



“Arvind Limited

Q2 FY '26 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to the Arvind Limited Q2 FY '26 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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, sir.

Satya Prakash Mishra: Good afternoon, everyone, and a very warm welcome to Arvind Limited Earnings Call for the quarter ended September 2025. I hope all of you had a wonderful festive season and wishing you all a truly prosperous year ahead.

Before we begin the call, let me introduce the leadership team joining me today. We have Mr. Punit Lalbhai, our Vice Chairman; Mr. Susheel Kaul, Managing Director and President of Textile Business; Mr. Gurpreet Singh Bhatia, CEO and President of AMD business; and Mr. Nigam Shah, CFO of Arvind Limited.

Let me begin by recollecting our thoughts from the last quarter's call. At that time, we were in the early days of tariff impact. India had appeared to be in a relatively advantaged position compared to the competing geographies like APAC countries and China.

We had anticipated a further acceleration of volume shift towards India, including China Plus One, driven by our neutral geopolitical stance. 3 months on, the picture has changed completely. It's almost a 180-degree turn, and I'm sure we have not seen the end of it. India now finds itself at the most disadvantageous position with even additional sectors being brought under the tariff bracket from U.S.

The current 50% tariff level is perhaps the highest among the competing markets. Let me now turn to a few important developments during the quarter, starting with the much anticipated corporate action on demerger of AMD division into a wholly-owned subsidiary and a separate legal entity, namely Arvind Advanced Material Limited.

Following the receipt of requisite approvals from shareholders and other stakeholders, the honorable NCLT has recorded its consent to demerge the AMD business to AAML, which has now been consummated with effect from 1st September 2025.

The second major highlight relates to our Integrated Textile and Apparel business, which has now crossed a volume of 10.7 million pieces in quarter 2, translating into a INR2,000 crores run rate on a quarterly basis, growing consistently at 15% to 18%.

With that, we now have two strong growth engines, the Integrated Textile and Apparel business and the Advanced Material division with a critical mass of INR2,000 crores each, both operating in flywheel mode and expanding steadily at high teens.

With this backdrop, let me move how the quarter unfolded. While the tariff pressure did compress margins, the cost optimization and efficiency measures we initiated in earlier quarters have started yielding structural and lasting savings, offsetting some part of this impact.

Our approach has remained clear and consistent, stand by our long-standing customers. We extended selective support, including discounts wherever necessary, but always in exchange for higher volumes and stronger commitment for future. This disciplined stand ensures that we protected both our relationships and the top line momentum.

Once again, time like these have validated our resilience and well-balanced business model diversified across products, geographies, and customers, enabling us to adapt quickly without much disruption.

Three of our businesses, namely woven fabric, Integrated Textile and Apparel, and AMD division reporting their highest or near highest revenue numbers. Times like these provide much needed clarity. They distinguish those from -- who perform from those who don't. Let me now share the key operational and financial highlights for the quarter.

Denim division delivered its highest volume in recent years of 15 million meters. Woven division achieved near highest volume of 35 million meters. Both the divisions are now operating at full capacity. Garmenting division crossed 10.7 million pieces, in line with our full year growth guidance. We expect this strong momentum to continue in the second half, which generally historically has been a better half for our business.

On the financial front, consolidated revenue for the quarter stood at INR2,371 crores, up 8.4% on a year-on-year basis. Of the above number, direct business to U.S. stood at nearly INR500 crores, roughly about 21%. EBITDA came in at INR262 crores, up 13%, which includes highest ever quarterly operating EBITDA. Profit after tax during the same period stood at INR107 crores, reflecting a robust 70% year-on-year growth.

This is amongst the strongest second quarter performances we have delivered in recent years. In terms of margins, while the overall margin was at 11%, the improvement was limited to 40 basis points. Margin on both Textile and AMD segment fell as the quarter was partially impacted by 50% tariffs. The margin impact was partially negated by the cost improvement that we have just spoken of. The Textile division reported an EBITDA margin of nearly 10%.

The AMD division came in at 13.6%, both broadly in line with our guidance. The visual margin compression primarily stems from the tariff-related discounts absorbed during the quarter. Adjusting for this impact of roughly INR23 crores during the quarter, our margins would have been closer to 12%, fully aligned with our medium-term guidance.

Our annual capital expenditure plan for the year revised downwards to INR400 crores to INR450 crores. We have invested about INR220 crores so far of that amount, in line with the plan, though we have chosen to defer certain of the noncritical expenditures to maintain liquidity flexibility.

Leverage levels remain stable compared to March 2025 and working capital days have been held steady despite higher sales, reflecting the impact of system efficiencies we have implemented over the past few quarters. For the quarter, return on capital employed stood at 14.4% on a reported basis, adjusted return on capital is at 17%, reinforcing our confidence of achieving 20% return on capital target in the medium term.

Let me also tell you about a few bright spots that happened during the quarter. While we were handling a turbulent sale, we have not lost sight of doing what is fundamentally right, our motto of sustainability. We continue to lead sustainability-driven innovation through strategic collaborations and adapt breakthrough technologies.

The company in partnership with H&M Group and Deven Supercriticals has commissioned India's first supercritical CO2 dyeing facility at Santej, a INR25 crores investment enabling waterless dye. This has the potential of saving up to 76% of water consumption, 67% of energy, and 90% of chemical usage in the dyeing process.

Furthering its commitment to circularity, Arvind has joined hands with U.S.-based Circ Incorporation to integrate next-generation recycled fibers across its operations, driving large-scale adoption of circular materials. This is the second such collaboration we have done in the last 12 months.

Last but not the least, in recognition of its climate leadership, Arvind's near-term, long-term net-zero targets have been validated by science-based target initiatives, aligning with 1.5-degree pathway to net-zero by 2050.

To sum up, despite a volatile and unpredictable external environment, Arvind continues to demonstrate resilience, agility, and operational discipline. We remain optimistic about the second half of the year and confident about our medium-term outlook.

With that, I now hand over the call to Punit for his remarks on the quarter gone by and his perspective on the broader industry and market trends. Over to you.

Punit Lalbhai:

Thanks, Satya. Good afternoon to everyone. It's a pleasure to be here. I think Satya has covered all the important events of the quarter gone by. I think the performance in very challenging circumstances has been reasonably good.

The teams have rallied behind the company and delivered on cost savings, which has offset the discount liability caused by the tariffs and U.S. exposure. That said, the tariff pressure continues and Q3 is also going to see the effect of tariffs though our tariff mitigation measures are also gearing up very nicely, and we should see further improvement in our cost positions driven through efficiencies and efforts.

So net-net, we hope to continue this good level of performance despite a challenging environment going forward. I think I'd like to leave as much time for questions as possible.

So I'll not speak further. I open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Bhargav Buddhadev from Ambit Asset Management.

Bhargav Buddhadev: Congratulations for a very good performance. Sir, my first question is, is it possible to break down that INR23 crores tariff impact into maybe garment and AMD?

Punit Lalbhai: Yes. So AMD is around INR7 crores out of that INR23 crores.

Bhargav Buddhadev: Okay. Understood. Secondly, sir, if you look at your business outlook for the rest of the financial year, it seems like things are only going to improve from here on. If you can sort of elaborate a bit that despite the tariff, AMD and garment still continues to do well.

So effectively, if you can elaborate a bit on that, that would be very helpful because obviously, as Mr. Satya said that the Indian tariff is far worse off as compared to others. So how are we able to still continue to gain market share and still we don't have any EBITDA margin impact as such?

Punit Lalbhai: No. So there is an EBITDA margin impact. So I mean, if you remember our conversations of the past, we've been actively working very hard to actually expand our EBITDA margins from previous levels. Now that whole exercise has sort of got postponed because of the onset of the margin. So our effort is keeping us in the same place as far as margins is concerned.

Compared to others, our business model is quite risk mitigated in multiple ways. First of all, we have AMD and textiles, both under the same umbrella. We have a very geographically diverse business. And we also have multiple sort of levers where we have flexibility to pull on those levers when certain parts of the business are under pressure. We have almost INR1,000 crores plus B2C business, which is domestic.

We are also working very hard to open up new categories -- new geographies. That effort was ongoing even before the onset of tariffs. So now the numbers -- number-wise -- because U.S. is so large, these numbers don't appear very large in the overall portfolio. But our focus, especially in AMD on Australia, Middle East, and the U.K., that clear pivot is happening.

Our industrial and composite business is not so affected by tariffs just because of the dynamics of those industries, even the U.S. part of that business is more resilient than garmenting. So there are those kind of reasons. And of course, I would not like to sort of underestimate the effort it has taken on part of the teams to actually take tough decisions and cut costs and drive efficiency. People have worked around the clock to ensure that all the good work doesn't get dissipated by tariff impact.

That said, till this tariff resolution comes, that uncertainty will always remain. I think both us and the customers are factoring at some point, certain aspects of the tariff will go away. Now if they keep prolonging, then how the customers will behave, that's still an uncertainty.

So while I agree that if all else remains equal, we should only improve. We need some of these uncertainties to be addressed at some point in time. So what I would say is I'm cautiously optimistic that things will keep improving.

Bhargav Buddhadev: And lastly, sir, assuming that there is no trade agreement in the next 6 months, which gets finalized. Is it fair to say that this INR23 crores is the peak in terms of impact or it can actually increase from here on?

Punit Lalbhai: It will increase from here because INR23 crores is not factoring in some of the punitive tariffs that came after these orders were locked in for Q2. So it will increase, but it will also be offset will increase. So the net impact, hopefully, we should be able to keep on current trajectory.

We are also making efforts to diversify our final geographical metrics. So all of those things should start kicking in by Q4. But Q3 is pretty locked in, and we expect to continue on this journey in Q3 at least. Q4 is too far to predict.

Bhargav Buddhadev: Great. Very commendable job in this difficult environment. All the best.

Moderator: The next question comes from the line of Narayan Nayak from Sunidhi Securities.

Narayan Nayak: Sir, in the expansion plan of the garmenting capacity, where are we now so far as the Varanasi facilities and other facilities are concerned, number one. And number two, what is the commercial arrangement we are having with the Circ in the fiber recycling. So if you can throw some light, how we get the opportunity?

Punit Lalbhai: Yes. So as far as garmenting capacity is concerned and specifically Varanasi, as you asked, Varanasi is now back on stream. We expect that late Q1 to early Q2 kind of commercial and operational start. All capex, the moment all this Mayhem was announced globally, we slowed down as a matter of prudence, all expansion for a period of time. So 1 quarter went in wait and watch.

So we did slow down some capex. But now we have reinitiated everything. So hopefully or thankfully, there is no long-term sort of big deviation from original plan. So our expansions are continuing according to overall previously sort of guided trajectory.

On your question around Circ, it's a very innovative technology that uses a recycling technology that allows very high level of quality of the recycled fiber to where you can use it at very high blend percentages. So we are excited about this opportunity, and we will use this fiber to create sustainable products for our customers.

Narayan Nayak: Sir, what would be the exit capacity for the garment FY '26? It was earlier, what I think is 45 million pieces and for FY '27, it is slated to rise to 55 million or so. So is it any deviations we are actually observing due to the global integrity?

Punit Lalbhai: No. And I think we are on track to cross 40 million comfortably. We should be that 42 million, 43 million achievement of dispatches this year. And of course, capacity grows before the

achievement happens. So we should cross 45 million capacity this year, and with all the expansions already underway, 55 million is the right number for next year.

Narayan Nayak: Okay. And how big is the opportunity regarding the Circ. if you can quantify anything at this moment

Punit Lalbhai: Right now, it's not a very large. Recycled products constitute less than 2% to 3% of the overall textile volume at a global level. At Urban level, we blend, small amount of recycled content in quite a lot of our product. But overall, the volumes are not very large. But it's a step that is making us future-ready in terms of the increased requirements coming from the customers' end.

For example, Europe has passed a legislation that will, after a certain date, require a certain percentage product-wise of recycled content. So all these efforts are us preparing for those changes to occur in the market dynamics.

Narayan Nayak: So I have the realization in those fabrics, recycled fabric is higher than the virgin fibers. So is the reading correct?

Punit Lalbhai: Our effort will be to provide more and more of these types of technologies. So our focus is not on realization. Our focus is on driving more volume adoption. And therefore, we want to mainstream these technologies and make them the future way of doing business.

Narayan Nayak: But in that case, sir, this Circ will be converting the textile and recycled textile. I mean, maybe pre-consumer textile and you will be taking the chips or maybe fiber and converting to...

Punit Lalbhai: We will buy fiber from them, spin it into yarn and put it into our product.

Narayan Nayak: Okay. Okay. And sir, are we also slowed down our capex in the AMD due to the uncertainty in the U.S.?

Punit Lalbhai: No, we have not slowed down. So we have temporarily paused capex for a quarter. But then at the start of Q2, we have restarted everything. So for last 3 months, all capex have been going on in full swing.

Narayan Nayak: And what will be the course for this demerger of AMD division going forward? So what is the plan behind?

Punit Lalbhai: As I've mentioned in the past, it's only so that we house it in a vehicle that allows us flexibility on how we look at the business. Right now, there are no plans on how we are going to drive that trajectory. Right now, the focus is on growing these business lines and delivering on our growth and profitability targets on this business.

Narayan Nayak: Is the management waiting for a scale to achieve so that it can be listed separately, that is the idea?

- Punit Lalbhai:** No. So it will depend on the Board as and when they feel it is the right time to look at it differently. Right now, the focus is, as I mentioned, only on driving a 20% growth trajectory with improved profitability and return on capital employed.
- Moderator:** The next question is from the line of Perna Jhunjunwala from Elara Securities.
- Perna Jhunjunwala:** Congratulations on strong set of profits this quarter in a difficult time. So just wanted to understand this how are you looking at growth going forward? Because in your presentation, you've mentioned that AMD will continue the momentum of 18% to 20% growth. So should it be from Q3 that we should see that number resuming? Or it's still time?
- Punit Lalbhai:** No. I think to an extent, the numbers are coming back. So this year also, we have, I think, crossed 15%. And this quarter also, we've crossed 15%. And we are not very far away from 18% to 20%.
- So if I'm looking at the numbers, quarter 3, we should definitely be in that 20% or 20% plus range. It was Q1, we had the immediate impact of the whole market freezing and defence orders going away. So we hope to make that up in Q3 and Q4. So to answer your question, 18% to 20% is our expectation, and we'll be disappointed if we don't deliver on it.
- Perna Jhunjunwala:** Understood. And sir, in the garmenting business and AMD, what will be the direct exposure of U.S.? Because I hear different numbers every time. Even in this call, I hear INR500 crores direct exposure. So can you please help us with some clarity on what is the direct exposure, how you count it as direct and indirect and the calculations therein?
- Punit Lalbhai:** So overall, the exposure is 35 percent. 22% of that is direct and about 15% or 14% is indirect. When we say direct, it's the product that we are directly exporting to the U.S. that attracts the full 50% tax either through ourselves or through other Indian converters. When it is indirect, it is product that heads to the U.S. through Bangladesh, through Sri Lanka, through all these different geographies. Now there is a discount or there is a tariff impact on both, but direct is higher. It's very easy to get confused by all this math. I think the simple way to think about it is that it's going to be this INR23 crores to INR25 crores tariff at the Q2 run rate, that run rate will go up slightly in Q3 and hopefully stabilize. And that much effort we are putting into cost reduction to sort of almost mitigated. That's our way of thinking. And that answers all questions around risk and profitability. So why get into all these complicated math.
- Perna Jhunjunwala:** Yes. Makes sense. So then one of the prior question participants also asked that this direct exposure, when it increases, can it impact the overall growth if consumption in U.S. starts -- my understanding is the consumption in U.S. may start falling because of the inflation. Are you also seeing in the order books of your clients something like that?
- Punit Lalbhai:** So far, no. But if you ask me what will happen after Q3, I mean, it's anybody's guess, right? I mean, how well is the U.S. economy going to hold up? The expensive goods are only now hitting customers.

So will consumption fall? These are all highly uncertain. We don't have enough data to answer these questions well right now. All I can say is Q3 is on the right track. And if all else remains constant from the customers -- conversations we are having with customers, Q4 should also be in that direction.

But will a trade deal happen before then? Will consumption in the U.S. fall? All these are questions we can't answer. But at the same time, we are focusing higher on India. We are focusing on Middle East. We are focusing on Australia. We are focusing on EU and U.K. So all those efforts also will also start yielding response. So there will be pluses and minuses, and we will have to react.

And I think what we have shown so far is that we are reacting. We are quite a flexible company. We have a resilient business model. Difficult curveballs have been thrown at us, and we've answered them well. So hopefully, we'll be able to answer all future curveballs also well.

Moderator: The next question comes from the line of Tanishk from Antique Stock Broking.

Tanishk: Congratulations on the good set of numbers. My first question is we have seen a good growth in the textile across segments and in AMD also. Was there any due to early shipment of the products? and can you give some guidance on the growth? Like will this number be achievable in the second half also, the 15% growth in the textile as well as AMD?

Punit Lalbhai: Yes, I'm confident of growth in Q3. To answer your first question, is it because of early shipment? No. Q1, maybe there was some early shipment. But by Q2, everything had already crystallized.

So there's virtually zero impact of early shipment. So all the tariff impacts are fully crystallized. We may have given some additional discounts because of the tariffs being revised upwards. That happened a little later before the -- after the first set of tariff numbers came out. So yes, Q3 will have higher than Q2 tariffs, most certainly, tariff discounts.

And also the volume and growth journey, so that's locked in for Q3, and it's looking good. So we will have higher volume. We will also have higher savings. So tariffs are higher, savings are higher and growth is decent.

Tanishk: Okay. So my second question is you mentioned that you have a healthy order book in Q3. So can you give some more insights on what type of customer agreements you have, like what quantum of additional tariffs will be in that 25% penal tariff.

Punit Lalbhai: No. So see, most people, most customers, we are not passing on the full tariffs. It's usually a small percentage of the overall tariff. So it's more like discounts that we give because it's a blend of direct, indirect, and it is relative to what pricing and product quality they can get from competing geographies. It's not easy also to change qualified products at such short notice.

So all of that put together, we take a very partnership type of approach. We understand our customers' problems. They are passing on certain amount of cost to the end consumer. They are absorbing a certain part of this tariff impact. And they are asking us to partner with them in absorbing some part at our end.

So that is how it gets distributed between the various players in the supply chain. And it gets distributed between yarn, chemical, us as fabric and garment makers, the brand itself and the consumer, right? So this whole impact gets sort of shared by multiple people in the whole supply chain.

And some places where your negotiating power is weak and you need that business at all costs, you might have to pass on higher levels of discounts. Some places where we just switch the business.

Some places, our business gets switched out. So there is a whole array of different, different solutions that happens in such a disruptive environment. But where we are strategically partnering the customer, where we are mutually important to each other, we try and help each other out.

So if we have to pass on high discounts, then we ask for higher volumes. If we are not in a position to pass on discounts, then we allow them to shift the volume elsewhere if it's not making sense for us. So we take that call order by order, SKU by SKU and do it in partnership with our strategic partners.

Moderator: Next question comes from the line of Aman.

Aman: Sir, congrats on a good set of numbers. I just have a question around the AMD division, right? If you look at it, historically, we have guided for a 15%, 20% sort of growth rate. So I just have a question around the AMD division, right? We have been guiding for the 15%, 20% sort of growth rate.

Now looking at the numbers so far, you'll have to deliver a lot more in H2 to sort of justify that sort of growth rate. So given the current order book, are we still maintaining that guidance? Or would we like to revise it by any chance?

Punit Lalbhai: So I think Q3 and Q4 will definitely be around that 20% mark. I mean, see, Q4 is not fully baked in. So I can't give a 100% accurate guidance, but growth is looking robust. And if you look at Q2, Q3, if you average both of those, we will be back on that 18% to 20% level.

Now whether if you factor in the low growth of Q1 that 18% to 20% drops by a percentage or 2, that we'll know once Q4 is fully baked in. But I think the important thing is that we are delivering 2, 3 quarters of now higher growth than we've got back into the mid-teens this quarter.

So I don't look at the number. I look at it more directionally, and I look at it with a future orientation, not very mathematically as you seem to be asking. So for us, we will see higher

growth in second half of the year. That's a given. Q3 is already looking decent. And we've come back to the mid-teens, and we need to increase it a little bit to get into the 20% range. That's how we are looking at it.

Aman: Okay. And just last one on the AMD again. You also mentioned the resume, the order book sort of resume, right? You start getting more orders. So would you be able to give us an idea on what is the split in the order book between export and domestic?

Punit Lalbhai: So it's been very similar to overall previous years where in AMD, it's more like 65% export. And at a company level, it is maybe slightly higher than 50% in terms of export.

Aman: Okay. And this majorly is for the human protection division, right, if I understand it correctly?

Punit Lalbhai: In all the divisions, we are export driven. In fact, in industrial and composites, Especially in industrial, we would have a higher export percentage. In human protection and to some extent, composites, there is a domestic component that is significant.

Aman: Okay. Noted. I just have one last question, if I might squeeze it in, which is on your composites division, right? So I remember a few calls back, you also mentioned a lot of Vande Bharat orders coming through and all. So how is that holding up? Could you give us some sense on that in terms of...

Punit Lalbhai: We've completed one large order for Vande Bharat. Then there is a lull for a couple of quarters. And then again, Q4 onwards, there is another large order starting up. So it's going and it's still continuing, and we won new orders there.

Moderator: The next question comes from the line of Shivkumar Prajapati from Ambit Investment Advisors.

Shivkumar Prajapati: Congratulations on great set of numbers. So my first question is on capex. So we have reduced our capex guidance for full year in the range of INR400 crores to INR450 crores versus INR450 crores to INR475 crores earlier. You have mentioned that some noncritical spend has been deferred. So could you please throw some light on this? And if you can give guidance for FY '27 capex?

Punit Lalbhai: So we kind of called capex for a quarter. it's like 1 quarter of cash outflow for capex is gone. So more than stopping any strategic project, it's more like a delay or postponement of spending, keeping a prudent principles in mind because we didn't know where the tariff thing is going to go, how customers were going to react.

And it made sense to conserve cash in case the situation became very bad. Then once it became clear that we figured out a way to continue the business. We passed on discounts. We worked on cost and efficiency, and then we restarted that capex. So I think that INR50 crores to INR60 crores impact is just because of that temporary pause.

Shivkumar Prajapati: So my question was on project expenses. So if I compare Y-o-Y basis, the cost is almost more than doubled. And on other expenses front, it is almost flat Y-o-Y. I'm assuming this INR23

crores to INR25 crores of tariff hit is also included in other expenses. So just want to understand, did we have some savings in our other expenses and what led to the increase in project expense?

Nigam Shah: So actually, it is because of Envisol projects, what we have, we are booking into the other segment. So Envisol is a water project management company. So I think it is varied based on the project-related expenditure what we are making. So that's why I think it is not a stereotype, but I think accordingly, it is varying quarter-to-quarter. And so you can't compare it specifically.

Shivkumar Prajapati: Understood, sir. And anything on other expenses side?

Satya Prakash Mishra: Reason is that, one, we have done some of the cost savings in the same head where we have booked our tariff-related expenses. Net-net, it has looked like a flat curve.

Moderator: The next question comes from the line of Bimal Sampat, an Individual Investor.

Bimal Sampat: Two, three questions. First one is on our domestic initiative. Now we are seeing that you have associated with Kaun Banega Crorepati, I mean, how do you see this going forward? Is it going to be very meaningful, something like garment division or how do you see it?

And second is, now I think Shiprocket IPO is coming. So we have some stake in that, I believe. So are we going to exit and encash that money or we are continuing? And what is our stake, if you can just clarify on that?

Punit Lalbhai: Yes. So we are very proud to be associated with Kaun Banega Crorepati. I think this relates to our B2C business, which now is a larger than INR1,000 crores business. And this year, we expect this business to grow at more than 20%. There's been a good recovery in domestic markets and consumer sentiment is reasonably strong this year after many years of very muted consumer sentiment in India.

So it's a business we've been incubating for many years. And over a period of time, we have been able to make this B2C component of the textile business more than INR1,000 crores this year. So yes, and our marketing effort around this business has always been there. there's always a marketing budget there and our Kaun Banega Crorepati partnership is a step in that direction.

So exciting business with a good future potential, and it's definitely something that we are throwing our time, effort and money behind, and we believe in. As far as Shiprocket is concerned, yes, it's a non-strategic asset, and the Board will take a call as to what to do once this IPO happens.

Bimal Sampat: Okay. And what is our percentage of their equity?

Punit Lalbhai: So the book value of the shares we have is around INR105 crores I think.

Bimal Sampat: INR105 crores. Okay. Now see, last thing, now with domestic business also picking up and we are having strategic tie-ups, even if there is no change in the tariff going forward, how much will our business be affected? I mean, will we continue growing at this rate?

- Punit Lalbhai:** That's a question I wish I also knew the answer to. You are asking me to predict what Mr. Trump will do, how our government will swing a deal.
- Bimal Sampat:** I'm just saying suppose presuming that tariffs remain the same.
- Punit Lalbhai:** If tariffs remain the same, the question would be for how long, right? I mean even the customers are factoring in that at some point in the future, a deal will happen. Now if that doesn't happen, they will do some rebalancing for the long term. If it becomes clear, for example, there is going to be no deal forever, then the customers will behave differently from how they are behaving now. But it is not clear that it is going to be forever.
- So if it is going to be for 1, 2 quarters, which they are assuming right now, nothing will change. And if the deal happens, then again, everything will change. So I think the name of the game is flexibility and resilience. I think we have to continue to work on cost. I think we have to continue to develop newer geographies and reduce our dependencies on the uncertain market conditions.
- That said, it's a very important market for us where we have a lot of strategic customers. So we will continue to find ways to serve them. We've already started diversifying our go-to-market. We are doing partnerships with people outside India to be able to serve the U.S. market.
- So all those efforts are underway. And it will be a timing issue. But finally, ultimately, we will find a way to serve our U.S. customers in the best possible way. And as you've seen, we've been resilient in the face of all these things. We hope we can be resilient in the face of other uncertain sort of outcomes that come through this whole year.
- Bimal Sampat:** No, you are doing an excellent. I was responding to that like Gokaldas and Pearl Global and all, they have plans all over the world. So maybe in future, we will look at that if things don't work out?
- Punit Lalbhai:** Yes, yes. So we have already started doing partnerships with people outside India. And we can dial that up faster depending on how the scenario plays out.
- Moderator:** The next question comes from the line of Vihang Subramanian from Zaaba Capital Limited.
- Vihang Subramanian:** Just a couple of questions. One, can you talk about how the garmenting volume and sort of product mix looking like going ahead? Because I think now it kind of stabilized around the INR500 range. And just wondering if we can see an improvement from here on. That's one. And number two, could you talk a bit about the U.K. FTA? Has there been any discussions with customers and so on?
- Punit Lalbhai:** Yes. So I'll answer the second question first. On the U.K. FTA, of course, we are in close touch with a lot of U.K. customers. But the impact of the FTA will only come in hopefully sometime next year. There's a long sort of procedural delay between actually signing the FTA and it becoming sort of effective commercially.

So that generally takes a year or even upwards in some cases. So we are expecting that benefit to start flowing in next year. In the meanwhile, we are working to build relationships and dial up volumes in the U.K.

So I would say we are on track as far as the U.K. work stream is concerned. As far as realizations on garmenting and product mix are concerned, realizations have been good this quarter, and it will sort of go this way. As far as the new capacity is coming on stream, we've added capacity in denim and we've added capacity in knits. So those are the two product categories that will grow.

And I think knits will grow faster than any other product category. So that's the sort of answer to the product mix realization question. And of course, garmenting, we have a lot of headroom to do better. And volumes, as we had guided, we should exit the year with a 45 million plus capacity going to 55 million for next year's capacity. And capacity increase always sort of precedes volumes.

So we began this year with a 40-plus million capacity, where we will deliver a 42 million to 43 million garment number this year, and that number should go up by almost the capacity going up next year. So 45 million going to 55 million is the sort of volume trajectory that we are on.

Vihang Subramanian: Understood. Understood. It seems like at least for 3Q, it seems like garmenting as well as for AMD, you should see like more like 20% plus growth, right?

Punit Lalbhai: Yes, that's the ballpark in which we are.

Vihang Subramanian: Got it. And just the product mix side, if I understood it correctly, it seems like now revenues could grow faster than volume. You mentioned that product mix is likely to kind of play in your favor now with base effect?

Punit Lalbhai: No, I think that's a complex calculation. So I think simple target of 20% growth is a much easier way of doing the business. Because while denim is growing, knits is growing faster, denim is at higher realizations than knits. Average realization might go down, but pace of growth might make up for it. So there's lots of pluses and minuses in that.

Vihang Subramanian: No, I mean just within garmenting, within garmenting alone, I mean like the price is now INR500 per unit?

Punit Lalbhai: Yes. what I'm saying is price may actually go below INR500 depending on how many knits to denim ratio grows, right? and there is an exchange rate depreciation also happening. So there are lots of variables to accurately predict that 500 number is not the thing that any of us should be focusing on. We should be focusing on overall growth and number of pieces because that's an indicator of how capacity is increasing.

Moderator: The next question is from the line of Ronak Shah from Equirus Securities.

- Ronak Shah:** Sir, my first question regarding one of your comments wherein you have highlighted that the broader chain has absorbed the tariff. So can you highlight how the whole chain has absorbed that? And in that context, how we position ourselves compared to the industry peers?
- Punit Lalbhai:** So I think that's a very complex question that doesn't have one answer. I mean I would have to go customer by customer, which I'm not at liberty to.
- Ronak Shah:** Sir, broader perspective, if you can highlight?
- Punit Lalbhai:** So the broader perspective is the vertically integrated players like us have more degrees of freedom, especially when we have many different lines of business. So we have AMD, within AMD, we have three different lines of business. Two of them are virtually not affected by tariffs. That constitutes almost 10%, 12% of the whole tariff exposure. Then we have a very robust domestic business.
- We have a growing EU, Middle East, and Australia exposure. And garments is only about 20% of, again, the company's turnover, where the impact is highest -- so a manufacturer who is 100% garments with a very high U.S. exposure, they'll be hit very hard. We are a very diversified business with, yes, a decent U.S. exposure.
- But then again, it is not all direct exposure and it's many lines of business. So we have this ability to buffer that. And because we are present throughout the supply chain, different parts of that supply chain are absorbing the impact. Our fabric and garments put together buffer somewhat the only garment kind of an impact.
- Ronak Shah:** Okay. Understood. Understood, sir. Sir, second part, when we are saying that the larger part of the offset is coming from the efficiencies, can you call out because from the numbers also, it is evident that as a percentage of the sales, opex and employee cost has reduced. So can you call out on that?
- Punit Lalbhai:** No. So we are doing everything, right? We are similarly asking for discounts to our strategic suppliers. They are supporting us. We are cutting SG&A cost. We have frozen non-essential hiring. We have sort of taken calls on certain expenses that can be deferred or gotten rid of altogether.
- We brought focus to every aspect of cost, conservation of energy, pushing efficiency. So the whole organization is focused inward on this one very important objective. And it is a necessity in this difficult time. So I think we've done a good job there. So it's a combination of multiple different initiatives and efforts to save cost and increase efficiency.
- Ronak Shah:** Got it. And last question. I guess the full revised price inventory has not hit the U.S. market yet. But based on the talks with the client or the customer, how you are sensing the offtake related some disruption? Or are there going to be no major disruption from the offtake side or the customer side?

Punit Lalbhai: So that's again anybody's guess, right? We are conservatively factoring in that the U.S. consumption might slow down in response to high prices. So it may not happen, but it is prudent for us to factor to behave as if it will happen. Okay.

But yes, so the prudent way to think is that we should behave as if the future is going to be difficult.

And if we are able to behave in that way, we will take the necessary difficult decisions and steps to reduce our cost and mitigate that impact. And then if that impact doesn't come, it will be a bonus.

Moderator: Due to time constraints, this was the last question for today's conference call. I now hand the conference over to Mr. Satya Prakash for closing comments. Over to you, sir.

Satya Prakash 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 e-mail away and happy to assist. We look forward to engaging with you in our upcoming engagement event.

Thank you, and wish you a pleasant evening ahead.

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