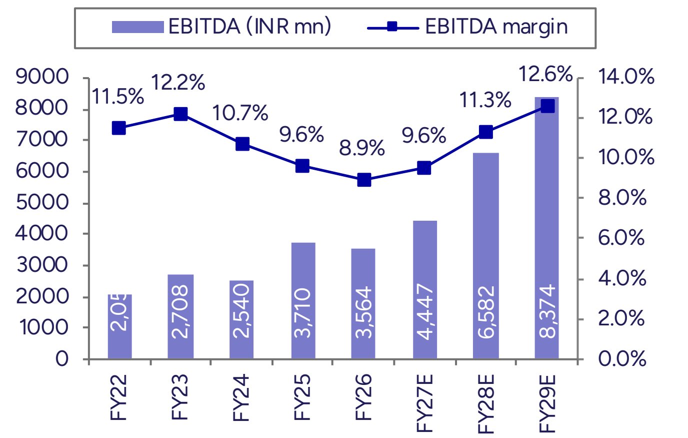
Source: Company, PL

Exhibit 51: Other expenses as % of sales to decline



Source: Company, PL

Exhibit 52: Steady improvement in EBITDA margin

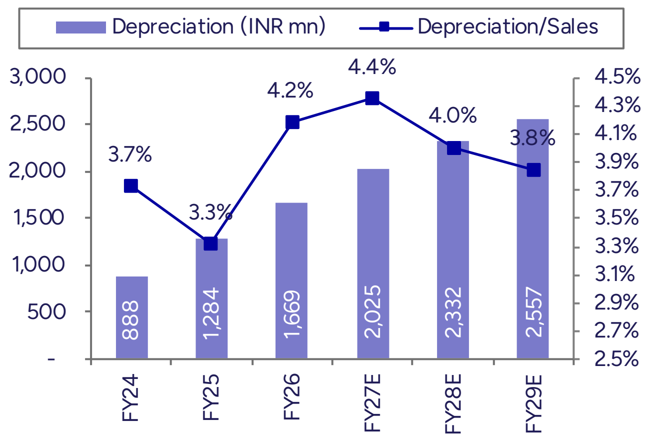


Source: Company, PL

PAT to witness strong recovery over FY26 to FY29E

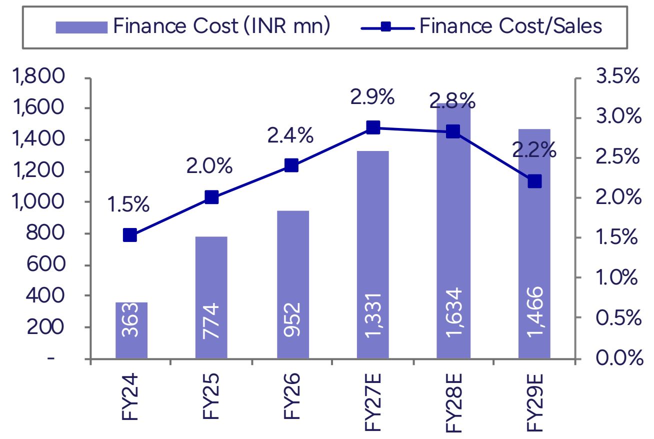
PAT is expected to increase from INR1,001mn in FY26 to INR4,168mn in FY29, at a robust 61% CAGR. The sharp improvement will be driven by higher operating profitability. PAT margin is expected to expand from 2.5% to 6.3%, reflecting improved earnings conversion as recently acquired businesses mature and new capacities commence operations.

Exhibit 53: Absorption of depreciation costs to improve



Source: Company, PL

Exhibit 54: Finance costs to stabilize

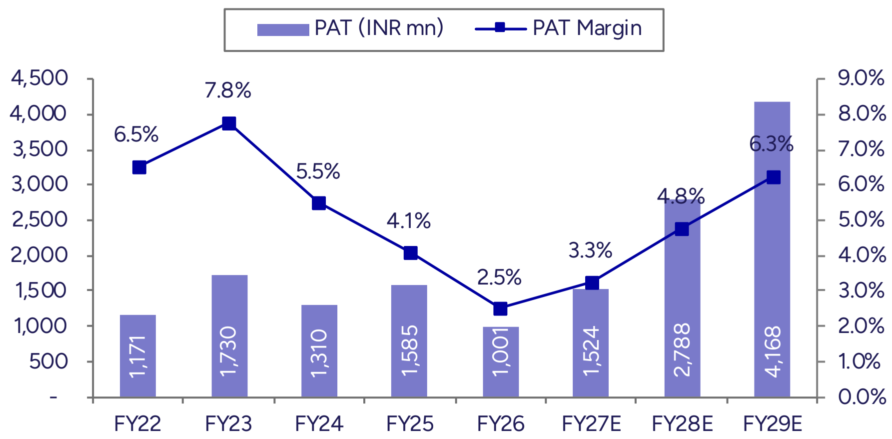


Source: Company, PL

The greenfield facilities in Karnataka and Madhya Pradesh, along with the integration of recent acquisitions, are also expected to transition from the investment phase to earnings generation phase by the end of FY27. As result, depreciation is expected to reduce from 4.2% of revenue in FY26 to 3.8% In FY29, with finance costs growing slower than earnings. These improvements are expected to drive PBT from INR1,716mn to INR5,912mn, enabling a significantly higher proportion of incremental revenue to flow through to the bottom line.

This is a major step-up from FY26 earnings, which were impacted by tariff- and expansion-related costs without corresponding increase in volumes. As a result, PAT will grow more than four times over FY26 to FY29E.

Exhibit 55: PAT to grow more than 4x by FY29 on a low FY26 base

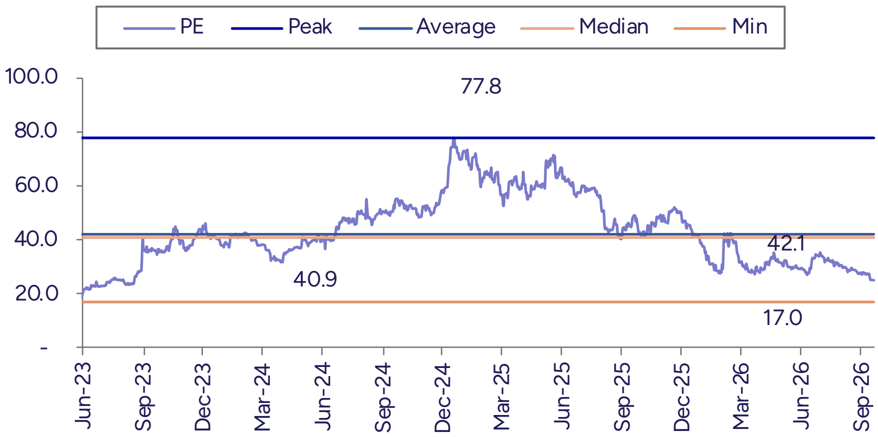


Source: Company, PL

Valuation

At CMP, GEXP trades at 12.2x FY29E EPS, which is significantly below its 3-year average 1 year forward P/E of 40.9x and well below the historical peak multiple of 77.8x. The stock has particularly been trading below its historical valuations since Aug'25, driven by the uncertainty surrounding US tariff policies. Furthermore, weaker discretionary demand in key export markets and slower order inflows also resulted in lower earnings expectations and a significant contraction in valuation multiples.

Exhibit 56: Earning recovery provides scope for re-rating



Source: Company, PL

Going forward, we expect the earnings to improve, supported by the gradual recovery in global apparel demand, improving order visibility, and favorable trade policy developments. Given the company's high exposure to the US and improving tariff situations in its both manufacturing regions (India and Africa), we expect GEXP to post sharp earnings recovery. We estimate revenue/EBITDA/PAT CAGR of 19%/33%/61% over FY26-29E led by the trade agreements with the UK, EU and US, and improving demand of apparel in these countries. We assign 20x Sept'28E P/E multiple and arrive at TP of INR953. We initiate with 'BUY' rating.

Exhibit 57: Peer comparison

Particulars	Revenue (INR mn)			EBITDA (INR mn)			PAT (INR mn)			P/E (x)		
	FY26	FY28E	CAGR (%)	FY26	FY28E	CAGR (%)	FY26	FY28E	CAGR (%)	FY26	FY27E	FY28E
KPR Mill	66,504	83,772	12%	12,673	16,309	13%	8,665	10,649	11%	44.0	39.0	35.8
Pearl Global	50,246	63,804	13%	4,639	6,999	23%	2,700	4,486	29%	38.0	28.7	23.4
Gokaldas Exports	39,876	58,196	21%	3,564	6,582	36%	1,001	2,788	67%	50.6	33.3	18.2

Source: Company, PL

Exhibit 58: Peer comparison contd.

Particulars	RoE (%)				RoCE (%)				Net working capital (days)			
	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E
KPR Mill	17.4	16.2	16.0	15.3	18.9	17.9	18.5	18.0	128	124	123	123
Pearl Global	25.8	21.1	22.8	23.2	19.8	17.4	20.1	21.2	38	43	43	43
Gokaldas Exports	9.4	4.7	6.8	11.4	9.8	6.1	6.7	11.0	82	103	86	86

Source: Company, PL

Annexures

Key Management Personnel and Board of Directors

Experienced leadership team with apparel and private-equity pedigree

Exhibit 1 : Management team

Name	Position
Sivaramakrishnan Ganapathi	Vice-Chairman & MD
A Sathyamurthy	CFO
Amit Sharma	Chief Human Resources Officer
Gautam Nair	Director-MDIPL
Jyotsna Shahl	Chief Marketing Officer
Mannan Kapasi	COO-Atraco Industrial Enterprises
Prabhat Kumar Singh	Executive Director
Sachin Gupta	Chief Information Officer
Tushar Kanti Panigrahi	Senior Vice President-Finance
Mathew Cyriac	Chairman & Non-Executive Director
Rama Bijapurkar	Non-Executive, Independent Director
George Varughese	Non-Executive, Independent Director
Pavitra Rajaram	Non-Executive, Independent Director

Source: Company, PL

- **Sivaramakrishnan Ganapathi (Siva), Vice-Chairman and MD**, is a leader with 30 years' experience, driving GEXP's transformation through strategic growth, sustainability, operational excellence, and people-focused leadership.
- **A Sathyamurthy**, **CFO**, is an accomplished finance leader with extensive experience, driving financial strategy, governance, ESG, technology, and shareholder value through expertise in manufacturing, FMCG, retail, and food processing.
- **Jyotsna Shahi**, **Chief Marketing Officer**, is a seasoned apparel industry leader with 26+ years of experience, driving commercial growth through design, innovation, global sourcing, product development, and strategic partnerships with a strong focus on sustainability.
- **Mathew Cyriac** chairs the board in a non-executive, non-independent capacity. He has spent nearly a decade as MD in Blackstone India's Corporate Private Equity Group (Blackstone being the company's controlling shareholder) and now runs Florintree Advisors.
- **Prabhat Kumar Singh**, **Executive Director**, is a veteran apparel industry leader with 4 decades of experience, driving corporate development, industry engagement, policy advocacy, infrastructure modernization, strategic partnerships, and sustainable business growth.

GEXP's governance is anchored by a small, experienced leadership team with deep apparel and private-equity pedigree. Day-to-day operations sit with Sivaramakrishnan 'Siva' Ganapathi, MD & Executive Vice-Chairman since Oct'17, supported by whole-time director Prabhat Singh and CFO A Sathyamurthy, who has been with the company for over a decade. The senior team saw a notable change in May'26: COO Bhargava Huchurao resigned (effective end-Jun'26) after roughly 2.5 years, while the company brought in Gokal Chittaranjan as President – International Business, a 35-year apparel-industry veteran, who previously served as COO at Indonesia's Busana Apparel Group – a hire that signals continued push on the export/international side of the business. The broader board includes independent directors George Varughese, Rama Bijapurkar and Pavitra Rajaram, a mix of investor fraternity, consumer/strategy and industry expertise. Company secretary duties are held by Gourish Hegde. Board and management tenures average around 5 years, reflecting a reasonably stable, PE-influenced, governance structure.

Key Risks

- **US demand slowdown and tariff uncertainty:** The US remains the company's largest export market, despite ongoing geographic diversification. GEXP exports ~78% of its products (by revenue) to the US. Any slowdown in US apparel demand, higher import tariffs, or adverse trade policy changes can impact order inflows, capacity utilization and profitability.

- **Execution risk in capacity expansion:** The company continues to invest in expanding manufacturing capacity across India and overseas to support future growth. Delays in commissioning new facilities, slower capacity ramp-up, or weaker demand can adversely affect volume growth and return ratios.

- **Political and operational risks in overseas manufacturing:** The company operates manufacturing facilities across India, Kenya, Ethiopia and other geographies. Political instability, labor disruptions, changes in trade policies, or logistics disruptions in these regions can impact production schedules and exports.

- **Raw material and input cost volatility:** Cotton, MMF, packaging materials and labor constitute a significant portion of manufacturing costs. Sharp fluctuations in raw material prices, wage inflation or inability to pass on higher costs to customers can result in margin pressure.

- **Execution risk in geographic diversification:** The company is actively expanding its customer base in Europe, the UK and other international markets to reduce dependence on the US. Failure to capitalize on opportunities arising from FTAs, the China+1 sourcing shift, or new customer additions may slow revenue diversification.

- **Compliance and ESG-related risks:** Global apparel brands are increasingly emphasizing environmental compliance, labor standards and sustainable sourcing. Failure to comply with evolving ESG regulations or customer requirements could result in reputational damage, loss of business and increased compliance costs.

Financials

Income Statement (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Net Revenues	**39,876**	**46,507**	**58,196**	**66,435**
YoY gr. (%)	*3.2*	*16.6*	*25.1*	*14.2*
Cost of Goods Sold	19,247	22,222	27,992	32,362
Gross Profit	20,630	24,284	30,204	34,073
Margin (%)	*51.7*	*52.2*	*51.9*	*51.3*
Employee Cost	13,290	15,271	18,196	20,029
Other Expenses	3,776	4,566	5,426	5,670
EBITDA	**3,564**	**4,447**	**6,582**	**8,374**
YoY gr. (%)	*(3.9)*	*24.8*	*48.0*	*27.2*
Margin (%)	*8.9*	*9.6*	*11.3*	*12.6*
Depreciation and Amortization	1,669	2,025	2,332	2,557
EBIT	**1,895**	**2,422**	**4,250**	**5,817**
Margin (%)	*4.8*	*5.2*	*7.3*	*8.8*
Net Interest	952	1,331	1,634	1,466
Other Income	773	1,070	1,339	1,561
Profit Before Tax	**1,716**	**2,161**	**3,954**	**5,912**
Margin (%)	*4.3*	*4.6*	*6.8*	*8.9*
Total Tax	715	638	1,166	1,744
Effective Tax Rate (%)	*41.7*	*29.5*	*29.5*	*29.5*
Profit After Tax	**1,001**	**1,524**	**2,788**	**4,168**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,001**	**1,524**	**2,788**	**4,168**
YoY gr. (%)	*(36.8)*	*52.2*	*83.0*	*49.5*
Margin (%)	*2.5*	*3.3*	*4.8*	*6.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,001**	**1,524**	**2,788**	**4,168**
YoY gr. (%)	*(36.8)*	*52.2*	*83.0*	*49.5*
Margin (%)	*2.5*	*3.3*	*4.8*	*6.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,001	1,524	2,788	4,168
Equity Shares O/s (mn)	**73**	**73**	**73**	**73**
EPS (INR)	**13.7**	**20.8**	**38.1**	**56.9**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Non-Current Assets				
Gross Block	**10,230**	**13,230**	**15,230**	**17,230**
Tangibles	10,221	13,221	15,221	17,221
Intangibles	9	9	9	9
Acc: Dep / Amortization	**3,641**	**4,754**	**6,105**	**7,646**
Tangibles	3,641	4,754	6,105	7,646
Intangibles	-	-	-	-
Net Fixed Assets	**6,590**	**8,476**	**9,125**	**9,584**
Tangibles	6,581	8,467	9,116	9,575
Intangibles	9	9	9	9
Capital Work In Progress	1,163	1,163	1,163	1,163
Goodwill	5,840	7,289	7,238	7,187
Non-Current Investments	3,491	3,491	3,491	3,491
Net Deferred Tax Assets	771	771	771	771
Other Non-Current Assets	3,066	2,706	2,276	1,311
Current Assets				
Investments	2,891	2,891	2,891	2,891
Inventories	8,745	9,132	11,504	12,856
Trade Receivables	6,011	5,734	7,175	8,191
Cash & Bank Balance	1,359	3,766	601	736
Other Current Assets	2,413	2,413	2,413	2,413
Total Assets	**43,542**	**49,034**	**49,849**	**51,796**
Equity				
Equity Share Capital	366	366	366	366
Other Equity	21,238	22,761	25,549	29,717
Total Networth	**21,604**	**23,128**	**25,915**	**30,084**
Non-Current Liabilities				
Long Term Borrowings	6,084	10,584	8,584	6,584
Provisions	565	565	565	565
Other Non Current Liabilities	198	198	198	198
Current Liabilities				
ST Debt / Current of LT Debt	6,032	5,032	4,032	3,032
Trade Payables	3,488	3,957	4,985	5,763
Other Current Liabilities	5,571	5,571	5,571	5,571
Total Equity & Liabilities	**43,542**	**49,034**	**49,849**	**51,796**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
PBT	1,716	2,161	3,954	5,912
Add. Depreciation	1,669	2,025	2,332	2,557
Add. Interest	952	1,331	1,634	1,466
Less Financial Other Income	773	1,070	1,339	1,561
Add. Other	(534)	(38)	(38)	(38)
Op. Profit before WC Changes	3,803	5,478	7,882	9,897
Net Changes-WC	(2,720)	359	(2,785)	(1,590)
Direct Tax	(567)	(638)	(1,166)	(1,744)
Net Cash from Op. Activities	**516**	**5,200**	**3,931**	**6,563**
Capital Expenditures	563	(3,500)	(2,500)	(2,000)
Interest / Dividend Income	38	38	38	38
Others	(3,463)	(1,500)	-	-
Net Cash from Invt. Activities	**(2,861)**	**(4,962)**	**(2,462)**	**(1,962)**
Issue of Share Cap. / Premium	538	-	-	-
Debt Changes	2,152	3,500	(3,000)	(3,000)
Dividend Paid	-	-	-	-
Interest Paid	(661)	(1,331)	(1,634)	(1,466)
Others	-	-	-	-
Net Cash from Fin. Activities	**2,029**	**2,169**	**(4,634)**	**(4,466)**
Net Change in Cash	**(316)**	**2,407**	**(3,165)**	**135**
Free Cash Flow	(1,765)	1,700	1,431	4,563

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net Revenues	**9,844**	**9,787**	**10,688**	**11,535**
YoY gr. (%)	*6.0*	*-*	*5.3*	*20.7*
Raw Material Expenses	5,134	4,480	5,209	5,491
Gross Profit	4,710	5,306	5,480	6,044
Margin (%)	*47.8*	*54.2*	*51.3*	*52.4*
EBITDA	**646**	**769**	**1,165**	**1,125**
YoY gr. (%)	*(7.1)*	*(26.0)*	*(4.9)*	*15.6*
Margin (%)	*6.6*	*7.9*	*10.9*	*9.8*
Depreciation / Depletion	426	463	386	458
EBIT	**220**	**306**	**779**	**667**
Margin (%)	*2.2*	*3.1*	*7.3*	*5.8*
Net Interest	223	240	264	305
Other Income	190	195	185	267
Profit before Tax	**187**	**261**	**699**	**628**
Margin (%)	*1.9*	*2.7*	*6.5*	*5.4*
Total Tax	106	115	340	185
Effective Tax Rate (%)	*56.8*	*44.1*	*48.6*	*29.5*
Profit After Tax	**-**	**-**	**-**	**-**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**81**	**146**	**360**	**443**
YoY gr. (%)	*(71.3)*	*(71.0)*	*(32.0)*	*6.8*
Margin (%)	*0.8*	*1.5*	*3.4*	*3.8*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**81**	**146**	**360**	**443**
YoY gr. (%)	*(71.3)*	*(71.0)*	*(32.0)*	*6.8*
Margin (%)	*0.8*	*1.5*	*3.4*	*3.8*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**81**	**146**	**360**	**443**
Avg. Shares O/s (mn)	73	73	73	73
EPS (INR)	**1.1**	**2.0**	**4.9**	**6.1**

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY26	FY27E	FY28E	FY29E
Per Share (INR)				
EPS	13.7	20.8	38.1	56.9
CEPS	36.5	48.4	69.9	91.8
BVPS	294.9	315.7	353.8	410.7
FCF	(24.1)	23.2	19.5	62.3
DPS	-	-	-	-
Return Ratio (%)				
RoCE	6.1	6.7	11.0	14.9
ROIC	4.1	5.8	8.5	11.6
RoE	4.7	6.8	11.4	14.9
Balance Sheet				
Net Debt : Equity (x)	0.4	0.4	0.4	0.2
Net Working Capital (Days)	103	86	86	84
Valuation (x)				
PER	50.8	33.4	18.3	12.2
P/B	2.4	2.2	2.0	1.7
P/CEPS	19.1	14.3	9.9	7.6
EV/EBITDA	16.5	13.5	9.1	6.8
EV/Sales	1.5	1.3	1.0	0.9
Dividend Yield (%)	-	-	-	-
FCFF Yield (%)	(3.5)	3.3	2.8	9.0
PEG Ratio	(1.3)	0.6	0.2	0.2

Source: Company, PL

Initiating Coverage

K.P.R. Mill (KPR IN)

September 09, 2026

Scaling Up to Become a Leading Apparel Exporter

Key Data	KPRM.BO | KPR IN
BSE Code	532889
NSE Code	INE930H01031
52-W High / Low	INR 1,334 / INR 796
Face Value	1
Sensex / Nifty	74,859 / 23,414
Market Cap	INR 381 bn / $ 3,978 mn
Shares Outstanding	341.81 mn
3M Avg. Daily Value	INR 821.65 mn

Shareholding Pattern (%)

Promoters	67.52
FIIs	7.02
Mutual Funds	17.67
Domestic Institutions	1.58
Public & Others	6.21
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(3.2)	(3.9)	35.5	(1.6)
Relative	0.3	(1.4)	34.9	8.6

Key Financials - Consolidated

Y/e Mar	FY26	FY27E	FY28E	FY29E
Sales (INR mn)	66,504	74,613	83,772	91,781
EBITDA (INR mn)	12,673	14,793	16,309	19,077
Margin (%)	*19.1*	*19.8*	*19.5*	*20.8*
PAT (INR mn)	8,665	9,768	10,649	12,579
EV (INR mn)	372,759	372,967	369,423	361,190
Total Debt (INR mn)	5,961	5,961	5,961	5,961
C&C Eq. (INR mn)	13,683	13,475	17,019	25,253
EPS (INR)	25.4	28.6	31.2	36.8
Gr. (%)	*6.3*	*12.7*	*9.0*	*18.1*
DPS (INR)	5.0	5.0	5.0	5.0
Yield (%)	*0.4*	*0.4*	*0.4*	*0.4*
RoE (%)	*16.2*	*16.0*	*15.3*	*15.8*
RoCE (%)	*17.9*	*18.5*	*18.0*	*18.9*
EV/Sales (x)	5.6	5.0	4.4	3.9
EV/EBITDA (x)	29.4	25.2	22.7	18.9
PE (x)	44.0	39.0	35.8	30.3
P/BV (x)	6.7	5.9	5.2	4.5

Quick Pointers

- Large-scale manufacturing supported by integrated operations to drive profitable growth
- Planned capacity expansion aligns with expected pick-up in demand

We initiate coverage on KPR Mill (KPR) with 'Accumulate' rating and TP of INR1,259 based on SoTP valuation, considering its strong presence in Europe, growing scale and superior margin profile. KPR has the largest garmenting capacity among listed Indian players and can be seen as the most probable candidate to come closest to global majors. It plans to expand capacity by ~23% to ~252mn garment pieces annually by FY29, from 204mn by FY26. This large scale is supported by in-house yarn and fabric capacities, thereby reducing dependence on external suppliers and generating better margins. Driven by timely expansion of capacities, the company's textile business has grown at 11% CAGR over FY20-26. KPR has also diversified its exposure by building sugar and ethanol capacities, which posted revenue CAGR of 24% during the same period. Given its integrated capacities and operating leverage driven by large-scale operations, KPR has steadily generated margins above 19% in the last 5 years. We expect the garment demand momentum to pick up going ahead in the UK and EU where KPR has strong presence (63% of FY26 revenue). We estimate revenue/EBITDA/PAT to grow at 11%/15%/13% CAGR over FY26–29E. Initiate with 'Accumulate'.

Downstream shift to strengthen garment-led growth: KPR has steadily shifted toward higher value-added downstream operations, with garments emerging as the key growth engine. Garments' share of revenue has increased from 25% in FY17 to 43% in FY26, while yarn and fabric contribution declined from 58% to 31%. This transition, supported by garment volume rising at ~14% CAGR over FY17-26, reflects KPR's deliberate move toward a more garment-led business model. We expect garments to grow at ~17% CAGR over FY26-29E, driven by ~8% volume CAGR and gradual improvement in realization.

Capacity expansion to accelerate volume-led earnings growth: KPR plans to expand its garment capacity by ~48mn pieces to ~252mn pieces (including sweaters) by FY29, alongside investments in processing, fabric and spinning facilities. Garment volume is expected to grow at ~8% CAGR over FY26-29E supported by gradual improvement in realization. Timely capacity addition, coupled with high utilization levels, should support strong garment volume growth and enable EBITDA growth to outpace revenue growth over the medium term.

Strong European presence to benefit from FTA-led sourcing shift: Europe accounts for ~63% of KPR's garment exports, giving the company meaningful exposure to improving sourcing opportunities in the region. The India-EU FTA should narrow the tariff disadvantage versus competing Asian exporters and open up the EUR200bn apparel import market, while KPR's established customer relationships and existing approvals provide a clear headstart in capturing incremental orders.

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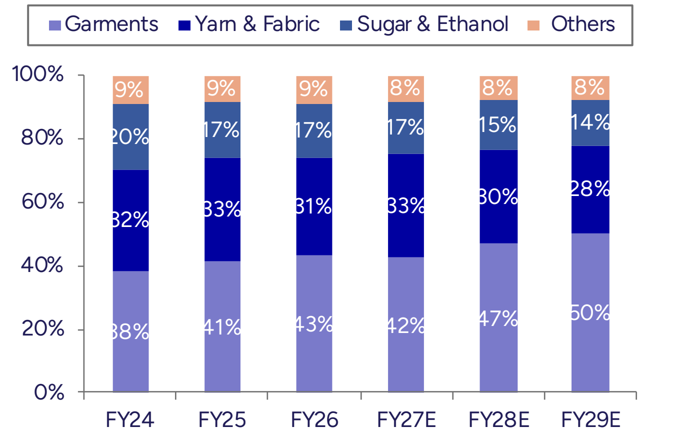
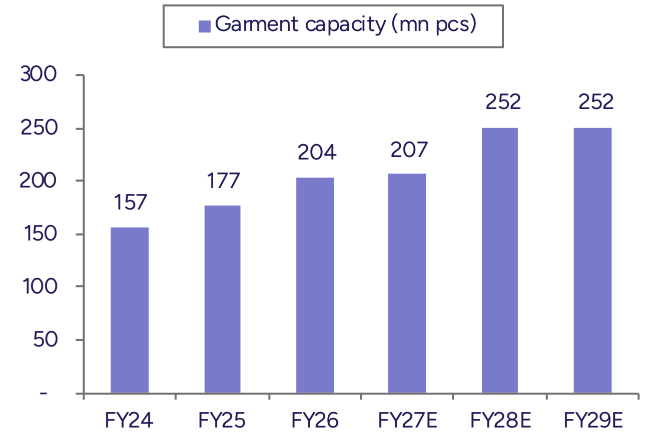
Story in Charts

Exhibit 59: Garment segment's contribution to reach 50% by FY29E



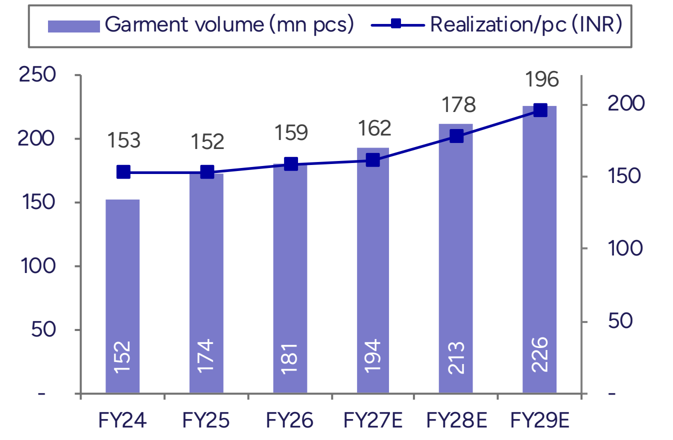
Source: Company, PL

Exhibit 60: Garment capacity to grow ~22% by FY29E



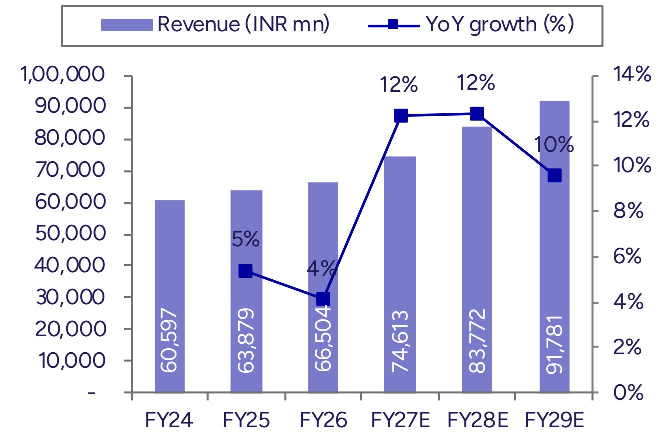
Source: Company, PL

Exhibit 61: Garment volume to grow at 7.6% CAGR over FY26-29E



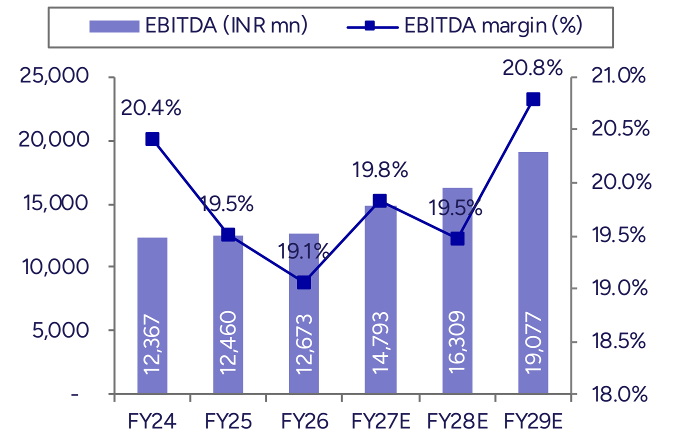
Source: Company, PL

Exhibit 62: Revenue to register 11.3% CAGR over FY26-29E



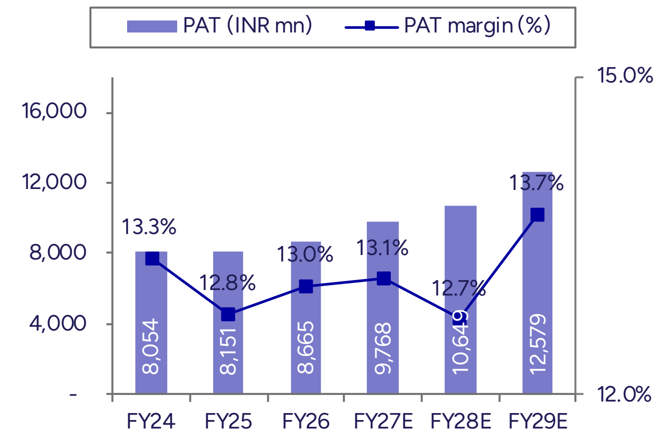
Source: Company, PL

Exhibit 63: EBITDA margin to expand by 170bps by FY29E



Source: Company, PL

Exhibit 64: PAT to register 13.2% CAGR over FY26-29E



Source: Company, PL

Company overview

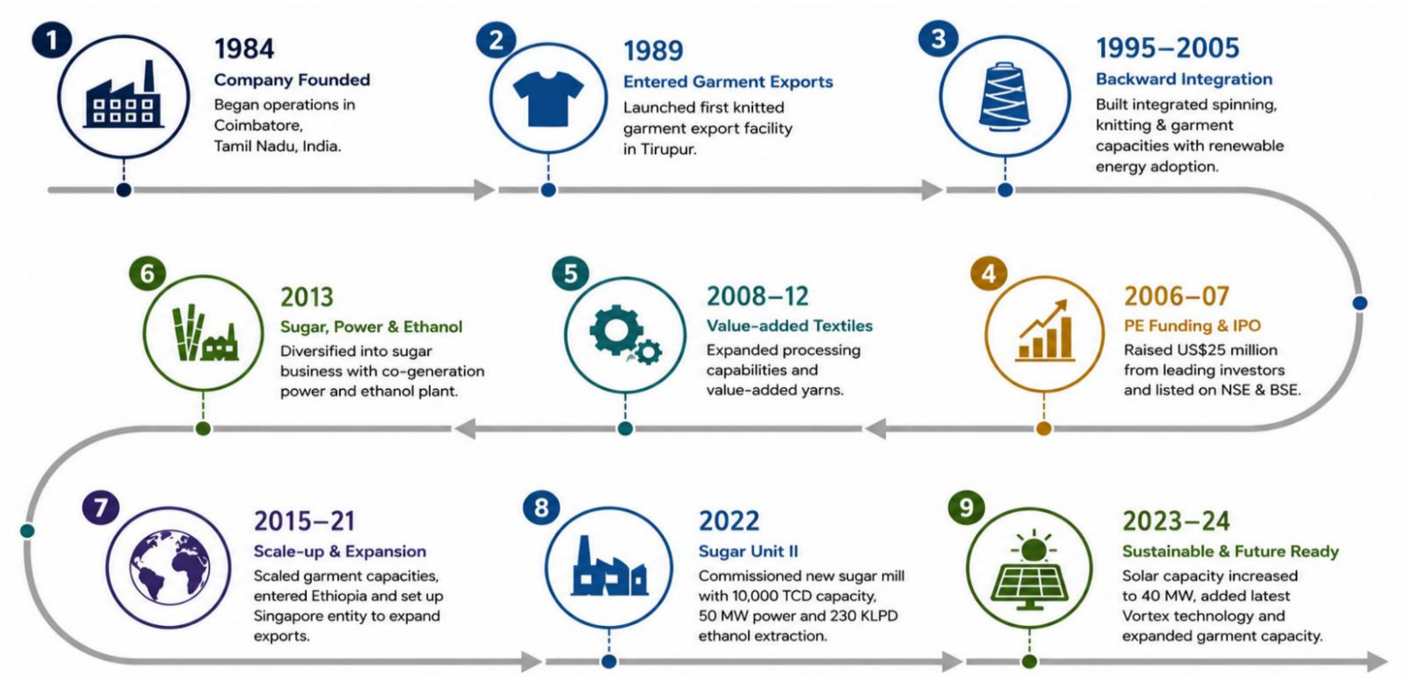
KPR: Building scale across the textile value chain

India's largest vertically integrated textile player with global footprint across leading apparel and retail markets

KPR is a leading integrated textile manufacturer in India with presence across the entire cotton textile value chain, spanning yarn, fabrics, garments, and retail. It manufactures a wide range of textile products such as readymade knitted apparel, fabric, and 100% cotton combed, carded, compact, red label and vortex viscose yarns. The company's products are sold in over 65 countries, and it has more than 30,000 employees (90% women). KPR has an annual capacity to produce 1,00,000mt of cotton yarn, 10,500mt of viscose yarn, 40,000mt of fabric, and 204mn pieces of RMG through 15 manufacturing units. It is the largest listed RMG manufacturer in India.

Over the years, the company has diversified into sugar manufacturing, ethanol production and renewable energy, strengthening its business model through vertical integration and operational efficiencies. It has a sugar production capacity of 20,000tcd, augmented by ethanol production capacity of 470klpd. It has also invested significantly in wind and solar power generation, meeting a substantial portion of its captive energy requirements while reducing operating costs and supporting sustainability initiatives.

Exhibit 65: Evolution of India's largest listed garments player



Source: Company, PL

Garments: With a capacity of 204mn pieces, KPR is India's largest apparel manufacturer ranking above PGIL (~101mn) and GEXP (92mn). The company focuses on knitted garments and caters to several reputed global apparel and retail brands. The garments business is built on a high-volume efficiency-driven operating model, rather than realization expansion. While realization per piece remains close to ~INR160, significantly lower than peers' INR500-600, large production volume, integrated capabilities and high utilization levels (~90%) help generate consistently healthy operating margins.

Yarn & Fabric: KPR manufactures a diverse portfolio of cotton yarn, including carded, combed, compact, melange and vortex yarn, serving both domestic and export markets. 25-30% of the yarn produced is captively consumed for fabric and garment manufacturing, enhancing value addition and reducing dependence on external suppliers. KPR has 6 spinning mills with a capacity to produce 1,00,000mt of yarn and 10,500mt of vortex viscose yarn.

The fabric business primarily comprises knitted fabric that supports its garment manufacturing while also catering to third-party customers. It has 3 knitting facilities to produce 40,000mt of fabric.

Sugar & Ethanol: KPR entered the sugar business in 2013 through the establishment of an integrated sugar complex in Karnataka and has since expanded its presence with a second integrated facility. The business comprises sugar manufacturing, ethanol production and power cogeneration, creating multiple revenue streams from a common feedstock. The ethanol segment has emerged as an important growth driver, supported by the Government of India's ethanol blending program and rising demand from oil marketing companies. Integration with cogeneration facilities enhances operational efficiency by utilizing bagasse for captive power generation. The diversified business model helps improve earnings stability while reducing dependence on the cyclical textile business.

Exhibit 66: **Business overview**

Source: Company, PL

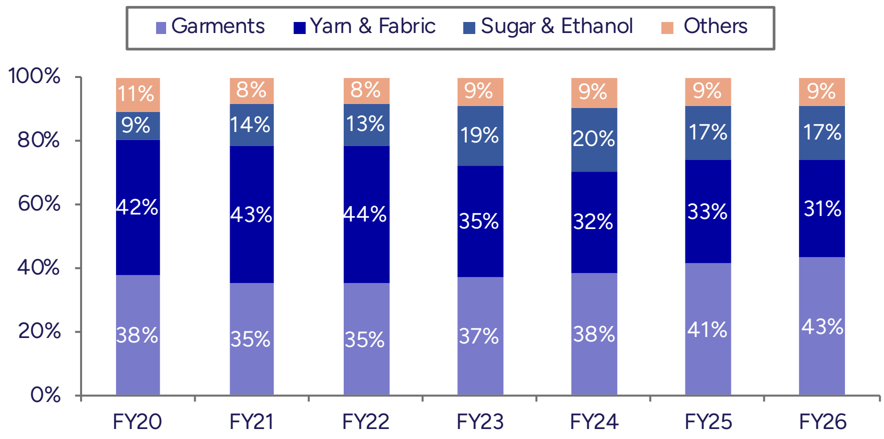
Investment Arguments

Capturing greater textile value by increasing focus on finished garments

Garment capacity to reach ~252mn pieces p.a. by FY29

KPR has strategically shifted toward high-value production over the past decade, focusing more on downstream expansion and scaling up its garments business. The shift is clearly visible in its revenue mix, with the contribution of garments jumping from 25% in FY17 to 43% in FY26, while yarn and fabric contribution fell from 58% to 31%. The company has simultaneously expanded garment capacity, from 95mn pieces to 204mn pieces. The management plans to expand it by another 47.5mn pieces (including ~2.5mn sweaters) by Q1FY28. This reflects management's deliberate strategy of moving toward the more value-added downstream segment.

Exhibit 67: Increasing revenue share of garments business

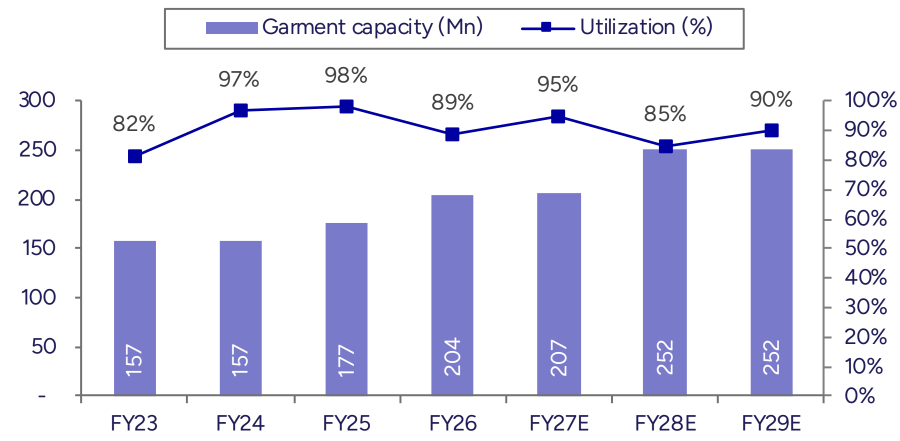


Source: Company, PL

Garment revenue to grow at 17% CAGR over FY26-29E

KPR's garment strategy is predominantly volume-led, with garment sales volume increasing from 58mn pieces in FY17 to 181mn pieces in FY26, translating into ~14% CAGR. In contrast, garment realization increased by only ~3% CAGR. This reflects KPR's focus on high-volume knitwear categories, where shorter production cycles, repeat orders and manufacturing efficiency allow the company to generate attractive economics, despite lower realization per piece. With the expected capacity addition (including ~45mn pieces in Odisha factory), total capacity is likely to reach ~252mn pieces by FY29 with utilization remaining close to 90%.

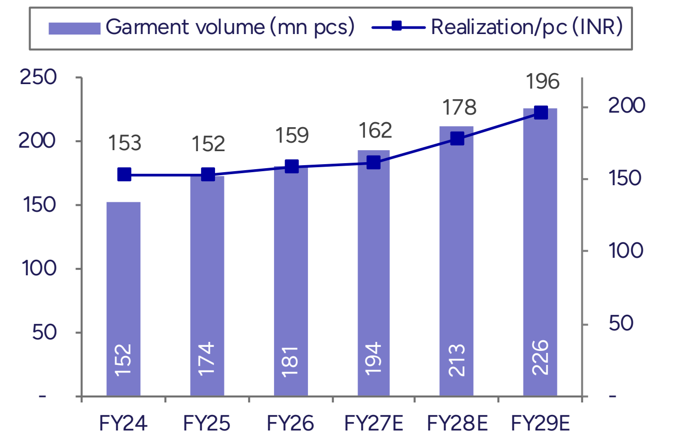
Exhibit 68: Garment capacity to grow at 7% CAGR over FY26-29E



Source: Company, PL

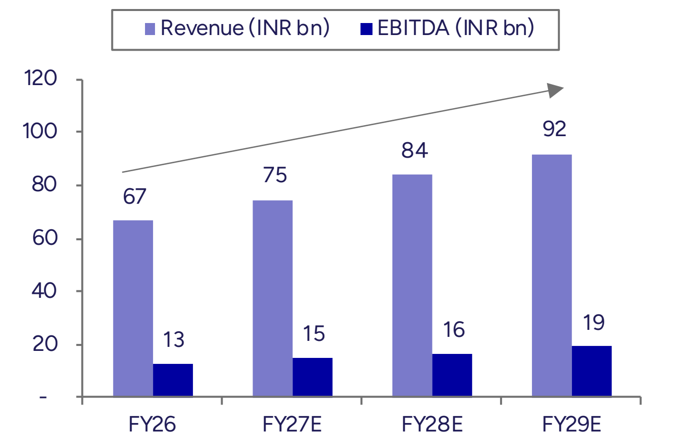
We expect the consistently rising share of garments to lead to superior margins for KPR in future as well. Higher garment volume also increases the captive consumption of yarn and fabric, leading to greater contribution to EBITDA growth compared to revenue growth. Going ahead, we expect garments to maintain a dominant share of revenue, growing at ~17% CAGR over FY26-29E, led by volume growth of ~8% and realization per piece reaching ~INR196.

Exhibit 69: Garment volume to grow at 8% CAGR over FY26-29E



Source: Company, PL

Exhibit 70: EBIDTA growth to outpace revenue growth



Source: Company, PL

End-to-end integration protects from supply shocks and margin volatility

KPR's yarn and fabric business forms the backbone of its integrated manufacturing model, providing a strong foundation for its value-added garment operations. Unlike its listed peers who rely on third-party sourcing, KPR has built significant in-house spinning and fabric manufacturing capabilities, ensuring reliable access to key raw materials. This integrated manufacturing platform provides greater control over input availability, product quality and production planning, while creating opportunities to capture incremental value across the textile value chain. The company has 1,00,000mt of cotton yarn capacity, 10,500mt of vortex viscose yarn capacity, and 40,000mt of fabric capacity, creating an integrated raw-material base for its downstream operations.

Exhibit 71: Largest vertically integrated apparel manufacturer in India

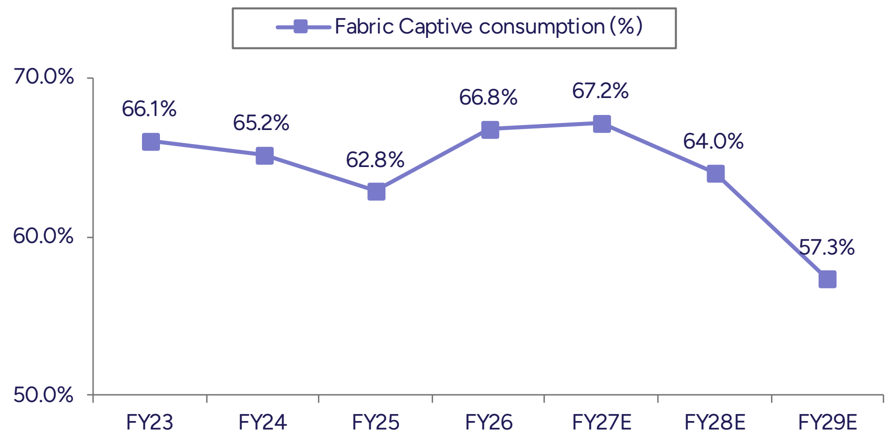
Source: Company, PL

Rather than only monetizing intermediate products through external sales, the company utilizes internally manufactured yarn and fabric for garment production, enabling it to participate across multiple stages of the textile value chain. Besides shifting the revenue mix toward the high-value-added segment, this strategy also improves overall utilization levels and reduces dependence on external sourcing.

- **Yarn:** KPR's integrated spinning operations, supported by 6 mills with 1,00,000mt cotton yarn and 10,500mt vortex viscose yarn capacity, cater to both external customers and its downstream fabric and garments businesses. Captive consumption remains at 25-30%, providing flexibility in product mix and production planning. Yarn contributed to ~27% of FY26 revenue vs. ~43% in FY17, reflecting KPR's shift toward higher-value garmenting. With captive consumption expected to increase, we estimate volume to grow by ~1% CAGR, driving revenue growth of ~4% CAGR.

- **Fabric:** KPR's captive consumption of fabric has increased from ~21% in FY17 to ~67% in FY26 and we estimate it to be close to ~57% in FY29E, reinforcing the company's downstream focus. Fabric contributed ~4% of FY26 revenue, with estimated realization declining from INR361/kg in FY23 to INR284/kg in FY26. With addition of new capacities, we estimate external sales volume to grow at ~23% CAGR, driving revenue growth of ~27% CAGR, with realization increasing to INR313/kg.

Exhibit 72: New capacity additions to drive external sales and lower captive consumption mix



Source: Company, PL

KPR's garment portfolio is predominantly focused on knitwear, unlike several listed peers that have a higher exposure to woven garments, which typically command higher average selling prices. However, given its integrated manufacturing platform and industry-leading scale, KPR has consistently managed to deliver superior operating margins, despite a relatively lower realization profile.

Exhibit 73: Highest EBITDA margin among peers

Company	Realization/piece	EBITDA/piece	Products
KPR Mill	~INR159	~INR37 based on 23% EBITDA margin	100% knit garments, in multiple categories
PGIL	~INR642	~INR64, based on 10% EBITDA margin	Knits and woven garments across categories, including denims
Gokaldas Exports	~INR630	~INR70, based on 11% EBITDA margin	Knits and woven garments across categories, including technical outerwear

Source: Company, PL **Note: The table may not reflect exact per piece numbers as several assumptions and estimations have been used due to lack of consistent data*

Industry-leading scale creates a structural customer advantage

5-year average garment utilization stands at ~89%

KPR has the largest garment manufacturing platform among listed Indian textile players, with 204mn pieces of annual capacity and 181mn pieces sales volume as of FY26. This scale provides a meaningful operating leverage advantage, as higher throughput allows fixed manufacturing costs to be spread across a larger production base, supporting structurally better margins than smaller scale peers. The company's integrated manufacturing setup further enhances this advantage by allowing large production batches to flow seamlessly across yarn, fabric and garmenting, improving capacity utilization and reducing dependence on external vendors.

Exhibit 74: KPR – Only listed Indian textile player with capacity to produce more than 200mn pieces per year

Company	Current capacity (mn pieces)	Expected capacity FY29 (mn pieces)	5-year average utilization (%)	Volume CAGR FY22-26 (%)
KPR Mill	204	~252	89	10.5
Pearl Global	~101	120-130	71	9.7
Gokaldas Exports	92	~110+	65	25.5

Source: Company, PL

New capex projects to add INR20bn

KPR's scale enables it to cater to large global brands requiring bulk orders with consistent quality, delivery and compliance. Higher garment volume also drives better utilization of its captive yarn and fabric capacities, creating operating leverage across the value chain and supporting superior margins versus peers. The company has announced plans to increase its garmenting capacity by ~23% by FY29 and also plans to invest in strengthening the overall value chain by investing in addition/modernization of upstream processes.

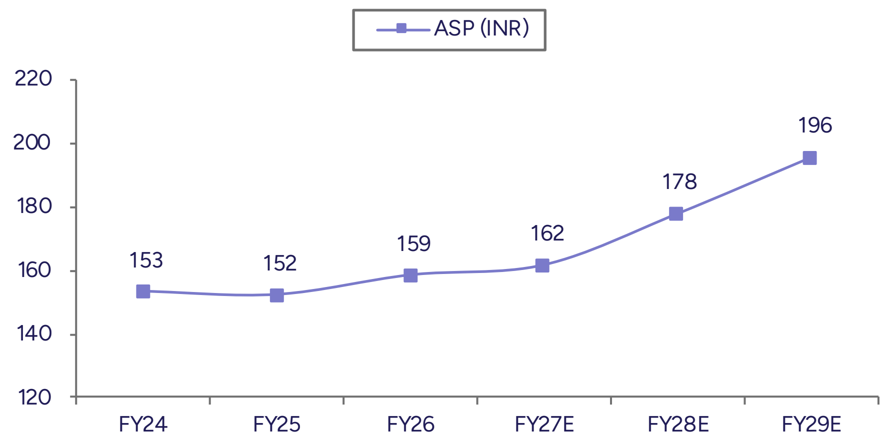
Exhibit 75: Announced expansion projects with INR20bn p.a. revenue potential

Particulars	Cost of project (INR mn)	Expected time of completion
Greenfield projects		
New RMG manufacturing facility in Odisha with capacity of 45mn garments p.a.	4,500	Q1FY28
New processing factory at Coimbatore with processing capacity of 10,000mtpa	2,500	Q2FY28
New sweater manufacturing facility in Coimbatore with capacity of 2.5mn garments p.a.	750	Q4FY27
Modernization-cum-expansion projects		
Modernization-cum-expansion of knitted fabric facility in Arasur, Coimbatore	900	Q3FY27
Modernization-cum-expansion of knitted fabric facility in Neelambur, Coimbatore	1,000	Q4FY27
Modernization-cum-expansion Spinning Mill Unit 3 at Coimbatore	850	Q3FY27
Modernization-cum-expansion Spinning Mill Unit 1 at Coimbatore	1,750	Q4FY27
Total	**12,250**	

Source: Company, PL

KPR's significantly larger manufacturing scale provides a structural advantage in absorbing fixed manufacturing and employee costs over a broader volume base. As the company continues to ramp up garment capacity and volume, higher utilization of its integrated manufacturing facilities should enable better fixed-cost absorption and drive operating leverage. Despite a significantly lower garment realization per piece of INR159 (vs. INR642 for GEXP and INR633 for PGIL), KPR benefits from its substantially larger volume base and integrated manufacturing model. As volume scales further, this should enable greater absorption of fixed costs and support incremental margin expansion. We believe the continued scaling of its garments business should therefore support margin expansion, with incremental volume translating into higher profitability even with limited increase in realization.

Exhibit 76: KPR's ASP to grow at 6% CAGR over FY26-28E



Source: Company, PL

Key beneficiary of tailwinds from India's FTAs with Europe & UK

The recently implemented India-UK CETA, coupled with the expected ratification of the India-EU FTA, is expected to materially improve the competitiveness of Indian apparel exporters in Europe. The removal of import duties on textile and apparel exports is likely to narrow the pricing gap with competing sourcing destinations such as Bangladesh, Vietnam and Turkey, thereby enhancing India's attractiveness as a sourcing hub.

India-EU FTA: The India-EU FTA is expected to be ratified by start of CY27, eliminating the existing import duty of up to 12% on Indian textile and apparel exports to the European Union. This will significantly enhance India's cost competitiveness in one of the world's largest apparel import markets. This deal will improve India's competitive position in the EU's EUR200bn apparel import market. As of CY25, India exported EUR4.5bn of apparels to EU-27 countries, accounting for ~2.2% of the total imports, well behind its Asian peers like China (15.0%) and Bangladesh (9.6%).

Exhibit 77: Ample scope to increase market share in EU

Particulars	Total apparel imports from Asian countries (EUR bn)						Market share of Asian countries in overall apparel imports (%)					
	CY20	CY21	CY22	CY23	CY24	CY25	CY20	CY21	CY22	CY23	CY24	CY25
India	2.9	3.4	4.7	4.1	4.2	4.5	2.1	2.2	2.4	2.2	2.2	2.2
China	20.6	21.9	29.0	24.3	27.7	30.4	14.9	14.2	14.7	13.2	14.3	15.0
Bangladesh	12.3	14.3	21.9	17.4	18.3	19.5	8.9	9.3	11.1	9.5	9.5	9.6
Vietnam	2.8	2.9	4.4	4.0	4.1	4.5	2.0	1.9	2.2	2.1	2.1	2.2
Indonesia	0.9	0.9	1.3	1.0	1.0	1.0	0.7	0.6	0.7	0.6	0.5	0.5
Pakistan	2.1	2.6	3.8	3.2	3.5	3.9	1.5	1.7	1.9	1.7	1.8	1.9
Rest of World	96.1	107.9	132.2	130.2	134.5	138.7	69.8	70.1	67.0	70.7	69.6	68.5
Total imports by EU-27	**137.8**	**153.9**	**197.3**	**184.2**	**193.3**	**202.5**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Eurostat

India aims to double its share in UK apparel market in next 3-5 years

India-UK CETA: The India-UK Comprehensive and Trade Agreement (CETA) came into force on 15th Jul'26, marking a significant milestone in bilateral trade. The agreement removes the longstanding 8-12% import duty disadvantage, putting Indian exporters on equal footing with regional competitors such as Bangladesh and Vietnam in the GBP20bn UK apparel market. In CY25, India was the 4th largest supplier of clothing to the UK with 5.4% market share, behind China (21%), Bangladesh (19%) and Italy (6%). India aims to double its market share in the next 3-5 years – essentially taking up the share being redirected from China to Bangladesh. Zero duties for Bangladeshi players were a key factor barring India from taking up this share earlier.

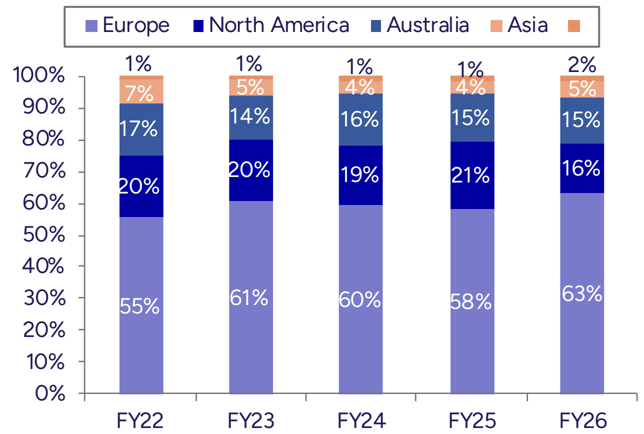
Exhibit 78: CETA brings India on level-playing field with Asian peers in textiles

Country	Import duty
Bangladesh	0%
Pakistan	0%
Turkey	Preferential
Indonesia	12%
Vietnam	0%
India (Pre-CETA)	**8-12%**
India (Post-CETA)	**0%**

Source: Industry

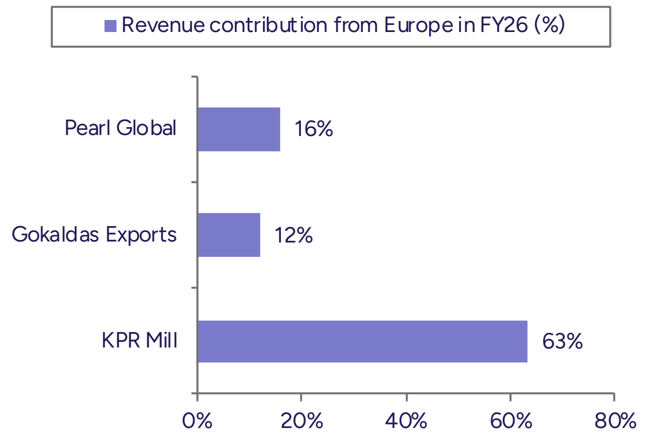
When it comes to individual companies, KPR has a clear headstart in Europe. Europe accounts for 63% of KPR's garment exports, providing a significantly higher earnings leverage to any improvement in sourcing trends from the region compared with peers having greater dependence on the US market. The company also enjoys better understanding and access to the European market. Existing client base means that it already has customer approvals, whereas other players may take months to earn orders as fresh suppliers. KPR is thus better positioned to capitalize on this opportunity, given its meaningful exposure to European markets and established relationships with leading apparel brands.

Exhibit 79: KPR has strong established presence in Europe



Source: Company, PL

Exhibit 80: KPR has a headstart in Europe compared to peers



Source: Company, PL

Diversification beyond textiles reduces cyclicality

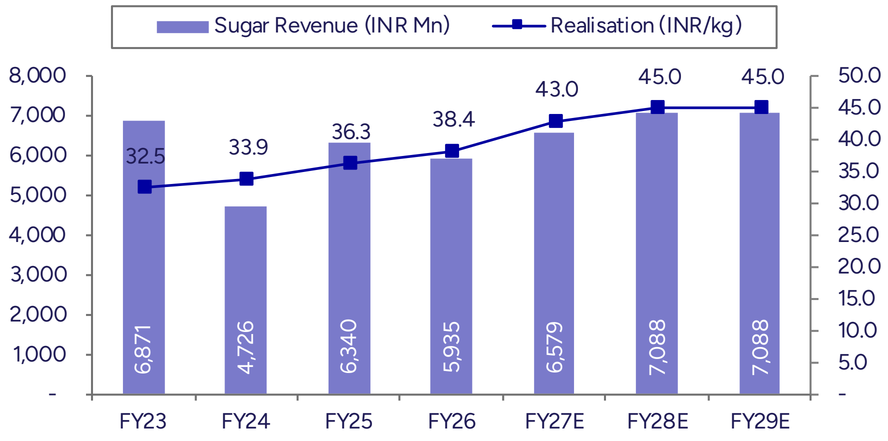
Sugar and ethanol act like stable cash cows

KPR entered the sugar business in 2012 by setting up a 5,000tcd sugar plant and 30MW cogeneration facility in Karnataka through its wholly owned subsidiary, KPR Sugar Mill. The entry marked KPR's expansion beyond textiles, leveraging its expertise in developing and operating large-scale manufacturing assets. Over the following decade, KPR expanded beyond sugar into ethanol and cogeneration, creating an integrated sugar-to-ethanol platform. Ethanol capacity increased from 90klpd to 130klpd and is being further scaled to ~470klpd, alongside expansion in sugar and cogeneration capacities.

The sugar and ethanol business provides meaningful diversification to KPR's earnings base, reducing its dependence on the inherently cyclical textile industry. While textiles is exposed to cotton prices, global demand and sourcing trends, sugar and ethanol are driven by distinct demand-supply dynamics and regulatory factors. This diversified business mix provides greater earnings resilience and supports more stable cash flows across commodity and economic cycles.

Sugar: Sugar forms the cornerstone of KPR's diversified agri-business portfolio, providing a stable earnings stream that complements its textile operations. The company has established a fully integrated sugar manufacturing business with modern milling facilities, enabling efficient processing and improved sugar recovery. With 20,000tcd sugar capacity, the segment contributed ~9% to the consolidated revenue in FY26 with volume reaching 1,54,749mt growing at 14% CAGR over FY17-26. The realization stood at INR38/kg, remaining healthy supported by favorable domestic demand-supply dynamics and government interventions aimed at maintaining price stability. We expect sugar sales volume and realization to grow 1%/5% CAGR over FY26-29E, resulting in revenue growth of ~6%.

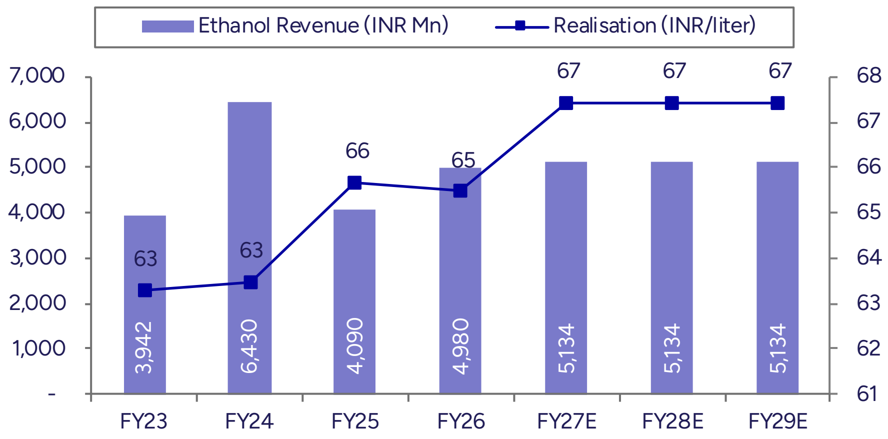
Exhibit 81: Sugar business becoming a steady contributor



Source: Company, PL

Ethanol: Ethanol has emerged as an increasingly important growth driver within KPR's agri-business, supported by the Government of India's ethanol blending program and sustained demand from oil marketing companies. The company's integrated distillery operations enable it to maximize value from sugarcane by diverting feedstock toward ethanol production based on prevailing market economics and regulatory policies. Over the years, ethanol sales volume has increased steadily, reflecting capacity additions and higher blending requirements, while realization has remained relatively stable under the administered pricing mechanism. We expect ethanol volume to remain steady over FY26–29E, with realization reaching INR67/liter, resulting in revenue growth of ~1% CAGR and further improving stability of the company's cash flows.

Exhibit 82: Steady contribution from ethanol to continue



Source: Company, PL

Diversification into sugar and ethanol has materially improved the quality and stability of KPR's earnings profile. The steady cash flows generated by these businesses provide a natural hedge against periods of volatility in the textile segment, strengthening internal accruals and reducing earnings cyclicality. This has enhanced the company's ability to fund capacity expansion, maintain a healthy balance sheet and continue investing in its high-growth garments business, thereby reinforcing the sustainability of long-term earnings growth.

Stable and skilled workforce provides a sustainable competitive advantage

Human capital remains one of the most critical competitive differentiators in the labor-intensive apparel industry, where workforce availability, skill levels and employee retention directly influence productivity, product quality and execution capabilities. Unlike several apparel exporters that continue to face challenges relating to labor availability and high employee attrition, KPR has built a stable and experienced workforce through sustained investments in employee welfare and skill development. This has enabled the company to consistently scale operations while maintaining execution excellence and supporting long-term customer relationships with global apparel brands.

Recognizing that human capital is a key competitive differentiator, the management has consistently invested in employee welfare, skill development, career progression and employee retention. The company's employee-centric initiatives have strengthened workforce stability, reduced attrition, improved productivity and supported superior execution capabilities.

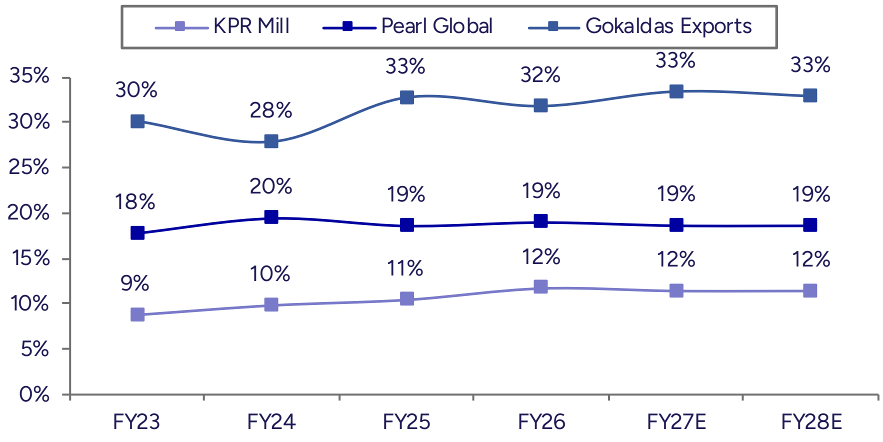
- **Residential accommodation:** KPR provides on-campus hostel facilities for employees, reducing migration-related attrition and ensuring workforce stability.

- **Higher education programs:** KPR partners with reputed universities for the ‘Learn While Earn’ program, under which its employees can pursue undergraduate and postgraduate degrees while working. During FY26, 618 employees graduated through the program, 17 secured university-level honors, and 40 advanced to professional roles within the organization, reflecting the company's focus on continuous learning and internal talent development.

- **Skill development:** KPR conducts vocational training, technical learning program and annual skill upgradation initiatives to enhance employee capabilities. 100% of employees and workers underwent skill upgradation during FY25

KPR consistently reports one of the lowest employee benefit expenses as a percentage of sales among listed apparel exporters in India, highlighting the efficiency of its labor model. In FY26, employee benefit expenses stood at 12% of sales for KPR, versus 33% for GEL and 19% for PGIL, supporting its superior 19%-20% EBITDA margin versus 9-10% for peers. KPR’s stable and skilled workforce, coupled with its larger production base, enables efficient labor-cost absorption and higher productivity. As the company scales its garment operations, we expect this structural cost advantage to sustain, allowing incremental revenue to translate into margin expansion and higher returns to shareholders.

Exhibit 83: **Lower employee cost enables higher EBITDA margins**



Source: Company, PL

KPR's advantage lies in the combination of management execution and workforce capability. The promoters have consistently invested ahead of demand in manufacturing capacity and vertical integration, while investments in employee development have enabled the company to operate this increasingly complex and capital-intensive platform efficiently. This combination of long-term strategic execution at the top and high labor productivity at the operating level creates an advantage that is difficult for smaller apparel exporters to replicate.

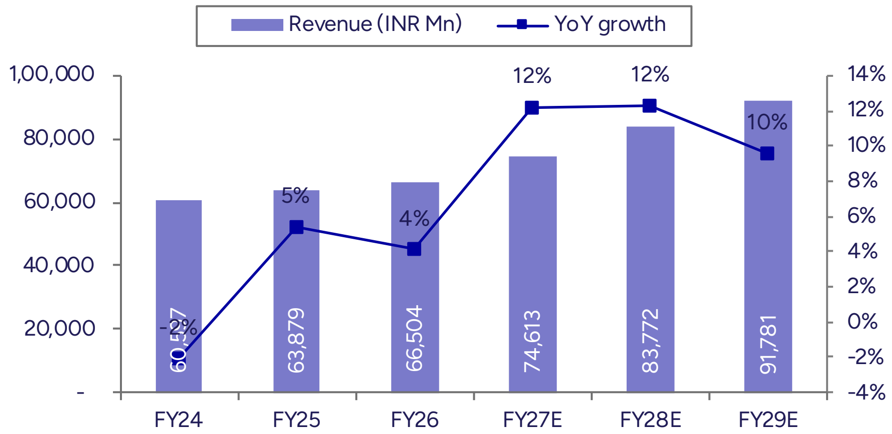
Financial Projections

Capacity addition to drive garment volumes

We expect double-digit revenue CAGR over FY26-29E as:

- Garment revenue is expected to clock 17% CAGR. We estimate volume/realization to grow at 8%/7% CAGR. In absolute terms, we estimate volume to reach ~226mn pieces by FY29 compared to 181mn pieces in FY26 and realization per piece to reach ~INR196 (vs. INR159 in FY26).
- Garment capacity is expected to increase by ~48mn pieces by Q1FY28. We estimate total capacity to reach ~252mn pieces by FY29, compared to ~204mn currently, with utilization at ~90%.
- Yarn revenue is expected to grow by 4% CAGR. We estimate yarn external sales volume to remain steady with realization to improve by 3% CAGR. We expect captive consumption to increase from ~25% currently to ~33% by FY29.
- Fabric revenue is expected to grow at 27% CAGR, led by capacity addition by 15,000mt in Q2FY28. We estimate fabric volume/realization to grow at 23%/3% CAGR. While captive consumption is expected to decline from ~67% currently to ~57% by FY29, absolute captive consumption is estimated to increase by 7% CAGR, with the incremental capacity also supporting higher external sales.
- Sugar/Ethanol revenue is expected to grow at 6%/1% CAGR, supported by higher sugar recovery and improved realization. We estimate sugar volumes to remain broadly steady, with realization increasing to INR45/kg by FY29 from ~INR38/kg in FY26. Ethanol volume is also estimated to remain constant, with realization reaching INR67/liter by FY29 vs. INR65/liter in FY26.

Exhibit 84: Revenue to grow at 11% CAGR over FY26-29E



Source: Company, PL

We estimate garments to continue to hold the dominant share in the overall revenue with its contribution increasing from 43% in FY26 to ~50% by FY29E. Yarn and fabric segment is expected to marginally lose its revenue share and contribution of sugar and ethanol will reduce from 17% to 14%.

Exhibit 85: Segmental revenue breakup

Segmental revenue (INR bn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E	FY26-29E CAGR
Garment	8.7	11.7	12.7	12.5	16.9	23.1	23.3	26.5	28.8	31.7	39.2	46.3	17.1%
Yarn	13.2	14.5	12.7	12.2	18.2	18.7	16.8	17.8	18.1	21.7	21.5	20.5	4.2%
Fabric	2.4	1.6	1.5	2.9	2.8	2.8	2.6	3.0	2.3	2.8	3.5	4.8	26.7%
Sugar	2.3	2.1	2.6	3.1	4.0	6.9	4.7	6.3	5.9	6.6	7.1	7.1	6.1%
Ethanol	-	-	0.1	1.4	2.1	3.9	6.4	4.1	5.0	5.1	5.1	5.1	1.0%
Others	3.6	3.9	3.9	3.2	4.2	6.4	6.7	6.2	6.3	6.8	7.4	8.0	8.1%
Total Revenue	**30.2**	**33.8**	**33.5**	**35.3**	**48.2**	**61.9**	**60.6**	**63.9**	**66.5**	**74.6**	**83.8**	**91.8**	**11.3%**

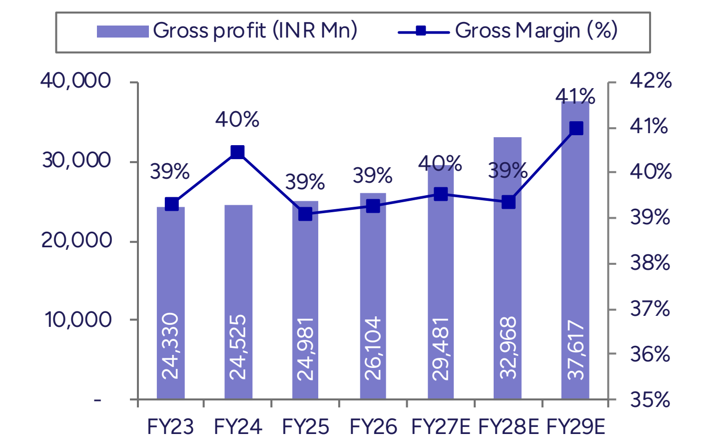
Segmental revenue (%)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Garment	29%	35%	38%	35%	35%	37%	38%	41%	43%	42%	47%	50%
Yarn	44%	43%	38%	35%	38%	30%	28%	28%	27%	29%	26%	22%
Fabric	8%	5%	4%	8%	6%	5%	4%	5%	4%	4%	4%	5%
Sugar	8%	6%	8%	9%	8%	11%	8%	10%	9%	9%	8%	8%
Ethanol	0%	0%	0%	4%	4%	6%	11%	6%	7%	7%	6%	6%
Others	12%	12%	12%	9%	9%	10%	11%	10%	9%	9%	9%	9%

Source: Company, PL

EBITDA to grow at 15% CAGR over FY26-29E

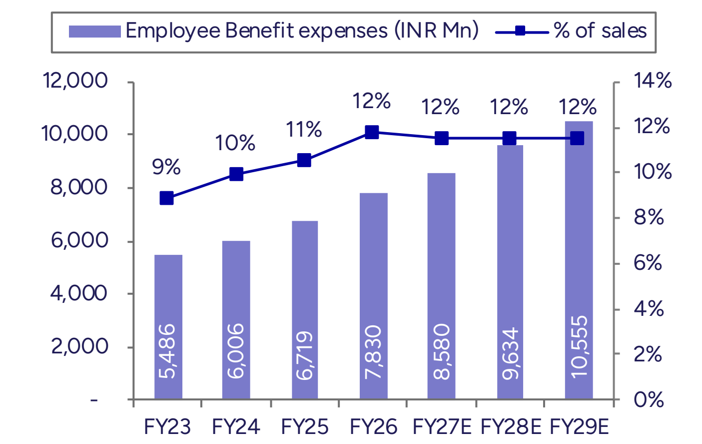
KPR's EBITDA in FY26 stood at INR12.7bn with margin of 19.1%. EBITDA has grown at a mere 1% CAGR over FY22-26, due to drop in cotton and yarn prices along with slowdown in demand. EBITDA margin has normalized from a peak of 25.3% to pre-COVID levels of ~19%. EBITDA margin in FY26 was also impacted due to tariff overhang. In FY27, EBITDA margin is expected to improve led by higher contribution from garments, reducing impact of tariffs, increasing sugar prices, steady realization improvement and operating leverage. However, as new facilities commence commercial production in FY28, EBITDA margin is expected to decline temporarily before rebounding in FY29.

Exhibit 86: New upstream capacities to improve gross margins



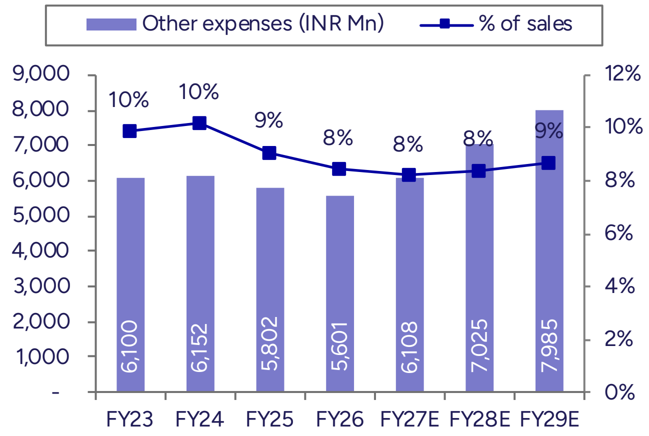
Source: Company, PL

Exhibit 87: Employee costs to improve marginally



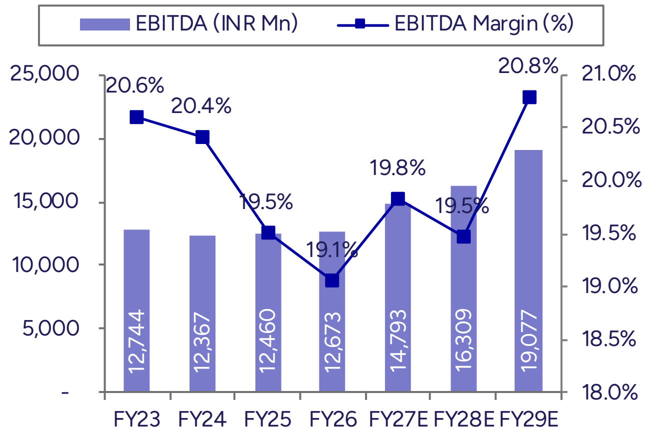
Source: Company, PL

Exhibit 88: Other expenses as % of revenue to remain steady



Source: Company, PL

Exhibit 89: EBITDA margin to expand by 170bps over FY26-29E



Source: Company, PL

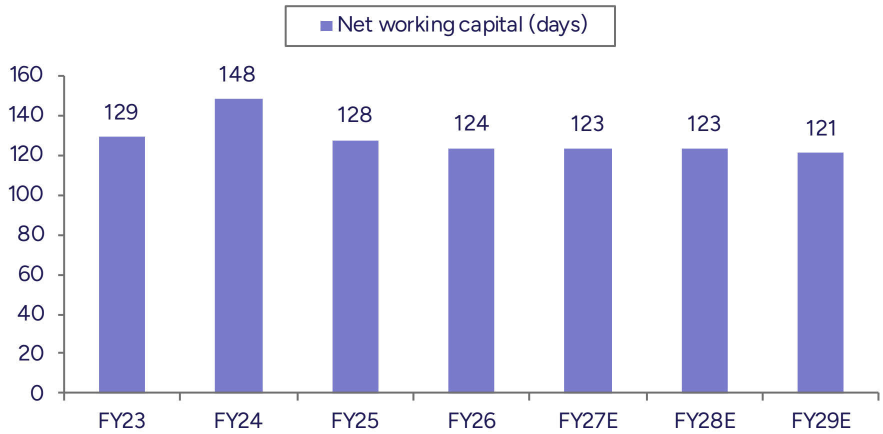
Ongoing capex-led growth to drive 13% PAT CAGR over FY26–29E

The company is executing capacity addition and modernization projects across the value chain amounting to INR12.3bn. This is expected to increase capacity by ~48mn garment pieces and a new processing factory with a capacity of 10,000mt by the end of Q1FY28. The company expects these projects to generate INR20bn in revenue going ahead at peak utilization. The funding is expected to be met through internal accruals. We estimate finance cost to rise at a moderate rate and other income to move in tandem with the revenue.

We also forecast depreciation and interest expense to see moderate growth as majority of the projects are expected to be completed by Q1FY28 and the impact will be seen post FY28. Growth in these expenses is expected to be slower than EBITDA. This is expected to support PAT margin improvement, at ~13% CAGR over FY26-29E.

Net working capital days stood close to 124 days as of FY26 end, which is the highest among listed garment players in India. We anticipate working capital days to remain steady around current level.

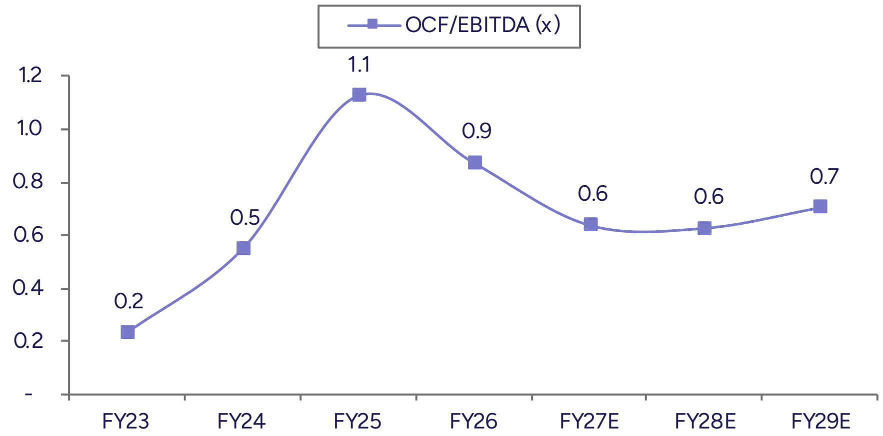
Exhibit 90: Net working capital days to remain steady



Source: Company, PL

KPR has maintained a dividend payout ratio of 20% or above during FY24–26, but we expect the payout to moderate to 17%/16%/14% (remaining constant on per share basis) in FY27E/28E/29E as the company prioritizes cash toward capacity additions and modernization. Despite subdued cash conversion during the expansion phase, KPR is expected to accumulate over INR25bn of cash by FY29E, providing ample liquidity to support future growth while maintaining a healthy balance sheet.

Exhibit 91: Higher capex intensity to keep OCF subdued



Source: Company, PL

Valuation

We estimate revenue CAGR of 11.3% over FY26-29E driven by: (1) continued shift toward the higher value garmenting segment, (2) industry-leading garment capacity and integrated yarn-to-garment operations, (3) capacity expansion and operating leverage supporting volume led growth, (4) strong presence in Europe, which positions KPR to benefit from the India-EU FTA and sourcing diversification and (5) established sugar and ethanol operations that provide an additional earnings stream.

Based on these factors, we estimate revenue/EBITDA/PAT CAGR of 11.3%/14.6%/13.2% over FY26-29E with EBITDA margin expanding by 170bps to reach 20.8%. KPR's integrated operations continue to support its industry-leading return ratios, with RoCE/RoE expected to remain strong at 21.1%/15.8%.

We assign 27x/10x/20x to Textile/Sugar/Others, respectively, based on their respective growth profiles, earnings visibility, scale and business cyclicality, on Sep'28E EV/EBITDA. Textile command a higher multiple given its stronger growth outlook, increasing contribution to the business and greater value-addition potential.

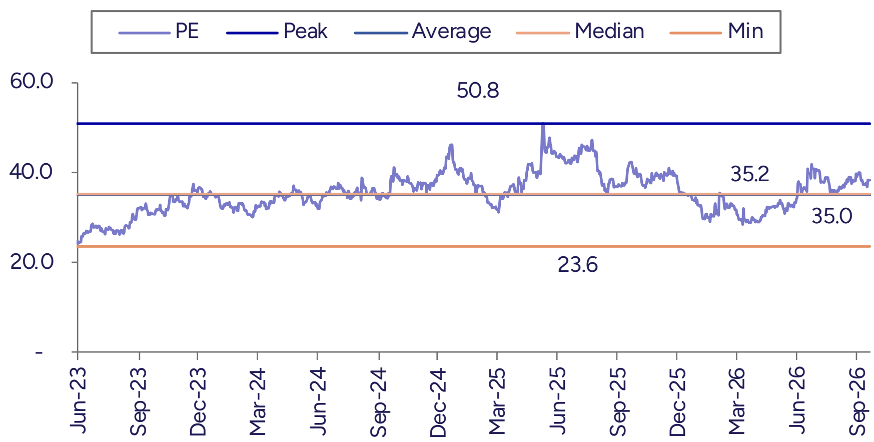
We initiate coverage on KPR with 'Accumulate' rating and SoTP-based TP of Rs1,259 which implies 21x EV/EBITDA Sep'28E and 37.1x Sep'28E earnings

Exhibit 92: SoTP Valuation

Sep'28	EBITDA (INR mn)	Target EV/EBITDA (x)	EV (INR mn)
Textile	17,351	23	3,99,062
Sugar	2,244	10	22,444
Others	47	10	465
EV			4,21,972
Gross Debt			5,961
Cash & bank balance			14,309
Less: Net debt			(8,348)
Equity value			4,30,320
No of o/s shares			342
TP (INR)			**1,259**

Source: PL

Exhibit 2: 1-year forward P/E band chart



Source: Company, PL

Exhibit 93: Peer comparison

Particulars	Revenue (INR mn)			EBITDA (INR mn)			PAT (INR mn)			P/E (x)		
	FY26	FY28E	CAGR (%)	FY26	FY28E	CAGR (%)	FY26	FY28E	CAGR (%)	FY26	FY27E	FY28E
KPR Mill	66,504	83,772	12%	12,673	16,309	13%	8,665	10,649	11%	44.0	39.0	35.8
Pearl Global	50,246	63,804	13%	4,639	6,999	23%	2,700	4,486	29%	38.0	28.7	23.4
Gokaldas Exports	39,876	58,196	21%	3,564	6,582	36%	1,001	2,788	67%	50.6	33.3	18.2

Source: Company, PL

Exhibit 94: Peer comparison contd.

Particulars	RoE (%)				RoCE (%)				Net working capital (days)			
	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E	FY25	FY26	FY27E	FY28E
KPR Mill	17.4	16.2	16.0	15.3	18.9	17.9	18.5	18.0	128	124	123	123
Pearl Global	25.8	21.1	22.8	23.2	19.8	17.4	20.1	21.2	38	43	43	43
Gokaldas Exports	9.4	4.7	6.8	11.4	9.8	6.1	6.7	11.0	82	103	86	86

Source: Company, PL

Annexures

Key Management Personnel and Board of Directors

KPR is led by an experienced management team with deep domain expertise and a long operating track record across textiles and related businesses. The leadership has demonstrated a consistent focus on capacity expansion, vertical integration and diversification, while maintaining a disciplined approach to capital allocation. The presence of long-standing members of the promoter and management team provides continuity in strategic decision-making, while the Board brings a mix of industry experience and independent oversight.

- **KP Ramasamy:** Began his entrepreneurial journey in 1971 as a power loom manufacturer and, with the support of his brothers, built KPR into a leading integrated textile enterprise. Beyond business growth, his leadership has been distinguished by a strong focus on employee welfare, particularly through higher education and skill development initiatives aimed at empowering the workforce.

- **KPD Sigamani:** Brings over 3 decades of experience in the textile and apparel industry and leads KPR's apparel division, a key growth driver for its export business. His leadership has been instrumental in scaling KPR's garment operations and strengthening its presence across global markets.

- **P Nataraj:** Brings over 3 decades of experience in the textile and apparel industry and serves as Promoter & Managing Director of KPR Group. He has played a key role in scaling KPR's textile and apparel operations and strengthening its industry presence. He has also served as Chairman of the Southern India Mills' Association and is currently a member of the Cotton Yarn Advisory Board constituted by the Government of India.

Exhibit 95: **Management**

Name	Position
KP Ramasamy	Chairman, KPR Group
KPD Sigamani	MD
P Nataraj	MD
CR Anandakrishnan	Executive Director
EK Sakthivel	Executive Director
P Selvakumar	Whole-time Director
M Alagiriswamy	Independent Director
Bhuvaneshwari	Independent Director
KV Ramananda Rao	Independent Director
K Thangavelu	Independent Director
R Sridharan	Independent Director
MV Jeganathan	Independent Director

Source: Company, PL

KPR's management combines deep industry experience with a strong execution track record and long-term focus on capacity expansion and vertical integration. Promoter-led leadership provides strategic continuity, while the Board's experience and oversight support sound governance. Its proven ability to scale operations, diversify and drive operational efficiency positions the company well for next phase of the textile industry's growth story.

Key Risks

- **Raw material cost pressures:** Volatility in cotton, yarn, energy and other input prices can impact KPR's cost structure and margins. While its vertically integrated model provides partial insulation from input price fluctuations, a sharp or sustained increase in raw material costs could pressure profitability if not passed on to customers.

- **Weakness in global apparel demand:** KPR's growth is increasingly driven by its garments business, with exports accounting for a significant portion of garment sales. Any slowdown in consumer demand across key markets such as the US and Europe could impact order inflows, capacity utilization and revenue growth.

- **Execution risk in garment capacity expansion:** KPR is scaling its garment capacity by ~48mn pieces to support long-term volume growth. Any delays in commissioning new capacity, lower-than-expected utilization or difficulties in securing orders could defer the expected operating leverage and margin benefits from the expansion.

- **Labor availability and wage inflation:** Apparel manufacturing is labor-intensive, and disruptions in workforce availability, higher wage costs or rising employee attrition could affect production efficiency and margins. While KPR's strong employee retention and welfare initiatives provide an advantage, sustained wage inflation or labor shortages remain structural industry risks.

- **Policy and commodity risk in sugar & ethanol:** Profitability remains sensitive to sugarcane availability, sugar prices and ethanol realization, while government interventions on cane pricing, sugar exports and ethanol blending can materially impact segment margins and cash flows. Any adverse change in these factors could weigh on KPR's earnings from the segment.

Financials

Income Statement (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Net Revenues	**66,504**	**74,613**	**83,772**	**91,781**
YoY gr. (%)	*4.1*	*12.2*	*12.3*	*9.6*
Cost of Goods Sold	40,400	45,132	50,804	54,165
Gross Profit	26,104	29,481	32,968	37,617
Margin (%)	*39.3*	*39.5*	*39.4*	*41.0*
Employee Cost	7,830	8,580	9,634	10,555
Other Expenses	5,601	6,108	7,025	7,985
EBITDA	**12,673**	**14,793**	**16,309**	**19,077**
YoY gr. (%)	*1.7*	*16.7*	*10.2*	*17.0*
Margin (%)	*19.1*	*19.8*	*19.5*	*20.8*
Depreciation and Amortization	2,156	2,401	2,748	2,975
EBIT	**10,517**	**12,392**	**13,561**	**16,101**
Margin (%)	*15.8*	*16.6*	*16.2*	*17.5*
Net Interest	516	599	615	629
Other Income	1,339	999	999	999
Profit Before Tax	**11,340**	**12,792**	**13,945**	**16,472**
Margin (%)	*17.1*	*17.1*	*16.6*	*17.9*
Total Tax	2,675	3,023	3,296	3,893
Effective Tax Rate (%)	*23.6*	*23.6*	*23.6*	*23.6*
Profit After Tax	**8,665**	**9,768**	**10,649**	**12,579**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**8,665**	**9,768**	**10,649**	**12,579**
YoY gr. (%)	*6.3*	*12.7*	*9.0*	*18.1*
Margin (%)	*13.0*	*13.1*	*12.7*	*13.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**8,665**	**9,768**	**10,649**	**12,579**
YoY gr. (%)	*6.3*	*12.7*	*9.0*	*18.1*
Margin (%)	*13.0*	*13.1*	*12.7*	*13.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,665	9,768	10,649	12,579
Equity Shares O/s (mn)	**342**	**342**	**342**	**342**
EPS (INR)	**25.4**	**28.6**	**31.2**	**36.8**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Non-Current Assets				
Gross Block	**40,976**	**48,976**	**53,976**	**57,476**
Tangibles	40,967	48,967	53,967	57,467
Intangibles	10	10	10	10
Acc: Dep / Amortization	**16,956**	**19,357**	**22,105**	**25,080**
Tangibles	16,956	19,357	22,105	25,080
Intangibles	-	-	-	-
Net Fixed Assets	**24,020**	**29,619**	**31,871**	**32,396**
Tangibles	24,010	29,610	31,862	32,386
Intangibles	10	10	10	10
Capital Work In Progress	631	631	631	631
Goodwill	7	7	7	7
Non-Current Investments	465	465	465	465
Net Deferred Tax Assets	(1,450)	(1,450)	(1,450)	(1,450)
Other Non-Current Assets	1,360	1,360	1,360	1,360
Current Assets				
Investments	626	626	626	626
Inventories	18,440	20,600	23,189	24,723
Trade Receivables	6,399	7,179	8,061	8,831
Cash & Bank Balance	13,683	13,475	17,019	25,253
Other Current Assets	2,607	2,607	2,607	2,607
Total Assets	**68,329**	**76,660**	**85,926**	**96,989**
Equity				
Equity Share Capital	342	342	342	342
Other Equity	56,634	64,693	73,633	84,502
Total Networth	**56,976**	**65,035**	**73,975**	**84,844**
Non-Current Liabilities				
Long Term Borrowings	258	258	258	258
Provisions	47	47	47	47
Other Non Current Liabilities	24	24	24	24
Current Liabilities				
ST Debt / Current of LT Debt	5,703	5,703	5,703	5,703
Trade Payables	2,326	2,598	2,925	3,119
Other Current Liabilities	1,541	1,541	1,541	1,541
Total Equity & Liabilities	**68,328**	**76,660**	**85,926**	**96,989**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
PBT	11,340	12,792	13,945	16,472
Add. Depreciation	2,156	2,401	2,748	2,975
Add. Interest	516	599	615	629
Less Financial Other Income	1,339	999	999	999
Add. Other	(933)	(644)	(644)	(644)
Op. Profit before WC Changes	13,079	15,147	16,663	19,431
Net Changes-WC	532	(2,668)	(3,144)	(2,111)
Direct Tax	2,532	3,023	3,296	3,893
Net Cash from Op. Activities	**11,078**	**9,456**	**10,224**	**13,427**
Capital Expenditures	(2,522)	(8,000)	(5,000)	(3,500)
Interest / Dividend Income	640	639	639	639
Others	(8,801)	5	5	5
Net Cash from Invt. Activities	**(10,683)**	**(7,356)**	**(4,356)**	**(2,856)**
Issue of Share Cap. / Premium	-	-	-	-
Debt Changes	1,300	-	-	-
Dividend Paid	(1,709)	(1,709)	(1,709)	(1,709)
Interest Paid	(493)	(599)	(615)	(629)
Others	-	-	-	-
Net Cash from Fin. Activities	**(902)**	**(2,308)**	**(2,324)**	**(2,338)**
Net Change in Cash	**(507)**	**(208)**	**3,544**	**8,234**
Free Cash Flow	7,930	1,456	5,224	9,927

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net Revenues	**16,320**	**14,674**	**17,847**	**19,355**
YoY gr. (%)	*10.3*	*(4.0)*	*0.9*	*9.6*
Raw Material Expenses	9,867	8,183	10,897	11,479
Gross Profit	6,454	6,491	6,950	7,876
Margin (%)	*39.5*	*44.2*	*38.9*	*40.7*
EBITDA	**3,142**	**2,945**	**3,483**	**3,748**
YoY gr. (%)	*6.0*	*(2.6)*	*4.7*	*20.8*
Margin (%)	*19.3*	*20.1*	*19.5*	*19.4*
Depreciation / Depletion	538	542	543	565
EBIT	**2,604**	**2,403**	**2,940**	**3,184**
Margin (%)	*16.0*	*16.4*	*16.5*	*16.4*
Net Interest	122	108	147	145
Other Income	239	335	405	347
Profit before Tax	**2,721**	**2,630**	**3,198**	**3,386**
Margin (%)	*16.7*	*17.9*	*17.9*	*17.5*
Total Tax	541	544	926	800
Effective Tax Rate (%)	*19.9*	*20.7*	*29.0*	*23.6*
Profit After Tax	-	-	-	-
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,180**	**2,086**	**2,272**	**2,585**
YoY gr. (%)	*6.4*	*3.1*	*11.1*	*21.6*
Margin (%)	*13.4*	*14.2*	*12.7*	*13.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**2,180**	**2,086**	**2,272**	**2,585**
YoY gr. (%)	*6.4*	*3.1*	*11.1*	*21.6*
Margin (%)	*13.4*	*14.2*	*12.7*	*13.4*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**2,180**	**2,086**	**2,272**	**2,585**
Avg. Shares O/s (mn)	342	342	342	342
EPS (INR)	**6.4**	**6.1**	**6.6**	**7.6**

Source: Company, PL

Key Financial Metrics

Y/e Mar	FY26	FY27E	FY28E	FY29E
Per Share (INR)				
EPS	25.4	28.6	31.2	36.8
CEPS	31.7	35.6	39.2	45.5
BVPS	166.7	190.3	216.4	248.2
FCF	23.2	4.3	15.3	29.0
DPS	5.0	5.0	5.0	5.0
Return Ratio (%)				
RoCE	17.9	18.5	18.0	18.9
ROIC	18.1	17.9	17.9	20.7
RoE	16.2	16.0	15.3	15.8
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	124	123	123	121
Valuation (x)				
PER	44.0	39.0	35.8	30.3
P/B	6.7	5.9	5.2	4.5
P/CEPS	35.2	31.3	28.4	24.5
EV/EBITDA	29.4	25.2	22.7	18.9
EV/Sales	5.6	5.0	4.4	3.9
Dividend Yield (%)	0.4	0.4	0.4	0.4
FCFF Yield (%)	2.1	0.4	1.4	2.6
PEG Ratio	7.0	3.1	4.0	1.7

Source: Company, PL

Notes

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Pearl Global Industries	Accumulate	1167	1110

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Accumulate : 5% to 15%
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Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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