



“Arvind Limited

Q1 FY '26 Earnings Conference Call”

July 29, 2025



**MANAGEMENT:** **MR. PUNIT LALBHAI – VICE CHAIRMAN – ARVIND LIMITED**  
**MR. JAYESH SHAH – WHOLE TIME DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – ARVIND LIMITED**  
**MR. SUSHEEL KAUL – MANAGING DIRECTOR AND PRESIDENT, TEXTILE BUSINESS – ARVIND LIMITED**  
**MR. NIGAM SHAH – CHIEF FINANCIAL OFFICER – ARVIND LIMITED**  
**MR. GURPREET SINGH BHATIA – CHIEF EXECUTIVE OFFICER – ADVANCED MATERIALS DIVISION BUSINESS – ARVIND LIMITED**  
**MR. SATYA PRAKASH MISHRA – HEAD, INVESTOR RELATIONS – ARVIND LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Arvind Limited Q1 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference has been 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. A warm welcome to the earnings conference call of Arvind Limited. Thank you for taking your time out to participate in today's call to discuss the operational and financial results for the first quarter of a fresh new financial year 2025-26. I am pleased to be joined by Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Whole Time Director and Group CFO; Mr. Susheel Kaul, our Managing Director and President, Textile Business. Mr. Gurpreet Singh Bhatia, CEO of AMD Business; and CFO, Mr. Nigam Shah.

The financial results for the quarter and related presentations were uploaded to our website. I hope you had enough time to go through it. Before diving into the operational and financial performance for the past quarter, let's briefly review the key developments over the last 3 months.

As anticipated and discussed in our last quarter call, the year FY'26 started with uncertainty around U.S. tariffs and is likely to persist at least for 1 more quarter. We were in the first in the industry to call out these ensuing events and made you all aware of its consequences. Having said that, the past quarter delivered a steady performance for the company. But since it was built on a softer base from the last year, direct comparison don't reflect the full picture, given the different dynamics.

Each quarter is better assets on its individual merits. While I'll request Punit to give you broad contours of the quarter's performance in his part of the comment, I'll start with the management's action on countermeasures to alleviate growth concerns and preservation of margin during the quarter and going forward.

We have proactively responded with a comprehensive cost optimization program, which is already showing early signs of impact. We are also renegotiating vendor contracts, optimizing cost and increased operational efficiency in our operations, collaborating closely with vendor partners, many of whom have shown strong support and flexibility. We believe that by working in tandem with our customers and suppliers, we can navigate this volatile period effectively and emerge stronger.

While the order book for the quarter 2 is logged in and looks strong, future quarters are also looking equally promising. On the back of higher volume commitment secured as a trade-off against sharing of tariff burden. The recent India, U.K. trade agreement is expected to unlock significant opportunity for the Indian textile exporters. Arvind currently does about INR200 crores of business in the U.K. market. And with the new trade enablers, we expect this to double in the next few years.

Coming to the operational performance highlights for the quarter. Fabric business, Denim and Woven particularly have achieved high single-digit volume growth and improved realizations leading to double-digit revenue growth, partly aided by the low base that I spoke of. Garmenting has delivered 9.8 million pieces, the highest quarterly output in last 3 years.

AMD as a whole reported a volume growth of 16%. AMD's mass transport business secured a large order worth INR200 crores to be executed in the next few years for the Vande Bharat program of Indian Railways, which further builds on the product profile of the division.

As we have guided in the previous quarter call, quarter 1 margin were impacted due to tariff-related cost absorption. These include higher discounts, shorter lead time orders leading to higher operating cost and use of airfreight to meet urgent demand. Total tariff-related cost impact across our businesses is around INR15 crores in quarter 1, which has significantly affected the margins. However, the mitigation plan will start yielding some benefits and will majorly be visible in second half of the year.

Now let me give you the summary of financial performance during the quarter. Consolidated revenue and EBITDA for the quarter grew by 10% and 14%, respectively and stood at INR 2,006 and INR 186 crores. This works out to an EBITDA margin of 9.3%. Reported profit after tax stood at INR 53 crores, which is a growth of 35% on a year-on-year basis. Coming to segment-wise performance.

In quarter 1, Textile division grew revenue grew by 14% and stood at INR 1,536 crores with an EBITDA of INR 130 crores, translating into an EBITDA margin of 8.4%. The said revenue includes Garmenting division revenue of INR 485 crores, which is highest ever quarterly performance for the division.

During the quarter, AMD division has reported a revenue of INR 351 crores, which is a growth of 7%. EBITDA for the same period stood at INR 45 crores with a margin of around 13%. AMD margin normalizing the impact of tariffs, which I spoke of earlier, including airfreight and sort duration order cost should have stood at 15%.

Looking ahead, we expect Q2 to be more stable operationally. We are witnessing a healthy order pipeline across Fabric, Garmenting and Advanced Materials segment. We are optimistic about achieving garment volume growth of 14% to 17% in the full year of FY'26. AMD is also expected to achieve a growth in mid-teens. However, the cost overhang from tariff will continue to weigh in on margins in the near term.

That said, we anticipate stronger performance in second half of FY'26, which has historically been a better half for our business, with growing commitments from our customers, and increased volumes, we expect gradual margin normalization in the second half.

Our capex program is progressing as planned. We have invested INR 100 crores in quarter 1 and remain on course to spend about INR 450 crores to INR 475 crores through the year. Largely directed towards enhancing capacity and capability across segments.

To summarize, despite the challenging start, FY'26 is shaping up to be a year of growth for Arvind while margins will remain under pressure in the first half, we are confident that recovery will happen in second half, backed by volume commitments and operational efficiencies. We remain committed to delivering on our long-term strategic goal and thank all our stakeholders for their continued trust and support.

With this, I now hand over to Punit to give his views on the performance of the company and a broad outlook for the rest of the year. Over to you.

**Punit Lalbhai:**

Good afternoon, everyone. It's a pleasure to be with you all today. Thanks, Satya, for giving us this detailed update on quarter 1. As he has covered most of what happened in quarter 1, let me give you some sort of perspective on a couple of highlights and a more midterm view. So I think there are 3 or 4 things that are important to understand about this quarter.

I think the tariff saga has gone on much longer than initially expected. And because the resolution is still uncertain, it is leading to some uncertainty in demand as well. We are hopeful that quarter 2 should see this uncertainty go away with some final version of tariffs getting frozen.

Our current expectation is that India will be at a relative advantage. Of course, this process is unpredictable and the final result needs to be awaited. But generally, in discussion with all customers and stakeholders, we feel optimistic about India's relative position as far as the U.S. is concerned. We have a lot of increased interest in sourcing from India, particularly in garments and full package solutions. The other significant work stream that has seen progress in the India, U.K. FTA. Currently, India does about \$1 billion of exporting garments to the U.K.

And with this, I think that business should, at a minimum, double because we are at a relative advantage compared to our nearest competitors. So all efforts to sort of reprioritize effort towards winning in the U.K. market will now commence. And I think both India and Arvind stand to gain from this.

I think our garment expansion, I'm happy to say is on track. We have already achieved a INR 10 million per quarter run rate as we speak, which is going to further accelerate as the year progresses. So we are on track of the initially guided mid-INR 40 million kind of garment number going forward, and we should see robust growth. So I'm quite happy and pleased with how the capacity expansion is playing out in the garment area.

Advanced Materials is a story of flood and drought both at the same time. We had initially guided that there will be some margin pressure due to tariff uncertainty overhangs and opportunistic demand requiring some air freights. That has played out as expected.

However, what was not expected was some delay in orders in defense and composites. So if you remove the defense miss, which is more of a delayment than a disappearance, we would have achieved close to 20% top line growth in AMD.

We feel that defense will take another quarter to come back on stream. The other miss was composites, which is a project business where the delays were account of cost customers waiting to see how the tariffs would land before initiating the capital investment cycle. And now the good news is that quarter 2 onwards, that order book has ramped up back to expected levels. And so the only sort of continuing uncertainty is around the defense portfolio.

Everything else, both industrials and the Human Protection minus defense. We are in a situation of a problem of plenty, where all our factories are running at more than 100% capacity. We also had to take some calls to accommodate business that wanted to move to India. So that is, in the short term, affected margins because we wanted to ensure that, that move happens.

Those margins will now get optimized. So a lot of positives happening on the demand side and our capacities are sort of busting at the seams. So we are very actively increasing capacity, especially in Garmenting for the Human Protection business. Industrial Fabrics continues to beat the budgeted levels and do extremely well.

So this explains the AMD performance. We do see a similar margin overhang in quarter 2. We see defense being weaker than expected in quarter 2. We see composites coming back on track, and we see everything else slightly outperforming what we thought at the beginning of the year. I think by the time Q3 rolls around, we should be back to sort of, business as usual on AMD.

And I think the final thing that I'd like to talk about before we sort of open up the floor for questions, is the projects that we are doing that are inward-facing Turbulent times and uncertain times are a great opportunity to focus in words and improve the state of our business, and we have taken on Project Edge, which looks to sort of improve our cost position by focusing on efficiency and automation and another project that we have taken to improve our systems and processes.

So a lot of work, good work is happening on the internal aspects of improving efficiency and competitiveness. And I'm sure that these will pay dividends going forward. And we are in the early stages, so I cannot give you numerical projections on how this will pan out, but very pleased with the initial traction that these initiatives are receiving internally. So with this, I open the floor for questions.

**Moderator:** Thank you very much. We take the first question from the line of Prerna Jhunjhunwala: from Elara. Please go ahead.

**Prerna Jhunjhunwala:** Thank you for a detailed scenario that we are working in today. So that really helps. My first question is actually on AMD that you mentioned that defense is weaker than expectation. Is it India business? Or is it U.S. business? I mean just trying to understand from the geography perspective.

**Punit Lalbhai:** So most of our defense business, Prerna, currently is domestic, and there has been sort of a rethink in the way that they want to manage inventories. And, the orders are not going according

to the initial projection. So, I think it's a correction phase where people feel that the inventories to sort of realign before they start reordering. This has happened unexpectedly.

However, there are many more defense projects also in the pipeline. So it is a question of one or two big programs seen a pause while the other programs are under development. So I'm very confident that we'll be back on stream with our targeted 10% business for defense going forward. As it is a project business, we cannot expect that things will move smoothly like in retail, it does because there is a certain pipeline that needs to be filled.

These will be sort of bunched up as project businesses generally are. So there will be some lumpiness in demand. And unfortunately, the programs that are running extremely well, have sort of paused and the new ones that are supposed to come in have still not come in.

So there is that gap that we are experiencing. So I don't think it is anything structural or anything where we have lost an opportunity. It is just a timing issue that wasn't predicted at the beginning of the year.

**Prerna Jhunjunwala:** Okay. That helps, sir. So my second question on AMD only. You mentioned most of the capacities are running almost full. Could you help us understand what kind of capacity additions would be done for driving 20% growth in AMD business?

**Punit Lalbhai:** So we are expanding both our industrial capacity and our Human Protection capacity. We are also increasing the shift in which our factories will be working. So by next quarter, at least a couple of factories will be running a second shift. And we are putting in one more greenfield factory for human protection. So there's a lot of capacity ramp-up that is happening. And also, we have to get there is headroom for 5% - 6% efficiency improvement, and we are driving that quite aggressively.

So that should also increase the capacity. What has happened is a lot of orders have come into factories and the utilization has sort of jumped from 80% - 90%, that was running quite nicely for 3-4 years to where a lot of orders have come in at once and we've gone beyond 100%. So it's taking the system some time to handle all of that, but that's a good problem to have.

And that's a sign that people are eager to move volumes in the face of these events, and you've got to take some calls where you will accept things that normally you don't do in steady state. So all of that is happening at the same time, a lot of complexity for the team to manage, and I'm quite happy with how they are battling through this and they will definitely come out quite strong.

If you ask me, we are on track to increase the capacity by 20% by the end of the year and another 20% will grow in the next financial year. So with all that in place, next year, we should be having enough capacity to satisfy all the demand that comes towards us.

- Prerna Jhunjunwala:** And this demand increase is from U.S. and domestic markets, both combined?
- Punit Lalbhai:** U.S. would be the largest. There is also some demand increase from Middle East. That's not a function of the overall trade, but sort of rebalancing. That's just because of some of our good groundwork that is paying dividends that we've been working on for a couple of years. So there is demand increase from Middle East and U.S. and also from the U.K.
- Prerna Jhunjunwala:** Okay. Understood, sir. Sir, one thing that I wanted to understand is you debt has increased this quarter because from working capital, are there any payment-related issues? Or is it inventory led wherein you have produced, but it has not been dispatched and should benefit the revenue growth in the coming quarters?
- Punit Lalbhai:** So I think we don't have any payment-related issues. We have gone a little longer on cotton because this is the time where we have to take a call on the next season and how much cotton is going to be available in the period when the arrival stopped. So May to October is when there are generally no arrivals.
- And based on how much stock farmers and CCI is carrying and the quality of that stock we take a call on how long to go. So we've decided to go long to cover this season so that we are not dependent. We don't have any demand supply issues as the season ends and a new crop starts to become available. So that's one of the reasons.
- The second reason is just generally, we are taking this opportunity to relocate payment terms and optimize the credit cycles and costs. So there is a temporary increase in working capital, but it should come back to normal turns sometime at the end of Q2 or beginning of Q3. So this is not that I would worry about.
- Prerna Jhunjunwala:** And last question on tariff-related cost. If I had it correct, as Satya mentioned, it's around INR 15 crores.
- Punit Lalbhai:** INR 15 crores is something that we can directly ascribe to events, but there is some indirect cost also. There will be indirect cost in sort of disruption of sort of normal planning cycle inside the business where you are having to chop and change orders, reprioritize orders, so efficiency loss because of that, some people prepone some people postpone.
- So all those mismatches, capacity utilization is not as efficient as it is in a normal planning cycle. So there would be some additional hidden sort of losses over and above that. But INR 15 crores can be ascribed to sort of things that we can directly pinpoint like airfreight, like discounts like empty capacity, things like that.
- Prerna Jhunjunwala:** Sir, how do we see this profitability improving from Q2?
- Punit Lalbhai:** It's some improvement in Q2, but I think margins will still remain slightly depressed in Q2, but I think everything that needs to be worked out because we have agreed for these corrections across Q1 and Q2. And then things will normalize. And then the new inventory, raw materials

at the new negotiated prices will also start hitting consumption by Q3. So I expect that we come back to that overhang gets exhausted by the end of June.

- Moderator:** The next question is from the line of Bhargav Buddhadev from Ambit Asset Management.
- Bhargav Buddhadev:** Yes. Good afternoon, and thank you very much for the opportunity.
- Bhargav Buddhadev:** Sir, my first question is on this Vande Bharat INR200 crores order. So in the press release, you mentioned that it's a 5-year execution cycle. So is it fair to say that it will be sort of executed in a straight-line manner, meaning INR40 crores per year? Or how the execution cycle will be?
- Punit Lalbhai:** Broadly, yes. But I mean, most of it will start next year. And so it is actually 4 years, so more like INR 15 crores a year, and it will probably be a little higher in the middle 3 years and nothing in the first year and less in the last year. So it might be slightly higher than 50 a year for the next 3 years starting next year.
- Bhargav Buddhadev:** And related to this question, so is it a start of a new segment where we are entering meaning can we expect more of such orders to come in?
- Punit Lalbhai:** So, this segment has been around for 2 years. We've already executed a couple of Vande Bharat orders. This one is quite prestigious because it's a large one, and it's part of our mass transportation composites business. So this will drive up the capacity utilization in that division.
- Bhargav Buddhadev:** So can we expect Europe to be a larger market?
- Punit Lalbhai:** Yes. We are working on this. So we've done in the past, we've done many metros also. We've done orders for Vande Bharat also. We are doing export orders also in this segment. So that's an ongoing process that we keep hunting for orders. And because this order is large and iconic, that's why we are calling it out. Otherwise, regular orders keep coming in this segment.
- Bhargav Buddhadev:** And sir, within garments, the share of Knits has been fairly smaller incrementally, are we planning to increase the share of Knits because as the share improves the margin profile also increases?
- Punit Lalbhai:** No. So I think margin profile across the board is decent. I think our best margins are actually in Denim. However, Knits is the fastest-growing category, and we are also expanding capacity there. So progressively, we will see that Knits will have a better capacity. Knits will grow in our overall portfolio relative to the others. And denim should also grow. So these are the two Garmenting categories that we are growing faster.
- Bhargav Buddhadev:** And lastly, sir, is it possible to highlight in terms of the breakup of the INR 15 crores loss in margin. So, is it primarily related to the discounting with the customer is giving or the productivity loss or anything else?
- Punit Lalbhai:** All three put together, but I think the biggest component will actually be air freight out of this.



- Bhargav Buddhadev:** Because that's transient, right? Generally, we do FOB, so freight is generally a pass-through.
- Punit Lalbhai:** Yes. But when we are not able to meet the customer commitment, then it is then the ownership to you. And we've planned a few orders because we have to go above our steady-state capacity in some places. There are moments in history where that chance will only come once. And we are, I think, in that sort of this trade war and imbalance and rebalance is one such moment where you have to seize the moment, you will not keep getting this opportunity. So if you say no now that business will go somewhere else.
- So we have the to say yes. And we've said, okay, we'll not let you suffer because our capacities are bursting at the scenes. We will take care of the extra cost to get you the product on time. That's why we do airfreight.
- Bhargav Buddhadev:** So it's effectively just for a temporary phenomena, right?
- Punit Lalbhai:** Yes, yes. I mean this is to ensure that we don't let the opportunity go at this crucial juncture. Then everything will rebalance once that opportunities when the transition phase is over.
- Bhargav Buddhadev:** And lastly, sir, the U.K. is a small part of our overall number, I believe it's about 10%. So, maybe in the next 2, 3 years of your guidance, can you just share from 10% jump to 25%, 30% of our garment business?
- Punit Lalbhai:** So I wouldn't be able to predict the percentage and the timing of that percentage being reached, but it should become a much more significant part of our portfolio, and we are allocating time and effort behind doing that. See, generally, U.K. business has always been a garment business. And we've always been a garment business.
- In historically more a fabric company. So for us, because of historical reasons, U.K. was never a very, very big opportunity. Now that we are increasing our Garmenting capacity. And with this India U.K. alignment through the FTA, the scenario has changed. So we have to also now sort of put in the effort to make good on this great opportunity.
- And we are doing that by putting the right teams in place by engaging that whole portfolio of customers and it will be true for both the fashion business, but also there will be an AMD component that will benefit from this because there are some very good human protection customers that are already quite deep with us. in the U.K.
- Moderator:** The next question is from the line of Surya Narayan from Sunidhi Securities and Finance Limited.
- Surya Narayan:** A couple of questions. So one is, we interacted with one consultant with after the U.K. FTA. So, if you are saying that the enactment of FTA would take nearly 1 year or so. So, the information is correct?
- Secondly, to understand that you are Air lifting a lot of AMD products to U.S. So Is the Red Sea issues currently still ongoing, and that is the reason why we are air lifting or any other reasons?

And what is the status of the rates at the moment, whether the cargo movement is coming to a normalized level? Or still it is creating problems?

**Punit Lalbhai:**

So I'll answer U.K. FTA first. Yes, your information is quite correct that it might still take some time before the zero duty benefit starts to sort of accrue to the trading partners because it still has to be ratified at various levels, but that should go through, but it's a process that takes time. Now, one good thing that has happened is between the time that the agreement has been negotiated relatively quickly, the two prime ministers have signed it.

So that process is over, but now there are other ratification processes that will happen. So it will take some time. But I think the certainty of that happening is good. High level of certainty that benefit will start accruing, even though it will take at least a few months to a year to start accruing.

**Surya Narayan:**

You're saying 1 year, sir?

**Punit Lalbhai:**

Yes, it could be 1 year. It could be a little more, a little less -- I mean, let's hope it's less and not more, but it does take some time. Now coming to Red Sea. Red Sea has always been a problem since this Israel, Palestine conflict has started, in fact. So it's been over a year since this issue is ongoing. There is no change in that issue.

And the route that is going to both Europe and U.S. is around Africa generally that's the route that we take from India. So that has been in place. That's not the reason why we are air freighting things. The reason why we are air freighting things is to be able to ensure that we meet our customer expected dates.

They need to have the goods by a certain period of time. And because we have taken opportunistic orders in order to sort of take advantage of this period when business is moving from one area to another, we have proactively decided that some products you'll have to send by air to keep everybody satisfied.

**Surya Narayan:**

Okay. And sir, regarding this Vande Bharat order what we have received long-term orders. So just to understand what is the capability compared to the whole package of Vande Bharat in terms of maybe packing, maybe you composite or industrial section. So, what kind of scope we can see? if you can give some idea as to what is the current order related to any component wise?

**Punit Lalbhai:**

So it is the interior of the coaches. So in order to have better fuel efficiency, you need to have lower weight that the engine has to pull. And composite allows you to have very good strength at very low weight. So all these ceiling panels, side panel, partitions, doors, toilets, flooring panels. All of that is made out of composites.

**Surya Narayan:**

Okay. So, any further scope you see and going forward, we will be winning maybe near to medium term in the Vande Bharat?

- Gurpreet Singh:** So typically, in every coach, about 5% to 7% of the material requirement is going to be serviced by us. This going to be from the AMD division. And that's the scale at which we will be supporting this big initiative.
- Surya Narayan:** Is the current lack of scale, what we are actually in the process of scaling out because as Punit, I was saying, we are adding 20% of capacity this year and next year. So is the capacity becoming a hindrance so that we are not able to participate in the railway orders?
- Gurpreet Singh:** Not in this segment, this segment, there has been adequate capacity installed and invested about 2 years ago. And this big tender will allow us to utilize our existing capacity and enhance the utilization and fulfill over the next 3, 4 years. The capital investment that Punit bhai has talked about are in other growth businesses in industrial and Human Protection.
- Moderator:** We take the next question from the line of Tanishk from Antique Stock Broking.
- Tanishk:** My question is what sectors are giving you confidence about the demand to remain healthy in the second half of the year because I think there will be higher tariffs imposed?
- Punit Lalbhai:** No. So I think the conversations that we are having and the demand and the product categories that have already shifted. That is giving me confidence that we have won newer business, newer customers and new product categories, all of which has started already coming in, and they will ramp up over quarter 2 and reach the peak levels in quarter 3.
- So at least from sitting now we can see that happening. Of course, there's always uncertainty in any forward-looking view. But all I can do is give you the best view that I see at this point in time. And the relative competitiveness of India currently is looking good. So that also is giving me confidence that we will be a great test in sourcing destination for both U.S.
- And our domestic market has been doing reasonably well. Brands after many, many quarters, maybe 8, 9, 10 quarters of sluggish growth is now looking more positive. So all these factors combined make me optimistic.
- Moderator:** The next question is from the line of Kishore Kumar, Unifi Capital.
- Kishore Kumar:** Sir, are you seeing retailers taking up more in Q1 because the earlier deadline was actually July 9, so is that the reason the company had to Air shift some of the shipments to the U.S.?
- Punit Lalbhai:** No, it's purely because of our capacity situation and the time lines in which certain customers needed certain inventory. That's the reason why we had to airship. And that the reason why those dates moved around is because of the uncertainty around tariffs. Some people wanted goods early. Some people wanted to place orders, provided we could provide them early because we decided to provide some orders, early some orders that were in the regular cost got delayed.
- So all of those mismatches happen when you disrupt a normal planning cycle. And this is like one sort of very disruptive event that happened. So because of that disruption, the airfreights are done. But like any disruption, that disruption runs its cost and then you sort of stabilize at the

new normal, which will happen. And we are adding capacity. So there's no question of this continuing beyond a very short period of time.

**Kishore Kumar:**

Got it, sir. Just a follow-up on that. How is the inventory situation in the U.S.?

**Punit Lalbhai:**

So right now, inventory situation is not very bad. It's actually quite favorable. The sales also, retail sales have been decent. And up to spring, the order pipeline looks good. Now we have to see what happens in summer. So the impact, and that's where the uncertainty lies. So the question is not about inventory. The question is about basic demand. What will happen to basic demand once consumers start facing the impact of the tariffs that have been imposed, right?

So far, there has been no impact. But the real expensive goods are only now hitting the consumer and they will start hitting the consumer going forward. So what is the impact on overall demand? Is there a demand reduction to that, nobody has a good answer right now. And there are many other things also happening like tax breaks happening in the U.S. There will be also a differential tariff between sourcing destinations.

So even if the overall demand shrinks, India might actually gain. So all of this, this is quite a complex sort of scenario, which we will only know when we are in it. Unfortunately, there is nobody that can predict this very well because the final decision-making hasn't happened on relative tariffs on what is the impact of tax break what is the impact of higher cost of goods coming in because of tariffs.

All of that is still unknown. So that we have to keep watching. But broadly, logic says that India is going to be a better sourcing destination because of relative tariffs and want, first of all, move away from China. Saturation of Bangladesh and Vietnam, which are the only large competitors and then better relative tariff. All this put together at least to me, sounds like a very compelling logic for India to gain, irrespective of whether there is some demand destruction or not in the U.S. market.

**Kishore Kumar:**

Understood, sir. My second question is on the proportion. What's the current proportion of revenues from the U.S.?

**Punit Lalbhai:**

It is 35%.

**Kishore Kumar:**

So I'm presuming that the laws that you have mentioned is actually based on the additional costs that the company incurred on freight it's actually also on the discount that we've given on the sales price?

**Punit Lalbhai:**

So, discount, inefficiency and airfreight. These would be the three big components.

**Moderator:**

The next question is from the line of Roshan from B&K Securities.

**Roshan:**

Yes. Since we are seeing too much volatility in the cotton prices of lately. So what will be your outlook for going forward in terms of prices?

- Punit Lalbhai:** So the cotton market is going to be a little bullish in India because we have a 10% import duty, and we have hiked up MSP quite aggressively. So prices are going to remain slightly elevated going forward for India.
- Roshan:** Okay. And in terms of other expenses, as you mentioned, there are a couple of costs that you have incurred in terms of airfreight. So, can we assume that this is the peak of cost that is going to come?
- Punit Lalbhai:** Some of it will continue in Q2, but by Q3, we will be over the hump.
- Moderator:** The next question is from the line of Shivkumar Prajapati from Ambit Investment advisors.
- Shivkumar Prajapati:** So my first question is on the AMD front. So, we show the AMD sub-segment that is human protection, Industrial and composite. Which will be the fastest-growing segment? And what would be the key drivers for them? And what geography are we targeting? I mean is it the domestic or the exports? And if it's exports then what are the reasons?
- Punit Lalbhai:** So we are 60-40 export to domestic. U.S., Middle East, U.K. Europe and Australia are all important, especially in advanced materials. All segments are poised for growth because composites, we increased capacity last year. Industrial, we are increasing capacity this year. Human Protection, we had increased capacity, but we are further increasing capacity this year. So everything we are going to try and keep the proportion similar across all 3 segments. And they all should hit that high teens to 20% growth. Once we are over this couple of quarters of disruption.
- Shivkumar Prajapati:** So sir, the mix between AMD and the textile would be 80-20 going forward?
- Punit Lalbhai:** AMD hopefully should be becoming higher percentage because it's growing faster than the textile base. It's, of course, starting from a much smaller base and we are investing heavily in textiles also in Garmenting. But overall textiles will be growing at low double digits. 12% kind of level. And if we are able to achieve our vision of 20% AMD growth, then mathematically, it will gain share.
- Shivkumar Prajapati:** And sir, what could be the peak margins, EBITDA margins for AMD?
- Punit Lalbhai:** So right now, we are saying 15% because we are also investing heavily on capability building, new factories are coming online, there will be sort of scaling up losses in some places. So in a fast growth area, we are not chasing margin so much. We are investing in capability, people and capacity is ahead of when they are required. So ideally, once operating leverage comes, this business should be in the 18% to 20% margin bucket. But while we are in this high-growth phase, that's not our first priority. We will prioritize growth over margin improvement.
- Shivkumar Prajapati:** Understood, sir. And the second question is the Reliance and Aditya Birla doubling down their integrated textile retail chain, so does Arvind in itself competing similar value chains? Or are we looking for any partnerships with them? Any thoughts on this?

- Punit Lalbhai:** So we have a very strong B2C business it's almost INR1,000 crores where we have a direct-to-consumer distribution business under the Arvind and Ankur brands, and we have the Arvind store. So all of that put together is about INR1,000 crores and growing quite well and doing extremely well.
- So this quarter also, we grew about 20%. And the yearly forecast is also high teens for this business, B2C as a proportion. So, it's a 10% - 12% of our overall turnover. So that business is there, and it's a focus area for us.
- Shivkumar Prajapati:** Understood, sir. And sir, my last question maybe with denim demand stabilizing, but the competition is increasing. So how are we able to defend the realization? Is it through the branding or some client stickiness?
- Punit Lalbhai:** Sorry, I didn't understand the question.
- Shivkumar Prajapati:** So sir, the denim demand has stabilized, but the competition is increasing in this segment.
- Punit Lalbhai:** I think we are doing better. After many quarters, we have crossed we've almost done 14 million this first quarter. And next quarter also, it looks more like 15 million. So the demand is robust. Of course, for us, the competition is mostly in the domestic market where we have reduced our exposure. So for us, it's a Denim business is much higher on export quantities, plus in the domestic market, we are working with high-end brands. So in that segment, the competition is not as bad.
- Shivkumar Prajapati:** Understood, sir. And sir, what percentage of inventory today would be non-moving?
- Punit Lalbhai:** So, there's no concern on non-moving inventory.
- Moderator:** Ladies and gentlemen, due to time constraints, we take the last question from the line of Smit Shah from JHP Securities.
- Smit Shah:** Sir, sorry, I missed it. How much of the total revenues do you get from the U.S.?
- Punit Lalbhai:** 35%.
- Smit Shah:** Okay. And sir, what I wanted to understand was that when India was at a baseline tariff of 10%, we had to take maybe a 200 or 300 bps impact on the margins. So if the tariffs going forward, go to say somewhere between 20% to 25%.
- Punit Lalbhai:** We've only taken 100 bps sort of impact. So not even 100 bps so it's not that large. And it will get compensated in other ways because good and interesting business is moving to us.
- Smit Shah:** Okay. So when the tariffs go up to 20%, 25%, how much of the impact will be borne by us and how much will be borne by the wholesaler or the retailer and how much will be passed on to the end consumers?

- Punit Lalbhai:** I think most of what has to be passed on has been passed on. I don't think the supply chain has more ability than this to pass on. So most of it will have to be borne by the consumer. That said, we will look at it from a case-to-case basis and see how it is of interest to us or not. There is just too much uncertainty right now.
- And we'll have to see what happens. It will also depend on relative tariffs. If somebody else has higher tariffs than us than 25% will start looking very good. So it will depend on relative tariff rather than absolute tariffs. So I think we all will have to be patient and wait until all the final decisions are made with all the bilateral trade agreements. And it's frustrating, but we have to just wait. There is no other option.
- Smit Shah:** Okay, sir. Understood. And sir, the 35% exposure to the U.S. that on a quarterly basis comes to around INR 700 crores. So the INR 15 crores impact that you said was because of the tariffs and all. So based on that, you come to a 200 bps, I think, impact?
- Punit Lalbhai:** No, So that 15% is overall in the company because of U.S. disruption, it doesn't mean that the disruption is only on U.S. orders. It could be on any order, right, because our machines don't distinguish that this is a U.S. order. This is a U.K. order. So it's plant-level inefficiency.
- So I think this is not the right way to calculate. Overall, there is a INR 15 to INR 20 crores impact across the whole company because of disruption related to the supply chain getting disrupted. Let's not ascribe it to any geography.
- Smit Shah:** Thank you sir.
- Punit Lalbhai:** Thank you, everyone. See you next quarter.
- Moderator:** As there are no further questions, I would now like to hand the conference over to Mr. Satya Prakash, sir, for closing comments. Over to you, sir.
- Satya Prakash Mishra:** Thank you so much once again for taking your time out to attend the call. Looking forward to meeting you in upcoming conferences and have a great evening. Thank you.
- Moderator:** On behalf of Arvind Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.