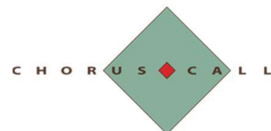




“Arvind Limited
Q4 FY '26 Earnings Conference Call”
May 16, 2026



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MR. GURPREET SINGH BHATIA – CHIEF EXECUTIVE OFFICER AND PRESIDENT – ARVIND ADVANCED MATERIALS LIMITED
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Moderator: Ladies and gentlemen, good day, and welcome to the Arvind Limited Q4 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 this conference call, please signal an operator by pressing star then zero on your touchstone 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 morning, everyone, and a very warm welcome to the Arvind Limited earnings call for the quarter and full year ended March 2026. The financial results for the quarter and related presentations were uploaded to our website. Hope you had enough time to go through it. Before we begin the call, let me introduce the leadership team that I have with me.

We have Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Whole-Time Director and Group CFO; Mr. Nigam Shah, Executive Director and CFO of Arvind Limited; Mr. Gurpreet Singh Bhatia, CEO and President of AMD business.

I'm very happy to inform you that the journey of Arvind Limited has taken a defining turn to become a truly global organization. We intend to continue this in the foreseeable future, and expand our horizons beyond the boundaries of India, while being deeply rooted in our place of origin. We remain optimistic and upbeat about India's long-term growth story, and are fully aligned to capture the opportunities in the world's largest population center.

Over the long term, our well-diversified business model with an equal contribution between exports and domestic markets, positions us strongly and helps us insulate the company from macroeconomic volatility.

Walking all of you back down the memory lane, let me remind you all that we have started the financial year 2025-26 with a severe disruption in trade due to imposition of tariffs by USA. However, Arvind has started the fiscal year 2025-26 on a stable footing, proactively absorbing tariff-related pressures and realigning its businesses to navigate the challenging macro environment.

A disciplined approach led the foundation for a strong second half, highlighting the agility of our operating platform. Despite multipronged disruptions, we remain focused on execution excellence, cost optimization and deepening customer engagements, enabling us to deliver consistent growth.

Coming to the operational performance during the quarter and the full year. We witnessed strong volume growth across all core segments during the quarter, in line with our guidance. Denim volume grew by 19% to 17 million meters with full year volume at 60 million meters, up 15%.

Woven fabric grew by 5% to 35 million meters taking full year volume to an all-time high of 136 million meters. The Garmenting business continued its strong trajectory, crossing 10 million mark for the third consecutive quarter in a row.

For the full year, the volume reached 42 million pieces, which is up 12%. Advanced Materials delivered a robust performance with growth in line with our guidance of 18% to 20% growth in this year.

This was supported by a favorable product mix, operating leverage and reversal of earlier expense provisions made during the year to take care of tariff. EBITDA margins improved by 200 basis points in quarter 4. On a full year basis, the business continues to maintain a sustainable margin profile of 15%.

Coming to the financial performance. For quarter 4, consolidated revenue and EBITDA stood at INR2,553 crores and INR327 crores, reflecting a growth of 15% and 19%, respectively. For the full year, revenue grew by 12% to INR9,303 crores with an EBITDA of INR1,061 crores and a margin of 11.4%. Important in this to note that the EBITDA for the first time has crossed INR1,000 crores mark.

The Textile segment reported revenue was at INR6,897 crores for the year, up 12%, with EBITDA margin of 10.3%. The Garmenting segment delivered strong growth of 21% with revenue crossing INR2,000 crores mark. Advanced Materials Division reported record performance during the quarter and year with a revenue of INR1,839 crores, up 21% and EBITDA margin of 15.1%.

Full year profit after tax grew by 21% to INR444 crores with return on capital employed improving by 120 basis points to an all-time high of 14%. The number is 15.7% if we remove capital work in progress from the calculations. Net debt during the similar period reduced by INR112 crores to reach INR1,172 crores, supported by a strong free cash generation.

In terms of capital allocation and balance sheet, we continue to maintain a disciplined approach to capital allocation. During the year, we invested approximately INR486 crores in growth capex. Our balance sheet has strengthened meaningfully over the past few years, driven by a prudent capital structure, rationalized debt profile and consistent free cash generation.

In line with our dividend policy, the Board has recommended a dividend of INR4.5 per share, translating into a payout of 28.5% of profit after tax reported. This is subject to shareholders' approval.

On 6th May, we have announced the acquisition of 61% stake in U.S.-based Dalco-GFT through our wholly owned subsidiary of Arvind Advanced Materials Limited, marking our journey, marking our entry into world's largest technical textile market.

This is a strategically important step, strengthening our presence in specialized non-woven segment expanding our global footprint. The acquisition is expected to be margin and EPS accretive from the first year. In subsequent years, it is expected to unlock meaningful synergies over time.

Looking ahead, the global environment remains uncertain with ongoing disruptions, including evolving situations in the Middle East, impacting input costs, supply chains and currency movements. While the near-term risk persists, demand across Textile and Advanced Materials remains resilient, and key sourcing destination continues to be stable for now.

We are entering FY27 with a healthy order book position and a strong inquiry pipeline. We expect to maintain the growth momentum to grow at a double digit with high double-digit growth in Advanced Materials and mid-teen growth in Garments.

However, there may be disruptions in demand, especially in second half due to increase in inflation and other global uncertainties impacting discretionary consumption. Input costs across product lines have risen sharply, which may exert margin pressure in first half of FY27. While the margin recovery is expected in second half, this is subject to easing of geopolitical tensions.

We will continue to invest in growth with planned capex of INR450 crores to INR500 crores in FY27. This will be funded through internal accruals. At the same time, we remain focused on aligning stakeholders' interest and enhancing long-term returns. Please note that the outlook that I have given earlier does not include the financial impact of acquisition of Dalco and its consolidation into Arvind's books. We will provide a detailed update on that in coming quarter.

Let me close by reiterating that the company is well positioned to navigate the current environment and deliver sustained profitable growth. Our diversified portfolio, disciplined execution and capital allocation underpin the margin improvement and stronger return ratios and superior cash generation capability, while managing near-term uncertainties with agility. We remain firmly focused on long-term value creation through targeted investments, portfolio premiumization and balance sheet strengthening.

Thank you. We can now open the floor for questions.

Moderator:

Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of Aradhana Jain from 360 ONE Capital.

Aradhana Jain:

Congratulations on the good set of numbers. A couple of questions. First on the garmenting business. If you could just help us understand what are the growth levers in the garmenting business, which gives us the confidence that we'll be able to achieve the mid-teens kind of growth? Like is it on the back of the recent capacity expansion that we've done, the new client additions that we are getting, better utilization realization?

And how should one look at the realization going ahead? Because if we see the last 2, 3 years, the realizations were not growing. But this year, there's been an increase in the realization, high single-digit kind of realization growth.

So what would be the growth levers in the garmenting business, which gives us this confidence? And the second part of this question is, if you could also highlight what is the current margins that we are making in the garmenting division? And if there's any cost or operational efficiencies

that we are able to bring in, in the garmenting side of business, which can help improve the margin? Yes, that's my first question?

Punit Lalbhai:

Sure. Thank you for the question. So the growth in garmenting is almost automatic. The demand to buy from India is very high with pretty much every global buyer needing to derisk Bangladesh and Vietnam particularly. So India will always be a preferred destination to source garments.

The challenge is India is a supply-constrained geography. Our garment industry is not growing because we don't have capacities. So, the moment we create capacities, growth will come. So we don't have to really work very hard to fill order books as far as garments is concerned.

If you are a good garmenter with integrated capabilities, diversified product portfolio like us, the order book should not be the hard part. So the growth will come from the capacities we've already created. We have moved capacities from high 40 million range to mid-50s already. So this year, we should be somewhere in that ballpark. And for us, garmenting is just a vertical integration.

It's the same customers that are buying fabric from us that want to now sort of be having a one-stop shop type of situation with us. It gives them a lot of ease of operation, not having to connect the dots between multiple suppliers.

And as far as realizations go, it is, of course, product mix linked. We have knits, which is slightly lower realization. And then we have shirts and denim, which have higher realizations. And even within product category, it depends on the product mix. So realization will be product mix led.

I would say things are on track, and we should be able to grow this in the high teens going forward. As far as margin is concerned, because we are still in investment mode, there are certain factories that are at lower margins. There are certain factories that are higher margins.

So I would say our average blended margin is in the high single digits EBITDA, which over a period of time, we will want to get into the mid-teens. That's the journey that is still going to take a couple of years to go through.

And we are continuing to further expand into Garments. That's one of the ways in which we will grow. Advanced Materials, Garment expansion and now a third pillar of globalization of footprint, I think these would be the avenues that will allow us to grow.

Aradhana Jain:

And sir, is there any labor issue that we would be facing because of the inflation and the West Asia war-related issues at our garmenting facility right now or do we foresee that in the near term?

Punit Lalbhai:

The garmenting business is people management, mostly. So it is always about managing people. Our strategy is to automate so that we can have the highest productivity per person, and we are constantly innovating and automating to ensure that happens. Meanwhile, we have to have very

people-friendly HR practices that lead to higher retention of skilled manpower. So these are all day-to-day sort of activities as a garment manufacturer.

And I don't see anything specific to the West Asia conflict that is going to impact the garmenting industry. I mean, if inflation goes up, people will be in more need of stickiness of jobs. So I don't see that as a negative. But overall, labor management is the main sort of value driver in garments. If you are able to have high productivity, if you are able to have good retention, then the business becomes successful.

Aradhana Jain:

What could be the lead indicator that one should be assessing the Advanced Materials side of things, like from an order book perspective, should we be looking at order book visibility that should give us confidence in that particular segment of your side? And how long as a tenure, do we have the order book visibility for? Like is it for 3 months, 6 months that we are sure that we have an order book visibility or is it for the longer period?

And how many new client additions would we be doing on a year-to-year basis? And if you could also give some guidance on the EBITDA side of things that now that the Dalco division will be integrated into us, how should we look at the EBITDA margins? Because this quarter itself, we've seen a 200 bps improvement.

Can we expect that to be on a steady-state basis? Again, I understand that it is because of the product mix driven by that. But going forward, what should be a steady-state EBITDA margin for the AMD division?

Punit Lalbhai:

This is a rather complex question. And Arvind Advanced Materials is a complex business. So the answer varies from product category to product category. The way to think about it is that we have the visibility to grow at 18% to 20%. The margin is likely to be around 15% to 16%. That's the sort of range that we are targeting. Some quarters, there could be higher, some quarters there could be lower just as a result of product mix.

So it's basically 18% to 20% growth and 15% EBITDA margin with hopefully a ROCE that will keep growing to very interesting levels. And with Dalco, Dalco is a margin-accretive acquisition. It is also in the high teens in terms of EBITDA margin. So it doesn't dilute our margin profile, but it increases our avenues of growth and our global reach. So that's how you should look at the business.

Moderator:

We will take the next question from the line of Ronak Shah from Equirus Securities.

Ronak Shah:

Sir, my first question is broader on macro terms. So considering the current geopolitical tension and the volatile environment, how the industry is realigning? And if you can call out certain specific measures, which the industry as a whole are taking to mitigate such risk?

Punit Lalbhai:

So that's a good question. I think this is the question on all of our minds as well. It seems like to deliver a good performance we are having to work harder and harder. And in that context, I would like to place on record the fantastic job the team has done in navigating what already was

a very challenging environment in Q4. As far as the year that we have just entered is concerned, it's a tale of 2 halves, if you ask me.

The first half is very deeply characterized by both strong demand, but very, very erratically and fast increasing input costs. So cotton has gone up, yarn has also gone up disproportionately, all petroleum-backed inputs like energy. So we use a lot of gas for our textile processing, that's gone up. Dyes and chemicals have gone up. Polymers have gone up.

So polyesters, nylons, elastane, all have gone up. So it's a question of being able to sort of manage in this inflationary environment when we have already locked in long-term prices. We've also locked in a good chunk of raw materials.

So we are able to manage, but there is going to be margin pressure in the first half. And the second half, the worry is will this robust demand environment actually hold. If the oil stays at between \$100 and \$120 a barrel, it is conceivable that people will not have enough disposable income to drive the demand that we are seeing today. So all of this needs to be factored in. And it's too early to have an answer on some of these.

But I think what we have shown is that our business model is quite resilient. We've seen shock after shock. Since COVID, we have seen the Ukraine war, then we have seen tariffs. Now we are seeing this environment. In all these environments, we found a way. So I believe in our team that they will continue to find a way.

And yes, there might be some quarters where some of these pressures lead to slightly muted performance. There may be some quarters where we will soldier through and deliver very good set of numbers. I think overall, medium term, our thesis around our growth model, pushing Garments, pushing Advanced Materials, driving efficiency, automation, digitization, globalizing our manufacturing footprint. All of these, I think is a winning strategy.

And so I'm very bullish about sort of the medium term, but the short term is characterized by a lot of these challenges that are uncertain by the very nature. We don't have enough information to predict the future, and it's challenging to manage day-to-day, but the team is doing a good job. So that's the -- that's how I'd like to respond to this question.

Ronak Shah:

Sir, just a small follow-up to this. So when we see the first half of FY '26 vis-a-vis second half, we have relatively lower base on annualized base. So when the management is seeing some margin pressure into the first half, it is more to do with the annualized comparison or you are sensing pressure compared to the first half of FY '26?

Punit Lalbhai:

No. So I think I'm just seeing pressure. Now compared to FY '26, I think we should still be okay. I mean we shouldn't be worse than '26. That's at least my feeling sitting early in '27. But there will be some margin pressure. And my observations are always indexed to what could have been or what was in the very recent past.

So I think compared to Q4, we are facing more margin pressure, and maybe Q2, we'll face even more margin pressure. But compared to last year, maybe there will be other factors that will sort of allow us to do not worse than last year, at least.

Ronak Shah: So can you, sir, just highlight what are the current installed capacity into the each subsegment, be it your denim, woven or garmenting? And how you are trying to expand over the next 2- to 3-odd years considering the capex plan, which we are having?

Punit Lalbhai: So fabric will expand marginally. I mean, maybe 5%, 7% expansion in capacity is coming. After a very long time, we have gone ahead, and we've done some expansion in our knitting capacity because our verticalization percentage is quite high in knits, and if we want to grow, we also will need to grow the fabric.

So we are putting in fabrics this year. We are growing denim in an asset-light model a little bit because the demand environment is very good. And the last bit of sort of capacity that we had added in wovens, maybe 2 years ago is now almost reaching 100%. So there could be some volume growth there as well.

So on the fabric side, it is sort of very strategic volume growth. In Garments, we will grow capacity by about 20% this year. And Advanced Materials also we are putting in capex in the India business to grow at 18% to 20%. And of course, Dalco also has capex plans to grow in the mid-teens.

Moderator: We will take the next question from the line of Perna Jhunjhunwala from Elara Securities.

Prerna Jhunjhunwala: Congratulations on strong set of numbers. Just wanted to understand, it's been a fantastic year amid headwinds for you. Could you help us understand what went right for us? Any strategic level initiatives that are sustainable that could cushion us from the coming headwind of input cost inflation that is coming in? Just some strategic-level initiatives that would highlight the strength of strengthening business model? That's my first question?

Punit Lalbhai: So I think I would see this performance as a validation of our strategy. We've always believed we can perform well. So I think it's just following through on that belief and delivering what we can. Of course, the results could have been significantly better had it not been for some of those headwinds. So the headwinds do have an impact, but one must have business model that is resilient to these impacts.

I think the growth of Advanced Materials is one such factor, which is less affected by some of these global headwinds. There is a fact that we have focused a lot on efficiency and cost takeout and productivity. I think some of those efforts are kicking in.

We are also trying to have a manufacturing footprint that takes advantage of pockets of opportunity and relative competitive advantage from a geopolitical perspective. So products starting to go from Egypt is one such example, having a factory in the U.S. now with the Dalco acquisition is there.

We have a very diversified business portfolio. Within fabric, we have wovens, denim, knits. We have the vertically integrated piece around garments. We have a INR1,000 crores plus B2C business, which is totally domestic focused, and the domestic market was very strong last year. We have the Advanced Materials business.

So when something is hit disproportionately, something else hopefully is making up the slack. So having this diversified portfolio and the focus on efficiency, responsiveness and productivity, I think have seen the last year have been big success factors in the performance we've delivered last year. And I feel this, along with globalization of manufacturing footprint should also be an advantage in the new uncertainties that we are seeing as we go into the new year.

Prerna Jhunjunwala: Understood. Sir, second question is on inflation, input cost inflation that you've been highlighting that first half could have input cost inflation and could impact margins. Just like to understand how big that it could be at this point in time? It can change with time, I understand. But how Garments, Advanced Materials and Fabrics are getting impacted? And what should we really expect in terms of impact going forward in first half?

Punit Lalbhai: As you only mentioned, it's rather early in the piece, and a lot of the moves are still to be made. So very difficult to give a very definite number. But as of now, I can see easily 1%, 1.5% of EBITDA coming off because of input costs in H1. Volume growth will be very strong, but margin may come off by 1%, 1.5%. If demand environment stays strong, we might have an opportunity to make up in H2.

But if the conflict keeps going on, there is a chance that demand might not be very strong. So I think there's just too much uncertainty to give a very definitive answer. But rest assured, the team is equipped to sort of see these complexities through and still deliver a decent performance.

Prerna Jhunjunwala: So just a follow-up on this. How is the rupee depreciation can help us.

Punit Lalbhai: It definitely help. It will partially offset many of these input costs. If rupee depreciation wasn't there, then we'd be in a very challenging environment because input costs have risen very sharply.

Prerna Jhunjunwala: And are we getting price hikes from customers on existing contracts?

Punit Lalbhai: Price hike is always difficult, and it always takes time because what you've just finalized, you can't go back and revise. You'll have to wait for the next order to get the price hike. So there's always a lag effect, and the price hike is never 1:1. There is always somebody more desperate than you, especially in fashion textiles where there is a lot of capacity globally that has got created over the last 5 years.

So, we are getting price hikes, but they take time, and it's not 1:1. I think volume growth, our cost focus, currency depreciation will all be sort of used in concert to try and mitigate the impacts on input costs. So we have levers to pull. It's just a question of timing. And given time, we can recover, but then demand needs to be strong in the second half.

- Punit Lalbhai:** Jayesh Shah, do you have anything to add on input costs?
- Jayesh Shah:** Yes. So I think more than the input cost, there was this discussion around whether you will do better or worse than what you did in the last year first half. So I think the contextually, as you rightly said, Punit, we are seeing what we could have done, and we are seeing a 1%, 1.5% going down from there in terms of margin. It may not be that percentage bad when you compare it with H1 of the last year.
- Prerna Jhunjunwala:** Well taken sir. So yes, that I understand, sir. Just last question on debt. Given the acquisition, the debt has almost doubled on a consolidated basis. How do you plan to reduce it going forward? And any time lines that you would like to give?
- Jayesh Shah:** Yes. So Prerna, as we had spoken during the call a week ago on the acquisition, we are clear that we would like to bring down the debt back to where we were at a comfortable level. Just that the opportunity was so compelling that we had to finance immediately with the debt. We are working on a plan that our philosophy, as you know, and we have been consistently following that. We would bring down the debt over a few years.
- It maybe 1 or maybe 2 years. And we are working on various levers to try and bring it down. It's a bit too early to say what we will do, but maybe when we meet again in the first quarter results, hopefully, we will have a very clear idea as to how we are going to book.
- Punit Lalbhai:** Also, Prerna, the \$50 million debt, which is on the Dalco parent is completely nonrecourse to India. So, to that extent, the risk on the India balance sheet is not to the full extent of the debt we have taken.
- Moderator:** We will take the next question from the line of Vishal Mehta from IIFL Capital.
- Vishal Mehta:** Congratulations on continued strong set of numbers that you've been delivering. My first question, sir, would be on Advanced Materials side. So we recorded around 19% growth FY '26. We continue to guide for 18% to 21%. If you could give some color, subsegment wise like what's kind of driving this strong growth and your visibility, what it is enhanced?
- Gurpreet Singh Bhatia:** This is Gurpreet. So as you would know, we've got 3 key segments in our business: human protection, composites and industrial with a very diversified portfolio meeting several end-use applications and solutions. We are seeing growth across all the 3 segments. There is not a particular segment, which is growing faster than the other.
- When we look at human protection, it's also growing in high teens and a huge opportunity in the coming year to expand and continue the growth through regional expansion into some of the underrepresented geographies and also hunting for new customers is a big driver on the human protection side, and we are moving in that direction over the work done over the last 6, 8 months.
- Innovation is also a critical pillar where we have now developed new products for defense and other critical applications to drive growth on the HP side. In Industrial, which is predominantly

our filtration business and where this acquisition also comes, we have new investments that we made over the last year for more advanced technologies for high-temperature filtration applications, and also have a significant capex expansion plan for growth this year to again drive an 18% to 22% kind of growth in industrial.

Composites is, again, diverse from mobility to building and construction to renewables. We are seeing good demand on the renewable side, which is the wind energy sector. Building and construction, again, is seeing very robust demand from Europe and the U.S. market.

And in mobility, where our presence with Indian Railways is we've got now reasonably good outlook for the next 18 - 24 months of an order book from our Indian railway customers. So overall, pretty secular in nature across all the segments.

And your question on margins, we did see a margin expansion in quarter 4 by about 200 basis points. But as Punit said, anywhere from 15% to 16% is what we retain as an aspiration for the business. So overall, driving an 18%, 20% revenue growth with an equitable profitable EBITDA growth is clearly the objective.

Vishal Mehta:

Sure. Just a follow-up here on HP, you said that you are increasing presence on underrepresented geographies. Would it mean that we are also increasing our domestic defense kind of share here?

Gurpreet Singh Bhatia:

Yes. it's a clear direction that we have to support the India growth story and make it more self-reliant in all the sectors that we operate in, whether it's infrastructure build or filtration solutions for emissions in the Indian market and also our defense services. That's a critical segment, and we have now not only expanded our footprint with the Indian Army but also expanded to the other forces and paramilitary forces.

We are now going up the ladder to reduce and help the Indian forces to reduce import dependence of certain high-value and high solution products to enable indigenization, working with some of the core agencies in the Indian ecosystem and conclusively coming to solutions for the Indian forces. So defense clearly is a critical growth sector for us.

And as I said, Europe on a geography point of view is a critical geographic expansion, where over the last couple of months, we've focused on the GTM, the business development activity and have a very good pipeline getting established to build the business in Europe over the next 2 years. And of course, as you would know, the U.K., EU FTAs are key enablers to support our investments and strategic focus in these geographies.

Vishal Mehta:

Just on this, Punit bhai, I just wanted to get your sense on where we are in terms of implementation from these FTAs?

Punit Lalbhai:

We are pretty advanced. So hopefully, U.K. should happen any moment should be towards the end of the year is what the current consensus is. And of course, this is a complex bureaucratic process. There's no doubt on whether, it is only when that is the question. And our sources tell us that this would be the time line that we should see this happen.

- Vishal Mehta:** And how are you seeing your responses from EU clients, especially EU, U.K. clients currently on the textile side?
- Punit Lalbhai:** The challenge there is our garment capacity. They will want to buy way more from us than we have capacity to offer. So in fact, we are starting a studio in London, where our entire collection will be available. And we are sort of tying up with a lot of partner facilities. We have plenty of fabric capacity.
- We have a capacity-constrained environment in garmenting because our existing customers also want to grow with us in garmenting. So they get first preference. And then when we have to offer capacities to new clients in these FTA geographies, we are trying to partner and build virtual vertical supply chains, and that will be fueled by this new studio that we are creating.
- Vishal Mehta:** Okay. Just lastly, we have on fabric side, been operating at more than the rated capacity, which we kind of disclosed. How are we managing to grow there? And what's your growth outlook on the fabric side of business? And how will we fulfill that given that we are operating at...
- Punit Lalbhai:** This year, we are expanding capacities in fabrics, too, especially in knits, where we are expanding capacity quite significantly. We are almost doubling because that's the efficient way of -- I mean to build capacity. you can't have half a line of production, and so knits will have significant capacity, almost 60% more than what we are having right now.
- In denim, we are doing an asset-light model. A lot of debottlenecking capexes have been happening and are happening. So machine speeds go up. We add some finishing technology. We can buy undifferentiated product from third parties and then value add on it. So all those opportunities are there. We are adding printing capacity as well. So capacity will grow this time on fabric as well.
- Vishal Mehta:** So 5% to 7% would be the growth to go forward with on external things?
- Punit Lalbhai:** Yes. I think that's a good number to keep in mind.
- Moderator:** We have the next question from the line of Harsh Dubey from LFC Securities.
- Harsh Dubey:** Congratulations for a good set of numbers. I just have questions on the garments. As you have rightly pointed out that the capacity is the constraint in India, and we are having the EU and the U.K. FTAs and a lot of clients are looking towards the sourcing and derisking from Bangladesh, right?
- What I wanted to understand is when you talk about the partnership factory, what's the time line that you're expecting in this? And just wanted to also understand the time line for our internal capacity and the garment shipping numbers going forward?
- Punit Lalbhai:** So garment shipping numbers will go from low 40 million to above 50 million. So we should add more than 10 million full garments this year. We should also grow significantly in our

Essentials business, that will also grow by 20% this year, which is another 35 million, of course, it's undergarments.

So much smaller in value, but that should also cross 40 million this year. So capacity addition in our own garmenting is very, very strong, which is an ongoing process. Every year, we have been investing behind. And then partner facilities, we already partner with quite a few strategic vendors, some of which we have been working for decades.

So we will dial up our engagement with these people and maybe add 1 or 2 more relationships like that to be able to cater to the additional demand once these FTAs are in force.

Harsh Dubey: On this, sir, as you have rightly said that right now, we are also partnering with other players. So I just wanted to understand, this is specifically only in India. And when you talk about the diversification, are we also looking at geographical diversification might be partnering up with partnership factories in Bangladesh, Vietnam or something like that?

Punit Lalbhai: So we already have strong partnerships in both Sri Lanka and Bangladesh. These are historic partnerships. We are adding one new partnership in Bangladesh, and we are adding a new partnership in Egypt. So Advanced Materials, we have leased a factory, and that's working quite well in Egypt. Already 3, 4 cycles of orders have been dispatched from there, and we are adding for fashion textiles, particularly denim, some partnership factories in Egypt.

Harsh Dubey: Sir, on this, as we are an integrated player, and I rightly understand that we are also having partnership factories in Bangladesh. Just on this, when we talk about garments, specifically, do we think that we are going to have our own facilities as well in Bangladesh and going in the future?

Because after this FTA is done, I think so still the cost effectiveness of Bangladesh because of operating costs, still Indian textile will be 5% to 7% higher FOB. So what do you think about that? Are we thinking of adding new facilities in Bangladesh? Well, like internally, not with partnerships?

Punit Lalbhai: Yes. we are trying to go in with an asset-light or investment-light model where we invest, but invest in very strategic debottlenecking assets or capability enhancement or quality control equipment. We are investing in people. So that's the form of our investment.

And should that succeed, then we can think of dialing up investment as we go forward. If it works well with an investment-light approach, we can just do more of it, right? So I think in a sense, the next 18 months will teach us a lot as to what final mode or form should this partnership approach take.

And we will evolve as we keep learning, but we are quite excited by the opportunities. We are finding good meeting of the minds with many people, whom we can come together and with and grow our business. So managing risk by being investment light is also an important criteria going

forward because not all geographies are easy to operate in with owned assets. We have other people's capabilities to manage those environments.

Harsh Dubey: Just a question on this, sir. So just a clarification on capacity of garment and the shipping number. So we are saying that by end of FY '27, we should have approximately 60 million, the capacity and 50 million of shipping is what you're saying?

Punit Lalbhai: No, no. So end of '27, our capacities, we should be in the mid-50 million range in terms of our manufacturing capability. By the end of the year, the capacity should reach 60 million.

Harsh Dubey: Okay. Okay. So you are saying that it's going to be 55 million to 60 million, and then we are going to have the shipping numbers are going to be above 50 million.

Moderator: We will take the next question from the line of Harsh Mittal from Emkay Global Financial Services.

Harsh Mittal: Sir, just continuing with the previous participant's question, do we see any upside risk in the human protection segment growth numbers, given that the West Asian crisis is there, countries are ramping up their defense budget and we have the EU and the U.K. FTAs in place. So this kind of balances out if there are any downside growth risk in the garments or the textile division, sir? This is my first question, sir?

Punit Lalbhai: So I think the demand environment in human protection is good. There is also a capacity ramp-up that is there ongoing. So you can't really do much more beyond capacity. So I think we will be at full capacity. There's an efficiency unlock piece also that will enhance capacity.

So whatever opportunity we get to dial up our capacity utilization, we will ensure that we take it. And you're right in pointing out that all Advanced Materials sales are not as discretionary as fashion textiles is. So to that extent there, we have buffers against demand destruction that are relatively stronger compared to fashion textiles.

So we do expect the demand for this to be more robust compared to even in the face of inflationary environment. And especially since defense and conflict is going up in the world, Europe needs to indigenize its defense. The Middle East is procuring more. So yes, demand environment, I don't expect in human protection to be weak.

Gurpreet Singh Bhatia: Just to add demand realization into revenue in human protection takes some time because of the whole certification and validation process. So while we may see an upsurge of global demand on defense, for us to realize that would take a couple of months to go through that process.

Harsh Mittal: Sir, my second question is on the margins. You alluded to that in the first half, there may be some 100 to 150 basis points share in the first half. Is this a net of the cost efficiency measures do we take or we have some efficiency measures which kind of negates this hike in the costs?

- Punit Lalbhai:** So I think the demand environment in human protection is good. There is also a capacity ramp-up that is there ongoing. So you can't really do much more beyond capacity. So I think we will be at full capacity. There's an efficiency unlock piece also there is -- that will enhance capacity.
- So whatever opportunity we get to dial up our capacity utilization, we will ensure that we take it. And you're right in pointing out that all Advanced Materials sales are not as discretionary as fashion textiles is. So to that extent there, we have buffers against demand destruction that are relatively stronger compared to fashion textiles.
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- Harsh Mittal:** So you alluded to the thing on margin dilution of around 100 basis points in the first half. So is this a net of after you taking the efficiencies, cost efficiency measures which already you are working on? Or there are some efficiency measures which kind of buffer this or negates this 100 basis points cost inflation?
- Punit Lalbhai:** So I'm taking 100 basis points from what it could have been and what the current trajectory was when we locked in the orders basically. So compared to that, it shouldn't be 1% from last year's numbers.
- Harsh Mittal:** Sir, my last question is on the capex. The INR500 crores capex mentioned earlier in the call, does it include the Dalco capex as well or is it ex of Dalco?
- Punit Lalbhai:** This is the ongoing capex that we are doing in the non-Dalco part of the business. Dalco is over and above that.
- Harsh Mittal:** So that, we believe, should be around INR50 crores in Dalco, which makes a total of INR550 crores?
- Punit Lalbhai:** Something like that. Maybe a little less, a little more depending on the environment and opportunity set, we can sort of ratchet that up or down.
- Moderator:** We'll take the next question from the line of Bimal Sampat, an Individual Investor.
- Bimal Sampat:** Two questions. One is in Advanced Materials, we also had a tie-up with a Japanese company for carbon fiber. Can you throw some more light on that? And second one is on our sustainable measures like renewable energy, we are shifting to that and recycling of garments, which I think has a very bright future in the coming years.
- Punit Lalbhai:** Japanese joint venture is not in carbon fiber. It is in this needle punch nonwoven space for filtration materials. We make the roll good filtration roll goods for hot gas filtration with the Japanese joint venture. And textile to textile recycling is a big theme. We are participating in

that theme. We already have a good product range there, and that's only going to go up going forward.

Bimal Sampat: And this renewable energy, we had tied up for some briquettes and then one solar venture was there.

Punit Lalbhai: Yes. So there is one wind solar hybrid venture. As of now, if there are no surprises, it should come at the end of Q2.

Bimal Sampat: And this briquettes. We are doing something in briquettes.

Punit Lalbhai: So that also should come towards the end of Q2. It's a new experimental technology. So fingers crossed that it will work. If it will work, then it will dramatically speed up our decarbonization journey. It's a partnership with Peak Ventures for a technology called torrefaction. And we will reach 80% renewable electricity with this last PPA that we have signed, which will come hopefully end of Q2.

Moderator: We will take the next question from the line of Surya Narayan Nayak from Sunidhi Securities.

Surya Narayan Nayak: congrats for the good set of numbers in a turbulent period. So just to understand the current garment verticalization we are operating in, considering the expansions in the R&D underway. So what kind of scope we are carrying for a long-term vision of 2030 because we are not expanding majorly in the fabrics, and we are trying to verticalize more and that could be increasing our margins. So what run rate we are currently on? And what is our expectation?

Punit Lalbhai: So I think medium-term plan is even with the 60 million, we have 300 million meters of fabric and 60 million garments is still a very small percentage. So there is a lot of opportunity to grow garmenting. And we are not saying we won't grow fabrics. We will grow fabrics slower. And this year is a case in point where we've seen the need to grow knits because our verticalization has crossed 50%, 55% in knits.

So to keep all our customer serviced and then to sort of prepare for EU and U.K. business, we have chosen to also expand our fabrics there. So we will take such decisions when it is strategically right for us to do that. But the percentage of verticalization should keep going up.

And hopefully, by 2030, we reach 30%, 35% verticalization. And then some more virtual verticals as well. So that we are not very dependent on fabric nomination-based business, which is a risk.

Surya Narayan Nayak: Okay. And secondly, there is a lot of opportunities are coming from the European side. There is a mandate from the European Textile Association to have the textile-to-textile recycling. So are we doing anything currently in the chemical side of processes or any other processes we are actually indulging in?

Punit Lalbhai: We are doing all 3. We are doing mechanical, we are doing chemical, and we're doing hybrid also. So we have a constellation of partners that we work with that have several technologies for

different types of polymers and for cellulose as well. So we are quite active in this space, and we are working with a lot of these innovators to be the first point of sort of piloting, doing capsule collections, proving the concept, giving them feedback on the fiber. So we are quite active here.

Surya Narayan Nayak: So currently, are we investing anything? Have you invested anything in the textile-to-textile area recycling?

Punit Lalbhai: We have created one joint venture with PurFi, which is still not operational in India for a variety of reasons. But beyond that also, we work with a lot of innovators on a buy and sell sort of basis. So our work actually starts where their work ends, right? So they are an input into our manufacturing. So unless there is something that we can value add, we would much rather like to work with multiple people and buy their product.

Surya Narayan Nayak: I mean, mostly it is a pre-consumer side you are focusing as of now?

Punit Lalbhai: We are also looking at post consumer.

Surya Narayan Nayak: Okay. Okay. So is there any time line you have set to scale up with that joint venture into a bigger scale? Because globally, some of the companies in the European side, they are actually developing capacity to the tune of nearly 1 million tons. So, the demand is coming from the brands to have more recycled fiber to be in the stream? So, is it the opportunity we are also seeking?

Punit Lalbhai: We will look to partner with this kind of ecosystem. it's not our core business to be producing fiber. So we will evaluate all options, but we will -- my first response is, we would like to partner with this ecosystem and be an early adopter for all these technologies.

Surya Narayan Nayak: Okay. Okay. And sir, lastly, recently, there was some labor unrest happened in the Noida site. and the UP government has set some higher price for the labors. So are we also revising anything on the Varanasi site plant?

Punit Lalbhai: No, we will comply with all the labor regulations. So we operate in multiple states. So we go above and beyond compliance with labor norms and good employment practices. So we don't see any challenge.

Surya Narayan Nayak: So in that case, the wage inflations are to be accounted for the R&D going forward?

Punit Lalbhai: So that we do every year in our budgeting. It is a fact in India that India is going to be a high cost inflation country, high wage inflation country. So that's built into our model.

Moderator: The next question from the line of Rajat Baldewa from Kizuna Wealth.

Rajat Baldewa: Congratulations on good set of numbers. My first question is on the outlook on the export trajectory of the AMD, given that exports currently around 60%, 65% of AMD revenue. And in particular, do you expect this proportion to rise? This is my first question?

- Punit Lalbhai:** Yes, the Advanced Materials business, which is now called AAML, we are pretty happy with the current domestic to export ratio. And it will kind of remain constant there because India for us is also growing, and India is a very important market where we would like to continue to operate at with deep penetration. In fact, the largest right to win for us is our home market. So we don't want to underserve it. So I think 60%, 65% export for the moment is the right export figure. The rest will be in India.
- Rajat Baldewa:** Okay. And sir, how much is from the U.S.?
- Punit Lalbhai:** U.S. would be about between 35% and 40%.
- Rajat Baldewa:** Okay. And sir, my second question on human protection segment. Could you please give a bifurcation like what percentage of order or revenue come from defense versus industrial safety, given that India's defense indigenization push?
- Gurpreet Singh Bhatia:** So, defense currently contributes to about 15% of our human protection business. And as I shared, there are several programs to diversify through the forces and also paramilitary forces. And I see this anywhere within human protection. But if you look at the total Advanced Materials business, it will be about 8% to 10%.
- Rajat Baldewa:** Okay. And sir, just one last question, bookkeeping question. The recent disclosure indicates the pledge of security with Bajaj Finance. In addition, the existing promoter pledge is around 7%, 8%. So can you please elaborate or provide the rationale behind this incremental pledging and offer clarity on the broader pledge trajectory?
- Jayesh Shah:** Yes. So there is no extra pledge by the promoters that has been done. In fact, pledge levels over the last 2 years have been brought down. So I'm not sure what data I can check and talk to you separately, but we are very clear that there has not been any extra pledge. Maybe it has shifted from one to another, but there is no extra pledge that the promoters would have.
- Moderator:** Ladies and gentlemen, we will take that as the last question for today. And with that concludes the question-and-answer session. I now hand the conference over to Mr. Satya Prakash for closing comments. Thank you, and over to you, sir.
- Satya Prakash Mishra:** Once again, thank you, everyone, for joining today's call. We trust that the discussion has addressed most of your questions. Should anything remain unanswered or if any queries arise going forward, please do not hesitate to reach out to me and my colleague Himanshu. We are just a phone call or an e-mail away. Looking forward to engaging with you in upcoming events of the company. Thank you, and wish you a good day ahead.
- Moderator:** Thank you, members of the management. On behalf of Arvind Limited, we conclude this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.