Arvind

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Operator: Ladies and gentlemen, good day and welcome to the Arvind Ltd. Q1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Satyaprakash Mishra. Thank you, and over to you, sir.

Satyaprakash Mishra: Good morning, everyone. A very warm welcome to the Arvind Ltd. earnings call for the quarter ended June 2026. The financial results and investor presentation have been uploaded to our website, and I hope you have had enough time and opportunity to review them.

Before we begin, let me introduce the leadership team joining me today: Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Whole-time Director and Group CFO; Mr. Nigam Shah, Executive Director and CFO of Arvind Ltd.; Mr. Gurbir Singh Bhatia, CEO and President of the Advanced Material Business; and Mr. Karan Ojha, CEO of the Wovens Business.

The first quarter of the year was an action-packed one for the company. We began FY27 with encouraging momentum, supported by robust demand across our key businesses. During the quarter, the business environment was influenced by evolving geo-economic developments, realignment of global trade flows, and elevated input costs across several raw material categories in our businesses. Notwithstanding these external headwinds, demand across all our core businesses remained very healthy, reflecting strong customer partnerships and sustained market engagement.

Coming to the operational performance during the quarter, the quarter witnessed healthy volume momentum across our core textile businesses, supported by robust demand conditions, higher vertical integration, and increased investment in product innovation. Denim fabric volume reached 17.5 million meters, the highest level in 16 quarters, registering a growth of 34%. Wovens fabric volume stood at 31.2 million meters, up 7% despite the seasonally weaker quarter, while garmenting volume crossed 11 million pieces for the first time, recording a growth of 13%, supported by healthy demand and higher verticalization.

On the strategic front, we have strengthened our global footprint by establishing a physical presence in the UK through a design gallery-cum-marketing office in London, supported by a dedicated on-ground representative to enable deeper and more consistent customer engagement throughout the year. We have also partnered with garmenting manufacturing units in Bangladesh and Egypt to diversify our manufacturing base and enhance supply chain resilience. Together, these initiatives will deepen customer proximity, broaden our global capabilities, and further strengthen our international presence.

The Advanced Material Business also delivered a strong quarter, with the India business reporting robust growth of 40%, supported by broad-based growth across key segments. The Human Protection segment benefited from normalization in defense procurement activity in India and the easing of apparel-related pressures in the US, which helped increase demand from that geography and resulted in strong growth during the quarter. The composite business continued its positive momentum, supported by increased demand from renewable energy, mobility, and mass transport applications. The mobility segment, in particular, witnessed strong traction driven by new customer additions.

The industrial segment experienced relatively lower growth during the quarter due to higher capacity utilization. Higher capacity utilization is on account of some of our incoming capex programs not having come online yet. This is expected to improve in the coming quarters. The underlying demand environment, though, remains very healthy, and we continue to see encouraging opportunities across the segment. Overall, the Advanced Material Business maintained a healthy growth trajectory, supported by operating leverage, improved business mix, and broad-based demand across key markets.

Now coming to the financial performance for the quarter, consolidated revenue stood at 2,501 crore, with EBITDA of 258 crore, representing growth of 25% and 39%, respectively. Excluding the contribution from Dalco GST, revenue and EBITDA stood at 2,344 crore and 234 crore, respectively, reflecting very healthy growth of 17% and 26%. EBITDA margin during the quarter improved by 104 basis points to reach 10.3%, supported by operating leverage, improved business mix, and continued execution discipline.

At the segment level, the textile division reported revenue of 1,735 crore, with growth of 13%, and EBITDA of 139 crore. The garmenting division reported revenue of 497 crore, supported by 13% volume growth, and revenue growth was moderated by a higher contribution from value-segment products during the quarter. The Advanced Material Business reported its highest-ever quarterly revenue and EBITDA of 650 crore and 97 crore, respectively, maintaining an EBITDA margin of 15%. The India business delivered revenue of 493 crore and EBITDA of 74 crore, reflecting robust growth across key segments.

With respect to Dalco GST, the business contributed revenue of 157 crore and EBITDA of 24 crore during the quarter, representing approximately 1.8 months of operation post-acquisition. EBITDA margin stood at 15.1%, impacted by elevated raw material costs during the period. For the full quarter, Dalco GST delivered revenue of 244 crore and EBITDA of 40 crore, translating into an EBITDA margin of 16.3%. Profit after tax for the company stood at 80 crore, registering growth of 47% during the year.

In terms of capital allocation and the balance sheet, we have continued to maintain a disciplined and prudent approach over the past several years. The company has materially strengthened its balance sheet through focused capital allocation, a rationalized debt profile, an efficient capital structure, and consistent cash flow generation. During the quarter, we invested roughly 98 crore across various growth-oriented capital expenditure programs in line with our long-term strategic priorities and future growth plans.

I am very happy to inform you all that we have successfully completed our maiden QIP of 500 crore, which witnessed strong investor interest and was oversubscribed multiple times. The issue saw participation from several marquee institutional investors, further strengthening the company's shareholder base and reflecting confidence in our long-term strategy and value creation potential. The proceeds from the QIP are being primarily utilized towards debt reduction and balance sheet strengthening, which will further enhance financial flexibility and support future growth initiatives.

Looking ahead, the implementation of the UK FTA and the gradual improvement in domestic demand are expected to create incremental growth opportunities for the textile sector. Demand remains resilient across both textiles and advanced materials, supported by healthy order books and sustained customer engagement despite the prevailing uncertainties in the operating environment.

Within Advanced Material, the defense-allied segments continue to gain traction, and we maintain our focus on expanding our presence in high-value customer programs and differentiated applications. At the same time, elevated raw material costs and supply chain challenges continue to exert pressure on profitability. We are actively pursuing mitigation initiatives, including strategic sourcing and customer-led pricing interventions, to maintain margin resilience.

To conclude, we are pleased with a strong start to FY27, marked by broad-based growth across our businesses, continued momentum in advanced materials, and the successful acquisition of Dalco GST, which further strengthens our technical textile platform. While the operating environment remains very dynamic, our diversified portfolio, strong customer relationships, and disciplined execution position us well to capitalize on growth opportunities and create long-term value for stakeholders. I will now hand the call over to Mr. Punit Lalbhai to give his opening remarks.

Punit Lalbhai – Vice Chairman: Good morning, everyone. It is a pleasure to be here and interact with all of you. Satya has mentioned all the events that happened in the first quarter in great detail, so I will not dwell on them.

I would like to say that this quarter, from a qualitative perspective, was extremely challenging and action-packed at the same time. I think the team has done fantastically well to deliver the kind of volumes that we delivered, both on the fabric side and the advanced material side. We have historic high levels of production, which required very strong execution to deliver. It is only for that reason that we are in such a great position because, if you look at the war impact this time, it has been quite significant. Almost 100 crore worth of inflation in input costs occurred in a very short period of time.

About 100 crore in the first half would be the overall impact just from cotton and yarn. On top of that, there would be an impact from all the petrochemical-related chemical costs. Therefore, it was essential to achieve high volume to keep our absolute EBITDAs very close to our budgeted range. I think the teams have done a fantastic job in ensuring this happens.

Of course, we are extremely excited about Dalco GST becoming part of the Advanced Materials Business. The more we learn about that business, the more excited we are about its future, and the more opportunities we see to cross-pollinate and make the overall business a lot stronger with that US base now within the business.

I think that is enough for the general commentary for now. I would like to open the floor for questions, and we can answer them to the best of our ability. Thank you.

Operator: We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question comes from the line of Aradhna Jain with 361 Capital. Please go ahead.

Aradhna Jain – 361 Capital: Thank you for the opportunity, and congratulations on the good set of numbers. First, I wanted to understand the textile side. Textile revenue grew 21%, but we saw margins declining to around 7.5%. Could you help us understand the margin bridge, why there was a decline in margins, and quantify how much was due to the higher raw material cost versus the product mix or other factors?

More importantly, how should we think about the textile margin over the next 2-3 quarters as the raw material pass-through catches up? That is my first question.

Management: I think the first thing to understand is that Q1 is always a lower-margin quarter. Compared to Q4, the margin will always look lower. Last year, we were at an 8.4% EBITDA margin, while this year it is an 8% EBITDA margin across the textile vertical.

It could have been close to double digits, but for the raw material escalation that happened within a short period of time. Our order books fill up 3-4 months in advance of the business, and the pricing gets fixed. It is then very difficult to change that, and we would not want to let market share go down, especially when we are on a growth trajectory. So, you could say that we traded growth for margin.

I think this is a temporary phenomenon. As the year progresses, we have passed on, and are in the process of passing on, some of the price escalation. That said, of course, it is an uncertain environment. The world is still not conflict-free, and until that happens, absolute certainty about the future is very difficult to predict.

All else being equal, as we progress, we should be able to improve these margins as the market catches up to the raw material escalation, our product prices catch up to the escalation, and things normalize. I would say we are about {? 1, 1.5 basis points ?} off because of the overall war impact, and there is nothing more than that.

The order book is extremely healthy, and the demand scenario is holding up quite well. The teams have executed excellently, so I would not read too much negativity into the set of textile margins that you see reported in this quarter.

Aradhna Jain – 361 Capital: On the garmenting side, our margins have been in the high single digits, and we are aspiring to move towards low double digits. When can we expect those margins to move towards the low double-digit range?

Management: I think that will still be a journey of, say, 18-24 months because we are constantly adding capacity at the same time. While the older plants are scaling nicely and some of the plants are already at double-digit margins, there are more plants moving from low single-digit to high single-digit margins.

There will be plants coming in that will also be at negative margins. Because we are expanding rapidly, the margins will take 18-24 months to cross into double digits.

Aradhna Jain - 361 Capital: Understood. My second question is on the denim side. Your denim volumes have increased significantly this quarter. How much of this reflects an improvement in the underlying industry demand versus how much could be due to market share gains or the verticalization that we are undertaking?

Can we expect this current run rate to sustain over the next couple of quarters? Where exactly is our capacity utilization in denim?

Management: In denim, we are also creating some new capacity through an asset-light model, where we are tying up with non-functional assets that are available in the market and running them ourselves. In fact, we see robust demand going forward. I think the current trajectory looks quite positive, and at least until the end of the year, we do not see any pressure on volume.

The opportunity is to utilize our assets. Our asset base is already at 100% utilization, and we are also working on increasing our leased assets, where we will take over the management of a few assets and run them as if they were our own assets.

Currently, not much of that has happened, but in the future we are also exploring those options. It is a good demand cycle, and we are trying our best to take advantage of it. So far, we have proven to be reasonably successful.

Aradhna Jain - 361 Capital: Understood. My last question is on the AMB India business. Two things that caught my eye were your Human Protection growth and the composite growth. Could you help us understand what led to that kind of growth?

While I understand that some defense orders normalized and the easing of US tariff pressures also helped us achieve the 49% growth that we delivered in Human Protection, could you help us understand how the order book pipeline is looking and what sort of growth we should expect for the rest of the year?

Similarly, for composites, how much of the 76% growth came from the fourth-quarter shipment spillover, and how much is a sustainable rate that we can expect on the composite side? That is all.

Management: The way to look at it is that, last year, amidst all the tariff uncertainty, our first quarter was the softest quarter in the last 5 quarters. If you normalize that softness, we are in the ballpark of 25-30% growth.

Coming to your specific question on the accelerated high growth in Human Protection and composites, last year, for 6 months, we had very high softness because of the external environment relating to defense in India, which started to normalize from Q3 onwards. During that period last year, we started investing efforts to broaden our customer base in defense and paramilitary, and we are seeing that benefit accruing to us as a commercial and business benefit in this quarter.

Our customer base across all defense services and paramilitary services has expanded, and we are continuing on that path. Some of the investments we made in defense to upgrade our portfolio to superior products are also going to see commercial realization in the coming quarters.

The third area of focus in defense is global defense. We started to look at that business quite seriously, and that would be another development over the next 12-18 months.

Composites again had a very soft Q1 last year due to the uncertainty in the Middle East because the Middle East is one of our focus markets for infrastructure development. We had delays in the execution of some Q4 orders. I would say that number is about 10% of the revenue for the quarter, which was implemented in Q1.

We still have some pending orders to execute, which we are hoping to execute in Q2. Overall, on a normalized basis, I would say revenue growth in the high teens to around 20% for the full year is what we should expect.

However, on margins, including EBITDA margins, we will deliver growth higher than the 18-20% revenue growth because of all the operational efficiency programs that we have implemented over the last 3-4 quarters.

In summary, I would say that the growth rate is a result of hard work. It is very high in Q1 because the comparative quarter last year was lower than normal. The way we should think about this performance is that things are going in the right direction, and we are on track to achieving the 18-20% medium-term growth target that we have been consistently guiding towards. You can say that our efforts are paying dividends in that direction.

Aradhna Jain - 361 Capital: Understood. Just one last bookkeeping question, if I may. Your net debt has increased this quarter to around 2,100 crores following the acquisition. After applying the 500 crore QIP proceeds, with part of it going towards debt reduction, where should we expect net debt to settle for the full year? If you could highlight that.

Management: It will settle exactly 500 crore below where it is today. The way to think about it is that the 450-odd crores that we have taken in the US will be serviced by the US entity. Therefore, the India business will come very close to the debt level before the Dalco acquisition.

This 500 crore essentially cancels out the additional debt that we had taken on the India entity to finance the acquisition. Broadly, our debt levels are back to historic levels, and Dalco has healthy cash flow generation in the US, which will be able to more than service its debt and its higher growth ambitions and capex for that purpose.

I would say that we are very comfortable with debt, especially after the fundraise.

Aradhna Jain - 361 Capital: Understood. I will rejoin the queue for follow-ups. Thank you so much.

Operator: Participants, in the interest of time and fairness to others, please restrict yourselves to 2 questions. For any more questions, you may rejoin the queue. The next question comes from the line of Soham Samanta with Motilal Oswal Financial Services. Please go ahead.

Soham Samanta - Motilal Oswal Financial Services: Thank you for the opportunity. I wanted to check our garmenting target because we were expecting 15% growth for FY27, but in this quarter we did not achieve that. I wanted to check how we are looking at garmenting growth for FY27 on a full-year basis.

Management: We should come close to that. If not 15%, it will be in the high teens, close to that. It should be close to that.

The first quarter was heavily indexed towards a niche product. Although we produced a high number of pieces, the ASP was small, and denim, which is our highest-ASP product, had a lot of dispatches shifted to Q2.

Rather than looking at it quarter to quarter, we should look at the yearly journey. You are asking the right question, and based on our current visibility, we should be close to the number where we want to be. I would not read too much into this quarter's product mix.

Soham Samanta - Motilal Oswal Financial Services: One follow-up on garmenting. When we are talking about the 7.5% margin in this quarter, assuming the raw material is where it is right now, if we take the current raw material position and look at the next 3 quarters, is it fair to assume that a high single-digit or perhaps low double-digit margin will be achieved by Q4?

Management: I think it will take one more year to get into double digits, or at least 1.5 years from today to get there. The middle of next year is when you should start looking for double-digit margins in garmenting.

Our focus is more on ensuring that our growth reaches where it needs to reach, that our execution is on point, that customers are happy, and that new factories are coming on stream at the speed at which they need to.

I think that is the heavy lifting that needs to be done in garmenting, and I am happy to report that the trendline is positive. We are doing better than last year in terms of margin as well. The improvement is slight, but it is better than last year, and our plans are progressing in line with what we have budgeted internally.

Soham Samanta - Motilal Oswal Financial Services: My last question is on the AMB business. When you are expecting 18-20% growth, I am assuming this is for the India business. What is the Dalco number that we are looking at, and what overall margin are we looking at if I compare AMB plus Dalco? Are we looking at a margin in the range of 15-17% for FY27?

Management: It will land there. Dalco will have slightly lower growth, especially this year, since our first order of business is to integrate the business, and we will have to start the higher capex cycle. We are taking those decisions now.

This year should be in the range of 9-10% growth, but next year we are trying to push it into the teens with higher capex. I think Dalco will start moving towards the mid-teens level sometime next year because we are undertaking that capex now, and there is some lead time before it comes on stream.

Soham Samanta - Motilal Oswal Financial Services: What about the combined margin for AMB plus Dalco?

Management: It will be similar. Dalco is in the 16–17% range, which has come down slightly because of petrochemical-linked raw material costs. It is a similar problem across the textile business.

It should come back to 16% plus as our pricing to our customers catches up to the required levels. Right now, we had a rapid increase in raw material costs while pricing was already fixed. That normally takes a couple of quarters to catch up once the escalation has passed and the new cycle of orders comes in at higher prices. Okay?

Soham Samanta – Motilal Oswal Financial Services: Okay. Thank you.

Operator: The next question comes from the line of Surya Nayak with Sunidhi Securities. Please go ahead.

Surya Nayak – Sunidhi Securities: Thank you for the opportunity, and congratulations on the great set of numbers. I have a couple of questions. First, as we discussed last time, there were some lines on the Dalco side. Could you give us the status of the lines that you are currently operating and the capex lines on the Dalco side this year? Also, when would the lines be completed?

Operator: I am sorry to interrupt, Surya. Your voice is not audible. Are you using a hands-free device?

Surya Nayak – Sunidhi Securities: Yes.

Operator: Please go ahead.

Surya Nayak – Sunidhi Securities: Is it clear now?

Operator: It is a little better. May I go ahead with the background—

Surya Nayak – Sunidhi Securities: Thank you. My first question was, as we discussed last time, we were thinking about increasing the lines in Dalco. Could you quantify the capex that we are actually going to implement on the Dalco side?

Secondly, what are the utilization levels at the moment, and up to what level can they go? My understanding is that we are currently running at nearly 80%, with close to 900 crores of revenue there. Will we be increasing the expansion to what level going forward? Could you specify whether we are increasing the capex lines from the current level? [inaudible]

Operator: You are not audible, Surya. I would request you to change your location. Management, were you able to get the question?

Management: Yes, I got it. The question is what the capacity is at Dalco, how we were planning to increase that capacity, and how the capacity increase is going to happen.

We are already functioning at a high level of capacity utilization. There might be some capacity that can come on stream through good work on efficiency improvement, which the team is undertaking.

However, there are 2 things happening. We have already invested in the upgrading of 2 of our 7 lines. That capex should come on stream within the next 3–4 months. This will give us some additional capacity, beginning around Q4.

The bigger decision is firing line 8, which is under evaluation right now. We are viewing it positively, but that decision will be taken in the next 1-2 months. That will add significant capacity and increase capacity by almost 7-8% overall.

Surya Nayak - Sunidhi Securities: Overall, what kind of peak revenue can we expect by the end of FY27?

Management: By FY27, it will be about 100-110 million, somewhere in that range.

Surya Nayak - Sunidhi Securities: Regarding the debt repayment schedule there, can we repay it within 3-4 years, as you said last time? Are we taking steps to reduce the debt burden on Dalco, or is there anything else?

Management: No, we will repay the debt in 5 years. There is enough cash flow to service interest, repay the debt in 5 years, and undertake the capex that we want to.

We do not want to reduce our capex because it is very important for growth. We will pay the term loan back within the required repayment term of 5 years.

Operator: The next question comes from the line of Prerna Jhunjhunwala with Nuvama Securities. Please go ahead.

Prerna Jhunjhunwala - Nuvama Securities: Thank you for the opportunity, and congratulations on the strong Q1 performance. I had a question on the partnership model that you are pursuing in the garmenting business. How should we look at it in terms of capacity addition, balance sheet investment, and the revenue and margin opportunity that it could create for us?

Management: It will require some investment, but it will require only a fraction of what would be required for a plant because we will be making only strategic investments to improve the functioning of those plants.

Right now, it is still early days, so you can say that it is an exciting opportunity. However, I think we will remain conservative through this year to ensure that we are able to execute before trying to scale it up to a very large level.

It is important to establish it properly, and I think the important thing is that our first efforts have been quite successful. I am optimistic about this becoming a model that we will use, and sometimes we may also make strategic investments in these factories. However, it will be a fraction of the overall balance sheet impact that a new plant would have.

This gives us capacity from multiple regions of the world, which is globally optimized. Each country has its strengths, and we would like to leverage them. In addition, our customers appreciate that we do not have all our eggs in one basket. Therefore, this model addresses many requirements.

However, the important thing is to do it correctly so that we do not make mistakes, and so that all the benefits we expect to obtain through this model actually accrue and are not spoiled by execution-related failures.

We are proceeding in a conservative yet optimistic manner with this model. As we go forward, more clarity will emerge on exactly how much this model will contribute. In my view, it can easily represent 20% of the overall business in the medium term. I do not want to give a fixed timeline for when it will reach that level, but that is the kind of scale we are considering overall. It could be 30% if we are very successful.

That is how you should think about it, and I will continue to provide updates on how we are progressing.

Prerna Jhunjhunwala – Nuvama Securities: I was not looking at the scale that we will achieve through this model. I wanted to understand how we should look at it against the investment that you are making in your own capacities. What kind of return ratios can it generate, and what kind of margins should we expect? It will not be similar to what you make in your own factories because it is shared [inaudible]

Management: Whether it is shared or similar to our factories, our factories are just coming in at marginal fixed costs, right? There are much smaller fixed costs associated with this model. Therefore, the return metrics will be very high because the capital employed is very low. Return on capital employed will be high.

The margin may be 2-3 percentage points lower because the margins of other parties have to be accounted for. However, it gives the customer de-risking and gives us the advantages of a new geography.

As I mentioned, each geography has its own strengths and product signature, which we can also benefit from. Overall, the return metrics will actually improve from a return-on-capital-employed perspective. EBITDA margin will be slightly lower, and it can be at a high single-digit level if everything goes well.

Prerna Jhunjhunwala – Nuvama Securities: My second question is on denim. You are already at 70.5 million meters, and you mentioned that you are running at almost full utilization. Is it fair to assume that you are running at 70 million meters, meaning that your capacity has increased to 70 million meters currently from 60 million earlier, or is there some disconnect?

Management: In some way or form, we are undertaking debottlenecking-type capex that will help us achieve that. Karan, would you like to give a perspective on the overall market and demand scenario, and where you see denim orders currently and in the medium term?

Karan: Sure. Thank you, Prerna. Let me talk a little about the denim business first. As we all see, the denim business is at an all-time high in the last several quarters.

The main reason for that is, first of all, the geographical expansion that we have undertaken. Verticalization has also played an extremely important role in the denim space. Third, we are entering multiple geographies through different routes, giving customers the country of origin that they want. We are moving closer to the customers. That gives them flexibility, and it gives us flexibility to offer different kinds of products from different geographies.

Fourth, we are able to capitalize on the scale of the region. We have also started opening design hubs globally, which connects us better to the customer. In real time, we are able to service customers and complete our development process, which is extremely important.

These design hubs are coming up in multiple geographies. We are strengthening our design hub in the US, and we have added one in the UK. We are also looking at 1 or 2 locations in Europe, considering the EU FTA coming into place.

When we put all of these factors together—verticalization, product development, and our expansion across geographies—we see positive momentum. We have brought Japanese consultants and designers on board, so the product has become somewhat more premium. With our design hub coming in and verticalization strengthening, all of this gives us very positive momentum for the next couple of quarters. I would say that until year-end, we have very good visibility on our denim business.

Likewise, on the wovens business, Q1 is typically a lower quarter. However, we have recorded the highest-ever numbers in Q1, which are typically seen in the second half. Volume has been extremely good.

We have been affected somewhat on the lower side because of the sudden spike in raw materials. However, that is also part of the strategy in place for how we will return to our earlier numbers in the medium term. It will take some time to get back to where we were, but we see a very strong order pipeline, which gives us sufficient confidence.

Prerna Jhunjhunwala - Nuvama Securities: This is helpful. As a follow-up, I wanted to understand the role of Bangladesh here because Bangladesh is also facing issues with respect to power and other matters. Is that also helping our denim business procurement, given that their capacity is running below normal utilization levels? What is our export share to Bangladesh currently?

Management: In denim, it is quite high. Perhaps 50% of our denim goes to Bangladesh. Bangladesh is doing quite well, and we have entered a reasonably stable period.

Our asset-light partnerships are also relevant here; one of them is in Bangladesh. The advantage that Bangladesh has is garmenting capacity and the ability to scale it up much faster because of readily available labor. That is the strength of Bangladesh, and we have been able to use it to our advantage.

Bangladesh will be important now and in the future. Of course, many brands want to de-risk Bangladesh because their sourcing footprint is very high there. However, because we will be present in multiple countries, brands are willing to give us a higher ranking in terms of the priority of the business they want to conduct through Bangladesh because we offer them Bangladesh plus India plus perhaps Egypt.

Having that 3-country go-to-market approach takes you out of the quota system in a way because it helps the customer reduce risk.

Prerna Jhunjhunwala - Nuvama Securities: Understood. Thank you. I will return to the question queue for follow-ups. Thank you for the detailed answers.

Operator: The next question comes from the line of Rajat Budeva with {? Kizuna Wealth ?}. Please go ahead.

Rajat Budeva – {? Kizuna Wealth ?}: Thank you for the opportunity. My first question is about demand for the AMB business in India versus the US. What are management's thoughts regarding increasing the market share of Dalco, given that it is currently 4%? What is our thought process on the Dalco side, and what is the demand outlook in the US for mobility and the filtration business?

Management: If I understand correctly, your question was not very clear, but I understood that you are asking about demand in India and the US, especially regarding Dalco, and what our growth plan is there.

I will answer the Dalco question first. Our plan is to increase our share, maintain our leadership in automotive, and bring in new growth through the new capacity that is coming. The new growth needs to come through the geotextiles segment, where there is significant potential growth in the US market because the infrastructure bill has been signed and there is a good amount of development taking place on roads and in products where geotextiles are consumed.

Growth will come through geotextiles. We also have to maintain our leadership in automotive and start the process of taking our filtration business, which is India-centric today, and use the Dalco base to increase that business in the US. These would be the strategic priorities.

Management: Demand in India remains robust for advanced materials. India continues to develop as a strong market. Every quarter, legislation is becoming stronger and government procurement is increasing. There will come a time when India will be a very large market for these products.

We are well-positioned to take advantage of that because we already have a strong base across 2 continents.

Rajat Budeva – {? Kizuna Wealth ?}: For my second question, what was our export mix to Europe?

Management: Exports to Europe are quite small today. They would be in the 8-10% range across the group. The figure is slightly higher in garmenting, while our fabric business would be around 8-9%, and advanced materials is also in the 8-10% range.

The FTA will help significantly going forward, but it may take 18-20 months to convert the initial promising conversations into any significant business. We are investing in this area. We have started the UK studio on the textile business side, and we are looking at 1 or 2 other locations in Europe to open design studios, establish a base, and create a larger sales and marketing presence.

For our Human Protection business in advanced materials, we have undertaken some hiring to establish a local presence in the UK, and we are currently looking at Europe as well. We are strengthening our base in Europe so that it can become a larger percentage of our business and so that we can take full advantage of the free trade agreement going forward.

Rajat Budeva – {? Kizuna Wealth ?}: Is it safe to assume that realization in the garmenting business will be in a moderate range because realization in Europe is quite low compared to the US?

Management: No, I do not think that is true. I think it depends more on customers and the region. I do not think there will be any significant change in realization.

The way to think about our garmenting business is that it will grow in the mid-teens, and we have to reach double-digit EBITDA. Whether the growth comes from the US or Europe, there will not be much difference in realization and margin.

However, we want Europe to represent a larger percentage of our overall portfolio because it is an important region in which we are currently underpenetrated.

Rajat Budeva – {? Kizuna Wealth ?}: Thank you very much, and best wishes for the future.

Operator: The next question comes from the line of Vishal Mehta with IIFL Capital. Please go ahead.

Vishal Mehta – IIFL Capital: Thank you for the opportunity, and congratulations on a strong set of numbers. My questions are more on the AMB side of the business.

While we understand from the presentation that the end-use applications of defense and renewables in composites, as well as mobility, have performed well, could you provide more detail on the types of products we are making for each of these segments and the products that are experiencing such high demand?

The second part of this question is that, out of the 3 sub-segments, industrial seemed to be one where we probably do not have exposure to these high-growth end-use applications. Would it be fair to assume that industrial would grow at a stable rate of 8-10%, while the other 2 sub-segments, HPP and composites, which have the tailwinds of defense, mobility, and renewables, would continue on a higher growth trajectory?

Management: I would not agree with that statement. The lower growth in industrial is purely a function of challenges in getting the capex off the ground in Q1. We had shipping delays, execution delays, and even flooding.

Therefore, we are one quarter late in our capacity expansion in industrial. We also did not invest significantly in industrial last year. The investments are being made this year. So, this year you may be right that growth will be slightly lower compared to HPP and composites, but I do not see any challenge to medium-term growth or any reason why industrial cannot grow at 20%.

As I have consistently mentioned, we are in an execution-constrained environment rather than a market-constrained environment. There are enough opportunities to grow in industrial, and in the medium term it will catch up as our capex catches up.

Management: Referring to your question about the composite business and the segments to which our products go, you have partly answered it yourself. Mobility, renewable energy, and infrastructure would be the 3 major areas.

We have our pultrusion business, technical profiles for the building and construction industry, and products for the infrastructure industry. We have our glass-rod reinforcement business, which mainly goes to renewable energy, a major end-user market, among other industrial uses as well.

Then we have the molding business for mobility. Those would be the current volume drivers.

The future, of course, is aerospace, defense, and a carbon-led future, which is still in its very nascent stages and may take several years before it becomes a large part of the business. However, we are putting in efforts to scale that business up. That is where we are in terms of our products and where our composite products go.

Management: As far as industrial is concerned, it is mainly a filtration business. That is a very large and very profitable market. On a run-rate basis, our growth should be satisfactory in the medium term, and we have ample opportunity and are investing significantly.

This year, there is a disproportionate allocation of capex investment towards industrial. Another factor is that there is some common infrastructure between industrial and Human Protection, especially our yarn-creation capacities. A lot of these capacities were diverted towards the Human Protection business because there was a sudden increase in orders.

To that extent, we could not support the industrial business fully. There are many reasons why industrial growth is not currently higher, but none of them are market-driven. They are primarily related to our internal capacity, and we are correcting that this year, so industrial growth should catch up.

Management: If I may add to the industrial business, with the tightening of emission norms, we are well-prepared with a portfolio to lead and deliver high-temperature solutions and reduce emissions over the next 3-5 years. This is a portfolio that we have been working on over the last 12 months, which will take our portfolio from mid-tier to top-tier products.

India strengthening its norms is another significant opportunity on which the team has been working to expand. The last area is verticalization from felt to bags. We are enhancing our complete end-user solution for installation, especially in the end-use context.

Therefore, we are bullish on both profitability and growth once the capex comes on stream in this quarter. We should see mid-teens to high-teens growth from Q4 onwards as utilization of the new capex scales up.

Vishal Mehta - IIFL Capital: Thank you for that. As a follow-up, could you also provide some detail on the types of HPP products? Second, I was reading somewhere that there seems to be an application for glass-based composite material in semiconductors and wafers. Is that an opportunity in which we are participating, or do we have the capability to participate?

Management: Let me answer the defense question first. Our whole philosophy is based on co-creating solutions for our customers. When we look at the defense segment, there are 3 sets of bodies with which we work.

The first is product development, involving agencies such as DPAs, DRDOs, and research agencies. The second is the users themselves, including the forces and paramilitary, the Indian Navy, the Air Force, and the MHA services. The third is us as a partner.

We start our development journey at the basic requirement stage, based on what our forces need. We have been doing this work to offer solutions ranging from innovative fabrics and designs for uniforms to higher requirements for FR, fire-resistant coveralls, and products for the Indian Air Force and Indian Navy.

Management: Moving upwards, we have extreme cold-weather clothing and NBC-suit-type clothing. Virtually everything we do is built on this platform of working closely on the requirements of our troops.

The second philosophy we follow is offering solutions that can substitute imports for our defense services. That is the broad-based portfolio we are working on, and we are continuously looking to enhance the solutions that we provide to the forces.

Management: On the glass-fabric and composite side, our focus is on solutions for renewables, building infrastructure, and mobility. I do not think we currently have anything to offer for semiconductors.

You are right that semiconductors do use composites, but in the current Indian context, the customer base is quite limited, and the technology platforms required for that are very different from the ones in which we have currently invested.

Electronics and composites is a good space to examine. If we have to enter it, the first place we would enter would be the reinforcement side, where we currently produce a lot of roving-based reinforcement fabrics that go into wind energy.

There are yarn-based reinforcements that go into printed circuit boards and similar applications, which could be the first area where we begin to experiment. As of now, however, it is not a very large segment for us. We are focused on the 3-4 segments that I mentioned earlier.

Vishal Mehta - IIFL Capital: Very detailed and helpful. My last question is on garmenting. What sort of expansions are we planning outside the partnership model to augment the capacities that we currently have?

Satyaprakash Mishra: I do not want to give a very detailed answer on the partnership model, although I am fully confident that we are on firm ground. I think I will wait a couple of quarters before finalizing our medium-term view on the partnership model.

As far as our own capacities are concerned, we are getting a factory started in Varanasi next month, in fact. We are also debottlenecking 2 or 3 of our brownfield factories through automation and the commencement of a second shift.

Capacity addition is on pace with our long-term objective of growing 15%. As you saw this quarter, the number of pieces went up, but revenue did not increase much. Therefore, focusing on the number of pieces may not be the right way to look at this business.

We should focus on achieving mid-teen growth in the medium term. We are on track with the capacities required to do that going forward.

Vishal Mehta – IIFL Capital: That is fair enough. Thank you for the answers.

Operator: The next question comes from the line of Mithun Aswat with Kivu Advisors. Please go ahead.

Mithun Aswat – Kivu Advisors: I wanted to understand the Advanced Materials division. Since you have now made this acquisition as well and the business is gearing up quite well, would there be a point at which you would want to demerge this business and grow it independently? Or would it remain a division of the business because there are also some benefits that you derive from being one entity? I wanted to hear your thoughts on that.

Satyaprakash Mishra: We have housed the Advanced Materials Business in a separate entity as a wholly owned subsidiary of the parent. This was done with a view to undertaking some sort of capital action in the future.

The nature of that action has not yet been decided. Whether it remains under the parent entity or becomes separate, we will consider that at the appropriate time.

Right now, our focus is on growing the business at close to 20% and achieving the return profile that we have set for ourselves. The focus currently is on building the business. I think over the next couple of years we will determine whether and when some capital action is required.

However, I do not think anything is in the offing for the next couple of years, as we need to remain focused on growth and winning in the market.

Mithun Aswat – Kivu Advisors: Thank you.

Operator: The next question comes from the line of Shirish Pardeshi with Motilal Oswal Financial Services. Please go ahead.

Shirish Pardeshi – Motilal Oswal Financial Services: Hi, team. Good afternoon. Thank you for the opportunity, and congratulations on the impressive performance.

I am reading slide 15, where we have given the capital employed in the AMB business. AMB India is 853, and Dalco is 2,326. If the business growth is executed well, how should these numbers look over the next year?

Satyaprakash Mishra: The 4 businesses have a very high return on capital employed, and there is always some headroom for improvement. ROCE can increase by a few percentage points. If we are very efficient, we can perhaps release 30–40 crore of capital employed.

However, right now we are doing the opposite because of the uncertain raw material environment and price fluctuations. We are actually carrying more raw material than normal so that we can protect our customer commitments.

Availability and price both become issues in such a geopolitically uncertain environment, as do shipping availability and costs. To service the business well, we have sacrificed some working capital efficiency and focused on providing high reliability and performance in line with our customers' expectations.

Shirish Pardeshi – Motilal Oswal Financial Services: That is helpful. I just wanted to double-check: is this the optimum level, or can this improve more substantially?

Satyaprakash Mishra: We are currently at around 90-100 days of working capital in the Advanced Materials Business. Dalco is slightly lower. Dalco would be closer to 50 days than 60 days, with a standard of {? 40 ?}.

We will see that overall the business can improve by one turn if we are very efficient, but right now is not the time to focus on that efficiency. The focus right now is not on moving from 6 turns to 7 turns. It is on maintaining more than 95% OTIF—on time and in full—which will keep the business growing at the level that we want.

Shirish Pardeshi – Motilal Oswal Financial Services: That is helpful. My last question is on the same slide. There is goodwill and intangible assets of 853. How should we think about this number over the next 15-18 months or 2 years?

Satyaprakash Mishra: That number will remain for at least the next 4-5 years. The way to think about it is that we do not have to pay tax because of it.

Shirish Pardeshi – Motilal Oswal Financial Services: Thank you, and all the best.

Operator: The next question comes from the line of Dimal Sampat, an individual investor. Please go ahead.

Dimal Sampat: I have a broad question. Seeing this, we are turning more and more into a product company, with tie-ups involving asset-light raw material sourcing and asset-light manufacturing. Four or five years from now, will we be like a multinational, with more products rather than fabrics? Is my judgment correct? Will we be more of a product company than a fabric company?

Satyaprakash Mishra: Right now, our asset-light model is just starting. We are still primarily a manufacturer, and I think manufacturing will remain a core strength because this is a capability that the group has built over more than 100 years in the textile space.

I do not think that, based on current visibility, we will adopt a manufacturing-free go-to-market strategy. Manufacturing will remain a very important part of what we do.

However, we are in the process of globalization, particularly because there are country risks and other considerations to take into account. In addition, our limited pool of capital needs to be deployed as effectively as possible. Therefore, we are exploring more and more asset-light models going forward.

Asset-light operations as a strategy will become a larger part of the portfolio, but we will still remain a manufacturing-heavy company. The nature of our manufacturing is also different and evolving as we move forward.

We are focusing on digital transformation, adding significant automation, and bringing in more innovation in terms of technology. We are also bringing in a more multi-product go-to-market approach, where we are adding MMS capabilities and newer lines of business in advanced materials.

Our material diversity is going to increase, our manufacturing platforms are going to be more diversified, our footprint is going to become more global, and asset-light operations are going to become a higher proportion of the overall business. However, we are still going to be predominantly a manufacturing company.

Dimal Sampat: In terms of turnover, I think our size will at least double over the next 5 years compared with where we are now. Is that correct?

Satyaprakash Mishra: You can think of it this way: on a 10,000 crore base, if advanced materials grows at close to 20%, garmenting grows in the mid-teens, and fabric grows at high single digits, the overall company will grow in the teens, specifically in the early to mid-teens.

There may also be 1 or 2 inorganic opportunities along the way, which we cannot predict at this point in time. I would say that you are not very far off. Our desired trajectory would be something similar to what you just described.

Dimal Sampat: Thank you, sir.

Operator: The next question comes from the line of Roshan with Antix Stock Broking. Please go ahead.

Roshan - Antix Stock Broking: Thank you for the opportunity. You emphasized that verticalization has been a focus area to improve economics across the segments. Going forward, how should we look at it? Will the next phase of growth depend more on capacity addition or on extracting value from the existing integrated model? Your comments would be helpful on that front.

Satyaprakash Mishra: Can you repeat the question? I am not sure I understood it clearly. Sorry.

Roshan - Antix Stock Broking: You have been emphasizing verticalization across the segments. How should we look at the next phase of growth? Will it be driven more by capacity addition, or by extracting value from the existing integrated model? Your comments would be helpful.

Satyaprakash Mishra: For the model to become better integrated, we need to increase capacity. The two are linked. You cannot integrate if you do not have garmenting capacity.

Right now, our garmenting operations are running at 100% capacity utilization. Therefore, we need more garmenting capacity. That is why we are adding factories, adding automation, and undertaking this type of partnership model.

All of this is intended to enable us to verticalize our very large fabric business. We produce more than 300 million meters of fabric, and with our current garmenting capacity, only 15-20% of it can be vertically integrated with the existing capacity.

Capacity has to increase for us to become more vertical. Therefore, it will be both. We will try to leverage more value through verticalization, but to do that we will have to add capacity. Both will happen.

Roshan – Antix Stock Broking: Understood. That is helpful. You also alluded to the fact that the textile EBITDA margin improved despite a 19 crore impact from higher raw material costs. How much of this pressure can realistically be recovered through pricing, product mix, and sourcing, and how much could remain structural?

Satyaprakash Mishra: I would just like to correct you. The margin has not improved; it has declined quarter-on-quarter. It has declined significantly from Q4 to Q1, but that reflects the regular Q1-to-Q4 dynamics. Normally, Q4 is a higher-margin quarter than Q1.

However, if you compare Q1 with Q1, we have declined by 0.5 percentage points on the overall textile margin. That should be gradually recovered. Inputs are still high as we speak. They had started going down, and then the entire Middle East situation flared up again.

Therefore, there is still a reasonably high level of stress on raw material prices. It is a constant effort to pass on as much as we can to customers and do our best on that front.

It will be a gradual process to return to the old margins. The timeline cannot be predicted because the conflict is still ongoing.

Roshan – Antix Stock Broking: Understood. That is helpful, and I wish you all the best for the coming quarters.

Satyaprakash Mishra: Thank you very much.

Operator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Satyaprakash Mishra for the closing remarks.

Satyaprakash Mishra: Once again, thank you, everyone, for joining today's call. We trust that the discussion addressed most of your questions. Should anything remain unanswered, or if any questions arise going forward, please do not hesitate to reach out to us. We are just a phone call or an email away, and we will be happy to assist.

We look forward to engaging with you at an upcoming conference. Thank you, and wish you a good day ahead.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of Arvind Ltd., that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.