"Arvind Limited

Q4 FY'24 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Arvind Limited Q4 FY'24 Earnings Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Satya Prakash Mishra. Thank you, and over to you, sir.

Satya Prakash Mishra: Good afternoon, everyone, and thank you for participating in today's call to discuss the Financial Results for the Fourth Quarter and Year Ended March 2024 for Arvind Limited. Joining me today is Mr. Punit Lalbhai, Vice Chairman and Executive Director; Mr. Jayesh Shah, Whole Time Director and Group CFO; and Mr. Nigam Shah, the Chief Financial Officer. The financial results and related presentation were already uploaded in our website, hope you had time to go through it. Let me begin by giving an introduction of the results, and then Punit bhai will give you his understanding of the business.

Coming to the results, during the quarter 4 of FY'24, a strong performance was delivered by Arvind Limited. Volume across business segments of Textile and Advanced Materials division clocked a healthy growth on a year-on-year basis. While Denim has registered 13% growth, Full Garments has registered 41% growth and Advanced Materials division on a combined product volume basis registered 17% growth.

This volume growth led to a healthy revenue growth in quarter 4. Overall revenue for the quarter stood at INR2,075 crores against INR1,881 crores in quarter 4 of last year, which is a growth of 10% on a year-on-year basis. Full year FY'24 revenue stood at INR7,738 crores.

Growth in volume and operational efficiency resulted in a record EBITDA during the quarter of INR243 crores, which is a growth of 27% on a year-on-year basis. Overall EBITDA margin has improved by 156 basis points to reach 11.7% in quarter 4 of FY'24.

Full year EBITDA reached a milestone of INR845 crores during the entire year of FY'24, which is a growth of 6% on a year-on-year basis. Kindly note, the quarter 4 full year revenue and EBITDA, which I've just highlighted, includes sale of land of INR32 crores and INR6 crores respectively. Profit after tax during the quarter gone by is in line with growth in revenue and stood at INR99 crores, which is a growth of 19% on a year-on-year basis. Full year PAT stood at INR334 crores.

Coming to the segment-wise performance during the quarter. Textile revenues stood at INR1,504 crores with an EBITDA of INR173 crores, translating into an EBITDA margin of 11.5%. Textile margin has improved by 200 basis points on a year-on-year basis on account of softening of input cost, efficiency gains in garmenting and better product and customer mix. Textile revenue and EBITDA for the full year FY'24 stood at INR5,803 crores and INR643 crores, respectively.

Advanced Materials division has delivered its highest ever revenue in a quarter of INR387 crores in quarter 4 of FY'24, which is a growth of 21% compared to quarter 4 of last year. EBITDA margin for the period has improved by 131 basis points to reach 15.8% in full year of FY'24.

AMD business has registered revenue of INR1,428 crores and EBITDA of INR222 crores, which is a growth of 14% and 35%, respectively.

EBITDA margin for the year has improved by 240 basis points and stood at 15.6%.

As guided, long-term debt at the end of FY'24 has come down by another INR34 crores from December 2023 level and stood at INR399 crores. Total net debt stood at INR1,250 crores compared to INR1,327 crores in March '23.

Leverage ratios have improved to 0.35x from 0.40x and coverage ratios, like net debt-to-EBITDA, improved to 1.4x from 1.6x last year. During the year, the company has earned a free cash flow from operations of INR696 crores and spend INR262 crores on various capex projects that we have announced. On the back of a robust business performance and a disciplined capital allocation, ROCE on a run rate basis of quarter 4 FY'24 improved by 326 basis points to 14.8% at the end of March 2024.

The Board of Directors have recommended a dividend of INR4.75 per equity share, which includes a special dividend of INR1 per equity share for face value of INR10 for the financial year ended March 31, 2024. The said dividend payout works out to INR124 crores, which is 35% of the reported consolidated PAT. This is as per the dividend distribution policy of the company and subject to approval of shareholders in the ensuing Annual General Meeting.

Coming to a few important activities that we have announced. As per our plan, all the business units currently reported under Advanced Materials segment of Arvind Limited is getting consolidated under one umbrella structure. The rechristened legal entity called the Arvind Advanced Materials Limited will now house all the business segments of AMD under the scheme of arrangement, which is effective from 1st of April 2024. The Advanced Materials division gained tremendously from the parentage of Arvind Limited and will continue to get tailwinds in terms of growth, both growing in terms of organic and inorganic way, which will require capital allocation and balance sheet strength.

This is particularly true for nascent businesses like defense, mobility solutions and sports equipment, which requires prequalification criteria, including sustainability credentials to grow in scale. Also important is the synergistic benefit accruing to Human Protection business, benefiting from a large and diverse fiber to fabric base with deep processing capabilities, which will help in achieving economies of scale, innovation and development of new products. This internal reorganization will have no effect on the business and reported financials of Arvind Limited consolidated.

Let me now invite Mr. Punit Lalbhai to share his perspective on the relevant businesses, business environment and our performance.

Punit Lalbhai: Good afternoon, everyone. It's a pleasure to be talking to you today. In my estimation, this has been a very strong quarter. If you look at the year gone by, it's been a story of two halves. The quarter 1 and quarter 2, we were at the height of the sort of soft demand phase when post-conflict Europe and the world was reeling from a lot of uncertainty and brands had a lot of inventory that they needed to work through.

As we approached mid-year, we started seeing a revival in demand. And we are now in a phase where the inventory correction is behind us and brands are talking about growth, though in a cautious way, but there is talk about growth across the board, which has not been the case for the whole of last year,.

I think also from qualitative perspective, some of the moves we made in the last year have started paying dividends. I think this whole reorganization under the One Arvind platform, where on the conventional textile business, the garment and fabrics are working seamlessly as 1 go-to-market delivery to the customer, that is being appreciated a lot by all the customers. And the conversations that we are now having with them are very positive, and we are strategic with many of our biggest customers more so than when One Arvind was not in place. So I believe that the year coming, the year in which we have just entered, we should see -- we should reap some of the benefits of the hard work we put in, in the last year.

One Arvind has also allowed us to work on our efficiencies, and we have delivered better operating parameters, both in Fabrics and in Garments. And this good work is likely to continue going into the new year as well. As far as the Advanced Materials division is concerned, we saw the largest amount of raw material correction and thereby realization going down across the board in Advanced Materials division.

Despite that, we have been -- we've delivered a very robust growth. And in volume terms, the growth has been even more impressive. All 3 divisions are well set, Human Protection, Industrial Fabrics and Composites. Industrial Fabrics, being very dependent on Europe, did see muted demand out of -- compared to all the other 2 divisions. But the good news on that front is, again, going into this year, we see a recovery in the demand situation, and we should be back to business as usual in that division as well.

The last trend that I'd like to talk about before we go into questions is around the sustainability, improvements that were done in the year gone by. We commissioned our first agro fuel boiler that will help replace fossil fuels and help the rapid decarbonization on which we have embarked. We already have about 47% of our power requirement coming from renewable sources. And we are all set to increase that to very high levels, hopefully, coming close to 90%. So plans are afoot on trying to make that happen.

On GWICA, we also established GWICA, which is our global water innovation center for action in partnership with one of our main customers. We've thrown it open to the industry for collaboration, where we hope to do all sorts of activities to focus on water conservation. So sustainability credentials have got a lot of fillip in the last year.

And lastly, as far as investments are concerned, we have invested about INR262 crores for future growth. Our plan was to invest INR600 crores over two years. And looking at the environment, we might exceed that by INR50 crores to INR100 crores with a very robust investment plan for this year as well.

So overall, we feel optimistic that this year should replace or should surpass the performance of last year on the basis of better demand globally on the textile business and the robust high-growth trajectory that AMD has successfully embarked on. We also believe that garmenting will grow significantly this year by about 25%. It, of course, has to be remembered that our business cycle is such that the second half of the year generally is better than the first half of the year.

So we should compare Q1 to Q1, Q2 to Q2 rather than sequential quarters. So we expect quarter 1 and 2 to be 40% of the business plan and Q3 and Q4 to be 60% of the business plan. That said, we are being optimistic about how we see the new year panning out.

Thank you very much, and I look forward to an engaging question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Yes. Congratulations for good set of numbers. And it's really heartening to see the kind of performance that you have delivered as per the guidance that has been given by the management. So my first question pertains to the Denim part. How do we see -- because that is something which was not that great in FY'24 and how do we see Denim to play out in this financial year? And again, the garmenting part where you have guided sort of 25% growth in FY'25, so just some thought process and strategy behind it?

Because we are also hearing from a lot of media articles where the Bangladesh pie, which is dominant on the garmenting side, is seeing a lot of labour crisis and wages are going to go up there and eventually some sort of FTAs that India is signing with European countries, I think 3 or 4 are already through, and we are embarking on more and then the government part on the textile parks and also putting all these things together, how do we see next 2, 3 years, especially on the garmenting side from an India perspective, your thoughts will be really appreciated, sir.

Punit Lalbhai: Thank you for the question. So I think there are 2 things as far as Denim is concerned. I think the Denim benefited from the consolidation of textiles under the new management, the One Arvind management, led by Mr. Susheel Kaul. We achieved the best operational parameters. Though demand was muted. I think in the history of Denim, we have never seen the operating efficiencies and first time first quality output, which has significantly moved the needle on the profitability of the business.

So in a very difficult market, we achieved very good profitability per meter, though the demand was muted. So that was the first phase of the Denim turnaround. And towards the second half, we put in a lot of effort on product development. We put in a lot of effort on sort of customer engagement, service levels, all of the things that one needs to do to gain market share in a difficult market.

So we were able to successfully do that, and quarter 4 saw the highest Denim volume in 7 quarters. We feel that, that gradual improvement trajectory will continue in Denim as far as the volume is concerned, and we should be able to maintain the gains that we saw on the operating parameter side.

So all in all, reasonably promising or reasonably positive sort of guidance for going forward on the Denim front. Of course, we don't expect dramatic growth there, but there will be growth compared to the years gone by. That's Denim.

On Garments. The overall market, if you look at how the brands are thinking, they are already very highly indexed on Bangladesh and Vietnam. And they are very keen to look at India as a destination. So the kind of conversations, the kind of keenness with which our partners are wanting to convert a lot of our fabric business into full package business, there is a very good momentum as far as those conversations are concerned.

India's challenges remain -- always been our ability to set up garmenting capacities. So as a country, if we have the capacities, there is no resistance from buyers to buy. In fact, they are very keen that we set up these capacities very quickly. So in that context, I mean more than Bangladesh labour unrest and all of that, people are now wanting to derisk Bangladesh because it's too bigger proportion of their sourcing metrics and thereby they have disproportionate country risk as far as Bangladesh is concerned.

And if India is able to provide them with the solutions that they want, they would be very favorable -- they would be looking at India very favorably. I think even geopolitically as far as our relationships with all the consumer countries go, they are as good as they can be. So I think there is a positive future for garmenting in India. It's up to industry to rise to the challenge and build the capacities that are required.

Bajrang Bafna: Got it. And sir, just on -- touch upon some sort of guidance on the AMD business. I think that is growing in size and now reaching to a stage. And as far as we understand, the traditional business doesn't command the kind of premium that probably the AMD business commands because of the ROCE profile of the business.

And since we are fully integrated unit. So as an analyst, we understand that if we plan out something where this business gets separated from Arvind can command much, much better valuation than what the combined entity is not able to command right now. And the ROCE profile of both the businesses are separate and the kind of opportunities that are coming in the Composites is again pretty huge as far as India is concerned and you are equally strong in export side as well. So some thought process, some guidance on the growth and probably the broader strategy plan, maybe over the next 2, 3 years will be really appreciated, sir.

Punit Lalbhai: I think the base plan of growth for Composites will be -- will continue to be at this 20%, 20%-plus rate. So there's a lot of headroom to grow. I think the -- you are right in saying that the return on capital profile is significantly better. That is an outcome of the better competitive landscape, where there are fewer competitors in the fields in which we operate and we have both an innovation and a cost advantage compared to many of our peers that are manufacturing in mature economies.

So I think there is a very good reason to grow rapidly in this business. At minimum, achieve the base plan, but then look to see how as and when good opportunities come, add to that growth. And therefore, the structure that we have sort of announced today is with a view of providing

Advanced Materials every flexibility in allowing it to grow at the fastest possible rate. And right now, we are all very focused on ensuring that AMD grows as fast as possible, as profitably as possible.

And I think all -- and having this structure will give us more and more flexibility to do so. Beyond that, of course, we are not, at the current moment, thinking about anything. We will evaluate as and when opportunities come. But the current focus of the team is to grow fast and grow profitable.

Moderator: Next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.

Prerna Jhunjhunwala: Congratulations on good set of results, Sir, I have a few questions on capex. You mentioned that we may overdo our capex guidance. Could you help us understand where you're seeing more opportunities? Where do we see more capacity expansion? And what kind of increase in capacities we can see in the next 1 or 2 years? Because INR262 crores plus INR450 crores will be more than INR700-odd crores capex that you will be doing.

Punit Lalbhai: So I think if you look at our regular capex, it will be indexed more towards the AMD and Garments. There will, of course, have to continue to be investments in fabrics as well so that we are improving our cost position, improving our differentiation, improving our quality, all of that.

I think one additional capex over and above the normal capex is the capex that we are proposing in renewables, taking our percentage from 47% to hopefully around 90%. So we are on that -- we are very aggressively evaluating all proposals to do so. And that possibly will be the best return on capital employed because the profitability of renewables is very, very high in a very high-cost power environment today.

So that is over and above our original investment plans, which is an opportunity that has been brought about by a change in policy. So we are evaluating that aggressively as well. But if our normal capex will be more indexed towards Garmenting and AMD and Fabric more than driving growth will drive better profitability, the investments that go in there.

Prerna Jhunjhunwala: Okay. Understood. Sir, what is your current capacity utilization in Garmenting and AMD?

Punit Lalbhai: So at AMD, we are close to -- will be higher than 90% utilization everywhere. But of course, there is more capacity being created as we speak. So capacity will come and then there will be a slight lag to reach 100% in all of those. If you ask me about our mature investments, most of them are firing on all cylinders, very close to 100% capacity utilization. And hence, you are seeing this high growth. So that's AMD. In Garments, after COVID, we were in a consolidation phase, our capacity is around 45 million full garments. And we are creating more capacity going forward as we have guided that in a 3-year period, we want to go closer towards that 60 million mark.

So this year, you should see us grow 25% from that 32 million to 40 million full garment result that we showed. And Q4 was very encouraging for us because we crossed 9 million pieces, and we would like to continue that journey. So capacity utilization on the old capacity should be close to -- should be above 90% this year, but we will create new capacity that will give us a very good runway to grow.

Prerna Jhunjhunwala: These capacities will be available in first half for this year or second half, the new capacity?

Punit Lalbhai: The new capacities will come online more towards the second half of the year.

Prerna Jhunjhunwala: Okay. And sir, you mentioned in your opening remarks that efficiency in Garmenting has also improved. Could you help us give some color on that? What do we mean by that, whether it is improving margins or in nonfinancial benefits, et cetera?

Punit Lalbhai: No, so I think very few factories now are at very low levels of efficiency. I mean if you look, we would have achieved at least a 10% to 12% improvement in efficiency across the board, across all segments if you average it out, which is a very, very significant improvement from the past. And therefore, the same assets are giving us much higher output. Profitability is a function of, of course, output which efficiency drives and of course, product mix. So I think we need to continue to work on both these things.

And our effort and investments on the sales and marketing front should help us improve our product mix and all our efforts on the One Arvind consolidation, bringing in leaders like Venkatesh Babu work with Susheel to deliver the best-in-class garmenting output should help improve the efficiencies even further. So there is still headroom to improve on both product mix and efficiencies. And hopefully, we should be able to demonstrate some of that this year as well.

Prerna Jhunjhunwala: Okay. Understood. Sir, last question on product mix...

Moderator: Next question is from the line of Vikas Jain from Equirus Securities. Please go ahead.

Vikas Jain: Sir, my first question is with respect to quarter-on-quarter lift in the garment's realization, right? So could you like broadly qualitatively mention like how much was attributed to product mix changes and probably how much was due to any price decline that you have witnessed on a quarter-on-quarter basis?

Punit Lalbhai: So it's very difficult to sort of give any prediction around a quarter-on-quarter basis. So quarter-on-quarter, product mix will continuously change. So that's a very, very dynamic sort of area to give any prediction on. I think directionality should be good that we are improving our product mix as far as profitability is concerned. The last year has been challenging in that in a demand environment that was muted, especially the first half, you are not getting a lot of opportunities to do high-value business.

When you are looking at aggressive growth in garmenting, our focus was more on the operational side. During the course of the year, we brought in a lot of people who are focused on the front end, who are working with the customers. And quarter-on-quarter, this year, we should see greater movement on product mix and contribution margin per category.

So that is something that will -- is yet to sort of materialize and some of that should materialize this year. A lot of the improvements that have come because of operational improvements across the various divisions.

Vikas Jain: Correct. Sir, then while in the earlier remarks, you mentioned that lenin will also see basis your improvements in the -- on the product mix. Garment is also tend to see a higher share of probably value-added products. Then in our outlook, why are we guiding for a flattish to a very minor improvement in the margin profile at the company level?

Punit Lalbhai: So I think as far as Denim and Fabric is concerned, we are at peak return on per meter. If you look at the sort of profitability per meter, we are almost at the peak. So in Fabric now the improvements have to come by volume growth. In Garments, it is a different scenario. We had volume growth, efficiency growth and product mix, all 3 have to drive better profitability.

Vikas Jain: Got it. So in other words, you're trying to say that it will be largely the Garment segment that will drive improvement in the margin profile of the entire business, is it?

Punit Lalbhai: Correct. And AMD.

Vikas Jain: AMD. Okay. And sir, last question. In terms of outlook also, could you specifically mention how do you see the growth for the H1 of FY'25? And also, in your presentation, you mentioned a double-digit growth, is it like early double-digit, mid-teens kind of a growth? Any more precise comments you could give?

Punit Lalbhai: So when we have sort of not demonstrated any growth year-on-year, if you look at the full year last year, early double digits is, in my view, on a base of INR7,700-something crores, very good growth, and we'll have to work hard to be able to deliver that. But I think the way you look at the business has to be factoring in the seasonality of the business.

So if you look -- I mean, if you study all our past years, you will come to the conclusion that Q1 and Q2 contribute about 40% of the overall top line of the business. So comparing Q4 to Q1 is not the right way to look at it. I think we need to look at H1 to H1 and H2 to H2. And there, -- I think you will see when you compare it that way, that early double-digit growth is what we are gunning for. I think in Q1, this is not a normal Q1 in that there are 2 factors that are somewhat headwind factors that we are facing.

One is, of course, large absenteeism because of people going home to vote. And in Garments, that makes some impact because we have factories all over the country and at different periods of time, different people are taking time off to go to their native lands to vote. And there are parts of the country under severe heat wave. Both these factors are leading to some sort of headwinds in quarter 1. But I think year-on-year, we should still deliver very satisfactory results.

Moderator: Next question is from the line of Suryanarayan from Sunidhi Securities. Please go ahead.

Suryanarayan: So one question is that now, just now you have clearly set a strategy to transfer the AMD to a step-down subsidiary, which I see that the existing capital budgets was not enough and you could be recurring more capital as you are now classifying the -- let's say, enlarging the segment into defense and mobilities and sports.

Moderator: Sir, your voice is very muffled.

Suryanarayan: Okay. Am I audible properly now?

Punit Lalbhai: Much better.

Suryanarayan: Yes. Okay. So now that you are actually enlarging your portfolio, AMD portfolio into defense, mobility solutions and sports equipment. In fact, you have just started a mobility center a few months back. So what kind of capital you are really requiring beyond the stated budget or whatever it may be. So just to understand one aspect.

Punit Lalbhai: So I think that as far as the immediate future is concerned, I think our free cash flow that the company generates would be enough to sort of fulfill the ambitious growth plans that we have in AMD. But this structure allows us to more flexibility. I mean should some great opportunities come by in the future. For inorganic, this structure allows us to sort of more easily raise the capital required for that. But as of now, the plan, which is 20%-plus is very much doable with internal accruals.

Also, the structure allows you to sort of view the business independently, reward top management in a focused way where their destiny depends on sort of the performance that the AMD cluster of businesses deliver. So there are many advantages besides the capital ability to raise equity and debt better with the new structure.

Suryanarayan: So because some of the sectors like defense and mobility solutions that could be requiring bigger capital than the current allocation. So my thought is that whether you are requiring some bigger capital? And if that be then whether you were trying to attract private equity into that or what would be the mode separately?

Punit Lalbhai: There are not much current plans, but this structure allows us to do that if should the plans appear in the future. So we want AMD to grow as fast as possible. And we have already a very ambitious growth plan. For that ambitious growth plan, current cash flows are enough. But if we have the opportunity to go beyond that, then the structure will help.

Suryanarayan: So -- though it is a little primitive, but just to draw you attention, whether you are planning to have to reward the existing shareholders in this kind of thing? Or you want to make in the long run a holdco company taking the subsidiary into public?

Jayesh Shah: I think our immediate priority as Punit Lalbhai just mentioned is to accelerate the growth of AMD. And I think just because we accelerate the growth and keep the momentum going with the improved margins and ROCE profile, I think should definitely be rewarding for the shareholders. As far as the current structure is concerned, that is the only structure that the Board has approved. Beyond that, there are no plans that we have, which we can share with you at this moment.

Suryanarayan: Okay. sir. And regarding the AMD's performance yearly review, so we are actually a little bit sort of one of the objective. But can we presume that some of these shortfalls due to could be the capital -- I mean is capitalization assets was not possible in time. So it could be led off in next year with a higher growth?

Jayesh Shah: So first of all, I think if you are looking at revenue growth, maybe revenue growth may look less. But if you saw the volumes growth on major categories, it was exceeding 18%. So we are ballpark there. I don't think there were any delays in any of the projects or capital allocation. And I think that momentum of -- it could be 18%, it could be 22%, that kind of growth will continue, and we don't see any change in that for some time to come. There is a good amount of visibility as far as business is concerned for AMD for the current financial year.

Punit Lalbhai: Every investment that we wanted to do, we have been able to do.

Suryanarayan: Okay. Punit bhai, there is a long pending demand from the investor community that the volume in the AMD in the respective segment be decleared because you have been very transparent in other verticals. So if you can think of doing so.

Management: I think we'll do whatever information we can declare in the -- and keep the -- we have to just be mindful of the information being available to some of the competition or some of the other stakeholders. So we will, of course, be more than happy to share whatever we can share.

Moderator: Next question is from the line of Romil Jain from Electrum PMS. Please go ahead.

Romil Jain: Just want to understand what kind of margins are we going to see in the next two years on AMD and Garments side? If you -- and what would be the drivers there?

Punit Lalbhai: So I think I'll talk about AMD first. So we are at around that 15%-plus kind of margin profile. I think 200 basis points is the goal that we have. So I think 17%, 18% kind of margin this business can land. Of course, we are in a very high growth phase also. So at -- if you look at the mature businesses, they will land at 17%, 18% margin, but there will be always newer factories, newer segments coming which initially will have lower margin and then as they mature go up. So operating leverage will kick in.

And I think the right sort of mature margin profile for this business should be that 17%, 18% with 30%-plus return on capital employed. That's how you should think about AMD, but it will take us a few years to get there because we are adding new capacities, new factories quite aggressively. And on Garments, I think we should aim for low double-digit margins. So that the end-to-end return on capital employed profile for every vertical should cross 20%.

Romil Jain: Okay. And sir, how much would be exports in the Human Protection business within AMD? And why -- what's happening in terms of AMD. We are seeing very strong growth. So if you can just explain us in terms of learning new clients or there is a change in the product mix, procurement has changed? What is exactly happening if you can throw some light on that?

Punit Lalbhai: No, so I think it's maturing as a business. The product categories we are in are long gestation product categories. So it takes years to build trust. It takes years to get products qualified. There is intensive testing. Every new product goes through 8, 9 months of testing and field trials before it is adopted.

So we began that journey 5, 6, 7 years ago. And now we are sort of reaping the benefits of all that early hard work. And I think this is the biggest entry barrier that there is. So anybody who wants to start this business afresh, will have to go through those 6, 7 -- 5, 6, 7, 8 years of sort of high gestation, low volume, high investment, negative cash flows before the business can pivot.

I think that pivot happened for us 3, 4 years ago. And since then, we have been showing this high growth. As far as exports is concerned, 60% to 70% is still exports and about 30% to 40% would be domestic. I expect the domestic part to grow in the future as India as an economy develops rapidly, the demand for safety, defense, industrial products, composites, mobility all of that is going to go up and the sophistication of the end user in terms of them demanding more and more properties better and better performance, more and more safety, I think that will also help the growth of the business because India is going to be a very large consumer of this. Currently, it's quite a small consumer. So that delta should fuel us in the future.

Romil Jain: 60% to 70% of total AMD, right is exports?

Punit Lalbhai: 60% to 70% of total AMD.

Moderator: Next question is from the line of Akshay from JHP. Please go ahead.

Akshay: Sir, in one of the past interactions, you did mention about AMD that earlier, we were looking for a lot of threat and now we have focused -- in the last 4 years, we have been focusing on the depth and cut it down to 3 segments. Now considering that this technical textiles is a very huge market, what are our plans to other segments like sports tech, global tech, build tech?

Punit Lalbhai: So I think a lot of that is already represented. So the way we have categorized these 3 businesses is not under that tech classification. It is more of a sort of end user and technology classification that we do. Our Human Protection is protect, that's very easily classifiable. But for example, composites would go to many, many fields. So we would have sports tech there, we would have built tech there, we would have mobility tech there. So Composites is sort of very diverse in terms of its end uses. And the commonality there is the technology.

So the same technology is the backbone of being able to weave and stitch bond carbon and glass, and then having downstream sort of conversion, part conversion technologies, leveraging that technology platform to go to these 3, 4 end users that is the way Composites is structured. So I would not think about -- and the -- as I just mentioned in the previous question that the gestation period to start a new vertical is very high. So rather than start some fourth segment from zero, there is huge headroom to grow within these 3 segments.

I mean -- so we will keep adding new applications within these 3. So we may today be making a tennis racket, tomorrow, we may be making skis. So today, we are making telecom radomes. Tomorrow, we may be making car part. So what -- wherever this technology, which is already mature, already established, already sophisticated can go, we will make it go. And if you look at global benchmarks, there are very large companies in each segment. So we should not be worried about the ability to grow within these 3.

In fact, it makes a lot of sense because the organization has already been built to a very good extent for these 3. Trust has already been built. Customer relations are very deep and strategic. Our volume procurement is already there, which has become quite sophisticated. Our knowledge and innovation portion has gone up. So it makes sense to stay within these 3 as far as possible.

Akshay: Okay. And sir, are we working on Nano technology as well?

Punit Lalbhai: So, Nano technology is a theme that we've got across all businesses. So Nano technology is mostly applied on -- as finishes, right? So a lot of finishes are applied using Nano technology chemistry that allow better properties. So it's an enabler rather than a segment.

Akshay: And sir, just like watching IPL, there was an ad of Arvind Tresca. So, Tresca comes in Arvind Limited only?

Punit Lalbhai: Yes, yes. So that is our B2C business. So part of our fabric business, about INR1,000 crores of our revenue is actually B2C that goes to a lot of different MBOs and small shops and it's sold -- we have our own Arvind store also through which it is retailed as Arvind Fabric and it goes for tailoring. So Tresca is part of that business.

Akshay: Okay. Understood. Sir, lastly, just wanted to your plans and vision for Arvind Envisol?

Punit Lalbhai: Sure. So Envisol has catalyzed our journey into being a leader in water management. It started about 8, 10 years ago. That business then we started offering this solution to others, and we went beyond the industry as well. And now it is about INR280 crores, INR300 crores business with good positive cash flow. And it's something that we will incubate and see if there is an opportunity to accelerate. We are very mindful to not take any unnecessary risks there.

Moderator: Next question is from the line of Nilesh Jethani from BOI Mutual Fund. Please go ahead.

Nilesh Jethani: Congratulations on a great set of numbers. Sir, my first question was on the Garment side. So now with 32 million volume versus the capacity of 45, but we are still targeting an early double-digit margin. So going forward, what can we assume margins to inch up for the Garment business also? And second question in the Garment was, there has been a sharp Q-o-Q jump in the garments volume, so overall, what is driving both Q-o-Q and Y-o-Y growth in the Garment segment for us?

Punit Lalbhai: So I think it has been our stated objective to increase capacity, and we've been investing behind this space. So the jump is not one-off or accidental, it is planned and it should hopefully jump more going forward. But of course, that is not a linear journey. You jump, you stabilize it that level, then you jump again. So that is the plan. If you look at the best benchmarks in the industry, an early double-digit margin in garments is very good because it leads to very good return on capital employed.

And end to end, it should be better than early double digit. See, we are a company that has everything -- every part of the supply chain represented. So it's also -- if you look at it from yarn to garment, the profitability should be much better than early double digits. So I think it's important to look at the business end to end and to focus on return on capital employed rather than margin because if I'm improving the margin at the cost of pumping in too much capital, that's counterproductive. So I think let's focus on 20% ROCE for the textile business as the standard to try and achieve. And that would be taking us to sort of the top level in the industry globally.

Nilesh Jethani: Got it, sir. And on the overall mix of the business, I wanted to understand with AMD expected to grow at 20% CAGR, what kind of mix are we looking at from a 2- to 3-year perspective between AMD and textile?

Punit Lalbhai: So -- yes, go ahead, Jayesh.

Jayesh Shah: So currently, we are at about 17%, 18% mix. Yes, around 18% mix of AMD to rest of Arvind. And I think as AMD would grow possibly at a much higher clip, we could see AMD touching, in a 3-year period, maybe about 30% to 32%, whilst textile would remain as of the rest of it. So that's how the mix should change.

Nilesh Jethani: Got it. And on the overall capex front, I believe we have two capex plan, one for the garment increasing by 11 million pieces and other one for AMD. Any other capex in pipeline or any other outlook towards where we would like to invest going forward once these capacities are fully utilized?

Punit Lalbhai: No, so I think as I earlier mentioned, there is garments, there is AMD, there is fabrics and there is power. And -- but the lion's share of the capex goes towards AMD, power is sort of one-time capex and on a continuous basis, you will have Garment and AMD taking up the lion's share. But Fabric also needs to be invested in so that we are staying current, so that we are staying efficient, so that we are staying innovative.

Nilesh Jethani: And one last the guidance on the margin with Garment piece growing and AMD also growing at a much higher pace, what is restricting us from maintaining margin and not improving going forward? I understand the ROCE concept, but still.

Punit Lalbhai: No, so we have been improving on margin.

Jayesh Shah: And the guidance also says that it would maintain or slightly improve. So it's not that we are saying it will remain or go down.

Moderator: Next question is from the line of Vikram Suryavanshi from Phillip Capital India. Please go ahead.

Vikram Suryavanshi: Most of the questions you have answered. Just two questions. What will be the potential of this new Mass Transportation facility unit you have started? And second, on Garment side, we have been looking for long-term growth opportunities in Garment and just you highlighted about the capacity expansion limitation in India. So which are the states where we'll like to grow our capacity for Garment and are we open to go even outside India as the capacity?

Punit Lalbhai: So as far as garmenting is concerned, our first order of business is to try and get as much productivity from the garmenting factories that we already have and we have quite a few, and we are seeing a lot of opportunity through productivity enhancement investments to get a lot more productivity out of the same location and same labour force. So that is our immediate priority.

Of course, as everyone knows, Madhya Pradesh, Odisha are good locations to consider for future expansion. And of course, going forward, we will be very customer-centric in our strategy to go beyond India. If our customers really require it, we will consider it, but that's, I think, a medium-term priority. As of now, most of our customers want us to increase our capacities from India itself. And so our focus will be first on our own factories. And then if we are not able to meet our growth commitments, we will branch out to newer locations.

Vikram Suryavanshi: Got it. And what would be the revenue potential of Mass Transportation sir...

Punit Lalbhai: Very large, but the current investments that we put in should take the business up to INR200 crores.

Moderator: Ladies and gentlemen, that was the last question of the day. I now hand the conference over to Mr. Satya Prakash sir for closing comments. Over to you, sir.

Satya Prakash Mishra: Thank you, everyone, once again for taking your time out for participating in the call. We look forward to seeing you in upcoming conferences. Have a good day.

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