

Gokaldas Exports: CEO-Led Turnaround With Asymmetric Upside

V.P. Rajesh and Saurabh Basrar of Banyan Capital Advisors presented Gokaldas Exports Ltd. (India: GOKEX) at Asian Investing Summit 2026.

Thesis summary (by MOI Global):

Gokaldas Exports is among India's top three ready-made garment (RMG) exporters, manufacturing and exporting apparel for women (52% of FY25 revenue), men (38%), and children (9%) to global brands including Gap, JC Penney, Columbia, A&F, and Carhartt. Customer relationships are deep — 84% of revenue comes from 10-plus-year customers — with the geographic mix at 73% US, 8% EU and UK, and 19% rest of world. The footprint spans 30+ facilities across India, Kenya, and Ethiopia, with annual capacity of ~87 million garments.

Founded in 1979 and acquired by Blackstone in 2008, the business flatlined for a decade before being sold in 2017. Siva Ganapathy became MD in late 2017 and orchestrated a turnaround, growing revenue at a 19% CAGR over FY17-25 and lifting operating EBITDA margin from -3.3% to 9.5%. Siva owns ~2% via ESOPs. He has since executed three value-accretive deals: Atraco (Jan. 2024, \$71 million EV at 7.3x EBITDA) for Kenyan/Ethiopian capacity with duty-free US/UK/EU access; Matrix Clothing (Feb. 2024, Rs. 4.9 bn EV at 6.9x EBITDA) for knitted-garment capability and European reach; and a pending acquisition of BRFL Textiles (Rs. ~10 bn EV at 0.6x revenue at optimal utilization) for backward integration into fabric processing.

Multiple tailwinds support a step-change in profitability through FY28. The China-plus-one supply chain shift, India's UK FTA (effective Q2 CY26) and EU FTA (effective January 2027), and the US trade deal at a 10% tariff position Gokex to capture share. Backward integration via BRFL is expected to add Rs. 12 bn of external revenue and Rs. 2 bn of EBITDA at a 16.7% margin in FY28. Total revenue is projected to compound at a 27% CAGR to Rs. 64 bn in FY28, with operating EBITDA scaling to Rs. 8 bn at a 12.5% margin, versus a tariff-depressed 8.4% in FY26E.

The shares recently traded at Rs. 660, equating to a market cap of Rs. 48.3 bn (~\$517 million) and EV of Rs. 50.8 bn, or 14x TTM EV/Op. EBITDA on a depressed earnings base. Banyan's base case applies a 25x P/E (versus the 5-year median of 33x) to FY28E EPS of Rs. 38.4 for a target of Rs. 959, implying ~45% upside, or roughly 20% annualized. The bull case at 30x on Rs. 47 EPS yields Rs. 1,411 (114% upside), while the bear case implies a modest -7% return to Rs. 615. The implied EV/Op. EBITDA at the base-case target is ~10x, well within the historical range.

The following transcript has been edited for space and clarity.

Saurabh Basrar: Standard disclaimer up front: the firm owns the stock we are discussing, so this is not a recommendation to buy or sell.

A quick word on the firm. Banyan Capital is a SEBI-registered PMS firm, 14 years in operation,

managing a little over \$100 million — \$54 million on the PMS side and roughly \$50 million in wealth advisory. The portfolio managers have about \$5 million of their own capital invested in the same strategies. We run four PMS strategies: Banyan India Portfolio (small-cap), Banyan Edhas Portfolio (absolute-return, market-cap-agnostic), Banyan Leaders Portfolio (large- and mid-cap), and Banyan Yield Plus (special situations). Detailed performance across time periods is on the APMI website. The portfolio managers have a combined six decades of investing experience across multiple cycles, supported by a research team of five analysts.

Before today's idea, a quick update on the two we presented previously. GHCL Textiles — presented in 2024 at 85 rupees and a market cap of 8 billion — is still around the same price, but the business has improved meaningfully. Sales are up 18%, from 10.5 to 12.4 billion rupees; operating margins have moved from 7.5% to 10%; and profit has more than doubled, from 250 million to 570 million. Our original thesis called for a ramp to roughly 15% long-range EBITDA margins; we are running below that, largely because of US tariffs over the last 12 to 15 months. The thesis has elongated, but we remain bullish — the stock still trades at just over half of book value.

Gujarat Ambuja Exports, presented last year at 110 rupees and a 50 billion market cap, is up 40% as of yesterday. The business is largely maize processing — starch and its derivatives. The maize-processing cycle bottomed out in September, and maize prices are down 15% to 20% over the last four or five months, which should feed meaningfully higher margins and cash flows in the coming year. Two factors drove the price decline: high maize prices over the prior two years pulled in more acreage and production; and the government's allowance of broken rice for ethanol reduced maize demand from that end-market. The fermentation build-out is on track — the first 30,000-ton plant is commissioned, and the remaining three plants (another 90,000 tons) will be commissioned by December 2026. That is a considerably higher-margin business, so we continue to see meaningful upside from here.

Now to today's idea — Gokaldas Exports, which we will call Gokex. It is an apparel manufacturer trading at 660 rupees as of April 13, market cap of 48 billion rupees — a little over half a billion US dollars — with promoter shareholding of 9.2%.

The investment rationale. Gokex is among the top three ready-made garment exporters in India with an aspiration to become number one. The industry tailwinds are strong: the US trade deal, FTAs with the UK and EU in progress, and the China-plus-one sourcing shift. Margin expansion will come from backward integration into fabric manufacturing and processing via the recent acquisition of BRFL Textiles. The manufacturing footprint is diversified — over 31 facilities in India plus operations in Kenya and Ethiopia. Growth visibility over the next two to three years is strong, driven by both product mix and backward integration. CEO Siva Ganapathy has an excellent track record — he has led the turnaround over the last seven to eight years and has been a disciplined, value-accretive acquirer. Alignment of interest is solid: he holds about 2% through ESOPs. And the current valuation does not, in our view, capture the upside from the pending BRFL acquisition. On balance, a compelling risk-reward at this stage.

The business. Gokex is a manufacturer and exporter of ready-made garments. Revenue mix: 52% womenswear, 38% menswear, and 9% children's garments. The customer base is leading international fashion brands and retailers — Gap, JC Penney, Columbia, A&F, and Carhartt among the keys. Over 98% of customers have a five-plus-year relationship with Gokex and 84% have ten-plus years — so the vintage is extremely long. Geographic mix: 73% US, 8% EU and UK, and 19% rest of world including India. Management is actively diversifying toward EU and UK, and the FTAs should accelerate that.

A bit of history. The company was founded by Jhamandas H. Hinduja in 1979 and remained a traditional family-run business through its 2005 IPO, with the Hinduja family retaining majority control. In March 2008, Blackstone acquired a controlling stake, but over the following ten years the business flatlined — EBITDA and PAT losses in most years. Blackstone eventually sold the stake to Clear Wealth Consultancy Services, which was controlled by Mathew Cyriac — a Blackstone partner who had been responsible for the original Gokex investment and left to set up CWCS. Siva was appointed MD in December 2017 and turned the business around over the next several years. Revenue has compounded at 19% over the last eight years, and operating EBITDA margin has moved from losses in FY17 and FY18 to 9.5% today. With that, I'll hand over to VP to take you through the acquisitions and the forward thesis.

VP Rajesh: Atraco was the first acquisition — announced in August 2023 and consummated in January 2024. The logic: it diversified the manufacturing base outside India, with four facilities in Kenya and one in Ethiopia. The valuation was reasonable at roughly 7.3x EBITDA. On product, Gokex was primarily in fashionwear and outerwear — 80% to 85% of the business — while Atraco brought bottomwear- and topwear-heavy mix, which is why its 9% EBITDA margin was slightly below Gokex's. But it completed the product portfolio and gave duty-free access to the US, UK, and EU — particularly valuable in EU and UK where Gokex had limited presence. It also added new customers: JC Penney was the only common customer between the two businesses. The acquisition checked the box on product, customer, manufacturing footprint, and duty-free access.

The second acquisition, Matrix Clothing, closed in February 2024. The multiple was again reasonable at 7x EBITDA. Matrix's EBITDA margin was higher at 12% because it was doing more value-added product not in Gokex's portfolio. It opened doors further into Europe — 55% of Matrix's revenue was European, especially UK. And it expanded the product set: Gokex was woven-only, while 85% of Matrix's revenue came from knitted garments, so the combined business can now go to a customer with a comprehensive woven-plus-knitted offering. Matrix also brought a manufacturing base in the low-cost state of Jharkhand — specifically Ranchi — in addition to its Gurgaon operations.

The third transaction is the most interesting. BRFL was in bankruptcy — in India we call it the NCLT process. Siva first made an investment in the middle of 2024, took management control, and once he saw how important BRFL could be to Gokex's future, announced a merger last year with an increased investment. It is a complex transaction, and the good news is we expect it to come out of NCLT by September this year. Gokex will pay roughly 600 crores — 6 billion rupees — with enterprise value around 10 billion including some assumed debt. Capacity utilization was very low due to NCLT, but at optimal utilization they are paying only 0.6x revenue. The benefits: certainty of raw-material supply through backward integration into fabric processing; and attractive economics — two-thirds of BRFL's output will be sold externally, one-third consumed internally. At optimal capacity, BRFL can do roughly 16% EBITDA margin — potentially 18%, but we model 16%. That translates to about 12 billion rupees of additional top line and 2 billion of EBITDA in FY28. If the transaction closes in September 2026, ramp-up takes another six months, so only half of FY27 counts — which is why we focus on FY28 for the full-year benefit.

A word on financing. During the first phase of the turnaround, ROE and ROCE moved up nicely to around 20%. Once the acquisition path began, the pattern has been to fund transactions with debt and then pay down with equity issuance. I should note that in fiscal 2019 and 2022, during the turnaround itself, significant dilution was needed to shore up working capital and pay down earlier debts. But the business today is solid, generating 20%-

plus returns. For the pending BRFL transaction, they are issuing roughly 40 lakh shares — a 5% to 6% dilution — with the balance paid in cash supported by debt. One note: in every acquisition except Matrix, Gokex also took on the target's debt, which is why leverage creeps up before the equity issuance brings it back down.

Before the forward outlook, a bit on end-markets. India exports roughly \$37 billion of textiles, of which about \$16 billion is apparel — the addressable market for Gokex. EU and US together are about 70% of that \$16 billion. Keep those figures in mind. India's share of US apparel imports has been growing but is still only about 6%, with room to expand as customers pursue supply-chain diversification. On cost, India is competitive versus China and Vietnam. Bangladesh used to be cheaper, but following Bangladesh's December 2023 wage revision and India's own wage inflation, the cost stack — primarily wages and electricity — has India cheaper than Vietnam and China and roughly even, or slightly cheaper, than Bangladesh. Before the US tariffs last April, this was clearly the most attractive growth vector. For the EU and UK, Indian exports historically faced 12% duty versus 0% for Bangladesh, Vietnam, and Cambodia — we were structurally disadvantaged. With FTAs now signed with both the UK and EU, the prospects are looking quite bright.

On subsidies: the Indian government has a scheme called RoSCTL, started in 2019. It was set to expire in March but has been extended for six months, and our view is that it continues for the next several years — textiles is a critical employment sector, and the government is unlikely to disturb it given the geopolitical backdrop. Gokex captures roughly 3% to 3.5% of revenue from RoSCTL, but it is an open secret — customers like Gap and A&F have it baked into pricing negotiations, so the real commercial sensitivity is limited. Management estimates that if the scheme were withdrawn, there would be a 200 bps hit to EBITDA margin for two to four quarters before pricing adjusts. There are also smaller incentives — import-duty waivers on machinery, state-level incentives for hiring women, and some power subsidies — but RoSCTL is the material one, and it is already in the customer pricing conversation.

Onto the numbers. In fiscal 2024, Gokex did 24 billion rupees of revenue — Atraco and Matrix were only in Q4, so the first three quarters were standalone. Margin was 10.7% and operating EBITDA 2.5 billion. In fiscal 2025, with Atraco and Matrix contributing for the full year, revenue jumped 62% to 38.6 billion — the majority from the acquisitions, but the base business also grew around 13%. Operating EBITDA margin was down 110 bps, but operating EBITDA rose to 3.7 billion. This year should have been a growth year, but US tariffs changed that — revenue will be roughly 40 billion with margins down to 8.4%. Management's response was smart. They gave discounts to US customers, structured so that the discounts reverse immediately the day tariffs come off — no delay — which preserved the customer relationships. In parallel, they leaned into EU and UK, since after the customer discount and the 12% duty the net realization was roughly the same as in the US, and they could see the FTAs coming. The second lever was passing some pain to suppliers and driving operational efficiencies. Atraco also helped — its ~800 crore revenue base faced only 10% tariffs across US, UK, and EU. Rupee depreciation contributed as well. We expect full-year operating EBITDA of 3.4 billion.

The reason we are excited is the combination of growth drivers. The US trade deal at 10% tariff is a big positive. The UK FTA should take effect next quarter. The EU FTA is scheduled for January of next year, so effectively fiscal 28 — which is why we anchor the numbers there. BRFL is the fourth driver: by FY28 it is fully integrated and fully ramped, delivering a substantial revenue and EBITDA contribution. They are also adding manufacturing capacity in India and Kenya. Historically, Gokex was primarily Karnataka-based — a high-cost state. They have since expanded into Jharkhand, Haryana, the south, and Madhya Pradesh, capturing

state subsidies and diversifying the footprint. Pulling it all together: by FY28, base-business revenue can reach 52 billion rupees — a 14% CAGR. More importantly, base-business operating EBITDA can rise from 3.4 billion this year to 6 billion. Adding BRFL, total revenue can compound at 26% to 27% and operating EBITDA jumps to 8 billion. Margin will have expanded to 12.5%. The 8.4% this year is depressed — it would have been roughly 10.5% without the US tariff drag — so you get that normalization plus another 200 bps of improvement, driven primarily by BRFL and ongoing cost work.

Valuation. As of April 13, market cap is 48 billion rupees with 2.5 billion of debt, so EV is about 51 billion. Earnings and EBITDA are depressed this year, so the optics are elevated — 45x P/E and 14x operating EBITDA on a depressed base. In our base case, 8 billion of operating EBITDA translates to roughly 3 billion of PAT and 38.4 rupees of EPS. The bear case assumes BRFL hiccups or delayed capacity plus a modest margin shortfall, which still delivers 31 rupees of EPS comfortably. The bull case is 65 billion of revenue, 9 billion of operating EBITDA, 3.6 billion of PAT, and 47 rupees of EPS. Frankly, I would be disappointed if they did not clear 40 rupees. On multiples, the five-year median and average are both around 32x, but we think those are too high, so we apply 25x in the base case and 30x in the bull. Run the math and you get an upside of 45% to 115% over two years — roughly 20% to 50%-plus annualized. The stock is at 660; the worst case given everything that has transpired globally is somewhere around 600 to 650, and upside is 960 to 1,400. Implied EV-to-operating-EBITDA at the target is about 10x in the base case and 12.5x in the bull — well within the historical range. A classic situation where downside is contained and the upside is asymmetric.

Risks. The business remains very dependent on the US, so if consumer demand weakens — rates or otherwise — Gokex is exposed. The mitigating factor is that penetration within each customer is low, and the shift toward EU and UK dampens the concentration. The same logic applies to geographic and customer concentration — the largest customer is 25% today and should decline as EU and UK grow. RoSCTL withdrawal is a watch item, as discussed. The one we spend the most time on is key-man risk: Siva is a one-man army building his team, and that work is still in progress. Management and the board have not shied away from equity dilution — we don't love it, but given the M&A track record we are comfortable. And supply-chain disruption is a global macro risk worth calling out.

Q&A Session:

Q: Could you expand a bit on capital allocation going forward — what you expect the mix to look like over the next couple of years, and whether there is anything you would prioritize differently than management?

A: Management has used equity dilution to fund the strategic objective of becoming India's number-one exporter. They are still number three — the leader does a little north of a billion dollars of revenue. With the pending acquisitions, Gokex reaches 60 to 70 billion rupees, which is another year or two of growth beyond FY28 before they are at that target. So I would not be surprised to see one or two more acquisitions to add capability or customer penetration, financed with debt and subsequently refinanced through equity. That dilution risk is real. Once they are the largest, I expect a more prudent M&A posture — that's my expectation, and we interact with management on this question. That said, look at BRFL: they will spend about 10 billion rupees and get at least 2 billion of EBITDA in FY28 — 5x on just the external piece. If they ended up consuming more internally, the implied multiple is even cheaper. As an ex-M&A banker, what I look at is whether the acquisitions are creating value for shareholders. As long as the transactions are synergistic from day one and clearly accretive, I am comfortable.

Q: And in terms of tracking the thesis going forward, what are the key data points to watch?

A: The first milestone is what US customers do with the discount structure — rolling discounts back or settling at 10% in line with the current tariff. We will be watching the Q4 call for that. The second is the EU and UK revenue share — already 14% in Q3, and we expect it to keep climbing, with 20%-plus by FY28 a reasonable target. The third is completion of the BRFL acquisition around September, which reshapes the FY28 growth story. And the fourth is the BRFL ramp — 60% capacity utilization by March, then to 75% by the end of next financial year. Those are the milestones over the next six to nine months.

About the instructors:

V.P. Rajesh started Banyan Capital Advisors in New Delhi, India in November 2011 to manage outside capital using investment principles espoused by likes of Graham, Buffett, Munger, Klarman and Lynch. V.P. relocated to New Delhi from San Francisco in 2007 and started investing full-time in the Indian stock market in his personal portfolio. Prior to that, he was an Investment banker for over 10 years specializing in mergers and acquisitions. During his banking career with J.P. Morgan Chase, Deutsche Bank, Piper Jaffray and Thomas Weisel Partners in New York and San Francisco, he completed transactions worth over \$27 billion. V.P. is an MBA from the University of Michigan's Ross Business School with a distinction and has a B.E. (Hons.) degree from BITS, Pilani, India.

Saurabh Basrar is a Portfolio Manager at Banyan Capital Advisors. He has fifteen years of experience in portfolio management and equity research. His prior experience includes positions at Fidelity, A.T. Kearney, and Citibank. Saurabh is a rank holder chartered accountant, member of the CFA Institute, and a graduate of Sri Ram College of Commerce. He is also the author of the bestselling book, "Masterclass with Super-Investors".

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