Operator: Ladies and gentlemen, good day and welcome to Arvind Ltd. Q2 FY27 earnings conference call. As a reminder, all participants' 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 this conference call, please signal the operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Satya Prakash Mishra. Thank you, and over to you, Mr. Mishra.

Satya Prakash Mishra: Thank you. Good afternoon, everyone. A very warm welcome to Arvind Ltd.'s earnings call for the quarter and half year ended September 2026. The financial results and investor presentation have been uploaded to our website, and I hope you had a chance to go through them.

Before we begin, let me introduce the management team today. With me are Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Whole-time Director and Group CFO; and Mr. Nigam Shah, Executive Director and CFO of Arvind Ltd.

I will start with a quick overview for the quarter, how the operating environment shaped up, our operational and financial performance, and the outlook for the near term. After that, Punit will share his perspective on the broader environment and our strategic priorities, and then we will open the floor for questions.

Let me begin by saying that this has been a record quarter for Arvind, and it has come in what has clearly been another year of disruption. The conflicts in the Middle East and Europe have continued, and their effects have gone well beyond the first quarter. We have seen this in energy prices, freight routes, and the cost of crude and petrochemical-based inputs, including a punitive impact on the currency.

A significant part of our cost base continued to reflect high-priced cotton and petrochemical inputs procured earlier in the year, while supply chain disruptions added further pressure.

Despite these challenges, we remain focused on execution and took a proactive approach to cost management, sourcing, and operational efficiencies. Against this backdrop, our performance once again underscores the resilience of Arvind's business model. While we continue to grow volumes and strengthen customer relationships, we have also demonstrated the ability to navigate difficult market conditions through disciplined execution.

Our integrated textile value chain remained a key strength, while the growing contribution from the Advanced Material business continues to diversify our earnings portfolio and create new growth avenues.

Coming to the operations, we saw healthy volume momentum across our core textile businesses, supported by strong execution, higher vertical integration, and portfolio additions in our Advanced Material business. In denim, volume crossed 18 million meters during the quarter. This is the highest in 17 quarters, representing growth of 19% on a year-on-year basis. This was on the back of higher demand. In the woven business, volume stood at 34 million meters. In garmenting, we crossed 11 million pieces for the second quarter in a row.

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On the strategic side, two developments are worth highlighting in this call. First, last quarter we spoke to you about our design gallery in London. This quarter, we have taken the next step in Europe with a denim design and marketing hub in Amsterdam, which is a global center for denim innovation and fashion. This brings us closer to our customers and strengthens our representative network in key overseas markets such as Europe.

The second important development is that we commissioned Phase 1 of the greenfield garmenting facility in Varanasi. I am sure all of you have heard of it and seen it in your social media posts. Phase 1 of this facility has the potential to generate revenue of 250 crore, and it was completed with capex of 75 crores, which also includes the cost of land. This takes our forward integration strategy in the textile business further and strengthens our ability to serve global customers in the knitted and essentials segments.

Advanced Material had another strong quarter, with high double-digit volume growth, mostly in the human protection and composites segments. Both of these businesses are seeing high demand from Tier 1 customers, as well as from the defense and mobility segments. We also had a few important order wins during the quarter, including prestigious ones from Indian Defense. Overall, the pipeline also looks robust for the future.

Now coming to the financial performance during the quarter: consolidated revenue stood at 2,919 crore, representing growth of 23%. EBITDA was at 331 crore, up 27%. Both these key figures are all-time-high quarterly numbers for Arvind Ltd.

Importantly, we held our EBITDA margin at 11.4% in a quarter where raw material prices had a higher impact compared to Quarter 1. This reflects a better business mix, operating leverage, and disciplined execution, and most importantly, the bludgeoning of the cost aspect under our watch, which will also have a lasting impact in the quarters ahead.

Coming to the segments, the textile business reported revenue of 1,999 crores, up 11%, with EBITDA of 190 crore. The margin would have been slightly higher but for rising input costs, which had an impact of 75 basis points on textile margins. Garmenting reported revenue of 577 crores, representing growth of 9%. This was on account of a better product mix and higher realization.

Moving on to Advanced Material, this business reported record revenue of 805 crore, up 81%. This includes numbers for Dalco GFT for a full quarter of 3 months. The India business also grew at a strong 23% to 550 crores. This is the fifth quarter in a row of strong growth, led by high volume growth in human protection and composites. Dalco GFT, in its first full quarter with us, reported revenue of 256 crore. This was supported by robust demand in the US, stable volumes and margins, although it was also affected by high raw material costs, including a sharp rise in fuel prices.

What is encouraging is that AMD India's EBITDA growth has been 29%, which is higher than the revenue growth, on account of a better product mix and operating leverage. Overall, the Advanced Material business EBITDA margin stood at 14.8% during the quarter. Consolidated net profit after tax stood at 123 crores, representing growth of 16%. Consolidated net debt decreased by nearly 95 crore to 2,063 crores. This was despite a temporary increase in working capital, which will normalize by March 2027.

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Coming to capital allocation, during the first half of FY27, we invested roughly 372 crores across our capex programs and various businesses. This is in line with the plan that we have laid out for the full year. I am also happy to share that Arvind's credit rating has been upgraded by one notch from AA- to AA, with a stable outlook, by CARE Ratings. We see this as recognition of our stronger financial profile.

Looking ahead, we remain cautiously optimistic about the operating environment. The recently implemented India-UK trade agreement and India's relatively favorable tariff position in the US compared to competing sourcing countries are expected to support order flows from the second half of the year, while the proposed India-EU FTA, or free trade agreement, provides an additional long-term growth runway.

In Advanced Material, demand continues to be supported by strong momentum in defense, aerospace, renewable energy, infrastructure, and specialty industrial applications. In particular, the continued scale-up of our defense business and allied programs, supported by higher capital spending and localization initiatives, provides confidence in delivering growth of 18% or more in Quarter 3 FY27. At the same time, raw material availability and elevated input costs continue to exert pressure on margins. Through focused sourcing, productivity, and pricing initiatives, we remain confident that margins will be maintained in the future.

All growth capex projects remain on track, and we expect to invest more than 500 crore during FY27.

To sum up, while the operating environment continues to evolve, we enter the second half on a strong footing. New trade agreements, a growing Advanced Material franchise, and our integrated fiber-to-garment model provide multiple levers of growth. Coupled with long-standing customer relationships and a stronger balance sheet, we believe we are well positioned to navigate near-term challenges and deliver sustainable, profitable growth. I will now hand over the call to Punit for his opening remarks.

Punit Lalbhai - Vice Chairman: Good afternoon, everyone. It is a pleasure to be here. Satya has given a very comprehensive rundown of what happened during the quarter and also a glimpse into the future. I will keep my comments brief before we go into the question-and-answer session.

The factor that has been most encouraging through this period is that demand has held up quite well. In both textiles and Advanced Materials, we are seeing a reasonably robust demand environment, which gives us confidence that we should be able to deliver good numbers going forward as well.

However, on the flip side, the global conflicts have led to cost escalations, mostly in raw materials and logistics. These costs are rising so sharply that even an improving currency and a reasonable amount of cost pass-through are still lagging these dramatic increases. There is no letup on the horizon that is currently visible. Therefore, it seems that we will still have to navigate this complex environment. However, with the experience that our team has, especially after delivering a couple of reasonably strong quarters in this very environment, we feel that we should be able to manage. With that cautiously optimistic note, I open the floor to questions.

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Operator: Thank you very much. We will now begin 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 is from the line of Aradhana Jain from 361 Capital. Please go ahead.

Aradhana Jain – 361 Capital: Hi. Thank you for the opportunity, and congratulations to the management on the good set of numbers. I have a couple of questions. First, I wanted to understand a little more about the garmenting segment. While there has been growth of 9%, volumes continue to be slightly on the lower side. We delivered volume growth of 4% this quarter. What exactly would you say is leading to volume growth not being on the higher side? Is it demand, capacity availability, or are we facing any other issue on the garmenting side?

How is the order book shaping up for you in the second half of this year from both the domestic and export standpoints? How are things shaping up from the US and UK perspectives specifically, given that there have been a lot of tailwinds on that side?

Lastly, on the garmenting side, given that we have completed a Phase 1 expansion in Varanasi, could you help us understand the way forward with respect to overall garmenting expansion over the medium term, from the Varanasi perspective and in the other geographies in which we operate?

Aradhana Jain – 361 Capital: How much would we expect capacities to increase overall over, say, the next 3-4-year period on the garmenting side? That is my first question.

Punit: The answer to the garmenting question is very simple: we should be able to catch up in the second half. We have been increasing capacity steadily, and we have always guided that this capacity increase should lead to mid-teens overall growth, give or take a percentage here or there. Therefore, I think we should still be on track to deliver that by year-end. We are expecting a much more growth-oriented second half compared to the first half, which is normally the seasonality that the business with our set of customers experiences.

That said, H1 was slightly soft on demand in a couple of categories, particularly the export market for knits. A couple of our customers did see volumes that were lower than expected. We had a little bit of extra capacity that we did not utilize in the first half of the year on the knit side. However, denim has been performing well, shirts have been performing reasonably well, and essentials have been doing extremely well. Broadly, we are all moving in the right direction. Capacities are coming on stream broadly as expected, and we should be at that mid-teens level of growth.

I would guide everyone to shift their thought process to revenue rather than the number of pieces, because our product mix is now becoming fairly complex, and the number of pieces does not accurately reflect how that growth will come. I think the simpler way to think about it is the revenue growth. Revenue growth will always be a mix of price and product mix. We had a softer product mix in the first half of the year, while the product mix toward the second half of the year is much richer. Therefore, we feel confident of catching up on growth.

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Varanasi, of course, is the greenfield facility that we started this year, but we are also continuing to make brownfield investments to make our existing locations more productive, and that is happening quite satisfactorily.

Aradhana Jain – 361 Capital: Understood. Of the 500-plus crores of capex that we plan to undertake for this financial year, of which more than 370 crores have already been spent in the first half, how much is attributable to garments, and what are the other areas where we are investing the capex?

Punit: Perhaps about 200 crores will go toward Advanced Materials, about 120 to 150 crores toward garments, and the rest will be in fabric and maintenance.

Aradhana Jain – 361 Capital: What sort of products are we going to manufacture in Varanasi, and what sort of margins can we expect from that particular facility once it reaches a steady state?

Punit: Varanasi is going to manufacture mostly essentials, which is actually our most profitable segment. It will manufacture essentials and knitted goods. The next 6-8 months will, of course, be focused on ramp-up, but Varanasi should deliver double-digit EBITDA and a return on capital employed of more than 20% once it is fully scaled up.

Aradhana Jain – 361 Capital: Understood. On the denim side, we have been doing exceptionally well, at least over the last couple of quarters. Growth has been very good. What exactly is driving this acceleration? My understanding was that denim is typically a very cyclical segment for you. From a longer-term perspective, do you expect this growth momentum to sustain, or how should we assess the growth that we should build into the denim business?

Punit: It used to be a cyclical business, especially when we had much larger capacities and were indexed to a more commoditized type of business. Now our business is more focused, and therefore the cyclical nature is going out of the business. You must have seen steady improvement quarter-on-quarter over the last 6-7 quarters.

I would not worry about this being a cycle. What is driving this improvement is heavy investment in design and innovation. We have completely overhauled our product capabilities, and we are continuing to add more qualitative enhancements to maintain and further strengthen this position. To name a couple, Satya mentioned studios in his opening remarks. Our Amsterdam studio and our London studio, with top-quality design and technical talent and greater proximity to customers, are going to make a difference going forward as well.

A third studio is being conceptualized in the US, where we are enhancing our capabilities to improve innovation, design, and customer centricity. In addition, we are increasing our options from the perspective of country of origin. We are looking at places such as Bangladesh and Egypt, and we had good business through Bangladesh garment conversion, which we managed in Quarter 2. Egypt should see its first denim deliveries in Quarter 3.

Having this multicountry, fully vertical delivery model with top-end design, innovation, and customer centricity is what is driving the sustainability of this strong denim performance.

Aradhana Jain – 361 Capital: Understood. Sir, my last question is with regard to—

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Operator: Miss Jain—

Aradhana Jain – 361 Capital: Can I—

Operator: Please rejoin the queue. There is a long queue. Can you please rejoin?

Aradhana Jain – 361 Capital: Sure, sure. Okay.

Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. Should you have a follow-up question, please rejoin the queue. The next question is from the line of Tanishka Agrawal from {? Niveshaay ?}. Please go ahead.

Since there is no response from the participant, we will move to the next participant. The next question is from the line of Shirish Pardeshi from Motilal Oswal Financial Services Limited. Please go ahead.

Shirish Pardeshi – Motilal Oswal Financial Services Limited: Hi, Punit and team. Thank you for the opportunity, and congratulations on the good set of results. Punit, I have two questions. Strategically, you mentioned that we should not be looking at volume. However, 40% of our business is woven, and on Slide 19, the overall volume is around 34 million meters. How should we look at this number in the second half?

In tandem, denim has done well, and I understand that some forward integration we have discussed is materializing. However, even in garments, the number of pieces has remained flat. I am sure you have given some direction that the second half is going to be better, but is 11 million pieces expected to move significantly toward 12.5–13 million, or will it remain in the range of approximately 10% growth?

Punit: We should move into the mid-teens, as I mentioned. I think there will also be an uptick in volume. However, the second half of the year is heavily indexed toward denim sales, and that has a higher product mix. The product mix is moving toward a higher unit FOB, and that will also drive growth.

Our denim capacity is coming on stream in the second half through the brownfield expansions that we undertook. Therefore, while the number of pieces might increase less, turnover will increase more than the number of pieces. When knits come in, the number of pieces will increase more, while turnover might not increase as much.

It is very product-mix dependent, and depending on which capacities are coming on stream, there will be a certain amount of unevenness in the change in the number of pieces. However, you should now see a reasonable secular average of 15% year-on-year growth. That is why I am trying to direct all of you toward top-line growth. Even volume should grow, and ultimately it has to if we are to maintain 15% growth. However, looking at it quarter-on-quarter might not give you the real picture. In the second half, we should see better than 11 million pieces, and we should see 15% or better overall growth.

Shirish Pardeshi – Motilal Oswal Financial Services Limited: Okay.

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Punit: On woven, we are actually adding some capacity. The second half of the year in woven is always higher than the first half because in the first half we cater to products that sell in winter. Therefore, the wallet share of wovens goes down in the first half of the year. The second half of the year is spring and summer, which is why full capacity utilization always happens in the second half.

Going forward, we are addressing this by adding winter-specific, special, high-value product capabilities in wovens. For example, we have doubled our corduroy capacity, and we are adding flannel capacity. The long-term or medium-term goal is to even out the seasonality and invest in certain product categories that allow the first half of the year to have higher volume. That is how we will grow volume next year.

Shirish Pardeshi – Motilal Oswal Financial Services Limited: Okay. That is really helpful. I have one follow-up here. On Slide 11, we have given the realization growth in both fabric and woven at about 12%. Is this purely because the cotton spread has gone up, or is it also because of the changing product mix?

Punit: The product mix is a factor. I think both things are contributing, but the primary driver of realizations is the price pass-through that we are trying to achieve and working very hard to push through to customers. [pause] We are still not able to pass through as much as the cost increases we are facing. That is why there is still a slight compression of margins.

Unfortunately, every time we feel that next quarter, once everything normalizes, we will be able to catch up, there is a new escalation in the following quarter. Therefore, we are currently chasing the trend. However, as all things must normalize given enough time, there will be the other end of the trend, when we should be able to recover what we are losing right now.

Shirish Pardeshi – Motilal Oswal Financial Services Limited: Okay. My last question is on the Advanced Material business, in two parts. One is that India growth is 12%, so I think it has exceeded our expectations. What is working here? In the second half, how should we look at the {? Delco ?} spread, and could you give any margin guidance?

Punit: India growth is quite robust. It is almost 23%, mostly driven by human protection and composites, where we have close to full capacity utilization and a very good demand scenario. On industrials, the unfortunate part was that, because of all these international conflicts, our main investments made last year for growth this year got stuck in logistics, and we lost perhaps 1.5 quarters of production against our budgeted plan. That has now come on stream, and therefore the—

Punit: In the second half of the year, we should see growth returning to the industrial segment as well.

Shirish Pardeshi – Motilal Oswal Financial Services Limited: And on Dalco?

Punit: Dalco has been on plan. They had originally planned to grow at 9-10%, and they are at that level, so demand is very robust. The margin is slightly compressed there because, even more than Arvind, they are directly impacted by petrochemical escalations. Their raw material is entirely petrochemical-based and synthetic. Therefore, the impact of raw material costs has been the

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highest there in our entire ecosystem.

The good news is that cost pass-through has also been the most successful there. We have been able to make those adjustments. We did suffer for a couple of quarters, but from September onward, our new prices have been accepted by many of our customers.

The good news is that I personally had the privilege of meeting all the important customers firsthand, and the feedback is extremely positive about our value proposition and our importance. That was quite reassuring. After having seen the business very closely for the last 6 months, I believe our original investment thesis is as good as, or even better than, what we had expected when we made the acquisition.

Shirish Pardeshi – Motilal Oswal Financial Services Limited: Okay. That is really helpful. Thank you, Punit, and all the best.

Punit: Thank you.

Operator: Thank you. The next question is from the line of Vishal Mehta from IIFL Capital. Please go ahead.

Vishal Mehta – IIFL Capital: Hi. Thanks for the opportunity, and congratulations on the good set of results. My first question, Punit, is regarding the slide where you mentioned that we have added capacity on the composite side for carbon pultrusion. Apart from the end industries that we already serve, which additional end industries does this add, and what are the thoughts on growing this particular line of business?

Punit: Carbon pultrusion and carbon overall, where we have also added weaving capacity and are also undertaking product development in molding and component manufacturing, are seeding the medium term. This is how the business will pivot toward the truly proprietary and high-value segments in this industry, such as drones, aerospace, defense, automotive parts, and so on.

This business is also the most critical, so it takes time to achieve any meaningful scale. There is no shortcut to quick growth unless it is inorganic. While we are very excited about this investment, and while it will lay the foundations for our transition from our current base to a more advanced product mix going forward, it will still take time for this business to form a meaningful part of overall turnover.

It will contribute perhaps a few tens of crores in the coming couple of years, but it is a very important start because, 3-4 years down the line, we would like carbon to be 20-30% of our overall product mix.

Vishal Mehta – IIFL Capital: Okay. That is good to hear. My second question was on denim capacity. Our volumes have been growing quite well, but on the capacity side, do we have enough capacity to continue growing at this pace, or are we looking to add more capacity on the denim fabric side?

Punit: We are undertaking debottlenecking investments and creating some capacity through asset-light models. Currently, we are very close to full capacity. Until now, we had some headroom, but that headroom is now quite limited. Therefore, we will have to create some headroom going

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forward, which we are doing.

We should continue to see some growth. There might be a couple of quarters where it might not be very high, but if you look at a few quarters together, we should have enough capacity to continue growing. We have also tied up some external capacity for our immediate short-term needs, so we are able to service our customers.

Vishal Mehta – IIFL Capital: My last question is on garmenting capacity. You have guided us not to look at volumes strictly. Could you lay out our current garmenting capacity in revenue terms, and is there any large greenfield project planned in garmenting, or will debottlenecking and brownfield expansion take care of the approximately 15% growth guidance for the next couple of years?

Punit: I want to first deliver a very robust performance on this 15% growth. As we speak, we are making very ambitious plans for greenfield investments in garmenting, of a scale that perhaps has never been considered at Arvind. However, I want to be careful before we formalize and announce them.

For the next 3-4 quarters, the objective is to maximize all the brownfield opportunities and focus on the 1-2 greenfield projects that we have already started considering. That is enough to give us 15% growth. However, there is a 25% growth model on the drawing board, which hopefully should be launched a few quarters from now.

Our ambition is to grow much faster in garments, but we do not want to falter on execution while trying to do that. That is why my guidance is 15% at this point in time. I think the opportunity is much larger, and as soon as we are confident that we have earned the right to play in that opportunity set, we will change gears. That is the internal mindset at this point in time.

We are very excited about the opportunity. We believe that India is going to become more important going forward, and what pleases me is that Arvind has demonstrated its ability to operate in multiple countries of origin, especially with the success of our Bangladesh launches. Egypt is also progressing quite well. With all of this, we are slowly building up to the position where we can put our foot on the accelerator.

Vishal Mehta – IIFL Capital: Just to clarify, with current capacity and the pipeline of brownfield and greenfield expansions, should that take care of approximately 15% growth for at least a year or so, after which—

Punit: It can be higher.

Vishal Mehta – IIFL Capital: Okay. Thanks a lot. Thanks a lot. Thanks a lot.

Operator: Thank you. The next question is from the line of Omkar Rane from Emkay Global Financial Services. Please go ahead.

Omkar Rane – Emkay Global Financial Services: Thank you. I have one bookkeeping question. I wanted to understand the current capacities of woven, denim, and garmenting, and how they will move over FY27 to FY29. I think we have pretty much utilized the headroom we had in denim. Going forward, how much are we going to debottleneck?

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Management: In denim, our capacity is about 70 million meters per annum, and in wovens it is roughly 140–150 million meters per annum. These are all our in-house capacities. As Punit has already said, we also tie up with many partners on an asset-light basis to take care of demand that comes in tranches. We will always take advantage of that asset-light model whenever and wherever it is available, and we will try to maintain an investment-light model.

Omkar Rane – Emkay Global Financial Services: Thank you. My second question is regarding the product mix within garmenting. How do we see the mix changing going forward now that the FTA opens doors for exports and we see volume growing at 15%? Do we see any significant movement in the garmenting volume mix?

Punit: Denim jeans will see the fastest growth initially because that is where most of our focus is right now. It is also one of our more profitable and strategically important capacities. It has the potential to drive further fabric volumes going forward.

Denim is the main focus right now, and the product mix will shift more toward denim. Essentials are growing with the addition of Varanasi, and knits will be the next area of growth. Shirts will grow relatively more slowly because, at present, selling woven fabric is quite easy for us, and the competitive landscape there is more favorable.

We are prioritizing the segments where verticality can help grow the end-to-end vertical business much faster, namely denim, essentials, and knits to begin with.

Omkar Rane – Emkay Global Financial Services: Thanks a lot, sir. Thank you.

Operator: Thank you. The next question is from the line of Ankit Shah from Anand Rathi Share and Stock Brokers. Please go ahead.

Ankit Shah – Anand Rathi Share and Stock Brokers: Hello, am I audible?

Operator: Yes, sir.

Ankit Shah – Anand Rathi Share and Stock Brokers: Our credit rating has been upgraded. How will finance costs move going forward?

Management: As a technical matter, there should be a 25-basis-point upward benefit possible from the rating upgrade. However, as you know, the RBI has already announced an interest rate increase regime for the repo rate, and we expect that to continue probably for the next 2 quarters, with another 50 basis points potentially being added to the repo rate.

Therefore, this may or may not translate into the real-world benefit that would otherwise have accrued to the company under a status quo situation. However, we will definitely try to maximize that benefit and use the rating upgrade as a negotiating point with all the bankers to obtain more favorable rates.

Ankit Shah – Anand Rathi Share and Stock Brokers: What about debt levels? Where can we see debt levels going forward? We have good free cash flows coming in, so how will debt levels move ahead?

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Management: I think we are consistently able to maintain the overall debt level at a low level. Term loans may remain at around 350-400 crores, and working capital will remain within a 60-day net working capital cycle. Accordingly, there may be some movement, but otherwise the debt level remains the same.

Whatever we have borrowed for the Dalco acquisitions, we expect to repay according to the scheduled timeline in May 2027.

Ankit Shah – Anand Rathi Share and Stock Brokers: Okay. That is it from me, sir.

Management: Right.

Operator: Thank you. The next question is from the line of Suryanarayan Nayak from Sunidhi Securities and Finance Limited. Please go ahead.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: Thank you, team. Punit, I have some questions regarding a period of 20, regarding fuel prices and associated costs on the commodity side. How often are we able to pass on or review prices with clients? The slides mention that some portion of the cost increase could not be passed on. That is my first question.

Second, looking at your past comments, my understanding is that we are moving more toward denim and knits as far as verticalization is concerned. At one point, you also said that, in denim, because of our focus on the Amsterdam and London studios, we are receiving many inquiries and could be moving more toward denim. In that case, you said that you would be increasing capacity, or perhaps you intend to increase capacity going forward, whereas Satya later said that we would be moving toward an asset-light model. Could you clarify that?

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: What I understood was that you would be increasing capacity, perhaps because you intend to increase capacity going forward, whereas Satya later said that we would be moving toward an asset-light model. Could you clarify that?

Management: We are trying to be as asset-light as possible. Where we can source fabric and undertake garmenting, we can source fabrics from other approved sources, still undertake garment verticalization, and grow. That would be an example of asset-light growth.

However, we will also add meters in terms of fabric capacity, perhaps to the extent of 10% additional capacity, through relatively small investments—not very large investments, but a machine here and a machine there—which can allow us to increase production with marginal investment. Modernization of a few machines and higher-RPM looms are the kinds of initiatives involved.

What Satya said and what I said are not at odds with each other. It is still asset-light, while we are also adding capacity. I think there are opportunities to do that.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: What about my first question regarding how often we are passing through raw material prices to clients?

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Management: Every quarter, and every quarter we have more work to do. [laughs] We are chasing the trend at this point.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: In recent times, we have been hearing from other metals companies and other players that they are reviewing pass-through even on a monthly basis. Is that possible for us? If this uncertainty extends, is it possible to consider that kind of scenario?

Management: We cannot do it more frequently than that. However, everyone must understand that beyond a certain point, there is no demand. Beyond a certain level of cost escalation, there is demand destruction. Therefore, you can only pass on what the market is able to absorb.

Unfortunately, the market takes time to absorb more. There will always be people with lower capacity utilization and other factors who might be willing to sell under distress. Therefore, there are always counterforces that do not allow you to maximize pass-through.

However, there are strategies that one can use to address that. For example, we are upgrading our product capabilities. We are trying to manufacture products that have a better competitive environment, where we have more proprietary products, more complex products, and products with a high component of design and innovation. These are the strategies that enable us to achieve better realization during this difficult period.

The speed at which escalations are happening because of continued uncertainty in the environment is beyond anyone's control. We are using all the levers available to us, trying to convince customers to increase prices, changing the product mix, and trying to make up through volume when we cannot make up through margin.

All these strategies are in play, and together they are helping us remain reasonably on a positive trend in terms of quarter-on-quarter performance.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: In the current scenario, what kind of gross profit-level pressure are we seeing that could ease later, and what kind of pressure is occurring on other expenses related to logistics?

Management: Thankfully, 80% of customers take care of logistics, so it is on their account. However, it does impact their decision-making. Logistics is therefore having more of an indirect impact on us.

The direct impact is that, every quarter, we have to create solutions for, say, 75-100 basis points of gross margin erosion, which we have to try to fight and recover.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: In this quarter, there has been a significant rise in the purchase of other goods. Is it related to some kind of outsourcing arrangement for the fabric or denim side?

Management: This is in line with what we have been discussing. We have started the Bangladesh operation, where we essentially send our fabric and have the garments converted there. That is the reason for the increase in stock-in-trade.

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If you compare Quarter 1 and Quarter 2, there is not a large delta because it is incremental. The delta is visible when you compare last year, when it was not present, with the current year. Therefore, it will incrementally remain in the range that you saw in Quarter 2.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: What would be the exit garmenting capacity for FY27 and FY28?

Management: Garment capacity in India?

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: Yes, overall. I believe it could move from 45-50 million pieces to 60 million pieces this year. What would be the—

Management: Overall, we expect that to grow by 15%.

Management: {? In terms of pieces ?}.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: Because we will focus more on knits and essentials, apart from denim, can we expect higher ROCE going forward?

Management: ROCE will be higher because we are improving the position of our mature factories, making them more efficient, and winning the right kind of orders. I think capacity increases actually have a negative impact on ROCE because new investment is coming in and the denominator in the ROCE formula is increasing.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: What is the utilization level in the US, and what is the expected timeline for incremental lines there?

Management: We are growing again. We are investing in our next line this year. Hopefully, next year we will see a higher growth level, and the year after next is when we will reach our target of mid-teens growth.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: What is the current utilization, sir?

Management: We are at very high levels of utilization.

Suryanarayan Nayak – Sunidhi Securities and Finance Limited: Okay, thank you.

Operator: Thank you. The next question is from the line of Prerna Jhunjhunwala from DAM Capital. Please go ahead.

Prerna Jhunjhunwala – DAM Capital: Thank you for the opportunity. I wanted to understand more about the US market. It is a key business geography, and you have mentioned in your outlook slide that it still presents mixed signals. How are inquiries and the order book shaping up in the US geography, and how are we seeing that geography growing in the second half and in the coming year?

Management: So far, we are seeing reasonably positive demand signals from the US. Of course, your guess is as good as mine regarding how long this conflict will continue, and the longer it continues, the greater the chances of demand sentiment turning negative. However, it has not

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turned negative so far. Things are looking okay at present.

Our order book for Quarter 3 is extremely strong, and Quarter 4 is building up quite nicely. As of now, we are not seeing any concerning signals.

Prerna Jhunjhunwala – DAM Capital: Could you also comment on the AMD business? We have discussed garmenting from the consumer angle, but what about the B2B AMD business that we conduct in the US?

Management: In the US, certain segments are driving demand. For example, data centers are growing very aggressively, which impacts our composites business very positively. Industrial growth is quite robust in the US, so our industrial products are also selling well there, and human protection is also performing adequately.

From an Advanced Materials perspective, the US market is showing positive trends.

Prerna Jhunjhunwala – DAM Capital: Understood. My last question is on the UK. What kind of inquiries and improvements are we seeing in that market, given that it has been almost a quarter since the FTA was implemented? Any positive signs that you can highlight would be helpful.

Management: More and more customers are interested in sourcing from India. Everyone is traveling to India to see how they can move more business here and de-risk their exposure to some of the highly indexed geographies.

We expect this business to increase. I think the first benefits should begin to be realized sometime in Quarter 4, and next year should see a significantly higher UK business, perhaps an additional 10-12 million.

Prerna Jhunjhunwala – DAM Capital: Is this applicable to both garmenting and AMD?

Management: Yes, overall. I am giving you an overall number, and it will be more of a vertical business because the UK is a vertical market. There is very little fabric nomination in the UK. Customers in that market like to buy the end product. Therefore, it will be more garments.

Prerna Jhunjhunwala – DAM Capital: Understood. Thank you, and all the best.

Operator: Thank you. The next question is from the line of Harsh Mittal from Emkay Global Financial Services. Please go ahead.

Harsh Mittal – Emkay Global Financial Services: Good evening, team. Thank you for the opportunity. In the opening remarks, you said that Arvind has received orders from Indian Defense. In the presentation, it is also mentioned under human protection that there are some Tier 1 customers and some traction from the defense and paramilitary forces.

I wanted to understand whether this is a new client addition, whether we are seeing increased penetration in this segment, or how we should look at this.

Management: Defense is a large consumer of these products, and many of them, especially combat uniforms and officer uniforms, are consumables. Therefore, they need to be reordered in every

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cycle. There is a renewable pipeline that exists.

Year-on-year, the intention of the armed forces is to equip our brave men and women with increasingly better-quality equipment. That is where we have an opportunity to contribute through our capabilities and our ability to innovate, in order to provide better solutions for the Indian defense strategy of upgrading and better equipping our forces.

That is how this business works. We are offering more and more solutions for newer applications as we acquire the capabilities to address those requirements. There is a real focus on localization and domestic sourcing through Atmanirbhar capabilities, and we are a participant in that shift.

Harsh Mittal – Emkay Global Financial Services: Understood, sir. My last question is on capex. You have mentioned 500 crores of capex for this year. Does this capex include the {? Dalco's ?} capex that we are going to undertake?

Management: No.

Harsh Mittal – Emkay Global Financial Services: Okay.

Management: This is only for India. {? Dalco ?} has its own capex program, which is around 5 million a year.

Harsh Mittal – Emkay Global Financial Services: Understood, sir. Thank you. These were my questions. Thank you.

Operator: Thank you. The next question is from the line of Tanishka Agarwal from Niveshay. Please go ahead.

Tanishka Agarwal – Niveshay: Thanks for the opportunity. Am I audible?

Operator: Yes, ma'am.

Tanishka Agarwal – Niveshay: The raw material prices are currently elevated. What is the visibility on when full cost transmission will happen, and whether 9-10% EBITDA margins will be normalized and achievable once full transmission happens?

Management: Our idea was that we were at around 11.5% last year, and our stated objective is to improve EBITDA margin by perhaps half a percentage point every year. The initiatives to allow that to happen are ongoing and progressing quite nicely.

However, the overall cost inflation environment is hiding all those efforts. We are undergoing a very large transformative exercise in digitization, where we are digitizing and automating our planning. We have just introduced a new TMS. We have automated our purchasing and sourcing platforms. We are bringing shop-floor-level IoT and automatic data flow.

All of this should unlock efficiency, reduce the need for non-value-added work, and improve our cost base going forward. We are also working very hard on value engineering in this difficult landscape. We are working hard to keep our fixed costs frugal.

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All these efforts will continue to deliver performance even after these inflationary trends have normalized. That is when we should start seeing margin expansion and the impact of all these fundamental initiatives that we are continuing to undertake.

Right now, I know it is not very visible, but there is a lot of effort going on to improve margins. There will also be economies of scale as we grow our top line. Our fixed costs should not grow as fast, so there should be a margin unlock from traditional economies of scale.

Tanishka Agarwal – Niveshay: The fourth line, which had annual revenue potential of 70 crore, was commissioned in Q2. What is the ramp-up timeline to full utilization? Will it take 2 quarters or 4 quarters?

Management: That was fully sold before we invested in it. Therefore, it was very painful that we lost a quarter and a half of revenue from that line because the investment was delayed. It has now started generating that revenue already.

Tanishka Agarwal – Niveshay: What is the timeline for the 500 crore capex that we have planned?

Management: It is a rolling timeline. Every year we invest, and it takes approximately 2 years to fully utilize capex. Generally, that would be the average ramp-up time. Some things ramp up very quickly, such as the fourth line, while some things take time, such as a garment factory.

On average, if I am investing 500 and I have an asset turnover of, say, 2.5-3, you should be getting 1.5 in the first year and then 3 in the next year.

Tanishka Agarwal – Niveshay: The Varanasi Phase 1 has annual revenue potential of 250 crore. What is the total garmenting capacity after both phases?

Management: Again, I will add almost 25 million pieces in Varanasi, but those pieces are essentials, so they are really small garments. Therefore, we do not count them at all in this 50 million. [laughs] It is better to look at turnover, as I keep saying, and it will contribute toward enabling us to grow at 15%.

Tanishka Agarwal – Niveshay: Okay, thank you.

Operator: Thank you. The next question is from the line of Tushar Dhounde from Sanghvi Family Office. Please go ahead.

Tushar Dhounde – Sanghvi Family Office: Thank you for the opportunity. I wanted to ask a question about export incentives. The RoSCTL scheme has been extended until the end of December. I want to understand your thoughts on this. Are we dependent on this scheme? If so, what percentage of revenue and what percentage of EBITDA does it represent? How do you see the likelihood of this scheme being extended?

Management: A business should never be dependent on export incentives to support it. While these incentives help, in the long term we should have the ability to continue improving our performance irrespective of whether they are available.

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We do not spend too much time worrying about this. Our plans will still be realized. If the scheme is not extended, there might be an impact for a quarter or two, but things readjust pretty quickly once these things change and the market adjusts to them.

Tushar Dhounde – Sanghvi Family Office: Is it possible to share any number on the current business?

Management: Pardon?

Tushar Dhounde – Sanghvi Family Office: Is it possible to share—

Management: I do not have that number at the back of my mind at the moment. I will ask the investor relations team to send it across.

Tushar Dhounde – Sanghvi Family Office: Okay, okay. Thank you, and all the best for the future.

Management: Thanks.

Operator: Thank you. The next question is from the line of Aradhana Jain from 361 Capital. Please go ahead.

Aradhana Jain – 361 Capital: Thank you for the follow-up. I have one bookkeeping question. We closed the QIP in the middle of Quarter 2 for 500-plus crores, and I believe that the 500-plus crores was to be used toward reducing our debt. I wanted to understand where we are with that debt reduction timeline. Once the debt is reduced, what peak debt do we expect to reach, and from which year should we expect debt to start reducing?

Management: We are going to use the QIP proceeds for repayment because the scheduled debt repayment date is in May 2027. This is, I think, the ECB, so accordingly we have to follow the RBI norms. In the meantime, we have utilized that money for our internal growth purposes. You might have seen that working capital borrowings have not increased in the last 6 months. That is one point.

Second, from next year onward, starting in Quarter 1, you can expect debt reduction against the acquisition debt.

Management: To explain the overall philosophy, the debt increase happened on account of the acquisition, where 60 million was borrowed in India and 40 million was borrowed on the Dalco balance sheet. Dalco's cash flow is good enough to finance both the repayment of that 40 million and its internal growth aspirations. Therefore, we should consider that separately.

The 60 million will be repaid in May, which is why the QIP proceeds were brought into the company.

Therefore, all the Dalco-related debt increase has been de-risked either through Dalco's internal cash flow or through the QIP funds. We do not want to add any more long-term debt to our original pre-Dalco long-term debt, which was around 400 crores. That will remain. We are not very concerned about it either because, on our balance sheet and relative to our EBITDA generation potential, it is a small, very manageable number.

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Our working capital debt will grow with the growth of the business, but we want to maintain a minimum of 6 turns and improve through internal efforts, perhaps from 6 to 7 turns over the next couple of years. That is how working capital debt will behave.

We are not concerned about debt levels. We do not want to add to our covenant-bearing debt, and we do not want our working capital turns to deteriorate below 6. They are currently below that level because we have invested in long-term stocks due to these price escalations.

Therefore, now is not a great time to focus on working capital efficiency because we have to hold certain inventories for longer periods to ensure availability and fixed prices.

That is the philosophy on debt: working capital will grow with the growth in the business at 6 or better turns, our long-term debt should remain at pre-Dalco levels and not grow further, and as EBITDA grows, this will become less and less of a concern going forward.

We want to use most of our free cash flow to fund increasingly aggressive growth in Advanced Materials and garmenting.

Aradhana Jain – 361 Capital: Understood. Thank you so much. That is all from my side. All the best.

Operator: Thank you. The next question is from the line of Bimal Sampat, an individual investor. Please go ahead.

Bimal Sampat – Individual Investor: Good evening. On the denim front, we had one good brand, Ruf & Tuf. Trent is now doing very well with its Zudio business. Since we also have Arvind stores, we can sell there as well. Is this not the right time to enter that market, because the volumes would be much higher and margins may also be good? It would be primarily for the domestic market.

My second question is about our 500 crore capex. Could you give us the breakup?

Management: I will answer the second question first. Broadly, close to 200 crores is for Advanced Materials growth, approximately 120-150 crores is for garments, and the rest is for fabric and maintenance.

Regarding Ruf & Tuf, yes, we own that brand. It has been dormant for multiple years. We are working on some very interesting just-in-time manufacturing capabilities, which are at an early stage. Perhaps it might be revived in the future, but as of now we do not have any plans to undertake a B2C play in denim using Ruf & Tuf.

That option is always available to us, and we will keep exploring it. It is a brand that is very dear to us. It created a lot of excitement when we launched it in the mid-1990s, and there is still brand recall for it.

Bimal Sampat – Individual Investor: Perhaps it was ahead of its time.

Management: Yes, so we will continue to reevaluate it. Thank you for the suggestion.

Bimal Sampat – Individual Investor: Thank you.

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Operator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Satya Prakash for closing comments. Over to you, sir.

Satya Prakash: 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 question arises going forward, please do not hesitate to reach out to me and my colleague Himanshu. We are just a phone call or an email away, and we will be happy to assist.

We look forward to engaging with all of you at our upcoming events. Thank you, and I wish you a good day ahead.

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

Satya Prakash: Thank you.

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.

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