Indian Textiles

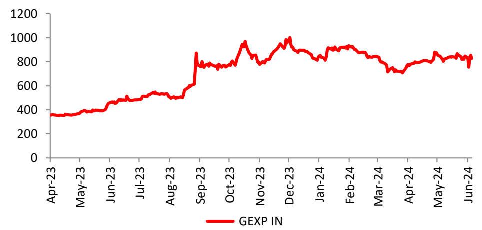
11 June 2024

Volume growth trajectory intact, realization to remain stable

SECTOR UPDATE

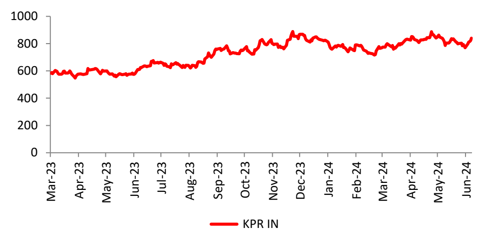
Industry	Textile and Apparels

Gokaldas Exports Stock Performance (1-year)



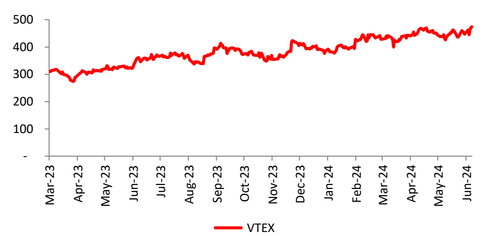
Source: Systematix Institutional Research

KPR Mill Stock Performance (1-year)



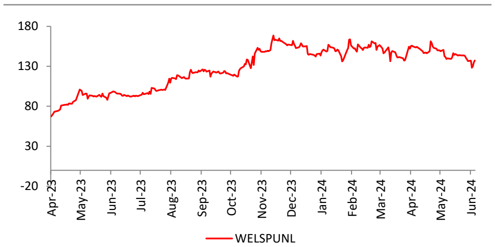
Source: Systematix Institutional Research

Vardhman Textiles Stock Performance (1-year)



Source: Systematix Institutional Research

Welspun Living Stock Performance (1-year)



Source: Systematix Institutional Research

Pratik Tholiya
pratiktholiya@systematixgroup.in
+91 22 6704 8028

Yogeeta Rathod
yogeetarathod@systematixgroup.in
+91 22 6704 8081

Swati Saboo
swatisaboo@systematixgroup.in
+91 22 6704 8043

Textile companies reported healthy YoY improvement in operating profit in 4QFY24, led by higher volumes and benign raw material (RM) prices. Topline growth stayed healthy, as volume growth offset diminishing realizations. However, soft cotton prices (down 3% YoY and up 5% QoQ) aided the gross margin expansion of companies under our coverage, which though was sequentially lower. Cotton prices at Rs 59,000-62,000/candy render the Indian industry competitive in the global arena in the prevailing scenario. Companies expect normalizing global demand coupled with muted RM costs to improve volume growth in the medium term. Garment sales volumes improved YoY in 4QFY24 on higher inventory liquidation as global retailers witnessed demand recovery. Similarly, home textile companies too continued to see healthy volumes in 4QFY24. We expect demand momentum to sustain in FY25 and volume growth to gradually outpace inventory on easing inflation, normalized channel inventory, improving supply chain trends and expected cuts in interest rates. Aggregate revenue of textile companies under our coverage increased by 8% YoY and 12% QoQ, lower than our estimate. The industry witnessed 150bps YoY and 70bps QoQ margin expansion, with aggregate EBIDTA margin at 14%, driven by benign RM costs and change in product mix. Aggregate EBITDA increased 21% YoY and 18% QoQ, while APAT increased 19% YoY, largely contributed by 24% YoY growth in Vardhman Textiles' (VTEX) PAT. Improving volume trends and stable realizations have led us to raise our earnings estimates for VTEX and KPR Mill (KPR). We have trimmed our EPS for WELSPUNL to adjust for the flat YoY EBITDA margin guidance for FY25.

Stable cotton prices make the Indian textile industry competitive

Currently cotton prices in India rule at Rs 59,000-62,000/candy, and we believe it will likely continue to trade in this range this year. International cotton prices though are trading 3-4% lower than domestic prices. The industry expects 1HFY25 domestic cotton prices to trade at 1HFY24 levels of ~Rs 58,000-Rs 65,000/candy. Companies have managed to better plan their marketing and business strategies and improve business performance due to stable RM prices.

Exports gradually start picking up in 4QFY24

Indian yarn exports currently hover at the normal range (pre-COVID levels) of 105-110 mn kg per month, indicating stable export demand. However, subdued global spinning utilization levels have impacted margins. India's apparel exports tumbled by 10% YoY in FY24 on restrained demand from international retailers (grappling with excess inventories). However, exports improved by ~2% YoY in 4QFY24, as retailers signaled renewed appetite for purchases on optimal channel inventory. India's market share for Terry Towels and Bed sheets in the US strengthened during April 2023-Feb 2024 to 43% and 59% from 42% and 50%, respectively, as per OTEXA data.

Key takeaways from 4QFY24 results

- Most management were upbeat on the textile industry and felt the worst was behind. They felt FY24 was a resilient year, with the industry undergoing consolidation post severe challenges in FY23. Despite geopolitical issues like Russia-Ukraine war, Red Sea crisis, inflation, etc., Indian cotton textile exports

Investors are advised to refer disclosures made at the end of the research report.

have seen healthy demand. Growth in demand is largely driven by increased demand from downstream sectors such as Home Textiles and apparels.

- **Cotton crop outlook -** International crop is expected to be robust on expected good monsoons. Indian crop too is expected to be better.
- The industry has been operating at 70-75% spinning capacity, which increased by 10-15% in the last six months. Margins are slated to improve once capacity utilization touches 80-90%.
- Margins in the textiles segment improved by ~150bps YoY due to softening raw material costs, as cotton was available at a low price. Improving utilization should aid margins with operating leverage kicking in.
- **Apparel imports -** Throughout most of FY24, the US retail industry grappled with overstocked inventory, causing apparel imports to fall. US apparel imports slipped by a notable ~20% YoY in FY24, with 7% YoY decline in 4QFY24. EU apparel imports too fell by ~19% YoY in FY24 and 15% YoY in January and February 2024 vs. same period last year. In the UK, apparel imports plummeted ~28% YoY in FY24 and ~20% YoY during Jan-Feb 2024.
- **US retail sales** were resilient throughout CY23. In 4QFY24, US retail store sales increased ~3% YoY, driven by sustained uptick in end consumer demand, moderating inflation and a robust job market. Higher sales volumes and stable prices supported this growth.
- **Exports to the US surge:** India, a leading supplier of terry towels and bed sheets to the US, further strengthened its market share during April 2023-Feb 2024 to 43% and 59% from 42% and 50%, respectively, as per OTEXA data. In value terms, India's exports to the US fell by 11%/9% in terry towels/bed sheets, respectively, owing to input cost rationalization in FY24.
- **Retail demand** was lacklustre during 4Q, mainly due to lower consumer spending, particularly in discretionary categories. US retail sales continued to rise QoQ and MoM in February 2024 and March 2024, having grown at 0.9% and 0.7%, respectively.
- Freight costs were affected by the Red Sea crisis but were manageable for companies which have a higher share of sales coming from the US.
- Companies such as KPR and VTEX have announced fresh capex in garments and spinning, respectively, as the demand environment improves steadily.

Exhibit 1: Valuation snapshot

Company	Rating	Mkt Cap	CMP	TP	Upside (%)	PE (x)			EV/EBITDA (x)			ROCE (%)			ROE (%)		
Name		(Rs bn)	(Rs)	(Rs)		FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Gokaldas Exports	BUY	59	828	987	19%	40.1	29.4	21.0	25.9	14.6	11.5	6.0	8.3	10.6	10.1	9.6	11.8
KPR Mill	BUY	287	847	971	15%	35.9	27.8	21.8	24.0	19.1	15.2	19.4	22.3	25.0	20.0	21.8	23.2
Vardhman Textiles	BUY	137	468	502	7%	21.0	13.0	9.3	15.9	10.4	7.4	5.2	9.1	12.6	7.2	10.8	13.7
Welspun Living	BUY	132	139	178	28%	19.9	16.8	12.5	11.8	10.3	8.0	14.5	15.1	18.4	15.8	16.5	18.9

Source: Systematix Institutional Research

US - Market scenario

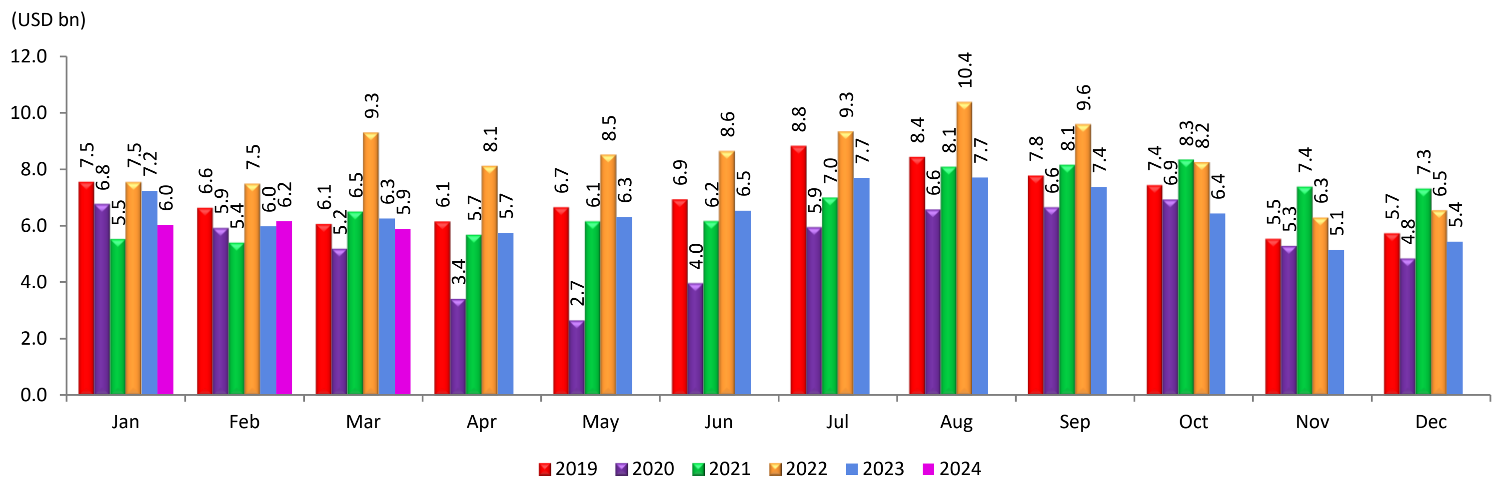
Macroeconomic vulnerability impacts imports

- **US apparel imports continue to decline**

  US monthly apparel imports have been on the decline since the start of 2024. In Mar 2024, apparel imports fell 7% YoY and 4% MoM to USD 5.89bn. Apparel volumes marginally increased by 1% YoY but fell 8% MoM. Cotton imports fell by 7% YoY and 4% MoM to USD 2.76bn, while man-made fiber (MMF)-based apparel imports fell by 10% YoY and 5% MoM to USD 2.69bn.

  In CY23, US imported USD 78bn of apparels, 22% lower YoY, of which, 6% was from India. China's market share in the US reduced steadily to 21% in CY23 from 30% in CY19, while Vietnam's share has risen to 18% from 16%, Bangladesh's share increased to 9% from 7% and India's increased to 6% from 5% during this period.

Exhibit 2: Monthly apparel imports in the US

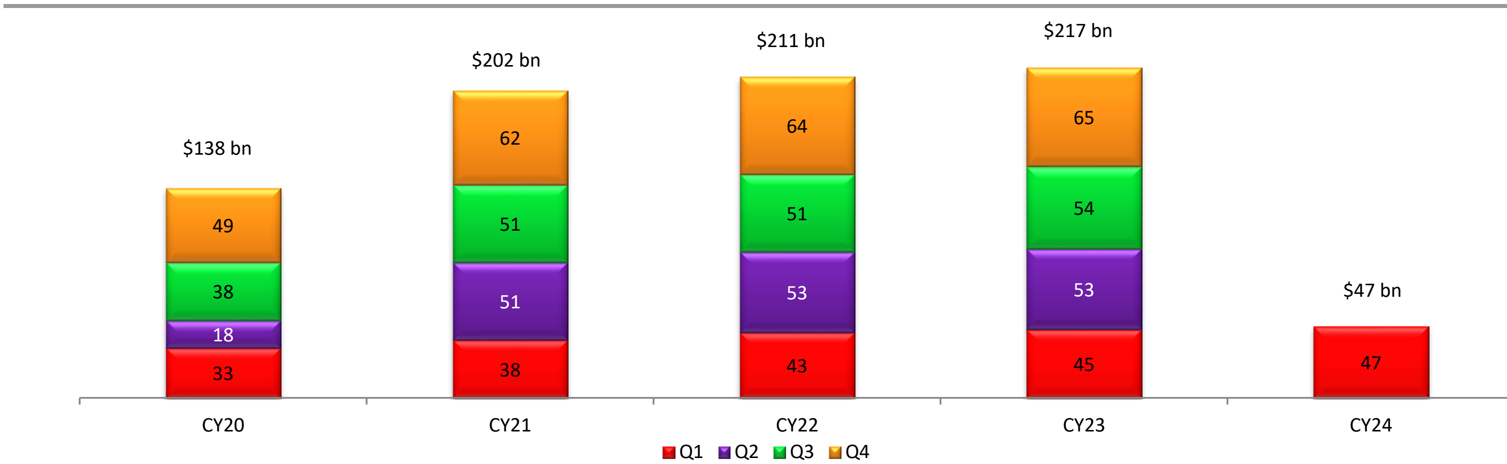


Source: OTEXA, Systematix Institutional Research

- **Robust sales in retail stores continues**

  During YTD CY24, apparel store sales in the US increased by 4% YoY to USD 47bn, indicating an uptrend in consumer demand, supported by cooling inflation figures and a robust job market.

Exhibit 3: US clothing retail store sales

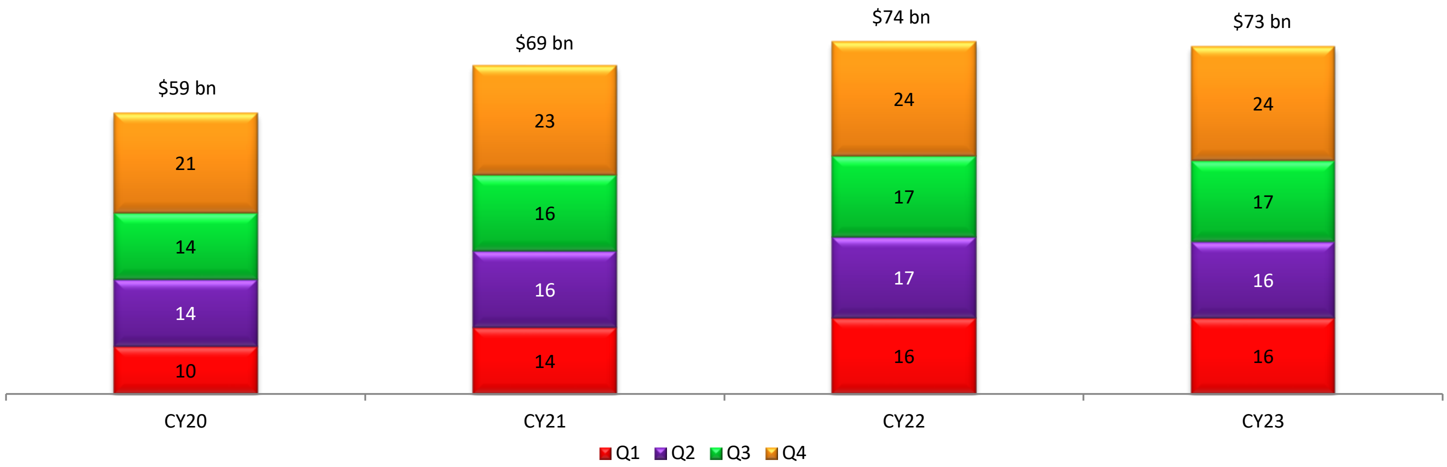


Source: US Census Bureau, Systematix Institutional Research; Note: Represents Q1 CY24 v/s Q1 CY23

- **Modest fall in e-commerce sales**

In CY23, E-commerce sales of clothing and accessories in the US fell slightly by 1% YoY to USD 73bn.

Exhibit 4: US e-commerce clothing sales



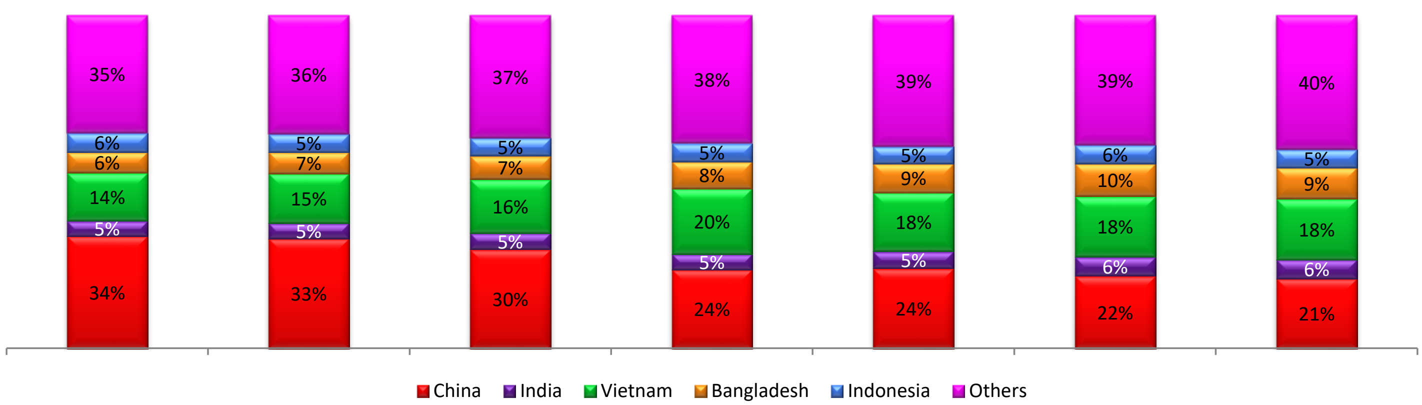
Source: US Census Bureau

- **China's market share fell gradually in the US market**

China continued to be the largest supplier of apparels to the US in CY23, holding a chunky 21% of the market, followed by Vietnam at 18%, India at 6% and Indonesia at 5%. Other small players hold a fragmented 40% share of the US market. Among the top 5 major suppliers, China's share in the US market has reduced steadily to 21% from 34% since 2017, while others have more or less maintained steady market shares since 2017.

Increasing labor costs and geopolitical tensions may lead to a shift in export focus away from China to other countries, opening up new growth opportunities across other Asian nations in the apparels industry.

Exhibit 5: Share of major apparel suppliers



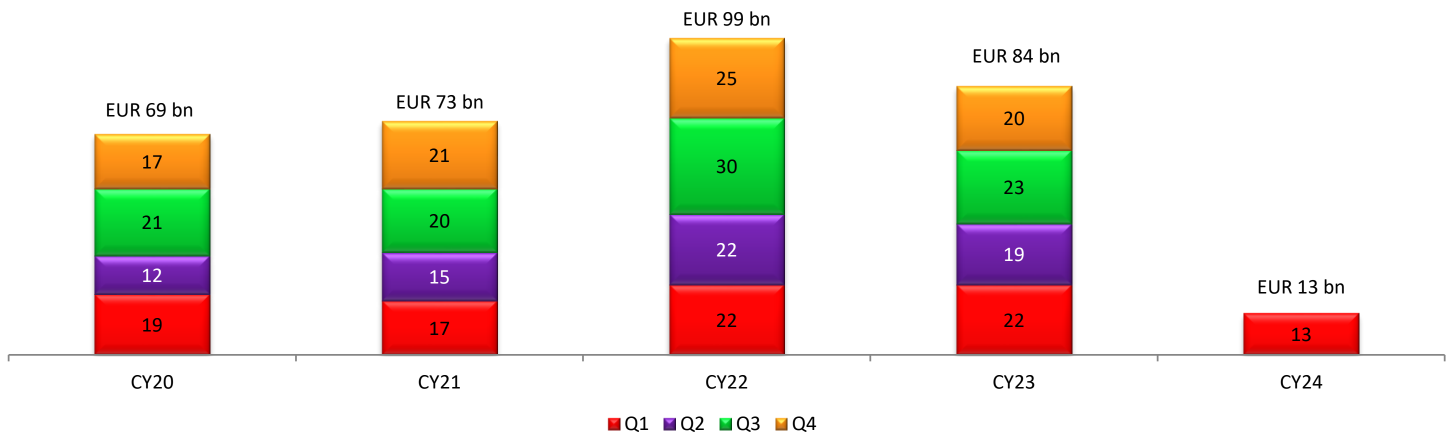
Source: OTEXA, Systematix Institutional Research

EU-27 Market scenario

Apparel imports continue to decline in the EU-27 region

Apparel imports in the EU-27 region dropped by 16% YoY to EUR 84bn in CY23. Apparel imports in the first two months of January and February 2024 stood at EUR 13bn, indicating a decline in imports.

Exhibit 6: EU-27 apparel imports



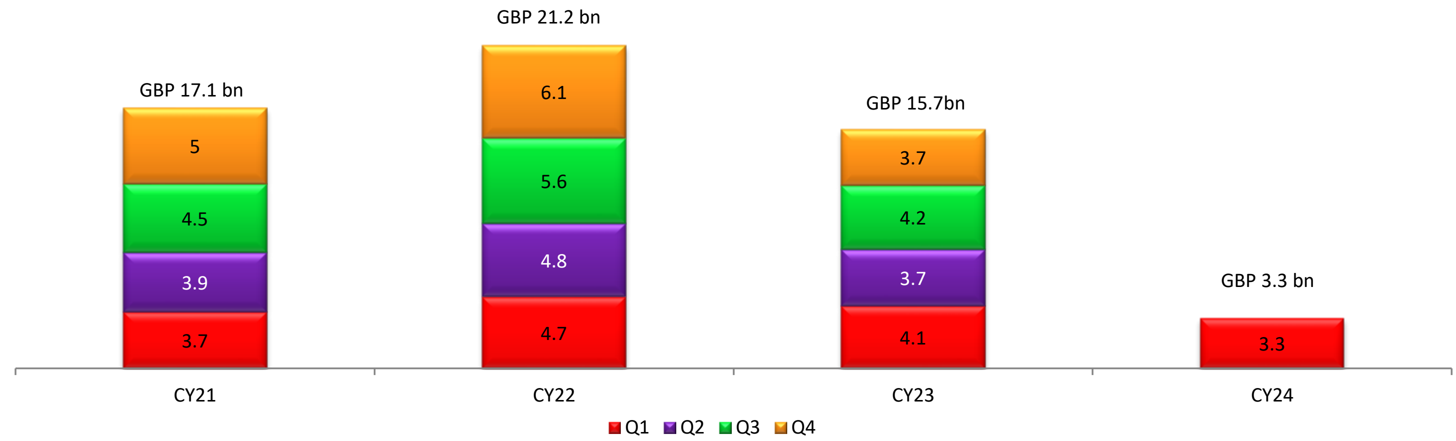
Source: Eurostat, Systematix Institutional Research; *Note: Data represents CY YTD Feb 2024 v/s CY YTD Feb 2023*

UK Market scenario

The decline in apparel imports moderated

Monthly apparel imports in the UK fell by 26% in CY23. The lower demand trend continued in 1QCY24, with imports dropping 20% YoY to GBP 3.3bn.

Exhibit 7: UK apparel imports

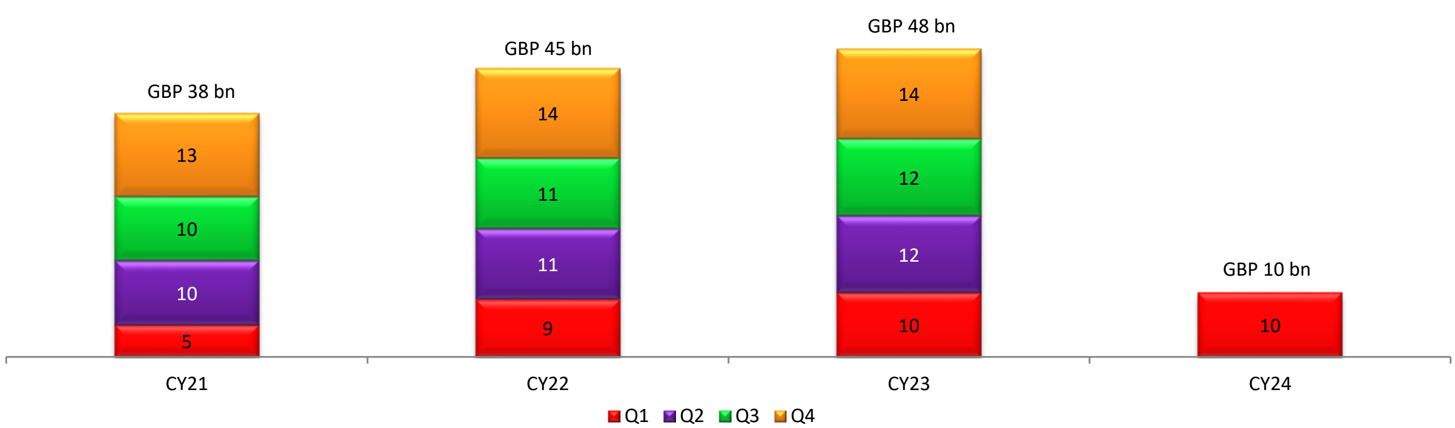


Source: Office of National Statistics, Systematix Institutional Research; Note: Data represents 1QCY24 v/s 1QCY23

- **UK retail store sales remain flat**

  Sales in CY23 rose sharply, but were flat in 1QCY24.

Exhibit 8: UK clothing retail store sales



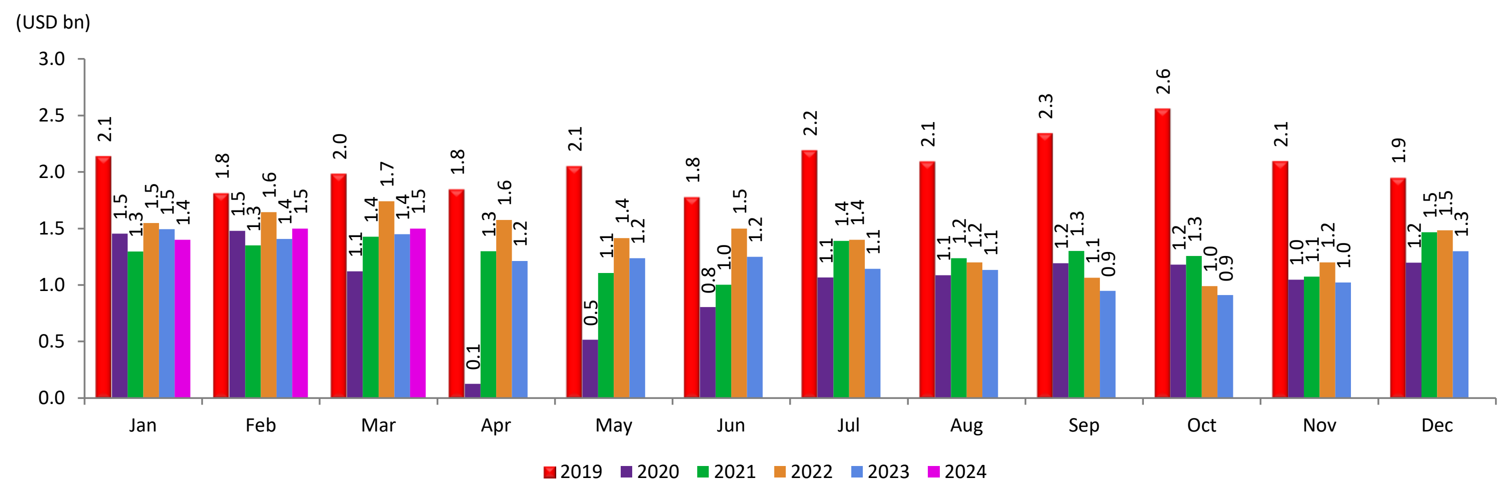
Source: Office of National Statistics; Note: Represents Q1 CY24 v/s Q1 CY23

India – Market scenario

- **1QCY24 exports muted but growth in March 2024 healthy**

  In March 2024, exports surged 9% YoY but was flat MoM at USD 1.5bn. During 1QCY24, exports rose by marginal 1% YoY to USD 4.4bn.

Exhibit 9: India - Monthly apparel exports

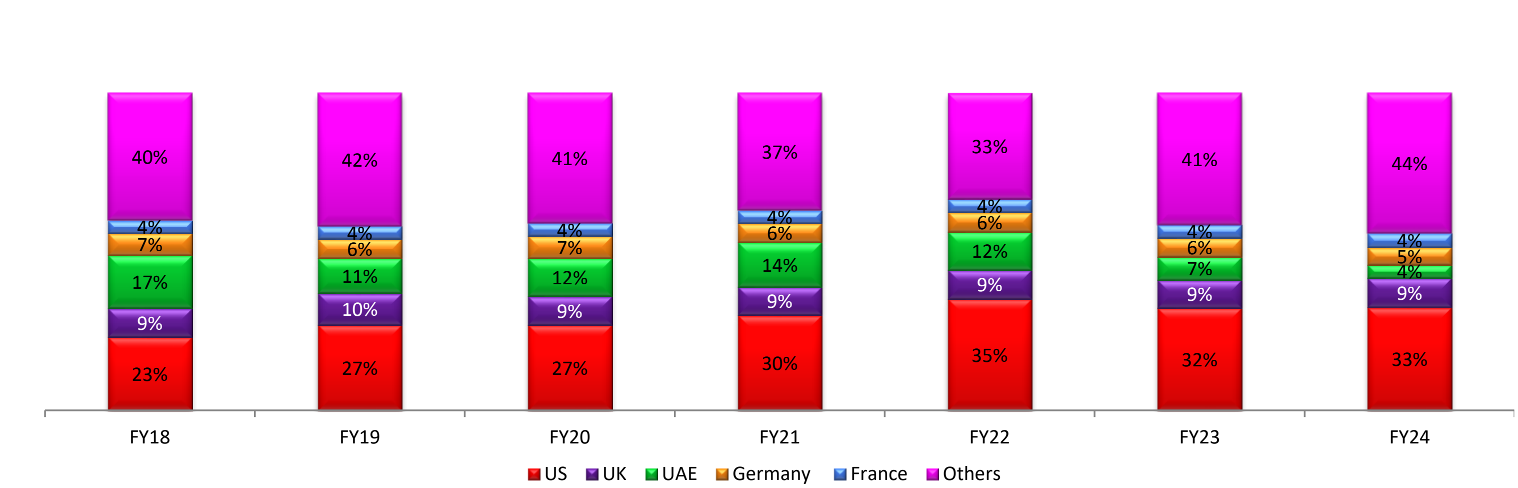


Source: Ministry of Commerce and Industry, Systematix Institutional Research

- **US and UK maintain steady market shares**

  In FY24, market share for apparels exports to the US stood at 33% (up 100bps YoY) while that for the UK remained flat YoY at 9%. UAE however has been seeing a gradual decline since FY21, with exports having reduced by ~300bps YoY to 4%. Germany's market share dropped 100bps YoY to 5% in CY24 after hovering at ~6% for the last few years. India's export market share in France has been steady at 4% since the last few years.

Exhibit 10: Country-wise apparel exports



Source: Ministry of Commerce and Industry, Systematix Institutional Research

Exhibit 11: 4QFY24 result highlights

Company	Business performance	Guidance	Key updates
Gokaldas Exports	• Revenue (including acquired entities) increased 55% YoY and 47% QoQ to Rs 8.1bn led by healthy 5% YoY volume growth at 29.2mn pieces, signaling increased traction in order placements. • EBITDA margin contracted 300bps YoY and 90bps QoQ to 10.4% on sharp increase in other expenses (up 112% YoY) and employee costs (up 77% YoY), due to rebadging of employees from the Atraco acquisition and rise in minimum wages in Karnataka. • Total FY25 capex estimated at ~Rs 1bn, (Rs 400mn for MP-Bhopal unit, Rs 250mn towards existing units, Rs 100mn for Matrix, Rs 150mn for Atraco and Rs 100mn towards a fabric processing unit in Tamil Nadu (TN)).	• Management is optimistic on the long-term growth prospects of the garment industry and expects huge capacity expansion in near-to-medium-term. It foresees strong demand from brands over the next 3-5 years, with 'Made-in-India' products gaining traction in global markets, regardless of seasonality. • Guided for ~15% YoY revenue growth and margin enhancement for FY25. • Atraco and Matrix to clock at least minimum revenue as seen last year, i.e., USD 90mn (~Rs 7.5bn) for Atraco and Rs 4-5bn for Matrix • Expects pricing pressure to alleviate with an improving demand scenario. • Expects to achieve 100% utilization in 2HFY25, based on initial inquiries received from customers. • The company aims to maintain its working capital (WC) cycle at ~90 days or improve it slightly. • Management does not expect pricing power to normalize over the next 3-4 quarters, as demand is not fully restored. It expects pricing power to return in FY26 rather than FY25.	• Management will likely continue to integrate the acquired entities over the next 4-6 quarters. • GEXP intends to mitigate higher employee expenses with better productivity by automating and optimizing operational efficiencies. • GEXP aims to concentrate its efforts on full capacity utilization, margin enhancement, and impeccable delivery in FY25 after its integration with Atraco and Matrix. • GEXP has commissioned Phase 1 of sewing factory, situated on a 10-acre land with a capacity to manufacture 3mn pieces/pa. It expects to commission phase 2 of additional 3mn pieces/pa capacity in 2025. • Management hopes to achieve full capacity by early 2QFY25, with productivity expected to reach full capacity by the end of FY25. • The company has forayed into **knits processing with a new facility in TN,** where commissioning is underway. Management expects to complete all trial runs in 1QFY25 and start commercial production by early 2QFY25
Indo Count Industries	• Revenue increased 35.5% YoY and 53.2% QoQ to Rs 10.93bn • Gross margin contracted 32bps YoY and 828bps QoQ to 55.2%. • EBITDA margin contracted 275bps YoY and expanded 52bps QoQ to 15.1% on higher other expenses. • Aims to become debt-free over the next two to three years. • Higher realizations expected in branded segments. Expects to achieve 20%-24% EBITDA margin in the branded segment.	• Management expects to double revenue to Rs 60bn by FY27. • FY25 EBITDA margin guidance – 16%-18% • FY25 volume guidance - 110-115 mn mtrs • Aims to enhance market share and grow the value of its products when market normalizes • Targets 6%-7% revenue in the Indian market through strategic expansion initiatives. • **Realization:** Would emphasize on value-added products and brand acquisitions to improve realizations. • Cotton prices are expected to be stable due to strong cotton cultivation in India	• **Brand acquisition and licensing tie-ups** **1.** Acquired iconic Wamsutta brand valued at Rs 850mn. Launch is scheduled for spring 2025 **2.** Expanded licensed brand portfolio with Fieldcrest and Waverly owned by Iconix International. Fieldcrest and Waverly will likely start contributing to revenues from FY26. • Total capex amounts to Rs 1.5bn, of which, it has allocated Rs 0.35bn towards solar energy project of ~8MW, Rs 0.5bn for zero liquid discharge and the remaining Rs 0.65bn for routine capex. • Focused on increasing its non-US revenue contribution and is targeting new customers. Is targeting US:Non US sales mix of 50:50 from 60:40 as of now.
KPR Mill (only Textile division)	• Revenue up 3% YoY & 39% QoQ to Rs 14bn • 6% YoY growth in garment revenue was partly offset by 3% YoY decline in yarn and fabrics revenues. • The 33% YoY rise in garment sales volumes at 49mn pieces was countered by 20% YoY decline in net sales realization (NSR) of Rs 158/piece (calculated). • Yarn & Fabric revenue slipped 3% YoY to Rs 5.6bn, owing to 3% drop in NSR to Rs 262/kg (calculated), while sale volume was flat YoY at 21.5k tonnes. • Textiles EBIT up 21% YoY and 28% QoQ to Rs 2.2bn. EBIT margin expanded 236bps YoY and contracted 144bps QoQ to 15.5%.	• Management expects demand for yarn and garments to rebound in FY25. • Management expects margins in the garment division to stay steady at 22-24%. • EBITDA/piece improved to sustainable levels of ~Rs 40 due to increasing contribution from value-added products • Management anticipates 5-10% increase in its UK addressable market if India-UK FTA comes through. • The company plans to scale up its FASO brand in South India and generate ~Rs 1bn revenue over the next 3 years. It expects to clock Rs 250mn revenue in FY25E.	• Garment realization hovered at an average Rs 170/piece during FY24, which management believes should hold steady in the near term, but is wary that cotton prices could fluctuate. • Current order book stood at ~Rs 10bn as of 31 March 2024.
Nitin Spinners	• Revenue increased 22.3% YoY and 6.7% QoQ to Rs 8bn. • Gross margin expanded 611bps YoY and	• The company has a positive long-term outlook, and anticipates demand and margins to improve.	• FY24 recorded average cotton price of Rs 180 versus Rs 220 last year. • Total capex amounts to Rs 8.4bn, of

	54bps QoQ to 35.9%. • EBITDA margin expanded 368bps YoY and 83bps QoQ to 14.5%. • Fabric constitutes 25% of revenue, with spinning contributing 15%. Combined, they represent 38-40% of the value-added products. VAP could take 1-1.5 years to achieve 50% contribution. • Exports contribute 60% of total revenue. • **Average Reaslisation:** Yarn prices dropped about 19% in FY24, falling from Rs 338/kg to Rs 274/kg. Fabric prices declined from Rs 182/m to Rs 160/m in FY24.	• Anticipates revenue of Rs 32bn for FY25. • The company is focused on improving cost efficiency and plans to explore new export markets and add value-added products. • Management expects good cotton crop during the upcoming harvesting season, supported by a favorable monsoon, as forecasted by IMD. • To maintain margin at ~14-14.5% in the coming quarters.	which, 30% would ne allocated to VAP and the remaining to spinning. • The company has plans to add 7MW of solar capacity. • Strategic focus revolves around optimizing capacity utilisation, enhancing product mix, exploring new geographies, and focusing on debottlenecking manufacturing facilities to increase product mix and cost efficiency.
SP Apparels	• Consolidated revenue grew 7.3% YoY and 17.1% QoQ to Rs 2.95bn. • Export sales volume was 15.5 mn pcs (up 7.6% YoY and 8.5% QoQ). • Gross margin contracted 13bps YoY and 446bps QoQ to 54.8%. • EBITDA margin contracted 62bps YoY but expanded slightly by 15bps QoQ to 13.8%. • **Garments:** Revenue grew by 9% YoY and 14% QoQ to Rs 2.5bn. EBIT margin contracted 360bps YoY and 215bps QoQ to 15.1%. Capacity utilisation (garment division) improved to 76% against 70% in 4QFY23. • **SP UK:** Revenue fell by 4% YoY to Rs 141mn (up by 2% QoQ). EBIT loss widened to Rs 7mn in Q4FY24 vs loss of Rs 1mn in 4QFY23 and to EBIT profit of Rs 5mn in 3QFY24. EBIT margin contracted 430bps YoY and 900 bps QoQ to -5.1%. • **SP Retail**: Revenue dropped by 1% YoY and improved sharply by 71% QoQ to Rs 254mn. EBIT profit recovered to Rs 4mn vs loss of Rs 34mn in 4QFY23 and loss of Rs 29mn in 3QFY24.	• Volumes are expected to rise by 7-10% in FY25 (excluding Sri Lanka business). • EBITDA margin expected to surge to 18-20% over the next 1-2 years. • Aims to double topline by FY25, with operations in Sri Lanka likely to play a crucial role. • Management sees growth prospects in all divisions. • Aims for 85-90% capacity utilization by FY25 • Expects to double revenue by FY25 of SP UK. Anticipates acquiring 5 new customers by the end of 1QFY25. • Operations from Sri Lanka expected to generate Rs 1.0-2.0bn revenue by FY26.	• Acquisition of Young Brand to be completed by the end of May 2024. • The acquisition is expected to strengthen the export spread, improve cross-sell synergies in customer base and product offerings. • Witnessing a recovery due to stable cotton prices, thus leading to improvement in the bottom line • New factory in Sivakasi to commence in June 2024, which will likely be operational by 3QFY25. • The garment division currently has an order book of Rs 3.9bn.
Trident	• Consolidate revenue grew 6.9% YoY and fell by 8.3% QoQ to Rs 16.8bn. • Yarn revenue was up 24% YoY and 2% QoQ to Rs 9.02bn. EBIT was up 2340% YoY and 37% QoQ to Rs 178mn. EBIT margin stood at 2% (up 187 bps YoY and 50 bps QoQ). • Towels revenue was Rs 5.7bn (up 1.2% YoY but down 18.3% QoQ). EBIT came at Rs 383mn (down 23% YoY and 39% QoQ), with EBIT margin of 6.7% (down 210bps YoY and 225bps QoQ). • Bed Sheets revenue dropped 2.5% YoY and 15.4% QoQ to Rs 3bn. EBIT dropped 39% YoY and 43% QoQ to Rs 383mn. EBIT margin was at 12.7% (down 752bps YoY and 623bps QoQ).	• **Margin improvement initiatives:** (i) Developing new differentiated and innovative products, leveraging consumer sentiments and behavior to earn premium. (ii) Catering to luxury, fashion accents, and sports segments. (iii) Increasing capacity utilization of plants by digitizing processes and adopting lean practices.	• Capacity utilization improved for yarn but fell for towels and bedsheets. For yarn, it stood at 87% vs 68% in 4QFY23. For towels, it stood at 45% vs 48% in 4QFY23. For bedsheets, it stood at 56% vs 81% in 4QFY23. • Exports contributed 61% of total revenue.
Vardhman Textiles	• Revenue fell marginally by 1.1% YoY and grew 6% QoQ to Rs 24.6bn. • Sale volumes of yarn/grey/processed fabric grew at 5%/20%/24% YoY, respectively, on improving demand momentum. • Gross margin expanded 471bps YoY and 32bps QoQ to 43.2% on soft raw material prices and inventory gains. • EBITDA margin expanded 199bps YoY and 205bps QoQ to 12.5%. • Grey fabric sales volumes surged 20% YoY and 2% QoQ in 4Q to 55.4mn meters; processed fabric too surged 24% YoY but	• Expect demand to gradually rise over the next 6-9 months, on anticipated superior cotton crop, stable cotton prices and improving utilization levels. • Optimistic on the demand scenario for upcoming quarters and anticipates better margins with superior spreads and capacity utilization levels. • The enhancement and modernization of current spinning capacity, totaling 1.24 million spindles, along with the expansion of fabric business capacity to 175 mn mtrs pa, have been approved. Additionally, the	• Yarn prices have surged from USD 2.9-3 cents to USD 3-3.25 cents currently and if this trend persists, spreads could improve. • For FY25, the company has made a provision of Rs 3.5-4bn towards green power. • VTEX is strategically venturing into **technical textiles (TT).** Phase 1 will operate at a capacity of 1.5mn mtrs/month, involving a **capex of Rs 3 bn.** The product mix will comprise **80% polyester and 20% nylon**, catering to applications in activewear, sportswear, and various

	fell 3% QoQ to 41.7mn meters. • Margins are slated to improve once capacity utilization touches 80-90%; VTEX operates at nearly full capacity in spinning.	initiative includes the generation of green power, with a total capital outlay of Rs 20 bn to be commissioned in 2 yrs • Management has planned to de-bottleneck the operations in its fabric business at a capital outlay of ~Rs 1-1.5bn to enhance capacity and improve serviceability to customers.	industrial sectors such as defense, raincoats,tents, etc. • Management expects this capex to generate an asset turnover of 0.3-0.4x, with the benefits largely trickling to the bottom line. • Management estimates 16-18% margin in the TT division
Welspun Living	• Reported highest-ever yearly and quarterly consolidated revenue of Rs 25.7bn (up 20% YoY and 7% QoQ) and Rs 96.8bn (up 20% YoY), respectively. • Home Textile revenue at Rs24.2bn was up 20% YoY. • Innovation business soared 75%/65% YoY to Rs 6.9bn/Rs 21.9bn in 4QFY24/FY24, respectively. • Domestic consumer business was resilient despite subdued consumer demand, expanding 12%/4% YoY to Rs 1.4bn/Rs 5.7bn in 4QFY24/FY24, respectively. • Emerging business registered 26%/16% YoY growth in 4QFY24/FY24, respectively • Flooring segment revenue of Rs 2.1bn was up 2% YoY) Within the flooring business, branded grew by 37% YoY and B2B grew by 19% YoY. • Active licensed brands grew at 40% YoY in FY24; Christy grew at 21% YoY in FY24. • 4Q EBITDA margin at 13.9% (we estimated 15%) expanded 100 bps YoY but contracted 13 bps QoQ.	• Management has guided 10-12% revenue growth for FY25, with 15%-15.5% EBITDA margin. • Management is eyeing sturdy momentum in soft flooring 1QFY25 onwards, as US continues to be upbeat on wall-to-wall and carpet tiles. • The company expects to generate Rs 10bn revenue at 100% effective capacity level of 18mn sq mtrs over the next 2-2.5 years. • The company aims for 29% CAGR to touch GBP 50mn by 2027 for its brand, Christy. • The company aims to reach 150+ EBOs by FY27. • The company is focused on maintaining its long-term goals of sustainable growth and profitability through strategic priorities and growth pillars, while deleveraging the balance sheet. • Management expects FY25 net debt to stay at FY24 level, despite its planned capex and payouts. Management expects to turn zero net debt by FY27.	• Domestic flooring achieved highest-ever quarterly revenue growth of 41% YoY, owing to the rising demand from hospitality and residential industries. • **Terry Towel project (Anjar)- Brownfield expansion (6,400 MTPA towels):** The company has revised its capex from Rs 3.26bn to Rs 3.41bn for FY25. The expansion has revenue potential of ~Rs 4bn by FY26 at full capacity utilization, which will likely be operational from 1 November 2024. • **Pillow facility (Ohio)- Greenfield expansion (6.7mn pillows):** The company has earmarked a capex of Rs 1.04bn in this space for FY25. At full utilization, the facility has the potential to generate USD 50mn revenue, anticipated to be met by FY27. The facility is expected to be operational by 30 September 2024. • **Transmission line of Renewable Energy (RE) power:** Capex has been revised from Rs 400mn to Rs 750mn to build a transmission line for RE Power at the Anjar facility. • Developed new products in the wet wipes category for its marquee customers, including Welspun Dew Aloe Vera Wipes for the institutional market, and is drawing new orders from a leading baby care brand.

Source: Company, Systematix Institutional Research

Stocks under coverage

Gokaldas Exports

(GEXP IN; BUY; TP: Rs 987)

Medium-term earnings visibility is intact, boosted by new product launches, robust export order book and scale up in high-value high-margin products. We expect cash reserve to increase and strengthen the balance sheet over the medium term, with expected significant free cah flows (FCF). We anticipate topline growth would be fuelled by healthy volumes and rising demand. Potential benefits from China +1 strategy, ongoing supplier consolidation, and upcoming FTAs could enhance long-term growth prospects, positively impacting valuations. Additionally, both Atraco and Matrix are expected to be EPS accretive for GEXP, adding value to the company's valuation. Reiterating BUY with a TP of Rs 987 (Rs 1,119 earlier), based on 25x FY26E P/E (unchanged).

(4QFY24 result review - **For detailed report** **Click here**

KPR Mill

(KPR IN; BUY; TP: Rs 971)

According to management, FY24 posed several challenges for the textile industry, such as a) lower yarn realizations caused by fluctuating cotton prices, b) subdued demand from downstream companies, c) surge in energy costs, d) piling up of inventories, and e) intense competition from China, Bangladesh, and Vietnam. The company’s efforts to modernize the spinning division, expand vortex spinning, strengthen renewable power resources by installing rooftop solar power plants and expand its garments division should support growth ahead, in our view. Management expects demand for yarn and garments to rebound in FY25. With sugar inventory of 150k tonnes, management expects higher sugar sales quota in the upcoming months along at firm realization. We reiterate BUY with a revised target price of Rs 971 (Rs 923 earlier), based on 25x FY26E (unchanged) P/E.

(4QFY24 result review - **For detailed report** **Click here**

Vardhman Textiles

(VTEX IN; BUY; TP: Rs 502)

Management is optimistic on the demand scenario for the upcoming quarters and anticipates superior margins and spreads with improving capacity utilization levels. Its proposed investment of Rs 20bn should boost operating productivity, strengthen business synergies, provide it a competitive edge and meet the rising demand. It expects this capex to generate an asset turnover of 0.3-0.4x, with the benefits largely trickling to the bottom line. Going forward, management will be focusing on acquiring new customers and developing innovative fabric blends to offset any shortfall in demand. We reiterate BUY, with a revised target price of Rs 502 (Rs 469 earlier).

(4QFY24 result review - **For detailed report** **Click here**

Welspun Living

(WELSPUNL IN; BUY; TP: Rs 178)

Following strong 20% revenue growth in FY24, management has guided overall topline growth of 10-12% for FY25, on the back of investments in fashion towels and pillows and a likely increase in capacity utilization. For FY25, WELSPUNL aims to achieve 15-15.5% EBITDA margin, with continued efforts towards cost optimization and efficiency improvement. Further, the company is focused on maintaining its long-term goals of sustainable growth and profitability through strategic priorities and growth pillars, while deleveraging the balance sheet. We have trimmed our FY25E/FY26E revenue by 3% each and EBITDA by 8%/6%,respectively, to adjust for the flat YoY margin guidance given by the management. We have also lowered our tax rate assumption to 27% from 31% earlier. We have also cut our EPS by 8%/4% for FY25E/FY26E, respectively. We maintain BUY with a revised TP of Rs 178, based on 16x FY26E P/E (unchanged).

(4QFY24 result review - **For detailed report** **Click here**

Institutional Equities Team

Nikhil Khandelwal	**Managing Director**	**+91-22-6704 8001**	**nikhil@systematixgroup.in**

Equity Research

Analysts	Industry Sectors	Desk-Phone	E-mail
Dhananjay Sinha	Co Head of Equities & Head of Research - Strategy & Economics	+91-22-6704 8095	dhananjaysinha@systematixgroup.in
Abhishek Mathur	FMCG	+91-22-6704 8059	abhishekmathur@systematixgroup.in
Ashish Poddar	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8039	ashishpoddar@systematixgroup.in
Himanshu Nayyar	Consumer Staples & Discretionary	+91-22-6704 8079	himanshunayyar@systematixgroup.in
Manjith Nair	Banking, Insurance	+91-22-6704 8065	manjithnair@systematixgroup.in
Pradeep Agrawal	NBFCs & Diversified Financials	+91-22-6704 8024	pradeepagrawal@systematixgroup.in
Pratik Tholiya	Specialty & Agro Chem, Fertilisers, Sugar, Textiles and Select Midcaps	+91-22-6704 8028	pratiktholiya@systematixgroup.in
Sameer Pardikar	IT & ITES	+91-22-6704 8041	sameerpardikar@systematixgroup.in
Santosh Yellapu	Capital Goods	+91-22-6704 8094	santoshyellapu@systematixgroup.in
Shweta Dikshit	Metals & Mining	+91-22-6704 8042	shwetadikshit@systematixgroup.in
Sudeep Anand	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8085	sudeepanand@systematixgroup.in
Vishal Manchanda	Pharmaceuticals and Healthcare	+91-22-6704 8064	vishalmanchanda@systematixgroup.in
Chetan Mahadik	Consumer Staples & Discretionary	+91-22-6704 8091	chetanmahadik@systematixgroup.in
Deeksha Bhardwaj	Strategy & Economics	+91-22-6704 8017	deekshabhardwaj@systematixgroup.in
Devanshi Kamdar	IT & ITES	+91-22-6704 8098	devanshikamdar@systematixgroup.in
Hinal Kothari	Metals & Mining	+91-22-6704 8076	hinalkothari@systematixgroup.in
Jennisa Popat	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8066	jennisapopat@systematixgroup.in
Kalash Jain	Midcaps	+91-22-6704 8038	kalashjain@systematixgroup.in
Krisha Zaveri	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8023	krishazaveri@systematixgroup.in
Mahek Shah	Consumer Durables, EMS, Building Materials, Small-Mid Caps	+91-22-6704 8040	mahekshah@systematixgroup.in
Nirali Chheda	Banking, Insurance	+91-22-6704 8019	niralichheda@systematixgroup.in
Pashmi Chheda	Banking, Insurance	+91-22-6704 8063	pashmichheda@systematixgroup.in
Pravin Mule	NBFCs & Diversified Financials	+91-22-6704 8034	pravinmule@systematixgroup.in
Prathmesh Kamath	Oil & Gas, Logistics, Cement, Wagons	+91-22-6704 8022	prathmeshkamath@systematixgroup.in
Purvi Mundhra	Macro-Strategy	+91-22-6704 8078	purvimundhra@systematixgroup.in
Rajesh Mudaliar	Consumer Staples & Discretionary	+91-22-6704 8084	rajeshmudaliar@systematixgroup.in
Ronak Dhruv	NBFCs & Diversified Financials	+91-22-6704 8045	ronakdhruv@systematixgroup.in
Rushank Mody	Pharmaceuticals and Healthcare	+91-22-6704 8046	rushankmody@systematixgroup.in
Swati Saboo	Midcaps	+91-22-6704 8043	swatisaboo@systematixgroup.in
Vivek Mane	Pharmaceuticals and Healthcare	+91-22-6704 8046	vivekmane@systematixgroup.in
Yogeeta Rathod	Midcaps	+91-22-6704 8081	yogeetarathod@systematixgroup.in

Equity Sales & Trading

Name		Desk-Phone	E-mail
Vipul Sanghvi	Co Head of Equities & Head of Sales	+91-22-6704 8062	vipulsanghvi@systematixgroup.in
Jignesh Desai	Sales	+91-22-6704 8068	jigneshdesai@systematixgroup.in
Sidharth Agrawal	Sales	+91-22-6704 8090	sidharthagrawal@systematixgroup.in
Shreya Chaudhary	Sales	+91-22-6704 8033	shreyachaudhary@systematixgroup.in
Rahul Khandelwal	Sales	+91-22-6704 8003	rahul@systematixgroup.in
Chintan Shah	Sales	+91-22-6704 8061	chintanshah@systematixgroup.in
Pawan Sharma	Director and Head - Sales Trading	+91-22-6704 8067	pawansharma@systematixgroup.in
Mukesh Chaturvedi	Vice President and Co Head - Sales Trading	+91-22-6704 8074	mukeshchaturvedi@systematixgroup.in
Vinod Bhuwad	Sales Trading	+91-22-6704 8051	vinodbhuwad@systematixgroup.in
Rashmi Solanki	Sales Trading	+91-22-6704 8097	rashmisolanki@systematixgroup.in
Karan Damani	Sales Trading	+91-22-6704 8053	karandamani@systematixgroup.in
Vipul Chheda	Dealer	+91-22-6704 8087	vipulchheda@systematixgroup.in
Paras Shah	Dealer	+91-22-6704 8047	parasshah@systematixgroup.in
Rahul Singh	Dealer	+91-22-6704 8054	rahulsingh@systematixgroup.in
Niraj Singh	Dealer	+91-22-6704 8096	nirajsingh@systematixgroup.in

Corporate Access

Mrunal Pawar	Vice President & Head Corporate Access	+91-22-6704 8088	mrunalpawar@systematixgroup.in
Darsha Hiwrale	Associate Corporate Access	+91-22-6704 8083	darshahiwrale@systematixgroup.in

Production

Madhu Narayanan	Editor	+91-22-6704 8071	madhunarayanan@systematixgroup.in
Mrunali Pagdhare	Production	+91-22-6704 8057	mrunalip@systematixgroup.in
Vijayendra Achrekar	Production	+91-22-6704 8089	vijayendraachrekar@systematixgroup.in

Operations

Sachin Malusare	Vice President	+91-22-6704 8055	sachinmalusare@systematixgroup.in
Jignesh Mistry	Manager	+91-22-6704 8049	jigneshmistry@systematixgroup.in
Hiren Patel	Assistant Manager	+91-22-6704 8056	hirenpatel@systematixgroup.in

DISCLOSURES/APPENDIX

I. ANALYST CERTIFICATION

I, **Pratik Tholiya, Yogeeta Rathod, Swati Saboo;** hereby certify that (1) views expressed in this research report accurately reflect my/our personal views about any or all of the subject securities or issuers referred to in this research report, (2) no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report by **Systematix Shares and Stocks (India) Limited (SSSIL)** or its group/associate companies, (3) reasonable care is taken to achieve and maintain independence and objectivity in making any recommendations.

Disclosure of Interest Statement	Update
Analyst holding in the stock	No
Served as an officer, director or employee	No

I. **ISSUER SPECIFIC REGULATORY DISCLOSURES,** unless specifically mentioned in point no. 9 below:

1. The research analyst(s), SSSIL, associates or relatives do not have any financial interest in the company(ies) covered in this report.
2. The research analyst(s), SSSIL, associates or relatives collectively do not hold more than 1% of the securities of the company(ies) covered in this report as of the end of the month immediately preceding the distribution of the research report.
3. The research analyst(s), SSSIL, associates or relatives did not have any other material conflict of interest at the time of publication of this research report.
4. The research analyst, SSSIL and its associates have not received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in this report in the past twelve months.
5. The research analyst, SSSIL or its associates have not managed or co-managed a private or public offering of securities for the company(ies) covered in this report in the previous twelve months.
6. SSSIL or its associates have not received compensation or other benefits from the company(ies) covered in this report or from any third party in connection with this research report.
7. The research analyst has not served as an officer, director or employee of the company(ies) covered in this research report.
8. The research analyst and SSSIL have not been engaged in market making activity for the company(ies) covered in this research report.
9. Details of SSSIL, research analyst and its associates pertaining to the companies covered in this research report:

Sr. No.	Particulars	Yes / No.
1	Whether compensation was received from the company(ies) covered in the research report in the past 12 months for investment banking transaction by SSSIL.	No
2	Whether research analyst, SSSIL or its associates and relatives collectively hold more than 1% of the company(ies) covered in the research report.	No
3	Whether compensation has been received by SSSIL or its associates from the company(ies) covered in the research report.	No
4	Whether SSSIL or its affiliates have managed or co-managed a private or public offering of securities for the company(ies) covered in the research report in the previous twelve months.	No
5	Whether research analyst, SSSIL or associates have received compensation for investment banking or merchant banking or brokerage services or any other products or services from the company(ies) covered in the research report in the last twelve months.	No

10. There is no material disciplinary action taken by any regulatory authority that impacts the equity research analysis activities.

STOCK RATINGS

BUY (B): The stock's total return is expected to exceed 15% over the next 12 months.
HOLD (H): The stock's total return is expected to be within -15% to +15% over the next 12 months.
SELL (S): The stock's total return is expected to give negative returns of more than 15% over the next 12 months.
NOT RATED (NR): The analyst has no recommendation on the stock under review.

INDUSTRY VIEWS

ATTRACTIVE (AT): Fundamentals/valuations of the sector are expected to be attractive over the next 12-18 months.
NEUTRAL (NL): Fundamentals/valuations of the sector are expected to neither improve nor deteriorate over the next 12-18 months.
CAUTIOUS (CS): Fundamentals/valuations of the sector are expected to deteriorate over the next 12-18 months.

II. DISCLAIMER

The information and opinions contained herein have been compiled or arrived at based on the information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy completeness or correctness.

This document is for information purposes only. This report is based on information that we consider reliable; we do not represent that it is accurate or complete and one should exercise due caution while acting on it. Description of any company(ies) or its/their securities mentioned herein are not complete and this document is not and should not be construed as an offer or solicitation of an offer to buy or sell any securities or other financial instruments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. All opinions, projections and estimates constitute the judgment of the author as on the date of the report and these, plus any other information contained in the report, are subject to change without notice. Prices and availability of financial instruments are also subject to change without notice. This report is intended for distribution to institutional investors.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject to SSSIL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, especially USA, the same may be ignored and brought to the attention of the sender. Neither this document nor any copy of it may be taken or transmitted into the United States (to U.S. persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Any unauthorized use, duplication, redistribution or disclosure of this report including, but not limited to, redistribution by electronic mail, posting of the report on a website or page, and/or providing to a third party a link, is prohibited by law and will result in prosecution. The information contained in the report is intended solely for the recipient and may not be further distributed by the recipient to any third party.

SSSIL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, SSSIL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that they cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. Our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The views expressed in this research report reflect the personal views of the analyst(s) about the subject securities or issues and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The compensation of the analyst who prepared this document is determined exclusively by SSSIL; however, compensation may relate to the revenues of the Systematix Group as a whole, of which investment banking, sales and trading are a part. Research analysts and sales persons of SSSIL may provide important inputs to its affiliated company(ies).

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations which could have an adverse effect on their value or price or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk. SSSIL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on the basis of this report including but not restricted to fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

SSSIL and its affiliates, officers, directors, and employees subject to the information given in the disclosures may: (a) from time to time, have long or short positions in, and buy or sell, the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation (financial interest) or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential material conflict of interest with respect to any recommendation and related information and opinions. The views expressed are those of the analyst and the company may or may not subscribe to the views expressed therein.

SSSIL, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall SSSIL, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. The company accepts no liability whatsoever for the actions of third parties. The report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website material of the company, the company has not reviewed the linked site. Accessing such website or following such link through the report or the website of the company shall be at your own risk and the company shall have no liability arising out of, or in connection with, any such referenced website.

SSSIL will not be liable for any delay or any other interruption which may occur in presenting the data due to any technical glitch to present the data. In no event shall SSSIL be liable for any damages, including without limitation, direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by SSSIL through this presentation.

SSSIL or any of its other group companies or associates will not be responsible for any decisions taken on the basis of this report. Investors are advised to consult their investment and tax consultants before taking any investment decisions based on this report.

Registration granted by SEBI to SSSIL and certification from NISM to the analyst in no way guarantee performance of SSSIL or to provide any assurance of returns to investors.

SYSTEMATIX GROUP™
Investments Re-defined

EMPOWERING INVESTORS
A SEBI Initiative

Systematix Shares and Stocks (India) Limited:
Registered and Corporate address: The Capital, A-wing, No. 603 – 606, 6th Floor, Plot No. C-70, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051
Tel no. 022-66198000/40358000 Fax no. 022-66198029/40358029 Email id contactus@systematixgroup.in. Visit us at: www.systematixgroup.in
Details of Compliance officer: Ms Nipa Savla, Compliance officer Tel no. 022-66198092/4035808092 Email id compliance@systematixgroup.in
Details of Email id grievance redressal cell : grievance@systematixgroup.in
Details of Registration : CIN - U65993MH1995PLC268414 | BSE SEBI Reg. No.: INZ000171134 (Member Code: 182) | NSE SEBI Reg. No.: INZ000171134 (Member Code: 11327) | MCX SEBI Reg. No.: INZ000171134 (Member Code: 56625) | NCDEX SEBI Reg. No.: INZ000171134 (Member Code: 1281) | Depository Participant SEBI Reg. No.: IN-DP-480-2020 (DP Id: 12034600) | PMS SEBI Reg. No.: INP000002692 | Research Analyst SEBI Reg. No.: INH200000840 | AMFI : ARN - 64917