

Textile



Threads of transformation: Weaving a global sourcing hub!

Research Analyst: Soham Samanta (Soham.Samanta@MotilalOswal.com) | Shirish Pardeshi (Shirish.Pardeshi@MotilalOswal.com)
Research Analyst: Ritik Bansal (Ritik.Bansal@MotilalOswal.com) | Devashree Bhole (Devashree.Bhole@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Content: Threads of transformation: Weaving a global sourcing hub!

01

Page #3
Summary

02

Page #10
Why we prefer Textile Sector

03

Page #14
Industry Overview

04

Page #15
Indian Textile & Apparel
Industry

05

Page #27
Global Apparel Export &
Import Industry

06

Page #31
US apparel market

07

Page #37
Indian Home Textile market

08

Page #41
Global Home Textile Industry

09

Page #45
US Home Textile Industry

Companies

Gokaldas Exports: CMP: INR819 | TP: INR1,110 (+36%) | BUY

Summary	51
Investment Thesis	55
Valuation & view	65

Arvind: CMP: INR517 | TP: INR670 (+30%) | BUY

Summary	71
Investment Thesis	75
Valuation & view	86

Pearl Global Industries: CMP1,793 | TP: INR2,300 (+28%) | BUY

Summary	92
Investment Thesis	96
Valuation & view	106

KPR Mill: CMP: INR1,160 | TP: INR1,200 (+3%) | NEUTRAL

Summary	112
Investment Thesis	116
Valuation & view	126

Indo Count Industries: CMP: INR395 | TP: INR550 (+39%) | BUY

Summary	132
Investment Thesis	136
Valuation & view	146

Welspun Living: CMP: INR162 | TP: INR200 (+23%) | BUY

Summary	152
Investment Thesis	156
Valuation & view	166

Trident: CMP: INR26 | TP: INR28 (+6%) | NEUTRAL

Summary	172
Investment Thesis	176
Valuation & view	186

Vardhman Textiles: CMP: INR657 | TP: INR700 (+6%) | NEUTRAL

Summary	192
Investment Thesis	196
Valuation & view	205

Company Update

Kitex Garments	211
----------------------	-----

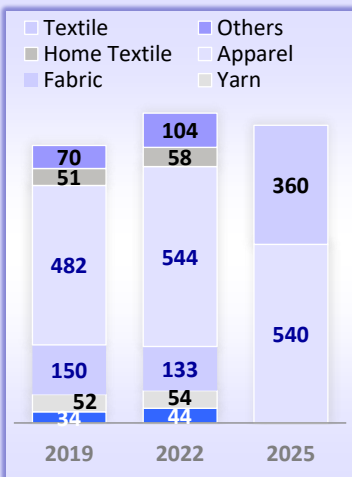
Textile



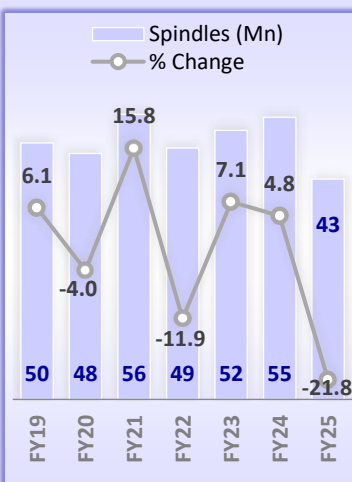
Threads of transformation: Weaving a global sourcing hub!

Initiate coverage on Gokaldas Exports, Indo Count, Arvind, Pearl Global & Welspun Living, with a BUY, and Vardhman Textile, KPR Mill & Trident with a Neutral rating

Global T&A trade

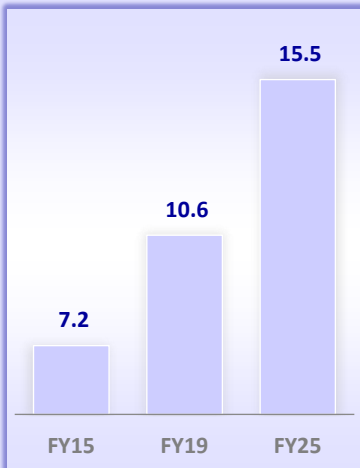


India's spindles capacity (m)

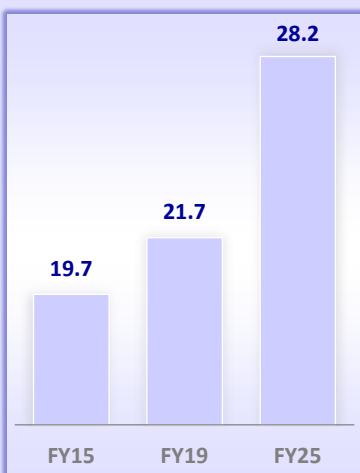


- Global T&A faced challenges; expects gradual recovery:** The global Textile & Apparel (T&A) trade witnessed a volatile phase and remained largely flat during CY21–25, following the high base created by the post-Covid demand surge in FY22. Apparel, which accounts for ~60% of global T&A trade, recorded muted growth, while the home textile (HT) segment dipped over the same period. The slowdown was due to inflationary pressures, weak discretionary consumption, retailer inventory corrections, and softer demand across key markets such as the US and Europe. In addition, supply chain disruptions, elevated freight costs, tariff-related uncertainties, and intense competition among sourcing nations weighed on trade flows. However, from CY25 onwards, demand has gradually started stabilizing, supported by inventory normalization, easing inflation, and lower tariffs, aiding recovery across major textile-exporting countries.
- FTAs and tariff shifts expanding India's addressable opportunity:** The Indian textile market recorded a 6% CAGR over FY22–26, led by strong growth in apparel (~8%) and home textiles (~5%). The domestic segment, contributing ~80% of the total market, grew 9% driven by healthy local demand, while exports declined 4% due to weak global demand. Going forward, export growth is expected to recover, supported by upcoming FTAs with the UK and EU, favorable tariff realignments, and improving incentives such as RoSCTL. The Government of India (GOI) has set an ambitious target to scale the textile market to USD350b from USD194b in FY26, implying a CAGR of ~13%, driven by strong export growth (~22% CAGR) and steady domestic demand (~10%). With India accounting for only ~4–5% of global apparel trade, substantial market share opportunities remain as global brands diversify sourcing beyond China and increasingly prefer large-scale, compliant suppliers and consolidation with suppliers with lower audit complexity, benefiting major Indian textile exporters.
- Global supply chain realignment favoring India:** India is the world's second-largest cotton producer (~5m metric tons in FY26) and also ranks second in spindle capacity (~43m spindles in FY26). While China continues to lead globally in both categories, restrictions by the US and EU on Xinjiang cotton over compliance and forced labor concerns have created opportunities for alternative sourcing hubs such as India, Bangladesh, Pakistan, Vietnam, and Indonesia. Over the past 15 years, China's spindle capacity has dropped notably, while political instability in Pakistan and Bangladesh over the last few years has further strengthened India's competitive positioning. Constrained global spinning capacity expansion, favorable cotton yarn demand, and India's strong export presence are expected to support long-term industry growth. Additionally, India's large spindle capacity, presence of large-scale exporters, strong execution capabilities, and abundant low-cost labor make it an attractive sourcing hub for global retailers.

Market share of major Indian apparel exporters



Market share of major Indian home textile exporters



- Capacity expansion and policy support to drive the next growth cycle:** The Indian textile sector is entering a strong capex cycle with leading players announcing significant investments across garments, fabrics, technical textiles, and value-added categories to capture rising global sourcing opportunities. Unlike earlier expansion phases focused on commoditized products, the current investment cycle is directed toward higher-margin segments such as garments, MMF, specialty fabrics and advanced textiles, along with automation, sustainability and premiumization initiatives. Companies including Gokaldas, Pearl Global, Arvind, KPR Mill, Welspun Living, and Vardhman Textiles are aggressively expanding capacities supported by strong order visibility and improving customer demand. Government schemes such as PM MITRA, PLI, and ATUFS are further improving project viability, making this capex cycle a key long-term growth driver for the Indian textile industry.
- India levels the playing field with lower US tariffs:** Over the past year, US tariffs on Asian textile exporters have shifted considerably. India faced additional tariffs as high as 50% in mid-2025, but these were subsequently reduced to ~10% through 2026, applicable until the end of July. Meanwhile, Bangladesh and Indonesia secured trade arrangements resulting in ~19% tariffs, while Vietnam faces ~20%. This convergence has placed India on a broadly level playing field with its key competitors in the US market.
- US retail inventory correction complete – Indian textile exporters set to ride the wave:** The US apparel retailer inventories have corrected to normalized levels after 2–3 years of elevated stock following the post-pandemic demand slowdown. With inventory-to-sales ratios stabilizing and sell-through trends improving, retailers are gradually resuming normal ordering cycles, reducing order volatility and discount-led procurement. This recovery, combined with improving discretionary demand across the US and Europe, is translating into stronger order flows, better capacity utilization, and improved margin visibility for Indian textile exporters.
- Supplier consolidation provides larger exporters with a long runway for growth:** Most listed Indian textile players are predominantly export-focused, with exports accounting for ~20% of India's textile TAM while offering superior profitability and return ratios vs. the fragmented domestic market. Global brands increasingly favor large-scale, compliant suppliers with streamlined audit processes, positioning leading Indian exporters well for market share gains. Our data indicates that the top 4–5 apparel and home textile players account for ~15/~28% of export sales, respectively, and given India's highly fragmented exporter base, there is significant runway for further consolidation.

Apparel market (90% of T&A trade)

The global apparel trade has grown steadily, with exports rising from USD470b to USD546b (CAGR 1.4%) and imports from USD408b to USD488b (CAGR 1.7%) between 2014 and 2025. China dominates exports at 27%, with Bangladesh and Vietnam as the biggest gainers. India has lost its share due to scale constraints, limited trade agreements, higher logistics costs, and a cotton-heavy mix. The US and Europe remain the largest import markets, with demand gradually diversifying toward regional hubs like Poland and the Netherlands.



Home textile market (10% of T&A trade)

The global home textile (HT) market is structurally concentrated, with Asia-Pacific dominating exports — China, India, and Pakistan together accounting for ~57% of global exports. The US and EU are the largest importers, collectively representing ~55% of global HT trade, driven by premiumization, sustainability preferences, and strong housing demand. Both regions are actively diversifying away from China, increasingly sourcing from India, Pakistan, and Vietnam. Going forward, demand is expected to be supported by housing expansion, rising renovation activity, and a growing preference for sustainable and premium products.

Initiating coverage on the Textile companies

We initiate coverage of Gokaldas Exports, Indo Count, Arvind, Pearl Global, & Welspun Living, with a BUY rating and Vardhman Textile, KPR Mill, and Trident with a Neutral rating.

TP OF 1,110 (+36%)



TP OF 670 (+30%)



TP OF 2,300 (+28%)



TP OF 1,200 (+3%)



TP OF 550 (+39%)



TP OF 200 (+23%)



- **GEXP** is likely to deliver strong revenue growth driven by the India business through capacity expansion and the Africa business by higher utilization after the renewal of the African Growth Opportunity Act (AGOA). We project a revenue, EBITDA, and APAT CAGR of 18%, 33%, and 73%, respectively, over FY26-28. **We initiate coverage on GEXP with a BUY rating and an EV/EBITDA-based TP of INR1,110, implying an EV/EBITDA multiple of 14x on FY28E earnings.**
- **Arvind** is on the verge of a strategic transformation from a fabric-focused player to a garments-led business, which offers a larger addressable market. Additionally, the AMD segment is expected to support, with its superior margin profile and strong growth potential. We project a revenue, EBITDA, and APAT CAGR of 15%, 23%, and 29%, respectively, over FY26-28. **We initiate coverage on ARVIND with a BUY rating and an EV/EBITDA-based TP of INR670, implying an EV/EBITDA multiple of 13x on FY28E earnings.**
- **PGIL** expects higher revenue growth driven by capacity expansion across plants like India, Bangladesh, Vietnam, and Indonesia. We project a revenue, EBITDA, and APAT CAGR of 14%, 25%, and 29%, respectively, over FY26-28. **We initiate coverage on PGIL with a BUY rating and an EV/EBITDA-based TP of INR2,300, implying an EV/EBITDA multiple of 15x on FY28E earnings.**
- **KPR** is well-positioned to benefit from its leadership in the Indian textile and apparel industry, supported by the largest garmenting capacity among listed peers, followed by the sugar and ethanol business. We project a revenue, EBITDA, and APAT CAGR of 13%, 20%, and 20%, respectively, over FY26-28. **We initiate coverage on KPR with a NEUTRAL rating and an EV/EBITDA-based TP of INR1,200, implying an EV/EBITDA multiple of 22x on FY28E earnings.**
- **ICNT**, a leading bed linen exporter, is expected to deliver higher revenue growth led by emerging business on a low base (utility bedding segment), followed by the Indian business (bed linen segment). We project a revenue, EBITDA, and APAT CAGR of 20%, 44%, and 90%, respectively, over FY26-28. **We initiate coverage on ICNT with a BUY rating and an EV/EBITDA-based TP of INR550, implying an EV/EBITDA multiple of 15x on FY28E earnings.**
- **WELSPUN**, a leading home textile exporter, is expected to deliver mid-teens revenue growth, led by the home textile segment, with the help of lower tariffs and new FTAs with the UK & EU. We project a revenue, EBITDA, and APAT CAGR of 14%, 43%, and 97%, respectively, over FY26-28. **We initiate coverage on WELSPUN**

TP OF 28 (+6%)



TP OF 700 (+6%)



with a BUY rating and an EV/EBITDA-based TP of INR200, implying an EV/EBITDA multiple of 12x on FY28E earnings.

- **TRID** is expected to deliver high single-digit growth driven by the home textile portfolio, followed by paper & yarn. We project a revenue, EBITDA, and APAT CAGR of 11%, 17%, and 29%, respectively, over FY26-28. **We initiate coverage on TRID with a NEUTRAL rating and an EV/EBITDA-based TP of INR28, implying an EV/EBITDA multiple of 12x on FY28E earnings.**
- **VTEX**, the largest spinning player, is expected to deliver mid-single-digit growth led by the garment business (~42% CAGR on a low base), followed by the yarn business (~5% CAGR) over FY26-28, with better realization. We project a revenue, EBITDA, and APAT CAGR of 9%, 24%, and 32%, respectively, over FY26-28. **We initiate coverage on VTEX with a NEUTRAL rating and an EV/EBITDA-based TP of INR700, implying an EV/EBITDA multiple of 11x on FY28E earnings.**

Key risks: 1) raw material price volatility, 2) higher tariffs in the US market, 3) delay in FTAs with the UK & EU, and 4) slowdown in the export markets.

Valuation summary for textile companies

Companies	Mcap (INR b)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (x)			EV/EBITDA (x)			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Apparel																	
Gokaldas Export	60	819	1,110	BUY	36	18.0	32.7	73.1	59.9	29.7	21.5	19.2	14.0	10.7	4.7	8.7	10.0
Arvind	135	517	670	BUY	30	14.9	22.6	29.3	32.8	23.5	19.6	14.9	12.5	10.4	10.5	13.5	14.4
Pearl Global	83	1,793	2,300	BUY	28	14.2	25.2	28.5	29.7	23.2	18.0	18.5	14.7	11.8	21.3	22.0	23.2
KPR Mill	399	1,160	1,200	Neutral	3	12.8	19.8	20.2	45.7	37.2	31.7	30.9	24.8	21.1	16.2	17.4	17.8
Home Textile																	
Indo Count	78	395	550	BUY	39	20.4	43.8	89.6	61.7	28.0	17.2	23.3	15.7	11.1	5.5	11.3	16.5
Welspun Living	156	162	200	BUY	23	13.9	43.3	96.5	69.6	25.3	18.0	21.7	13.2	10.5	4.6	11.9	14.9
Trident	132	26	28	Neutral	6	11.4	16.9	28.5	33.6	25.2	20.4	16.2	13.4	11.8	8.4	10.7	12.5
Spinning																	
Vardhman Textile	187	657	700	Neutral	6	9.4	23.5	31.5	25.1	16.8	14.5	16.5	11.8	10.3	7.3	10.1	10.7

Source: MOFSL

STORY IN CHARTS

India's Textile Industry: Core Growth Drivers



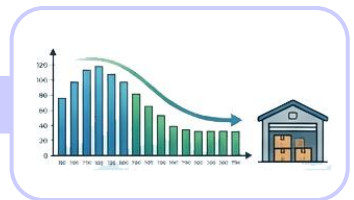
FTAs and an improving tariff landscape are expanding India's addressable opportunity

Global supply chain realignment favoring India



Capacity expansion and policy support to drive the next growth cycle

US retail inventory levels normalize – setting the stage for demand recovery



Improving outlook by global retailers signals demand recovery

Consolidation among global retailers is likely to benefit the major Indian exporters



Company wise investment argument

GOKALDAS

- ❖ Geographical diversification helps to sustain growth
- ❖ Successful M&A the key enabler for GEX's growth strategy
- ❖ Strong customer relationships lead to double-digit revenue growth

PEARL GLOBAL

- ❖ Global apparel exporter with diversified manufacturing presence
- ❖ Targeting over 80% revenue contribution from identified customers
- ❖ Target to achieve double-digit operating margin by FY28

ARVIND

- ❖ Core textile segment is likely to grow 6%, driven by garmenting
- ❖ Forward focus on the value chain to improve profitability
- ❖ The AMD segment is likely to grow 40%, led by the Dalco-GFT acquisition

KPR

- ❖ Largest garmenting supplier in the listed space
- ❖ Vertical integrated player: Yarn segment provides stability
- ❖ Sugar and ethanol businesses clock low-to-mid-teen growth

INDO COUNT

- ❖ Core business to grow in mid-teens; emerging business drives growth
- ❖ Revenue target of INR7b in next three years without new major capex
- ❖ Expandable TAM to boost PAT growth

WELSPUN

- ❖ Home textiles to grow in mid-teens; margin rebound expected
- ❖ Emerging business: Key growth driver
- ❖ Branded business is expected to grow in mid-teens

TRIDENT

- ❖ Fully integrated player – capturing entire value chain
- ❖ Home textiles to drive mid-teens growth led by bed linen
- ❖ Higher domestic presence with strong clientele

VARDHMAN

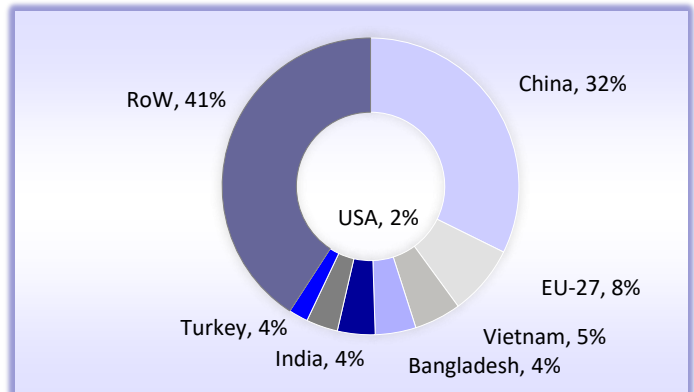
- ❖ Integrated value chain: Largest spinning player in India
- ❖ Higher cotton yarn spread helps achieve better gross margin
- ❖ Garments: smaller presence in larger TAM

STORY IN CHARTS

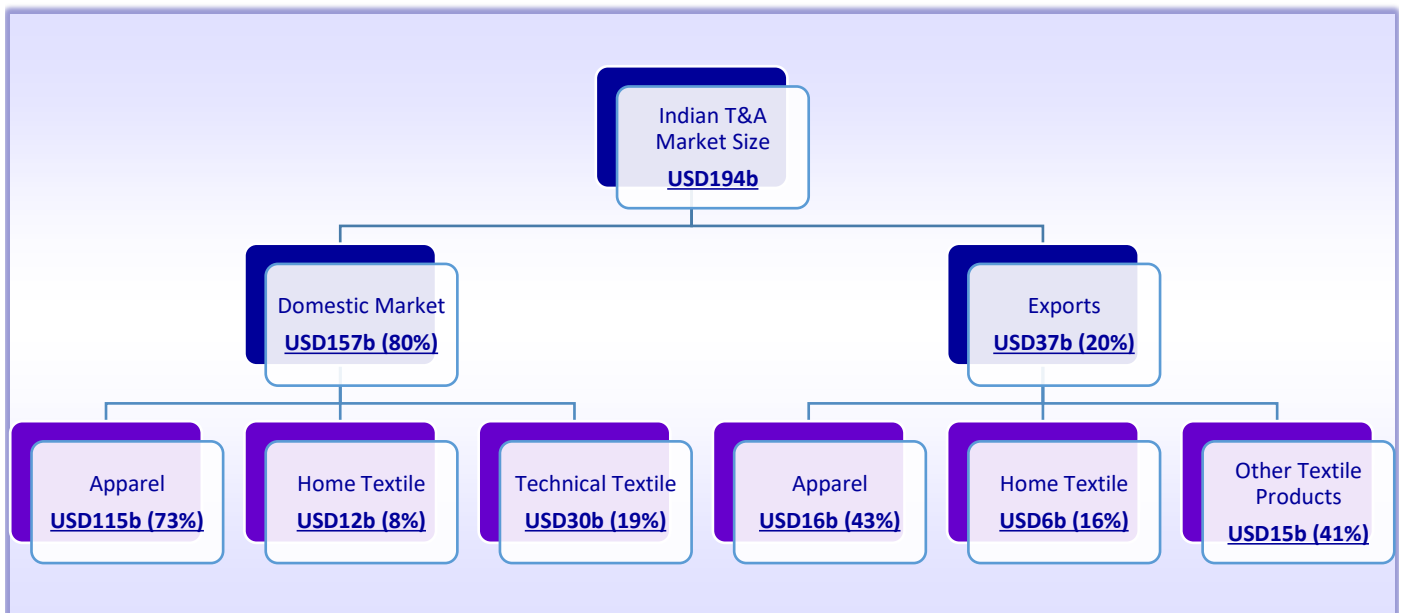
Global T&A trade (USD b)



Contribution to T&A trade by country (CY25)



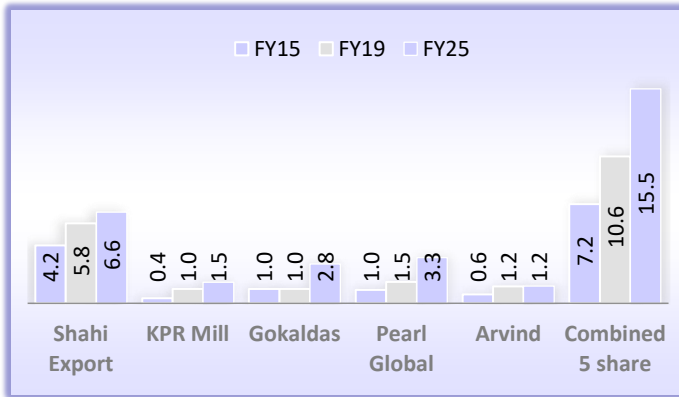
Indian T&A market size (FY26)



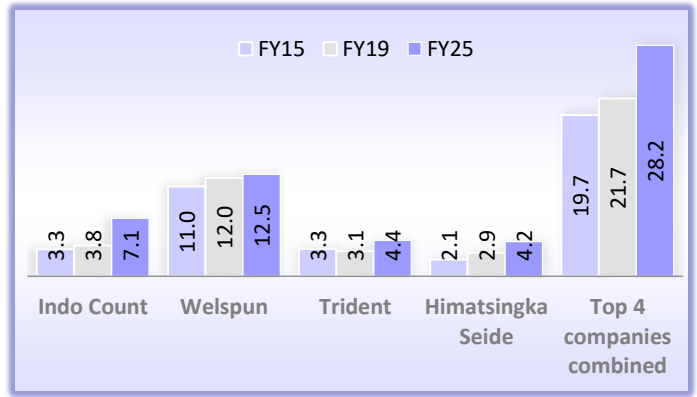
India T&A exports over the years

Particulars (USD b)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY22-26 CAGR (%)
Fibre	1.9	2.7	4.0	1.6	1.9	1.7	1.7	-19.8
Yarn	4.7	4.3	8.0	4.6	5.4	5.3	4.9	-11.6
Fabric	5.1	4.2	6.0	5.4	5.1	5.3	5.4	-2.8
Apparel	15.5	12.3	16.0	16.2	14.5	16.0	15.8	-0.3
Made-ups (Home Textiles)	4.9	5.1	6.6	5.5	5.5	6.0	5.9	-3.0
Others	2.1	2.3	2.8	2.4	2.4	2.7	2.6	-1.8
Total T&A exports	34.2	30.9	43.4	35.7	34.8	37.0	36.2	-4.5

Market share of major Indian apparel exporters (%)



Market share of major Indian HT exporters (%)



Apparel exports from India

Particular	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
US	3,586	4,352	5,215	3.5	3.1	21.7	26.8	32.0
UK	1,847	1,593	1,478	-2.0	-1.2	11.2	9.8	9.1
UAE	2,330	1,859	1,357	-4.8	-5.1	14.1	11.4	8.3
Spain	676	760	719	0.6	-0.9	4.1	4.7	4.4
Netherlands	452	455	905	-3.1	-1.9	7.7	6.2	5.6
France	908	698	798	5.3	9.8	2.7	2.8	4.9
Germany	1,279	1,013	644	-3.1	-1.3	5.5	4.3	4.0
Australia	138	218	406	3.0	-3.7	1.8	3.1	2.5
Denmark	270	224	350	8.8	8.3	0.8	1.3	2.2
Saudi Arabia	294	509	397	-1.4	1.4	2.8	2.2	2.4
Others	4,757	4,560	4,010	-1.2	-1.6	27.6	27.2	24.6
World	16,538	16,242	16,280	-0.1	0.0	100.0	100.0	100.0

Home Textile exports from India

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
US	2,163	2,475	2,776	2.3	1.9	46.9	47.9	45.5
EU	1,022	1,044	1,306	2.3	3.8	22.1	20.2	21.4
UAE	149	159	285	6.1	10.2	3.2	3.1	4.7
UK	300	271	277	-0.7	0.3	6.5	5.3	4.5
Australia	113	128	198	5.3	7.5	2.4	2.5	3.2
Canada	112	122	150	2.6	3.5	2.4	2.4	2.5
Israel	25	51	88	11.9	9.4	0.6	1.0	1.4
Japan	59	60	60	0.2	-0.1	1.3	1.2	1.0
Mexico	18	24	40	7.6	8.9	0.4	0.5	0.7
Nigeria	15	88	31	6.9	-16.0	0.3	1.7	0.5
World	4,613	5,163	6,106	2.6	2.8	100.0	100.0	100.0

Why do we prefer the textile sector in the listed space?

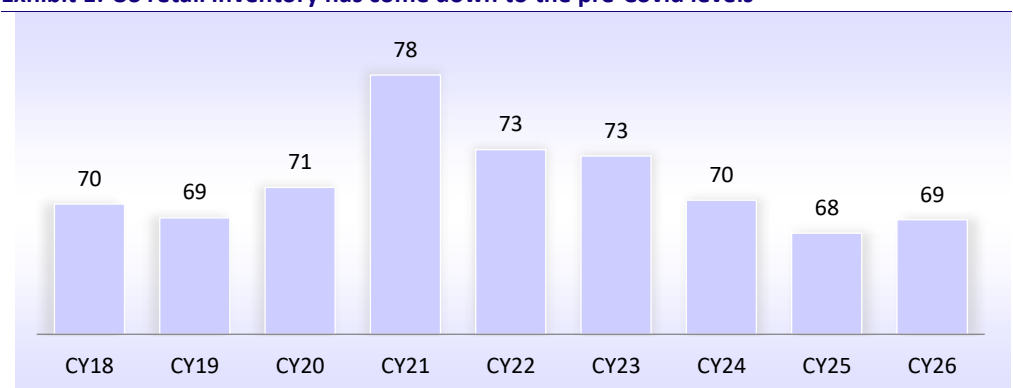
Improving the tariff landscape to enhance India’s global competitiveness

Over the past year, the US tariff environment for Asian textile exporters has undergone significant changes. Initially, the Trump administration imposed an additional ~18% tariff on Indian exports under the revised trade framework in early FY26, which was later increased to as high as 50% in August 2025 amid broader trade tensions. However, following negotiations and legal developments, the additional tariff was subsequently reduced to ~10% during 2026 and will remain applicable until the end of Jul’26. Similarly, Bangladesh secured a trade arrangement with the US in Feb’26, resulting in ~19% tariffs on textile exports. Vietnam currently faces ~20% tariffs on textile and apparel exports to the US, while Indonesia finalized a trade agreement with the US in Feb’26 under which tariffs were reduced to ~19%, with select textile products eligible for duty-free access under quota mechanisms. As a result, India is now operating on a more level playing field with key competing textile-exporting nations such as Bangladesh, Vietnam, and Indonesia in the US market.

US retail inventory levels normalize – setting the stage for demand recovery

Inventory levels across major US apparel retailers have now corrected to near pre-Covid and Covid-era normalized levels after remaining elevated for nearly 2–3 years following the post-pandemic demand slowdown and excess stocking cycle. During FY23-24, global brands and retailers focused aggressively on inventory liquidation, lower sourcing, and cautious procurement, which negatively impacted textile exports across sourcing countries, including India. However, with inventory-to-sales ratios stabilizing and sell-through trends improving, retailers are gradually normalizing ordering cycles, which is positive for Indian textile exporters as it reduces order volatility and discount-led procurement.

Exhibit 1: US retail inventory has come down to the pre-Covid levels



Note: The average is taken from companies like Walmart, Costco, GAP, TJX, Zara, and H&M, and FY ends on 31st Jan for the above companies, Source: MOFSL

Improving outlook by global retailers signals demand recovery

Global apparel retailers and brands are gradually improving their growth outlooks amid stabilizing inventories, better sell-through trends, and recovering discretionary demand across the US and Europe. This is leading to improved sourcing visibility and healthier ordering cycles, which is positive for Indian textile exporters through stronger order flows, better capacity utilization, and improved margin visibility.

Exhibit 2: Commentary of the US retailers

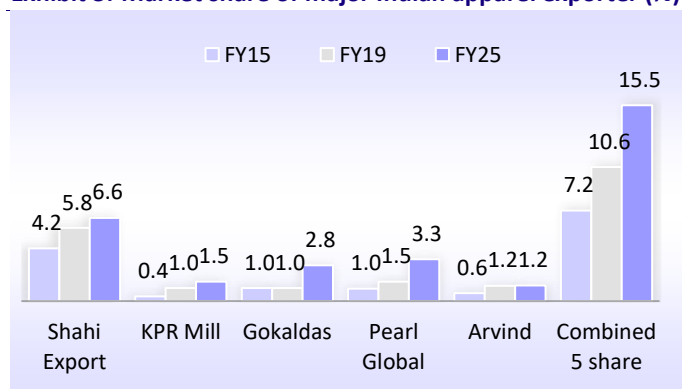
Company	Outlook / Demand commentary	Inventory commentary
Gap Inc.	<ul style="list-style-type: none"> Management guided CY26 sales growth of ~2–3% with continued market share gains across Old Navy, Gap, and Banana Republic. The company remains optimistic on consumer demand across income cohorts and expects growth acceleration through store refreshes, omnichannel initiatives, AI-led productivity, and product innovation. 	<ul style="list-style-type: none"> Inventory was up ~7% YoY largely due to tariff-related costs, although unit inventory declined YoY, reflecting disciplined inventory management. Management indicated inventory buys for FY26 would remain modestly below sales growth, with tighter control on markdowns and promotions supporting healthier sell-throughs and stronger average unit retail (AUR).
Kohl's	<ul style="list-style-type: none"> Management remains cautious on the macro environment, particularly given pressure on low- to middle-income consumers. CY26 guidance implies sales between -2% to flat YoY, with margins expected to remain under pressure. 	<ul style="list-style-type: none"> Inventory declined ~7% YoY in FY25 due to disciplined inventory management and lower clearance markdowns. For FY26, management expects inventory to decline by low to mid-single digits while improving in-stock availability and replenishment depth.
Ralph Lauren	<ul style="list-style-type: none"> Demand remains very strong globally; full-price sell-throughs exceeded expectations; strong momentum among younger consumers, women, and VICs; Europe is healthy despite promotions. 	<ul style="list-style-type: none"> Inventory up 10% in CC, aligned with revenue growth; inventory positioned well for holiday and spring demand; Q4 impacted by timing shifts and earlier spring receipts
Target	<ul style="list-style-type: none"> Traffic trends improving gradually; healthy February growth; focused on “busy families”; long-term low-to-mid single-digit growth expected 	<ul style="list-style-type: none"> Entering 2026 with appropriate inventory, maintaining “chase mode” to avoid excess stock; prior-year inventory actions pressured margins; the marketplace model reduces inventory risk.
TJX Companies	<ul style="list-style-type: none"> Strong traffic and basket growth; attracting younger/new shoppers; sees a major opportunity to capture additional market share globally 	<ul style="list-style-type: none"> Inventory up 14%; per-store inventory up 10%; management highly comfortable with inventory; merchandise availability described as “outstanding” and “off the charts.”
Walmart	<ul style="list-style-type: none"> Consumer spending remains resilient; strong share gains especially from >USD100k income households; e-commerce continues driving growth. 	<ul style="list-style-type: none"> Inventory up only 2.6%, well below sales growth; improved inventory productivity; fewer markdowns and fresh throwaways; clean inventory entering FY27
H&M	<ul style="list-style-type: none"> Demand remains cautious and selective globally; Q1 sales down 1% in local currency due to weak December and cautious consumption; February/March trends improved with strong reception to spring collections. 	<ul style="list-style-type: none"> Inventory productivity is the highest in 10 years relative to sales; inventory composition is healthy entering spring; long-term inventory target of 12-14% of sales; better inventory planning, reducing markdowns and logistics costs.
Inditex	<ul style="list-style-type: none"> Strong demand momentum globally; Spring/Summer sales up 9% CC from Feb 1-Mar 8; collections well received across concepts and geographies 	<ul style="list-style-type: none"> Inventory down 2% YoY with high-quality inventory position; no concern around being light on stock; proximity sourcing and short lead times supporting inventory efficiency

Source: MOFSL

Consolidation among global retailers is likely to benefit the major Indian exporters

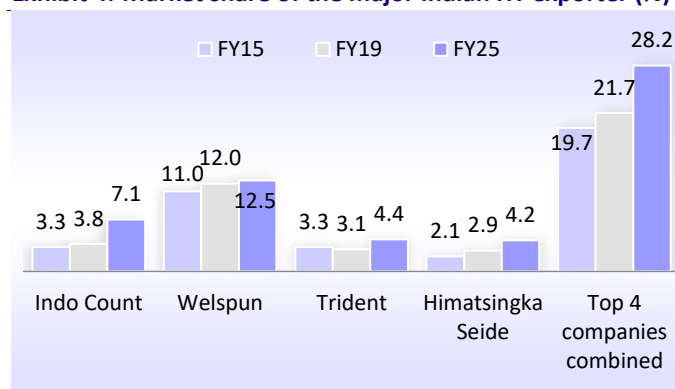
Most of the listed Indian textile players are focused on the export market, which accounts for ~20% of India’s textile TAM and offers better profitability and higher return ratios compared to the fragmented domestic market. Additionally, global brands increasingly prefer large-scale, compliant suppliers with lower audit complexity, positioning major Indian textile exporters favorably for market share gains.

Exhibit 3: Market share of major Indian apparel exporter (%)



Source: Tradestat, Company, MOFSL

Exhibit 4: Market share of the major Indian HT exporter (%)



Source: Tradestat, Company, MOFSL

Textile industry and its value chain

Overview of textile

The T&A industry comprises fibers, yarns, carpets, rugs, linens, fabrics, apparel, and other textile items, produced from natural or synthetic fibers, and used to create a wide range of functional and decorative products while also playing a critical role in industrial and technical applications.

The textile industry encompasses the entire process of converting raw fibers such as cotton, wool, silk, polyester, or nylon into finished products through a series of value-added stages, including spinning, weaving or knitting, dyeing, printing, and finishing. It is a labor-intensive, capital-heavy sector that bridges agriculture (cotton, jute), chemicals (man-made fibers, dyes), and manufacturing, making it a significant contributor to employment, exports, and GDP in countries like India, China, Bangladesh, and Vietnam.

Key segments within the textile industry

The textile industry serves diverse end-use markets, broadly categorized into three major segments:

Apparel (Clothing): The largest and most visible segment, apparel includes all forms of clothing for men, women, and children—ranging from casual wear (t-shirts, jeans, and athleisure) to formal wear (shirts, suits, and ethnic wear) and specialized garments (workwear, uniforms, and sportswear). This segment is highly fashion-driven, characterized by rapid trend cycles, seasonal collections, and a growing shift toward fast fashion and e-commerce-led consumption.

Home textiles: This segment encompasses products used in residential and hospitality settings, including bed linen (sheets, pillowcases, and duvet covers), bath linen (towels, bathmats, and bathrobes), kitchen linen (napkins and tablecloths), curtains, upholstery fabrics, carpets, and rugs. This segment benefits from rising disposable incomes, urbanization, home improvement trends, and premiumization, with demand increasingly influenced by aesthetics, sustainability, and brand reputation.

Technical textiles: These are functional fabrics engineered for specific performance characteristics rather than aesthetic appeal. Applications span diverse industries: automotive (seat covers, airbags, tire cords), medical (surgical gowns, masks, implants), infrastructure (geotextiles for road construction), agriculture (crop covers, shade nets), protective clothing (firefighter suits, bulletproof vests), and industrial uses (filters, conveyor belts). This high-growth segment is driven by innovation, R&D, and increasing adoption across non-traditional applications.

Textile industry value chain

The textile value chain starts with natural or man-made fibers, which are spun into yarn, converted into fabric through weaving/knitting, and further processed through dyeing and finishing. The finished fabric is then stitched into garments or home textile products and sold through retail and distribution channels.

Exhibit 5: Textile value chain (end-to-end)

Stage	Process	Input	Output	Key Players	Value Addition
1. Raw Material	Cotton farming / MMF production	Cotton / Polyester	Fiber	Farmers, Petrochemical cos	Low
2. Ginning	Separation of fiber & seeds	Raw cotton	Clean cotton fiber	Ginners	Low
3. Spinning	Fiber converted to yarn	Cotton fiber	Yarn	Spinning mills	Medium
4. Weaving / Knitting	Yarn to fabric formation	Yarn	Fabric	Fabric mills	Medium
5. Processing	Dyeing, printing, finishing	Grey fabric	Finished fabric	Processing units	High
6. Garmenting	Cutting, stitching, finishing	Fabric	Apparel	Apparel exporters	Very High
7. Branding & Retail	Packaging, branding, selling	Garment	Consumer Product	Brands, retailers	Highest

Source: MOFSL

From cotton to garments and HT: The cotton conversion chain

- A kg of cotton typically yields ~0.8kg of yarn, which can subsequently produce ~3.5 meters of fabric, which is sufficient to manufacture ~2–3 pieces of garment/bath towels.
- The exact output varies based on yarn count (fineness), fabric construction, wastage rates, and end-product specifications, but this conversion illustrates the substantial value addition across the textile chain—from a raw cotton worth ~INR170-180 per kg to an equivalent of garments valued at INR800-1000 (multiple of ~5-6x).

Exhibit 6: Textile value chain



Source: MOFSL

Exhibit 7: Textile value chain – key companies (India)

Fiber	Yarn	Fabric	Garment	Home Textile
Reliance	Vardhman Textiles	Arvind	Shahi Exports	Welspun Living
Grasim	Nitin Spinners	Raymond	Gokaldas Exports	Indo Count
Bhilosha	KPR Mill	KPR Mill	KPR Mill	Trident
Indorama Synthetics	Ambika Cotton Mills	Alok	Pearl Global	Himatsingka Seide
Wellknown Polyesters	RSWM	Siyaram Silk Mills	Kitex Garments	D'Decor Home Fabrics
Garden Silk Mills	Sutlej Textiles	Grasim		
Bombay Dyeing & Manufacturing Company	Sanathan Textile			
	Trident			
	GHCL			

Source: MOFSL

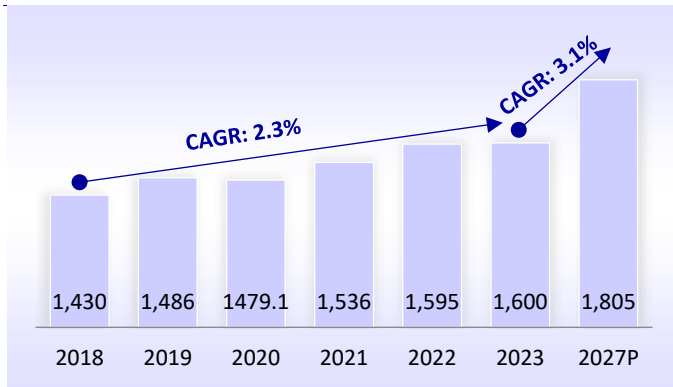
Industry overview

Global textile and apparel Industry

The global T&A industry, is growing at ~2-3% CAGR, with cotton and MMF holding roughly equal shares in apparel (~40% each), while home textiles remain heavily cotton-dominated at ~55% given its comfort and suitability for bed linen and towels.

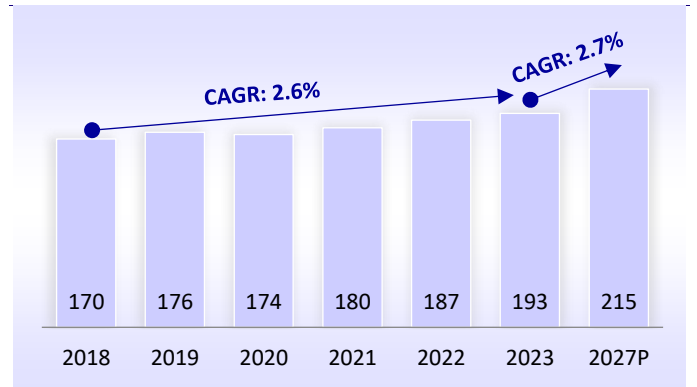
According to Crisil MI&A, the global T&A industry, valued at USD1.6t in CY23, has clocked a CAGR of 2.3% from CY18 and is expected to post ~3.1% CAGR over CY23-27. By volume, the T&A industry stood at 193b tonnes in CY23, and is anticipated to record a CAGR of ~2.7% over CY23-27. The T&A industry is dominated by cotton as the major RM, due to its strength, absorbency, and color retention, followed by man-made raw material, by value as well as by volume. In apparel, cotton holds ~40% share (~USD205b), closely matched by MMF at ~41% (~USD211b), indicating a balanced mix between natural and synthetic fibers. In contrast, the HT industry remains heavily skewed toward cotton, which accounts for ~55% of the market (~USD30b), supported by its comfort and suitability for products such as bed linen and towels.

Exhibit 8: Global T&A industry (USD b)



Source: Grandview Research, Crisil MI&A, MOFSL

Exhibit 9: Global T&A industry (b tons)



Source: Grandview Research, Crisil MI&A, MOFSL

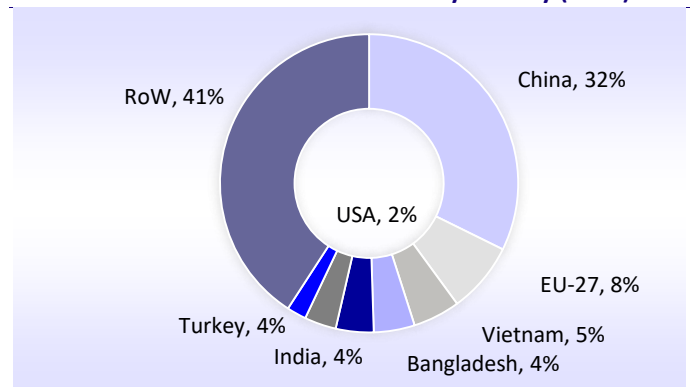
According to Wazir Advisors, the T&A trade is estimated at USD900b in CY25, where apparel dominated the global trade with 60% share, followed by fabrics and home textiles at 14% and 7% respectively. China is the largest T&A exporter with 32% share in global T&A trade, followed by Bangladesh and Vietnam having strong share in apparel but a limited presence in home textiles. India was the fourth-largest exporter of textiles in CY25, with a ~4% share in overall global trade, and is the second-largest home textile exporter (ex-EU).

Exhibit 10: Global T&A trade (USD b)



Source: Wazir Advisors, MOFSL

Exhibit 11: Contribution to T&A trade by country (CY25)



Source: Wazir Advisors, MOFSL

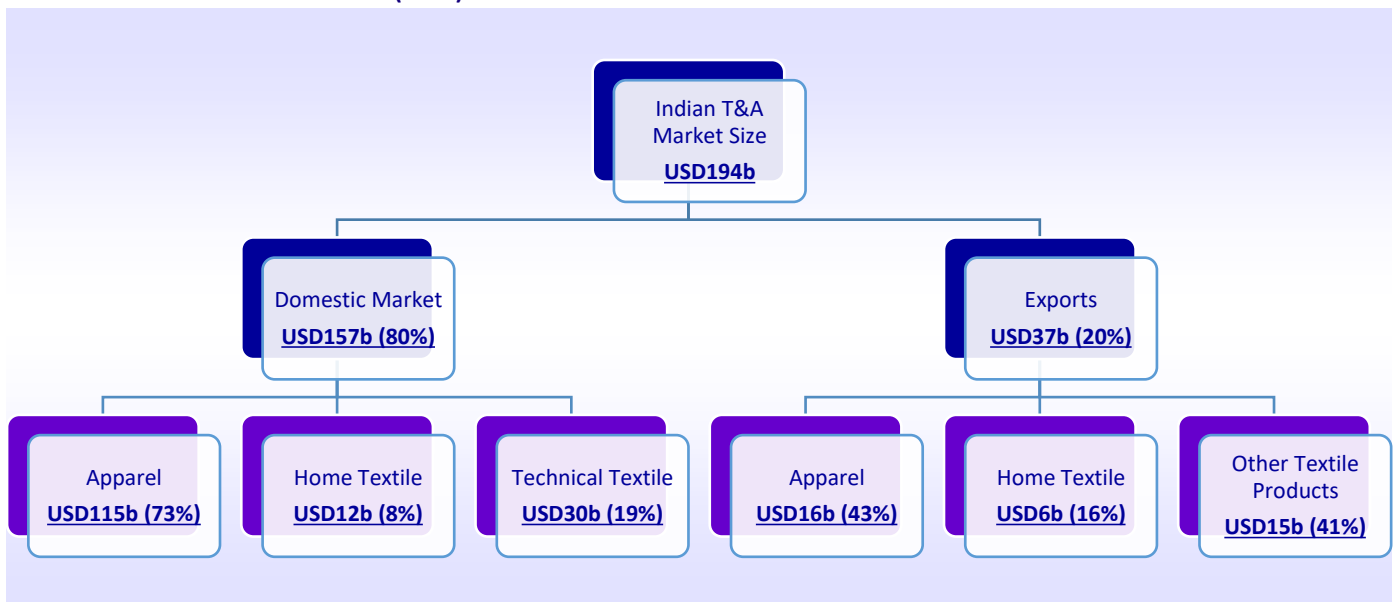
The Indian T&A industry, is a critical economic pillar contributing 2.3% to GDP and employing 45m people, with the US and EU together accounting for ~47% of exports. Recent trade deals with the US, UK, and UAE are expected to further boost India's competitive positioning in global textile exports.

Indian textile and apparel (T&A) industry

The Indian T&A industry is valued at USD194b in FY26, including the T&A exports from India valued at USD37b. The Indian textile and apparel industry remains a key pillar of the economy, contributing around 2.3% to GDP, 13% to industrial output, and 12% to total exports, while employing nearly 45m people.

On the exports front, India exports to 100+ countries, with the US, EU, and UK being the top three importers of textile products from India. Major textile and apparel export destinations for India are the US and the EU, with around 47% share in T&A exports. Additionally, India has signed trade deals with the US, UK, and UAE, which are likely to boost exports of Indian textiles and apparel in the future by providing a competitive edge over other exporting countries. The majority of textile players in the Indian listed space are export-focused, with revenue primarily originating from exports.

Exhibit 12: Indian T&A market size (FY26)

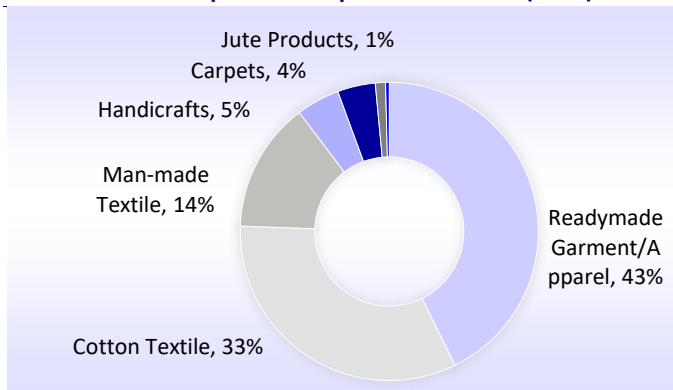


Source: Wazir Advisor, MOFSL

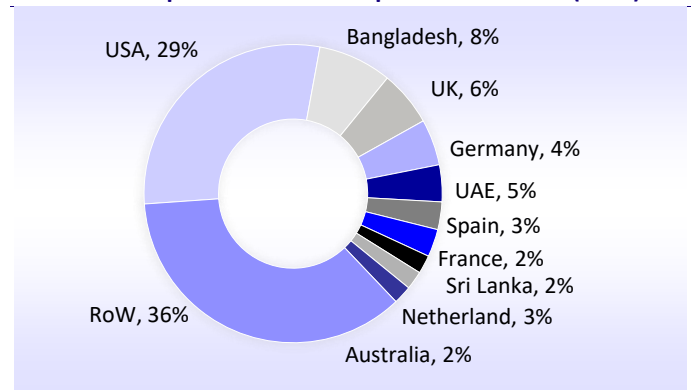
Exhibit 13: Domestic (India) T&A market over the years (USD b)

Particulars	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY31E	FY22-26 CAGR (%)	FY26-31E CAGR (%)
Apparel	78	55	80	92	102	108	115	180	9.5	9.4
Technical Textiles	20	18	22	24	26	28	30	54	8.1	12.5
Home Textiles	8	7	8	9	10	11	12	16	10.7	5.9
Total T&A domestic	106	80	110	125	138	147	157	250	9.3	9.8
(%)										
Apparel	73.6	68.8	72.7	73.6	73.9	73.5	73.2	72.0		
Technical Textiles	18.9	22.5	20.0	19.2	18.8	19.0	19.1	21.6		
Home Textiles	7.5	8.8	7.3	7.2	7.2	7.5	7.6	6.4		

Source: Tradestat, MOFSL

Exhibit 14: Breakup of T&A exports from India (FY25)


Source: Ministry of Textiles, MOFSL

Exhibit 15: Top 10 Indian T&A export destinations (FY25)


Source: Grandview Research, Crisil MI&A, MOFSL

The data below shows that in the Indian T&A export market, 44% of the share is with apparel, followed by 16% of home textiles, then 15% for fabric, and 14% for yarn, while the remaining is for others.

Exhibit 16: India T&A exports over the years

Particulars (USD b)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY22-26 CAGR (%)
Fiber	1.9	2.7	4.0	1.6	1.9	1.7	1.7	-19.8
Yarn	4.7	4.3	8.0	4.6	5.4	5.3	4.9	-11.6
Fabric	5.1	4.2	6.0	5.4	5.1	5.3	5.4	-2.8
Apparel	15.5	12.3	16.0	16.2	14.5	16.0	15.8	-0.3
Made-ups (Home Textiles)	4.9	5.1	6.6	5.5	5.5	6.0	5.9	-3.0
Others	2.1	2.3	2.8	2.4	2.4	2.7	2.6	-1.8
Total T&A exports	34.2	30.9	43.4	35.7	34.8	37.0	36.2	-4.5
(%)								
Fiber	5.5	8.7	9.2	4.4	5.4	4.5	4.6	
Yarn	13.7	13.8	18.4	12.9	15.6	14.2	13.5	
Fabric	14.9	13.7	13.8	15.0	14.5	14.4	14.8	
Apparel	45.3	39.8	36.9	45.4	41.8	43.3	43.7	
Made-ups (Home Textiles)	14.3	16.6	15.3	15.5	15.7	16.2	16.3	
Others	6.2	7.4	6.4	6.8	7.0	7.3	7.1	

Source: Tradestat, MOFSL

India holds the world's largest cotton acreage and was the leading producer until CY21, but China overtook it in CY22.

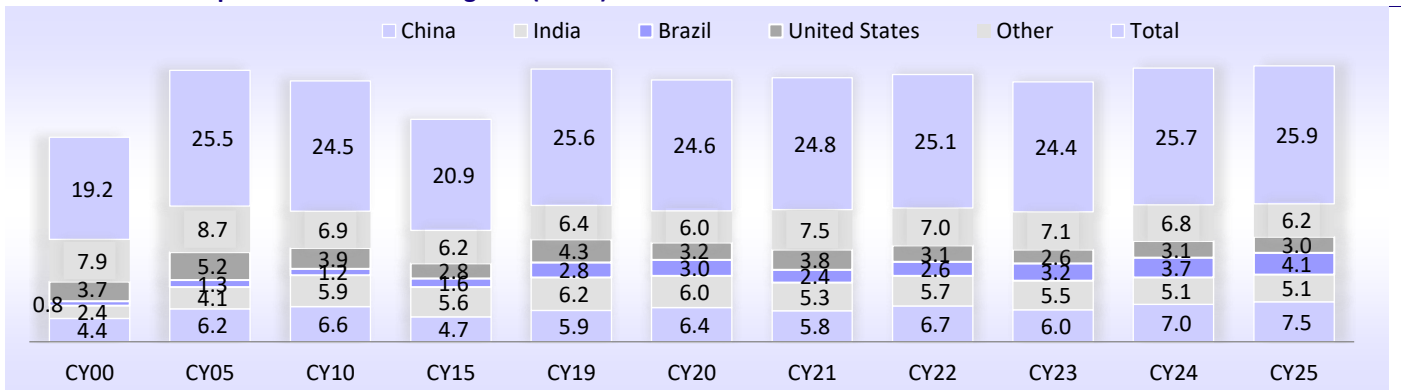
Cotton output remains inherently volatile, driven largely by climatic conditions and year-to-year weather fluctuations.

India – the second-largest producer of cotton

India continues to hold the largest cotton acreage globally, with 12.5m hectares under cultivation in the cotton season 2023-24. The country was the largest cotton producer in CY18, with output of 6.3m metric tonnes (MMT), and maintained leadership in CY20 and CY21 as well.

However, China overtook India in CY22 and remained ahead in CY23, producing 6.0 MMT compared to India's 5.5 MMT. Cotton production remains inherently volatile and highly dependent on climatic conditions, making year-to-year output susceptible to weather-related fluctuations.

Exhibit 17: Cotton production across the globe (MMT)



Source: World population review, MOFSL

India's cotton situation

- India's cotton prices are now aligned with the global cotton prices, after trading at a premium to global benchmarks for a long time, creating a structural cost disadvantage for domestic spinners. The Indian cotton prices were very high following an ~8% increase in MSP, for Medium Staple Cotton from INR7,121 per quintal to INR7,710 per quintal and Long Staple Cotton from INR7,521 per quintal to INR8,110 per quintal for season 2025-26.
- Over the last 2-3 years, domestic cotton prices have remained elevated. As a result of this situation, many spindles in India had closed down over the period, with an estimate of ~11-13m spindles (18% of installed spindle capacity, total installed capacity of ~54m spindles) being non-functional in India at present. To provide relief, India waived its 11% import duty on cotton until Oct' 26, enabling Indian spinners to source cotton imports more competitively and partially offset the impact of high domestic prices.
- Recently, the New York Futures increased to USD0.82-0.84 per pound from ~USD0.61-0.63 per pound, due to lower crop expectations in the US, India, Brazil, and Australia, along with declining global cotton inventories. The Indian cotton prices stand at USD0.87-0.88. The difference between the New York futures and Indian cotton prices is equivalent to the 20-year historical average difference of USD0.05-0.08. Indian cotton prices are now aligned with global prices after remaining expensive for the past ~2-3 years due to MSP-related distortions.

India's MMF segment, underpenetrated at ~40-45% versus 70% globally, is poised for 6-7% CAGR growth. The top 3 companies hold ~55% market share of the total MMF installed capacity.

Man-made Fibers (MMF): A key growth driver for India's textile industry

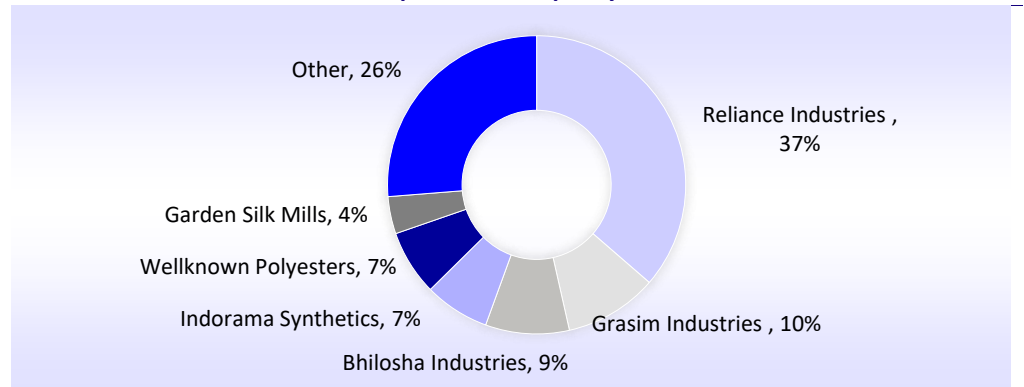
India's textile industry has traditionally been cotton-focused, but there is a clear and sustained shift toward man-made fibers (MMF) driven by affordability, durability, and evolving consumer preferences. While MMF accounts for nearly 70% of global fiber consumption, India's share remains lower at ~40-45%, indicating significant headroom for growth. The domestic MMF segment is expected to clock a 6-7% CAGR, aided by strong internal demand, making it relatively resilient to global trade disruptions. The top 3 companies hold ~55% of the total MMF installed capacity in India, with Reliance holding 37% share, followed by Grasim (10%) and Bhilasha (9%).

Within MMF, polyester dominates (~77.5%), followed by viscose. The government has recognized this opportunity and introduced supportive measures such as the PLI

scheme and a GST reduction from 12% to 5%, which are expected to boost demand and investment in MMF-based products.

India is already the second-largest producer of polyester yarn (4.5-5m tons capacity), with a largely consolidated industry where top players hold ~85% share. However, around 50% of raw material is still imported, and upcoming PTA plants by IOCL and GAIL are expected to reduce import dependence and improve competitiveness, strengthening India’s position in the global MMF value chain.

Exhibit 18: Share of MMF installed production capacity in India



Source: Crisil MI&A, MOFSL

Exhibit 19: Top 5 producers and exporters of cotton and MMF

Cotton		Manmade fiber (MMF)	
Top 5 Producers	Top 5 Exporters	Top 5 Producers	Top 5 Exporters
China	Brazil	China	China
India	US	India	India
US	Australia	US	South Korea
Brazil	India	South Korea	Taiwan
Pakistan	Turkey	Taiwan	Indonesia

Source: MOFSL

Key growth drivers of the Indian T&A industry

Structural Opportunity for Indian Exporters

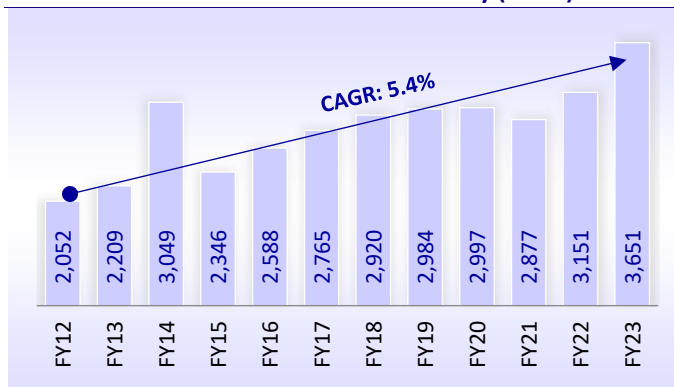
China's declining apparel export share from 37% (CY14) to 29% (CY24), is creating a significant opportunity for India, which is well-positioned to capture share through recent trade agreements, PLI scheme support, and expanding production capacity.

The sustained dip in China's apparel exports to the US presents a meaningful opportunity for Indian exporters to gain share in the global apparel trade. China, which accounted for ~29% of global apparel exports in CY24 (~37% in CY14), and the highest share of apparel exports to the US (22% in CY2023, declined from 37% in CY19), driven by rising wage costs and the US ban on cotton and cotton products from the Xinjiang region. While historically, countries such as Bangladesh and Vietnam have benefited from lower labor and power costs coupled with the availability of low lending rates providing cost competitiveness, trade agreements, India is increasingly well-positioned due to the recent new trade agreements, large production capacity, improving infrastructure, and strong government support through initiatives such as the PLI Scheme for Textiles, and the development of mega textile parks.

Growing Investments in the T&A industry

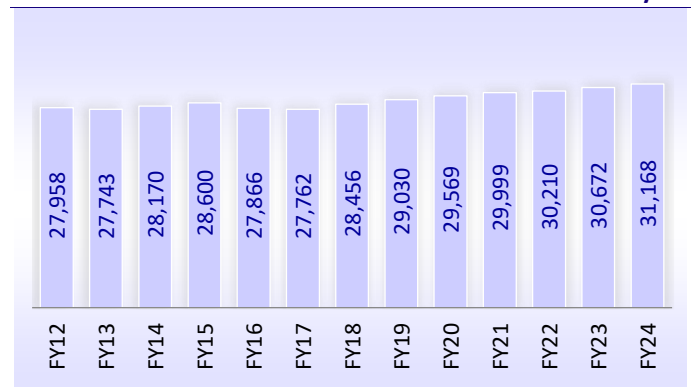
Investments in India's textile sector grew at a ~5.4% CAGR between FY12 and FY23, rising from INR2,052b to INR3,651b. This investment momentum supported an increase in the number of T&A factories to 30,672 in FY2023 from 27,958 in FY2012, aided by government initiatives such as the Amended Technology Upgradation Fund Scheme (ATUFS), Scheme for Integrated Textiles Park (SITP), Samarth scheme, etc.

Exhibit 20: Investments in the T&A industry (INR b)



Source: Ministry of Textiles, MOFSL

Exhibit 21: Total number of factories for the T&A industry



Source: Grandview Research, Crisil MI&A, MOFSL

Budget allocation to the Ministry of Textiles has been increased by ~19%

The GOI increased the allocation to the Ministry of Textiles by ~19% to ~INR52b in FY26, up from the estimate of ~INR44b in FY25. The Integrated Textile Program was launched by the government, comprising five sub-parts: National Fibre Mission, Textile Expansion and Employment Scheme, India Handmade and Human Capital Excellence, Tex Eco Mission for Sustainable Textiles, and Samarth 2.0.

Multiple schemes led by the government

The government announced multiple schemes in the T&A industry to increase economies of scale, export potential, and competitiveness in the textile sector. These schemes include Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA), Production Linked Incentive Scheme (PLI scheme), Kasturi Cotton Bharat, National Technical Textile Mission (NTTM), Amended Technology Upgradation Fund Scheme (ATUFS), and Scheme for Capacity Building in Textiles Sector (SAMARTH).

Indian spinning industry

India's cotton balance sheet

India's cotton market has turned structurally tighter, with FY26 production declining ~3% YoY, rising import dependence from Australia and Brazil.

India's spinning industry forms a critical link in the textile value chain, with its performance closely tied to domestic cotton availability and pricing dynamics. According to the Cotton Association of India, the cotton balance sheet for FY26 reflects a relatively tight demand-supply scenario, with production declining ~3% YoY and total supply moderating to ~6.4m tonnes. While overall domestic consumption has remained largely stable at ~5.5m tonnes, exports have declined sharply, and imports have spiked, primarily from Australia and Brazil, indicating increasing reliance on overseas cotton to meet mill requirements. Additionally, procurement by the Cotton Corporation of India (CCI) remains elevated, with 10m bales under MSP operations, accounting for 34% of total production, supporting farmer prices but constraining open market availability.

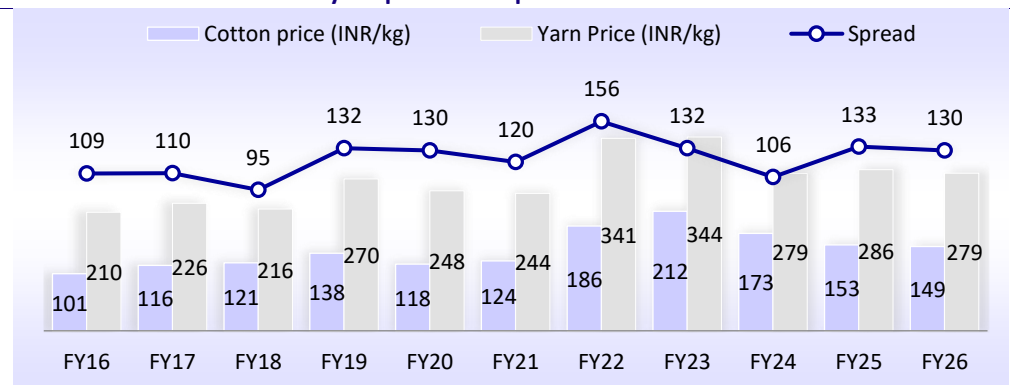
India's cotton balance sheet indicates a tight market with limited supply growth, as production has declined while overall demand remains stable. The demand mix has shifted, with mill consumption falling and smaller players gaining share, alongside a sharp drop in exports. Overall, this reflects a transition from an export-driven surplus market to a domestically absorbed, structurally tighter system.

Exhibit 22: Cotton balance sheet for India (m Tonnes)

Particular	FY19	FY20	FY21	FY21	FY22	FY23	FY24	FY25	FY26
Opening Stock	0.7	1.0	2.1	2.1	1.2	0.7	1.0	0.8	0.8
Crop	5.7	6.2	6.0	6.0	5.3	5.7	5.5	5.1	5.0
Import	0.6	0.3	0.2	0.2	0.4	0.2	0.3	0.7	0.7
Total Supply	7.0	7.4	8.2	8.2	6.9	6.6	6.8	6.6	6.4
Mill Consumption	4.6	4.0	5.1	5.1	4.8	3.4	3.7	3.6	3.6
S.S.I Consumption	0.4	0.3	0.4	0.4	0.4	1.7	1.6	1.6	1.6
Non-Textile Consumption	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Consumption	5.3	4.6	5.7	5.7	5.5	5.3	5.5	5.5	5.5
Export	0.7	0.8	1.3	1.3	0.7	0.3	0.5	0.3	0.3
Total Demand	6.0	5.4	7.0	7.0	6.2	5.6	6.0	5.8	5.7
Closing Stock	1.0	2.1	1.2	1.2	0.7	1.0	0.8	0.8	0.7

Source: CAI, MOFSL

Exhibit 23: India's cotton and yarn prices and spread



Source: MOFSL

Country wise Spindle capacity

The global spinning industry forms a crucial part of the textile value chain, with an installed capacity of ~232m spindles in 2023, largely concentrated in Asia, as per the International Textile Manufacturers Federation (ITMF). India ranks as the second-largest spinning hub globally, with an estimated ~43m spindles, accounting for ~19-20% of global capacity.

Exhibit 24: Country-wise spindles capacity (FY26)

Country/Region	Installed Spindles (m)
China	~84
India	~43
Bangladesh	~14
Vietnam	~8
Pakistan	~6
Rest of the World	~52

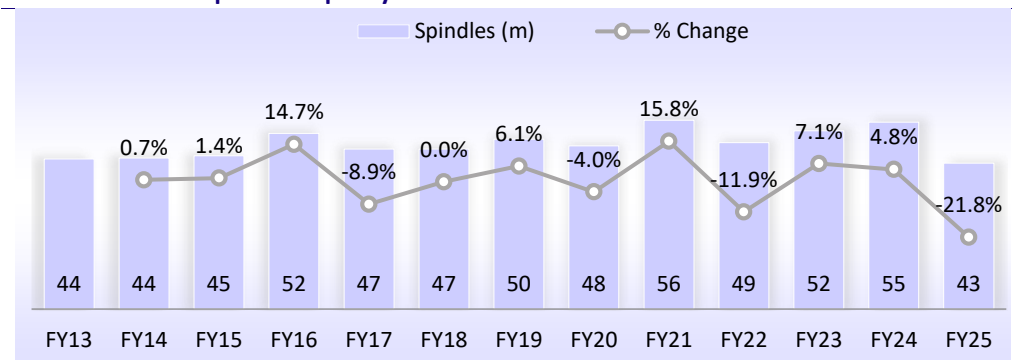
Source: VTEX’s con call, MOFSL

India's spinning industry, the second-largest globally with ~52.5m spindles in FY23, operates at just ~65% utilization, with ~11-13m spindles currently non-operational, due to elevated domestic cotton prices eroding competitiveness, bringing the total operating capacity to 43m spindles.

Spinning capacity in India

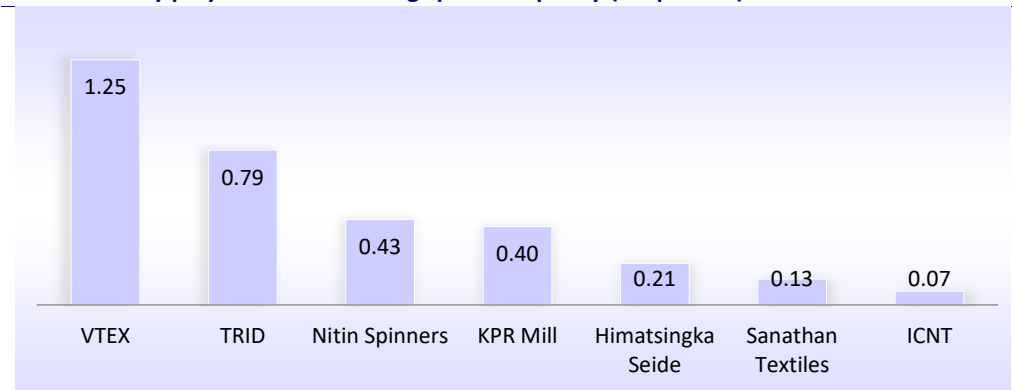
India’s spinning industry, the second-largest globally after China, has built a sizeable installed capacity of ~52.5m spindles in FY23, though utilization remains subdued at ~65% due to demand volatility, fragmented industry structure, and labor constraints. Capacity is geographically concentrated, with Tamil Nadu accounting for ~19m spindles, followed by Maharashtra and Gujarat, despite the latter being the largest cotton-producing state. Over the past decade, spindle capacity has seen uneven growth—expanding sharply in FY16 and FY22, but contracting in downturn years—reflecting cyclicity in global textile demand. While India is positioning itself as an alternative sourcing hub amid global supply chain diversification away from China, structural challenges persist. Notably, elevated domestic cotton prices have eroded competitiveness for Indian spinners, further aggravated by the reinstatement of 11% import duty on cotton. As a result, an estimated ~11-13m spindles (~18% of installed capacity) are currently non-operational, bringing the total installed operational number of spindles to ~43m, with potential closures rising to ~15m if cost pressures sustain. Despite this, the industry continues to invest selectively in modernization and value-added yarn.

Exhibit 25: India’s spindles capacity



Source: Fibre2Fashion, MOFSL

Exhibit 26: Key players in India having spindle capacity (m spindles)



Source: Company, Annual report, MOFSL

Global yarn dynamics favorable for India

- Geopolitical concerns in Bangladesh led several global textile brands to diversify sourcing towards China. However, China internally sources nearly 80% of its cotton requirement, of which ~80% comes from the Xinjiang region. Cotton sourced from Xinjiang faces restrictions in the US due to forced labor allegations, creating supply-chain challenges for Chinese textile manufacturers.
- As a result, Chinese manufacturers have increasingly started importing cotton yarn from countries such as India. China is currently importing nearly ~30m kg of cotton yarn per month from India, up from ~7-8m kg of cotton yarn per month previously. Consequently, India’s total cotton yarn exports have risen from historical levels of ~100m kg per month to ~120m kg per month. This has supported cotton yarn price realizations, helping offset elevated cotton costs and improving margins across the Indian spinning industry.
- The global spinning industry is concentrated across five major countries — China, India, Pakistan, Bangladesh, and Vietnam — which together account for ~80-85% of global spinning capacity. China has reduced its spinning capacity from a peak of ~112m spindles to ~84m spindles over the past 15 years, partly due to the shift away from Xinjiang-linked cotton and increasing focus on MMF. Pakistan continues to face challenges related to political instability and power shortages, while Vietnam is witnessing a gradual transition towards electronics and services amid rising per capita income. Bangladesh remains strong in garment manufacturing, but its spinning industry operates at relatively low utilization levels of ~55-60% across ~15-16m spindles, with limited scope for large-scale expansion due to high capex requirements and dependence on imported cotton.
- Against this backdrop, constrained global spinning capacity expansion, favorable cotton yarn demand trends, and India’s strong positioning in cotton yarn exports are expected to support long-term growth prospects for the Indian spinning industry.

Indian apparel industry

Apparel industry

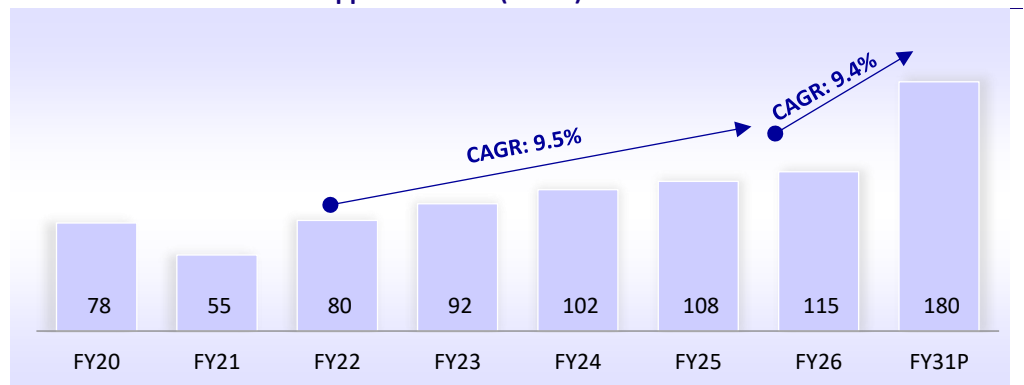
The apparel industry spans segments such as casual wear, formal wear, sportswear, and innerwear, catering to diverse consumer needs. Demand is driven by evolving fashion trends, rising brand consciousness, higher disposable incomes, and the growing influence of e-commerce and social media, which accelerate product cycles. Urbanization and a young population further support discretionary spending. However, the industry faces challenges from a globalized supply chain, volatile raw material costs, and demand uncertainty due to seasonality and fast-changing trends, leading to inventory and margin pressures. Overall, growth will depend on supply chain agility, speed-to-market, and cost competitiveness.

India's domestic apparel market, projected to reach ~USD180b by FY31, driven by rising disposable incomes, urbanization, and a young fashion-conscious population. Premiumisation, branded apparel preference, and e-commerce penetration into Tier 2/3 cities are key tailwinds sustaining long-term growth momentum.

Indian domestic apparel industry

The Indian domestic apparel industry has seen steady growth, expanding from ~USD78b in FY18 to ~USD115b in FY26 (after a pandemic-led dip to ~USD55b in FY21), and is projected to reach ~USD180b by FY31, according to Wazir Advisors. Growth is being driven by rising disposable incomes, rapid urbanization, and a young, fashion-conscious population, increasing spending across categories such as casual wear, ethnic wear, and sportswear. Demand is further supported by premiumisation, growing preference for branded apparel, and the rising influence of e-commerce and organized retail, which have improved accessibility and accelerated adoption across Tier 2 and Tier 3 cities. While the industry faces challenges from demand volatility and input cost fluctuations, higher replacement cycles and increasing brand penetration are expected to sustain growth momentum over the medium term.

Exhibit 27: India's domestic apparel market (USD b)

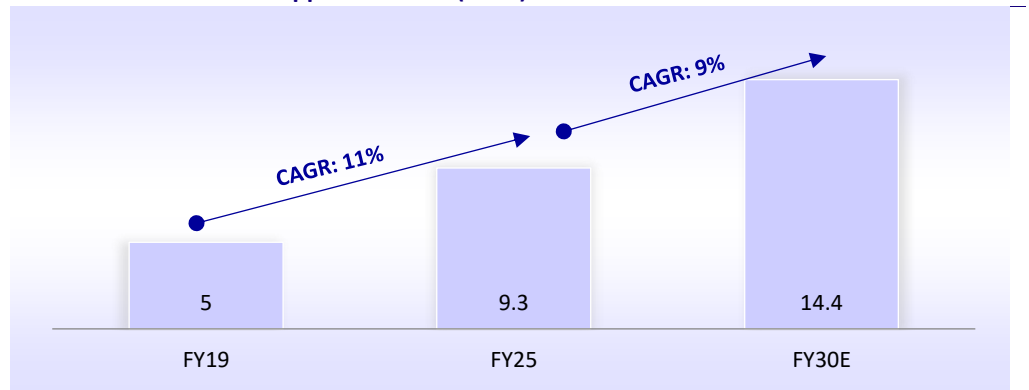


Source: Wazir Advisor, MOFSL

India's retail apparel market

The retail apparel market in India posted an 11% CAGR over FY19-25 to reach an estimated INR9.3t and is projected to clock a CAGR of ~9% over FY25-30 to reach INR14.4t by FY30. This growth is expected to be driven by factors such as an increasing disposable income, rising working population, rapid urbanization, greater brand consciousness, increasing digitization, and the expansion of organized retail and e-commerce, particularly in Tier-II and Tier-III cities.

Exhibit 28: India's retail apparel market (INR t)



Source: Wazir Advisor, MOFSL

Branded apparel to clock a higher ~12% CAGR over FY25-30

The branded apparel market in India is estimated at INR4.9t in FY25, accounting for 53% of the overall apparel market. This segment is projected to record a higher CAGR of 12% to reach INR8.8t by FY30. The growth is likely to be driven by the entry of international brands, the expanding footprint of organized retail in Tier II and smaller cities, and the rapid rise of e-commerce, all of which are accelerating the shift toward branded offerings. The mix is likely to shift in favor of branded players, with their contribution projected to rise to 61% by FY30 (from 53% in FY25).

Menswear the largest category, but women's wear growing at a faster pace

- In FY25, the menswear market in India is estimated at INR3.9t, contributing ~42% to the overall apparel market. It is projected to clock a CAGR of 9%, reaching INR6t by FY30. Unlike global trends where women's apparel dominates, India's higher share of menswear is driven by strong demand for office wear and smart casual clothing, and the growing cultural acceptance of grooming and styling among men.
- However, the women's wear segment is gaining momentum and is likely to post a higher ~10% CAGR over FY25-30 to reach ~INR5.6t by FY30, and is aided by rising female workforce participation, higher disposable incomes, and shifting fashion preferences. Kids' wear accounts for ~21% of the overall apparel market share and is expected to remain in a similar ballpark with ~8% CAGR over FY25-30.

Indian exports in the apparel segment

India's apparel exports have remained largely stagnant, declining marginally from USD16.5b in 2014 to USD16.2b in 2025, reflecting weak competitiveness in a rapidly evolving global market. The US has strengthened its position as the largest destination, with its share rising sharply from 22% to 32%, indicating increasing dependence on a single market. In contrast, traditional markets such as the UK and the UAE have seen consistent declines, while markets such as the Netherlands and Australia have shown healthy growth, albeit on a smaller base.

Exhibit 29: Exports from India

Particular Country	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
US	3.6	4.4	5.2	3.5	3.1	21.7	26.8	32.0
UK	1.8	1.6	1.5	-2.0	-1.2	11.2	9.8	9.1
United Arab Emirates	2.3	1.9	1.4	-4.8	-5.1	14.1	11.4	8.3
Spain	0.7	0.8	0.7	0.6	-0.9	4.1	4.7	4.4
Netherlands	0.5	0.5	0.9	-3.1	-1.9	7.7	6.2	5.6
France	0.9	0.7	0.8	5.3	9.8	2.7	2.8	4.9
Germany	1.3	1.0	0.6	-3.1	-1.3	5.5	4.3	4.0
Australia	0.1	0.2	0.4	3.0	-3.7	1.8	3.1	2.5
Denmark	0.3	0.2	0.4	8.8	8.3	0.8	1.3	2.2
Saudi Arabia	0.3	0.5	0.4	-1.4	1.4	2.8	2.2	2.4
Others	4.8	4.6	4.0	-1.2	-1.6	27.6	27.2	24.6
World	16.5	16.2	16.3	-0.1	0.0	100.0	100.0	100.0

Source: Trademap, MOFSL

Exhibit 30: Share of woven and knitted in Indian apparel exports

Particular	Market Share (%)			CAGR (%)	
	CY14	CY19	CY25	CY14-25	CY19-25
Woven	54.8	51.5	51.5	-0.7	0.0
Knitted	45.2	48.5	48.5	0.5	0.0

Source: Trademap, MOFSL

Why Indian apparel export market remain stagnant?

- India's apparel exports have remained subdued due to structural disadvantages compared to countries like Bangladesh and Vietnam, which benefit from lower labor costs and favorable trade access (such as duty-free entry into the EU). In contrast, India faces tariff barriers, a complex regulatory environment, and infrastructure constraints that lead to higher costs and longer lead times, limiting its competitiveness in global markets.
- Additionally, the industry remains fragmented with limited scale and slower adoption of technology and automation, affecting efficiency and speed-to-market. While India has focused on higher-value segments, it has not fully offset volume losses in basic apparel categories, and rising domestic demand has also diverted part of production away from exports.

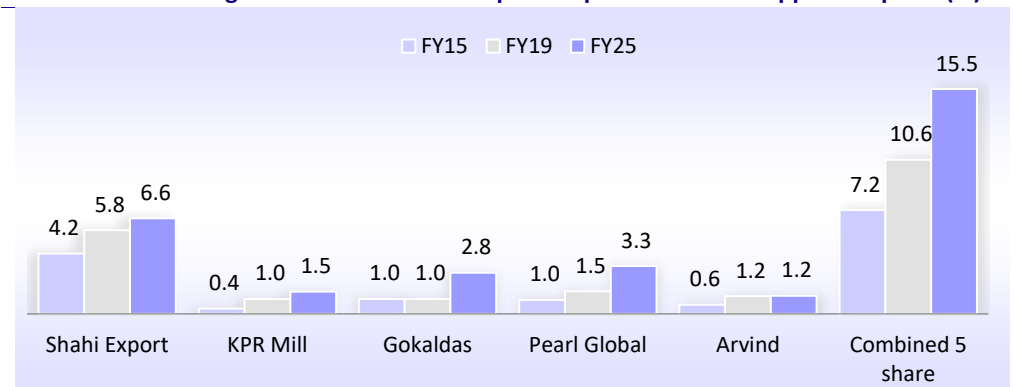
Key players in the Indian apparel market

- The Indian apparel export industry is characterized by the presence of a few large, vertically integrated players alongside a fragmented base of smaller garment manufacturers and job workers. Key listed players include Gokaldas Exports, Arvind, KPR Mill, Pearl Global, and Shahi Exports, which have established strong relationships with global brands across categories such as casualwear, activewear, denim, and fashion apparel. These companies benefit from scale, integrated operations, compliance capabilities, and diversified sourcing and manufacturing footprints across India and overseas locations. While exports remain concentrated among organized players, the broader apparel ecosystem continues to be fragmented, especially in value-fashion and low-end manufacturing. However, rising compliance requirements, China+1 sourcing diversification, and increasing preference for reliable large-scale vendors are gradually driving industry consolidation toward organized players.
- Indian apparel exporters are increasingly undertaking targeted capex and acquisitions to expand scale, diversify product offerings, and strengthen global

competitiveness. Gokaldas Exports has expanded aggressively through acquisitions such as Matrix Clothing and Atraco Group to strengthen its knitwear presence, diversify geographically, and deepen relationships with global customers. KPR Mill continues to benefit from its integrated yarn-to-garment model while scaling garment capacities to cater to rising demand in athleisure and innerwear. Arvind remains focused on value-added textiles, denim, and garmenting while strengthening its branded and advanced material portfolio. Across the sector, players are investing in automation, backward integration, sustainability initiatives, and capacity additions to capture incremental opportunities arising from global supply chain diversification and improving the competitiveness of Indian apparel exports.

- According to our analysis, the key players have steadily gained share in India’s apparel exports, with the top five companies Shahi Exports, Gokaldas Export, Pearl Global, KPR Mill, and Arvind, increasing combined share from 7% (2015) to 15% (2025). This reflects industry consolidation, where scale, compliance, and global retailer relationships are becoming critical. Larger players are better positioned to benefit from China+1, premiumization, and sustainability requirements, while smaller exporters face margin and capability constraints, accelerating share shift toward organized players.

Exhibit 31: Increasing market share of the Top 5 companies in Indian apparel exports (%)



Note: Revenue for KPR, Arvind is from garmenting segment only, Source: Tradestat, Company, MOFSL

Exhibit 32: Comparison between apparel companies

Particular	KPR Mill	Arvind	Pearl Global	Gokaldas Export
Mcap (INR b)	399	135	82	60
Product Mix in Apparel	Casual wear, Sportswear, Active wear, Sleep wear, Work wear	Denim, shirts, knits, and essentials	Multi-category (casual wear, knits, woven, fast fashion)	Outerwear, fashionwear, sportswear, bottomwear
Capacity (Garment m pieces pa)	204	55	101	92
Revenue Scale (FY26) (INR b)	66	93	50	40
Revenue CAGR (FY22-26) (%)	8.4	3.8	16.6	22.2
Segment Revenue (FY26) (%)	Yarn & Fabric - 31 Garments - 48 Others - 21	Woven Fabric - 30 Denim Fabric - 14 Garments & other textile - 33 AMD - 20 Others - 3	Woven - 73 Knits - 27	Casualwear - 36 Outerwear - 29 Bottomwear - 20 Sportswear - 15
Geographical Sales Exposure (FY26) (%)	Europe - 63 North America - 15 Australia - 15 Asia - 5 RoW - 2	India - 59 RoW - 41	India - 22 Bangladesh - 49 Vietnam - 20 Indonesia and Guatemala - 9	US - 73 EU - 8 India - 13 RoW - 6
Gross Margin (FY26) (%)	39.3	51.7	47.6	51.7
Gross Margin (average FY22-26) (%)	40.5	50.4	47.7	50.3
EBITDA Margin (FY26) (%)	19.1	10.8	9.2	8.9
EBITDA Margin (avg. FY22-26) (%)	21.0	10.3	8.1	10.6
RoE (FY26) (%)	16.2	10.5	21.3	4.7
RoE (average FY22-26) (%)	21.5	10.4	20.2	12.7
RoCE (FY26) (%)	15.4	10.3	15.3	5.3
RoCE (average FY22-26) (%)	17.8	9.8	13.7	14.2
Total Asset Turnover (FY26) (%)	1.0	1.5	1.3	1.1
Total Asset Turnover (avg FY22-26) (%)	1.1	1.5	1.3	1.5
Promoter Holdings - March'26 (%)	67.5	39.5	61.2	9.2

Source: MOFSL

Global apparel export

The global apparel export market grew from USD470B in 2014 to USD546B in 2025, with China still dominant at 27% despite a declining share. Bangladesh and Vietnam have been the biggest gainers, leveraging low labor costs, GSP benefits, and FTAs to expand their share significantly over the decade.

According to Trademap data, the global apparel export market has remained resilient, growing from USD470b in 2014 to USD546b in 2025, though growth has been modest and uneven. China continues to dominate with a 27% share, reflecting its scale and ability to move up the value chain, even as its share has declined over time. The biggest gains have come from Bangladesh, which expanded from 6% to 10%, driven by low labor costs, GSP benefits, and infrastructure investments, and Vietnam, which has strengthened its position through FTAs, FDI inflows, and its role as a key “China+1” sourcing hub.

This trend underscores a structural shift in global sourcing, with rising costs and regulatory pressures in China pushing brands to diversify supply chains. While Bangladesh and Vietnam have capitalized on this shift, India has lost share due to scale constraints, limited trade agreements, higher logistics costs, and a skew toward cotton versus the global shift to MMF. At the same time, countries such as Poland are emerging as near-shoring hubs, benefiting from proximity and faster turnaround for European markets. Overall, the market is becoming more fragmented and competitive, with success increasingly driven by cost efficiency, trade access, and speed-to-market rather than sheer scale.

Exhibit 33: Top 10 countries in the apparel export market

Particular Country	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
China	173.4	138.0	145.7	-1.6	0.9	36.9	29.2	26.7
Bangladesh	19.6	41.0	53.2	5.7	4.4	6.2	8.7	9.7
Viet Nam	19.7	30.0	42.6	7.3	6.0	4.2	6.4	7.8
Italy	22.9	24.2	28.8	2.1	3.0	4.9	5.1	5.3
Germany	19.5	23.8	28.6	3.5	3.1	4.1	5.0	5.2
Poland	10.7	12.0	17.2	13.3	16.5	0.9	1.4	3.1
Spain	16.5	16.2	16.4	2.9	2.4	2.5	3.0	3.0
France	4.4	6.9	15.3	3.3	4.1	2.3	2.5	2.8
India	16.7	16.1	16.3	-0.1	0.0	3.5	3.4	3.0
Netherlands	12.0	14.3	14.8	4.4	4.8	2.0	2.4	2.7
Others	154.8	150.2	167.2	0.8	1.3	32.5	32.8	30.6
World	470.2	472.7	546.1	1.4	2.4	100.0	100.0	100.0

Exhibit 34: Share of woven and knitted in total apparel exports

Particular	Market Share (%)			CAGR (%)	
	CY14	CY19	CY25	CY14-25	CY19-25
Woven	49.4	49.5	47.1	0.9	1.6
Knitted	50.6	50.5	52.9	1.8	3.2

Source: Trademap, MOFSL

Global apparel import

- The global apparel import market has grown steadily from USD408b in 2014 to USD488b in 2025, reflecting stable consumption across key developed economies. US remains the largest importer with an 17% share, though its demand has slightly declined in recent years, indicating market maturity and inventory normalization cycles. Europe continues to be a major consumption hub, with Germany, France, and Italy maintaining stable or gradually growing import demand, supported by steady consumer spending and premiumization trends.
- However, the underlying trend shows a geographic redistribution of demand, with traditional markets such as Japan and the UK witnessing declining imports due to aging demographics, economic pressures, and consumption slowdown. At the same time, countries like Poland and the Netherlands are emerging as fast-growing hubs, driven by their role as logistics and re-export centers within Europe, benefiting from strong supply chain integration and proximity to key markets. Overall, the import landscape is becoming more diversified, with growth increasingly concentrated in regional distribution hubs and stable developed markets, rather than being led by a single dominant importer.

Exhibit 35: Top 10 countries in the apparel import market

Particular Country	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
United States of America	85.7	87.4	81.8	-0.4	-1.1	21.0	20.4	16.7
Germany	38.1	39.0	47.1	1.9	3.2	9.3	9.1	9.6
France	23.9	24.0	27.1	1.1	2.1	5.9	5.6	5.5
Japan	29.4	28.0	24.3	-1.7	-2.3	7.2	6.5	5.0
Spain	27.6	24.9	24.5	3.7	3.9	4.0	4.5	5.0
United Kingdom	16.5	19.5	21.3	-2.3	-2.6	6.8	5.8	4.4
Italy	16.2	16.4	20.9	2.3	4.1	4.0	3.8	4.3
Netherlands	11.3	14.5	17.9	4.3	3.5	2.8	3.4	3.7
Poland	4.9	8.3	19.0	13.0	14.8	1.2	1.9	3.9
Canada	9.2	10.1	11.6	2.2	2.4	2.3	2.4	2.4
Others	144.8	156.7	192.8	2.6	3.5	35.5	36.6	39.5
World	407.5	428.7	488.3	1.7	2.2	100.0	100.0	100.0

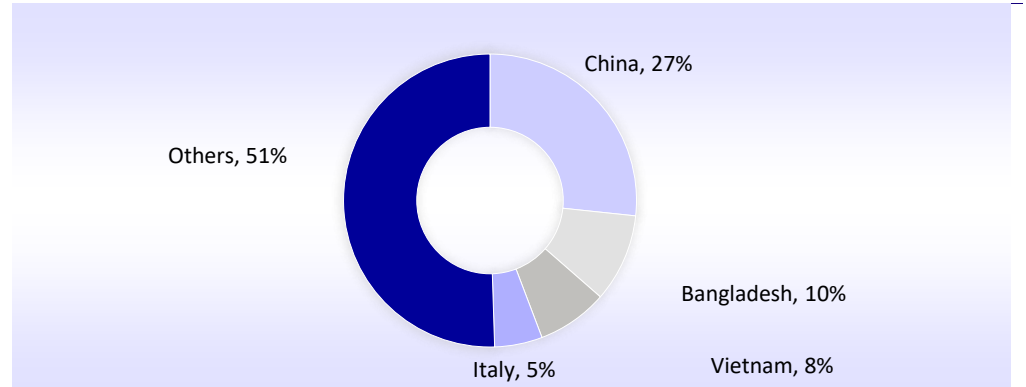
Source: Trademap, MOFSL

Exhibit 36: Share of woven and knitted in total apparel exports

Particular	Market Share (%)			CAGR (%)	
	CY14	CY19	CY25	CY14-25	CY19-25
Woven	50.4	49.7	47.7	1.1	1.5
Knitted	49.6	50.3	52.3	2.2	2.9

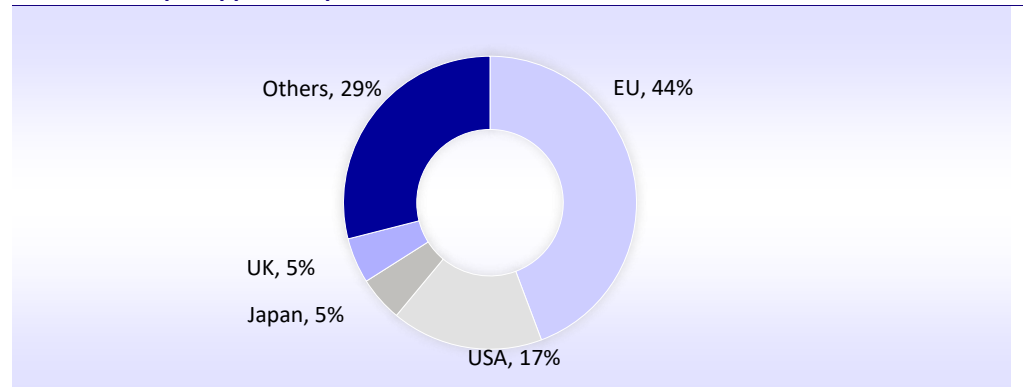
Source: Trademap, MOFSL

Exhibit 37: Top-4 apparel exporters' market share



Source: Trademap, MOFSL

Exhibit 38: Top-4 apparel importers' market share



Source: Trademap, MOFSL

Exhibit 39: Comparison between Bangladesh and India on different parameters on the apparel front

Fibre	Parameter	Bangladesh	India
Market Size and Focus	Total Apparel Exports	~USD53b (CY25)	~USD16b
	Global Market Share	~10%	~3%
	Market Share Growth (since 2000)	~2.6% → >6% (more than doubled)	3% → ~4.1% (modest gain)
	Focus	Pure-play RMG/Apparel export	Diversified (Textiles + Apparel + Domestic)
Labor Cost	Monthly Avg. Garment Worker Wage	~USD120	~USD200
	Worker Productivity	Better than the Indian counterpart	Lower productivity per worker vs. Bangladesh
	Workforce in Garments	~4m (~70-80% women)	~45m (direct, all textiles)
Trade & Tariff Advantage	LDC (Least Developed Country) Status	Yes	No
	EU Duty-Free Access	Yes — under EBA (Everything But Arms)	No (pays standard GSP duties)
	UK Duty-Free Access	Yes (post-Brexit DCTS)	Partial
	US Market Tariff	Standard MFN rates	Standard MFN rates (similar)
Production Model	Specialization	Mass-volume, standardized RMG (T-shirts, shirts, knitwear, denims)	Diversified — cotton, silk, wool, jute, MMF, technical textiles
	Production Type	Large-scale, mass production — propelling Bangladesh to the forefront of global garment exports	Mix of large-scale and specialized/artisanal units
	Vertical Integration	Low — heavily dependent on imported fabric (mainly from China & India)	High — full value chain from cotton to garment
Key Buyer Relationship	Buyer Type	Fast-fashion, mass-market, volume buyers	Fast-fashion + premium + sustainable brands
	US Market Share	~10% of US apparel imports	~6.3% of US apparel imports
	EU Market Share	Dominant (duty-free advantage)	Moderate
Supply Chain & Logistics	Raw Material Self-Sufficiency	Low — imports ~75-80% of fabric from China & India	High — one of the world's largest cotton producers
	Lead Time	Longer (due to import dependence for fabric)	Shorter (integrated value chain)
	Logistics Infrastructure	Well-established supply chain network with efficient logistics and strategic South Asian location	Improving but still complex; bureaucratic challenges persist
	Port Efficiency	Chittagong Port (single major gateway)	Multiple ports (JNPT, Chennai, Mundra) — more resilient
Risks & Vulnerabilities	Political Instability	High	Stable
	Export Concentration Risk	Heavy reliance on EU & US (~80% of exports)	More diversified geographically
	Raw Material Risk	Highly import-dependent on China for fabric	Low — domestically integrated
	Sector Diversification	RMG = ~80% of total exports (extreme concentration)	Textiles = ~12% of exports (well diversified)

Source: MOFSL

Significant opportunity for India to pick up a share in the apparel trade

- India can accelerate apparel export growth by leveraging recent and upcoming FTAs such as the India-UAE CEPA, India-Australia ECTA, and the proposed UK and EU agreements, which will improve tariff competitiveness against peers like Bangladesh. Alongside this, execution on initiatives like PM MITRA parks, infrastructure upgrades, and streamlined regulations can enhance scale, efficiency, and ease of doing business.
- At the same time, India needs to focus on automation, supply chain integration, and industry consolidation to improve speed and cost competitiveness. By positioning itself within the “China Plus One” strategy and moving toward higher-value segments such as sustainable and technical textiles, India can strengthen its global presence and target meaningful export growth over the medium term.

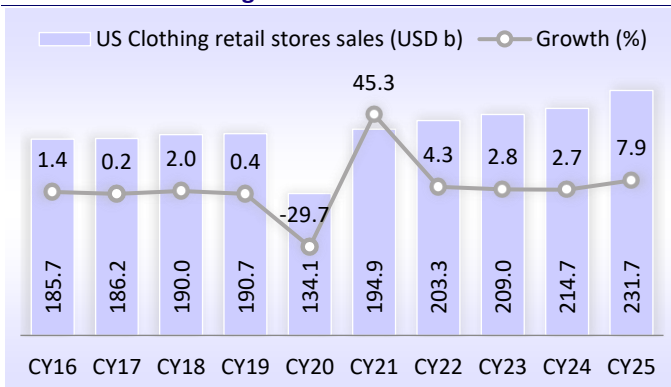
US apparel market

The US T&A market, valued at ~USD350-380 billion in 2024, is the world's largest apparel importer with 97%+ sourced overseas, making it the most strategically vital export destination for global textile manufacturers including India.

The T&A market is one of the largest globally, valued at approximately USD350-380b in 2024, with apparel accounting for roughly USD300-320b and home textiles contributing the remainder. Despite being a mature market with a modest CAGR of 2-3%, the US remains a critical consumption hub with high per-capita spending of USD1,200-1,500 annually on apparel. The market is characterized by strong e-commerce penetration (~35-40% of sales), dominance of athleisure and casualwear, and heavy reliance on imports (over 97% of apparel is imported, primarily from China, Vietnam, Bangladesh, and increasingly India). The US is the world's largest apparel importer, making it a strategically vital export destination for textile manufacturers globally.

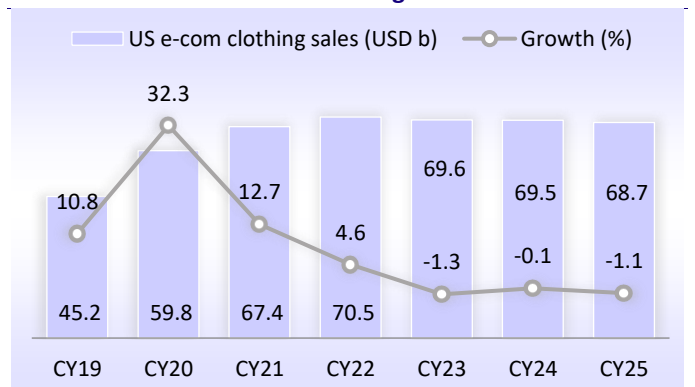
The US apparel retail landscape tells a dramatic tale of channel disruption and post-pandemic normalization across the following datasets. E-commerce clothing sales exploded from USD40.8b in 2018 to a pandemic-driven peak of USD70.5b in 2022. Meanwhile, physical clothing retail stores experienced a near-death spiral in 2020, crashing 30% from USD190.7b to just USD134.1b as stores shuttered during lockdowns, but then staged a remarkable V-shaped recovery, surging 45% in 2021 and continuing steady growth to reach USD231.7b by 2025—actually exceeding pre-pandemic levels by over 20%. This resurgence, accelerating to 7.9% growth in 2025 versus the tepid 2-4% annual gains of the 2010s, signals that physical retail is not dying but rather reinventing itself as experiential destinations, with survivors (specialty retailers, off-price chains, rejuvenated department stores) capturing market share from failed competitors while consumers demonstrate enduring preference for touching fabrics, trying on clothes, and immediate gratification of in-store purchases. We believe the future is omnichannel, not online-only, with digital channels complementing rather than replacing physical stores, and the pandemic's forced digital experiment revealed both e-commerce's ceiling and brick-and-mortar retail's enduring relevance when executed well.

Exhibit 40: US clothing retail store sales



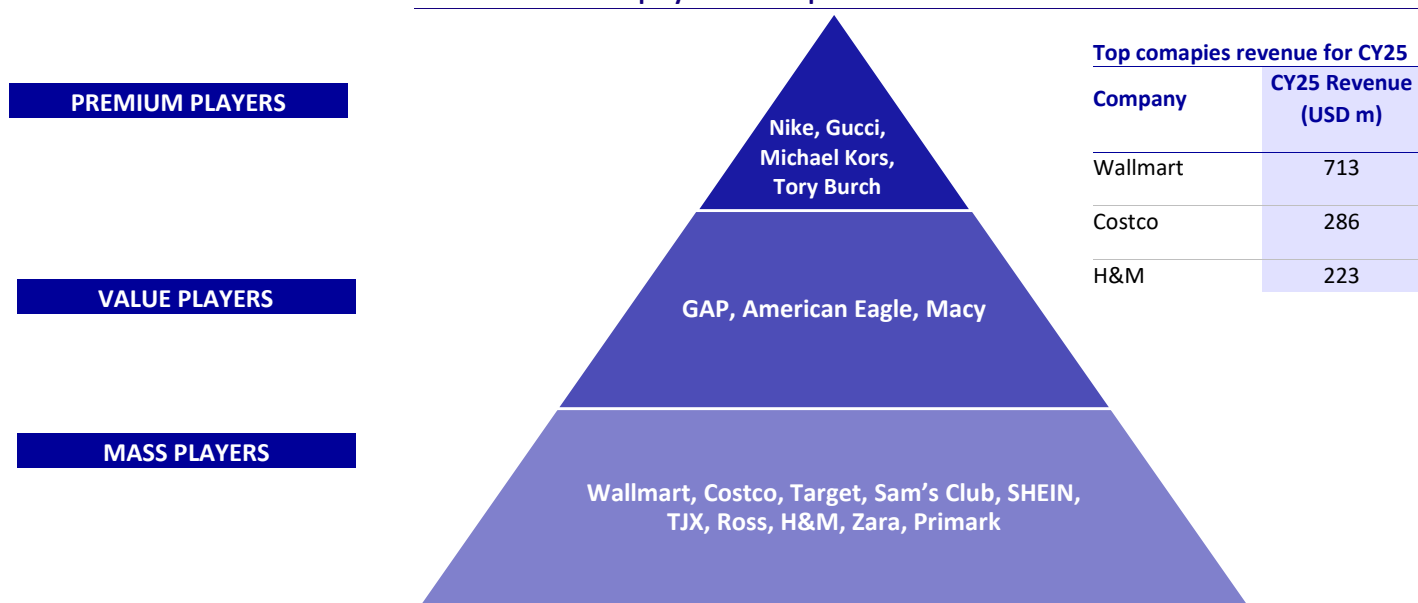
Source: US Census Bureau, MOFSL

Exhibit 41: US e-commerce clothing sales



Source: US Census Bureau, MOFSL

Exhibit 42: US retail players landscape



Source: MOFSL

Exhibit 43: US retail players landscape

Price Tier	Approx. Price Range (T-shirt / Jeans / Jacket)	Consumer Positioning	Key Retail Players	Business Model / Notes
Value / Mass	USD5-20 / USD20-50 / USD30-80	Highly price-sensitive, essentials, basics	Walmart, Target Corporation, Old Navy, Primark	High-volume, promo-led, family/value shopping
Fast Fashion / Affordable Trend	USD8-25 / USD30-60 / USD40-100	Trend-led, younger consumers, frequent refresh	H&M, Zara, Forever 21, SHEIN	High SKU churn, fast inventory turns
Off-Price / Discount Branded	20-60% below MRP	Value seekers, branded bargains	TJX Companies (TJ Maxx / Marshalls), Ross Stores, Burlington Stores	“Treasure hunt” format, branded excess inventory
Mid-Market / Mall Apparel	USD20-40 / USD50-90 / USD80-150	Mainstream fashion, office + casual	Gap Inc., American Eagle Outfitters, Abercrombie & Fitch, Macy's private labels	Department store + brand retail
Premium / Aspirational	USD40-80 / USD100-200 / USD150-350	Quality, brand-led, higher-income	Levi Strauss & Co., Ralph Lauren Corporation, Nike, Inc., Lululemon Athletica, Vuori	Higher ASP, lifestyle branding, DTC mix
Accessible Luxury / Bridge	USD80-150 / USD200-400 / USD300-800	Affluent consumers, occasion/prestige	Michael Kors, Coach New York, Tory Burch LLC	Premium branding, outlet presence
Luxury / Designer	USD200-600 / USD600-1,500 / USD1,000+	Affluent / HNIs, exclusivity	Gucci, Louis Vuitton, Prada, Hermès	High gross margins, prestige, and low discounting

Source: MOFSL

US imports in the apparel segment

The US apparel import market has remained largely flat over the past decade, declining marginally from USD85.7b in 2014 to USD81.7b in 2025, reflecting demand maturity and periodic inventory corrections. China continues to be the largest supplier, but its share has sharply declined from 37% to 15%, highlighting a structural shift in outsourcing. The biggest beneficiaries have been Vietnam and Bangladesh, which have gained a significant share due to competitive costs, strong manufacturing ecosystems, and favorable trade positioning.

This trend underscores a clear diversification of sourcing away from China, driven by rising costs, geopolitical considerations, and the “China+1” strategy adopted by global brands. Countries like India, Cambodia, and Pakistan have also gained share, albeit more gradually, while Mexico and Indonesia have seen declines due to competitiveness issues. Overall, the US sourcing landscape is becoming more

fragmented, with supplier selection increasingly driven by cost efficiency, trade access, and supply chain diversification rather than dependence on a single dominant country.

Exhibit 44: US import data for apparel

Particular Country	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
Viet Nam	9.5	13.9	17.0	5.4	3.4	11.1	15.9	20.8
Bangladesh	4.9	5.9	8.2	4.9	5.6	5.7	6.8	10.0
China	31.6	26.4	12.0	-8.5	-12.4	36.9	30.2	14.6
India	3.6	4.3	5.2	3.4	3.3	4.2	4.9	6.3
Indonesia	5.0	4.6	4.8	-0.4	0.9	5.9	5.2	5.9
Mexico	3.9	3.3	2.8	-2.9	-2.7	4.5	3.8	3.4
Italy	1.5	1.6	2.3	3.6	5.8	1.8	1.8	2.8
Cambodia	2.6	2.8	5.1	6.4	10.3	3.0	3.2	6.2
Pakistan	1.6	1.6	2.6	4.6	8.6	1.8	1.8	3.1
Sri Lanka	1.9	1.9	1.9	-0.1	-0.1	2.2	2.1	2.3
Other	19.7	21.3	20.0	0.2	-1.1	22.9	24.4	24.5
World	85.7	87.5	81.8	-0.4	-1.1	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

The EU T&A market, valued at ~USD450-500B in 2024 and importing 85-90% of its apparel needs, is alongside the US one of the most critical export destinations for global textile manufacturers including India.

EU apparel market

The EU textile and apparel market is valued at approximately USD450-500b in 2024, representing one of the world's largest and most sophisticated fashion consumption regions. The market is growing at a modest 2-3% CAGR, driven by sustainability trends, premiumization, digitalization, and athleisure adoption, though growth is tempered by mature demographics and economic uncertainties. The EU imports around 85-90% of its apparel, primarily from China, Bangladesh, Turkey, India, and Vietnam, making it a crucial export destination for global textile players. According to the UN Comtrade Database, the top five contributing countries within the EU are Germany (the largest market at ~USD100-110b), France (~USD70-80b), Italy (~USD60-70b), Spain (~USD35-40b), and the Netherlands (~USD20-25b), collectively accounting for over 60% of the region's total textile and apparel consumption.

EU imports in the apparel segment

The EU apparel import market has remained broadly stagnant, declining from USD97.6b in 2014 to USD101.7b in 2025, reflecting weak consumption growth and economic pressures across the region. China continues to be the largest supplier, even though its share has declined from 39% to 30%, indicating a gradual diversification of sourcing. Bangladesh has emerged as the biggest beneficiary, increasing its share to 22%, driven by cost competitiveness and preferential trade access, while Vietnam and Pakistan have also seen steady gains.

This shift highlights a combination of cost-driven sourcing and regional proximity advantages, with traditional suppliers like Türkiye and India losing share due to higher costs and competitiveness challenges. At the same time, near-shoring hubs such as Morocco and emerging players such as Myanmar and Cambodia are gaining relevance, supported by proximity to Europe, lower labor costs, and faster turnaround times. Overall, the EU sourcing landscape is becoming more fragmented, balancing low-cost Asian sourcing with near-shoring strategies, driven by speed-to-market, trade access, design capability, and supply chain resilience.

Exhibit 45: EU import data for apparel

Particular Country	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
China	37.7	30.1	30.0	-2.1	0.0	38.7	30.5	29.5
Bangladesh	14.7	19.8	21.9	3.7	1.7	15.1	20.1	21.6
Türkiye	12.2	11.4	9.4	-2.3	-3.1	12.5	11.6	9.3
Cambodia	3.0	4.5	5.1	4.9	2.0	3.1	4.6	5.0
India	6.2	5.6	5.1	-1.7	-1.5	6.3	5.7	5.0
Pakistan	2.4	3.4	4.4	5.4	4.3	2.5	3.4	4.3
Viet Nam	3.0	4.1	4.9	4.8	3.1	3.0	4.2	4.9
Sri Lanka	2.0	1.9	1.5	-2.1	-3.8	2.0	2.0	1.5
Myanmar	0.3	2.7	2.3	19.9	-2.8	0.3	2.8	2.3
Morocco	3.1	3.1	3.1	0.0	-0.1	3.1	3.1	3.0
Other	13.0	11.9	13.9	0.6	2.5	13.3	12.1	13.6
World	97.6	98.6	101.7	0.4	0.5	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

India-EU FTA: A game-changer for Indian textiles

India and the EU have concluded negotiations for a comprehensive free trade agreement, expected to become effective in CY 26 pending parliamentary ratification. This FTA will eliminate the current 10-12% import duty on Indian textiles and apparel, leveling the playing field with duty-free competitors like Bangladesh, Vietnam, Pakistan, and Turkey, addressing India's long-standing structural disadvantage in the world's largest apparel import market worth USD93b annually. The EU currently sources 28% from China, 21% from Bangladesh, 11% from Turkey, but only 5% from India, reflecting decades of stagnation due to tariff handicaps. The FTA unlocks a USD7-8b incremental export opportunity as European brands actively seek to diversify away from China and Bangladesh, though the ramp-up will be gradual given the EU's fragmented market structure compared to the homogeneous US market.

This agreement provides crucial relief for Indian textile exporters facing pressure from higher US tariffs (the US accounts for 33% of India's textile exports), offering a meaningful growth catalyst, particularly for downstream apparel players and companies with existing EU relationships like KPR Mill, while accelerating diversification efforts at Arvind and Welspun Living. The FTA represents a pivotal moment for India's textile sector to finally capture meaningful EU market share after years of being competitively disadvantaged by tariff structures favoring regional and duty-free status by a few competing countries.

Why is the EU retail market more complex than the US?

- The EU retail market is far more fragmented and operationally complex than the relatively unified US market. While the US is driven by a few large national retailers with centralized sourcing and standardized consumer preferences, the EU consists of 27 distinct countries, each with its own consumer tastes, languages, design preferences, sizing norms, retailer ecosystem, and regulatory requirements. Fashion preferences also vary significantly across regions, making product localization more important.
- For Indian exporters, this means growth in Europe cannot be driven through a handful of large retail relationships as in the US. Instead, success requires building multiple smaller customer relationships across countries, adapting products to regional demand, and meeting higher sustainability and compliance standards. As a result, even with tariff benefits under the FTA, export scaling in the EU is likely to be gradual rather than immediate.

The UK T&A market, valued at ~USD85-95b in 2024, imports over 95% of its apparel needs with India among the top suppliers, and the recently signed UK-India trade deal is expected to further strengthen India's competitive positioning in this market.

UK apparel market

The UK textile and apparel market is valued at approximately USD85-95b in 2024, making it one of Europe's largest fashion markets alongside Germany and France. The market is characterized by high fashion consciousness, strong e-commerce adoption (over 30% of sales), and per-capita spending of around USD1,000-1,200 annually on apparel and footwear as per Comtrade data. Growth is modest at 2-3% CAGR, driven by online channels, fast fashion, and athleisure trends, though economic pressures, including inflation and post-Brexit adjustments, have impacted discretionary spending. The UK imports over 95% of its apparel, primarily from China, Bangladesh, Turkey, and India, positioning it as a key export market for global textile manufacturers, particularly for value and mid-market fashion segments.

UK imports in the apparel segment

The UK apparel import market has contracted significantly, declining from USD27.6b in 2014 to USD21.6b in 2025 as per Comtrade data, reflecting weak consumer demand, inflationary pressures, and post-Brexit disruptions. China remains the largest supplier, though its share has fluctuated and declined overall, indicating reduced dependence. Bangladesh has emerged as the biggest gainer, increasing its share to 20%, driven by cost competitiveness and strong positioning in value apparel, while Vietnam and Pakistan have also gained traction.

This trend highlights a shift toward cost-efficient sourcing amid demand slowdown, with traditional suppliers like India and Türkiye losing share due to competitiveness challenges and higher costs. At the same time, countries such as Cambodia and Morocco are gaining relevance, supported by lower labor costs and, in Morocco's case, proximity advantages. Overall, the UK sourcing landscape is becoming more concentrated toward low-cost suppliers, with supplier selection increasingly driven by affordability and supply chain flexibility in a subdued demand environment.

Exhibit 46: UK import data for apparel

Particular Country	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
China	7.9	4.8	5.4	-3.4	1.9	28.8	19.4	25.0
Bangladesh	2.8	3.6	4.8	5.0	4.7	10.3	14.6	22.2
India	1.9	1.4	1.3	-3.3	-1.1	7.0	5.7	6.1
Italy	1.4	1.8	1.0	-3.2	-9.5	5.2	7.3	4.6
Viet Nam	0.6	0.7	1.2	6.0	8.7	2.2	2.8	5.4
Türkiye	2.5	1.7	1.5	-4.4	-1.7	9.1	6.8	7.1
Cambodia	0.9	1.0	1.3	3.0	5.0	3.4	3.9	6.0
Pakistan	0.7	0.7	1.1	4.3	6.8	2.5	2.9	5.0
Sri Lanka	1.0	0.6	0.6	-3.5	0.6	3.5	2.5	3.0
Morocco	0.2	0.2	0.4	3.5	15.1	0.9	0.6	1.7
Other	7.5	8.3	3.0	-7.9	-15.5	27.2	33.4	14.0
World	27.6	24.9	21.6	-2.2	-2.3	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

UK apparel market: Post-Brexit challenges and India's growth opportunity

The UK apparel import market has declined post-Brexit sharply, falling from USD27.6b in 2014 to ~USD19.5b in 2024 due to weak demand, currency depreciation, and higher trade complexities. This has led to sourcing consolidation in favor of large suppliers like Bangladesh and China, while India's share has remained relatively low at ~6%.

India's underperformance has been driven by a tariff disadvantage, a fragmented manufacturing base, limited local presence in the UK, and weaker alignment with fast-fashion demand trends compared to Bangladesh. Bangladesh, in particular, has strengthened its position through scale, duty-free access, and deep relationships with major UK retailers.

However, India now has a meaningful opportunity to regain its share. The India-UK FTA can remove the existing 8-12% tariff gap, while global retailers are increasingly looking to diversify sourcing beyond Bangladesh and China. By improving the product mix, building stronger retailer relationships, and leveraging sustainability-led manufacturing, India can meaningfully increase its presence in the UK market over the medium term.

India-UK FTA: A strong growth catalyst for textile exports

The recently concluded India-UK Free Trade Agreement (FTA) is a major positive for the Indian textile and apparel industry. The UK imports nearly USD20b of apparel, making it one of the top global ready-made garment markets. India currently holds only about 6% market share, primarily due to the existing 8-12% import duty disadvantage versus countries such as Bangladesh, Turkey, and Cambodia that enjoy duty-free access.

The proposed FTA is expected to remove import duties, significantly improving India's competitiveness in the UK market and aligning it with key sourcing nations. Alongside the China+1 shift and rising labor costs in China, this creates a strong opportunity for India to gain market share. Over the medium term, India's UK apparel exports are likely to increase as global brands diversify sourcing, similar to Vietnam's strong post-FTA growth trajectory.

Indian home textile (HT) industry

Home textile industry

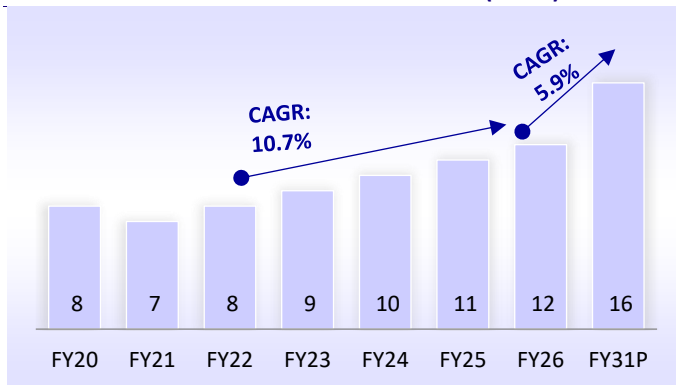
The home textiles industry comprises key segments such as bed linen, bath linen, table linen, kitchen linen, and living room furnishings, catering to both functional and aesthetic household needs. Demand in this industry is driven by evolving customer preferences for comfort, design, and personalization, alongside rising disposable incomes and the growing trend of nuclear families, which increases per-household consumption. However, the long and fragmented supply chain—from raw material sourcing to finished goods—adds complexity and cost pressures, especially amid rising input prices. These factors can influence consumer behavior, leading to delayed or reduced purchases. Overall, while the sector benefits from lifestyle-driven demand, sustained growth will depend on affordability, supply chain efficiency, and continued product innovation.

India's domestic home textiles market, estimated at ~USD12b in FY26 and growing at 10.7% CAGR over FY22-26, is projected to reach ~USD16b by FY31, driven by urbanization, rising disposable incomes, and nuclear family formation.

Indian domestic Home textile industry

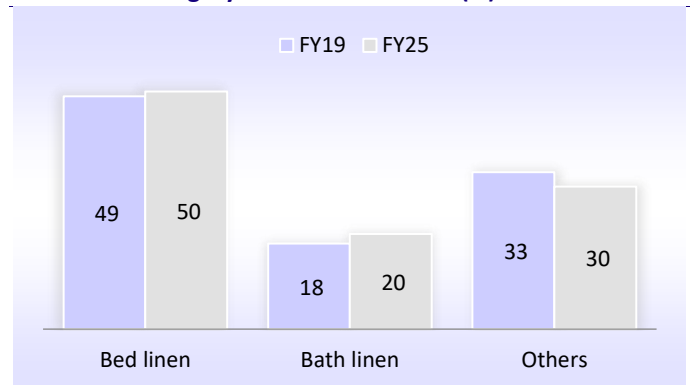
The Indian domestic HT industry has witnessed steady expansion over the past few years, supported by favorable macroeconomic trends and evolving consumer preferences. The market is estimated at ~USD12b in FY26, having grown at a CAGR of 10.7% over FY22-26, and is projected to reach ~USD16b by FY31, implying a sustained CAGR of ~5.9%, as per Wazir Advisors. This growth trajectory is being driven by rapid urbanization, rising disposable incomes, an increasing number of nuclear families, and improving lifestyle standards, which are increasing household spending on home décor and furnishings across categories such as bed linen, curtains, carpets, and upholstery. Demand is further being supported by structural shifts in consumer behavior, with a clear move toward premiumization and branded products, particularly among urban and younger consumers. The expansion of organized retail, growth in e-commerce platforms, and increasing penetration of home décor brands have improved accessibility and product awareness, accelerating category adoption. Additionally, robust housing demand—driven by government initiatives, favorable interest rates, and rising real estate activity across metro as well as Tier 2 and Tier 3 cities—continues to act as a key demand catalyst. Replacement demand, higher frequency of home upgrades, and growing preference for aesthetically appealing and functional living spaces are further expected to sustain growth momentum in the domestic HT market over the medium term.

Exhibit 47: Indian domestic HT market size (INR b)



Source: Wazir Advisors, MOFSL

Exhibit 48: Category-wise Indian HT mix (%)



Source: IBEF, MOFSL

Indian HT export market: Near-term pause, long-term potential

India’s home textile (HT) exports grew at a modest ~3% CAGR from ~USD5b to ~USD6b during CY19-25, impacted by weak post-Covid demand in key markets, retailer inventory corrections, and normalization in home consumption. Growth was also constrained by rising competition from low-cost countries like Pakistan, Bangladesh, and Turkey, along with structural challenges such as higher logistics costs and longer lead times.

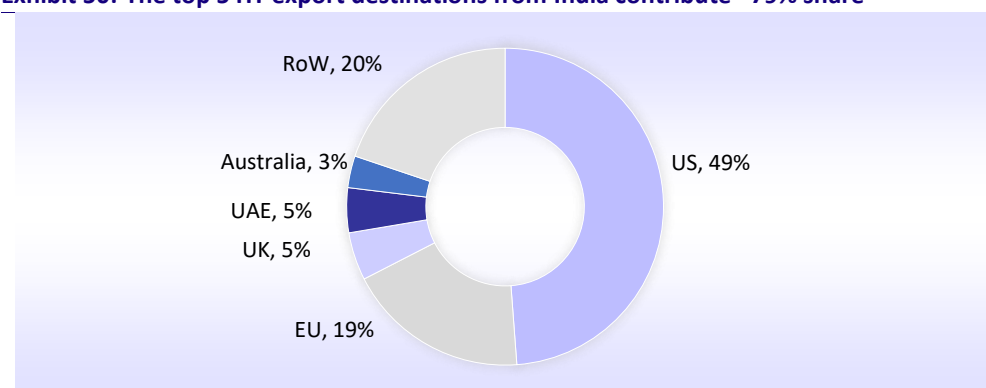
Exhibit 49: Top 10 HT export destinations from India (HS Code: 63)

Particulars Country	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
US	2,163	2,475	2,776	2.3	1.9	46.9	47.9	45.5
EU	1,022	1,044	1,306	2.3	3.8	22.1	20.2	21.4
UAE	149	159	285	6.1	10.2	3.2	3.1	4.7
UK	300	271	277	-0.7	0.3	6.5	5.3	4.5
Australia	113	128	198	5.3	7.5	2.4	2.5	3.2
Canada	112	122	150	2.6	3.5	2.4	2.4	2.5
Israel	25	51	88	11.9	9.4	0.6	1.0	1.4
Japan	59	60	60	0.2	-0.1	1.3	1.2	1.0
Mexico	18	24	40	7.6	8.9	0.4	0.5	0.7
Nigeria	15	88	31	6.9	-16.0	0.3	1.7	0.5
World	4,613	5,163	6,106	2.6	2.8	100.0	100.0	100.0

Source: Trademap, MOFSL

India accounts for ~8% of global home textile trade, with exports heavily concentrated in the US, EU, and UK, which together contribute ~72% of exports. The US remains the largest market (~49%), supported by strong demand and the China+1 sourcing shift. While growth in the EU and UK has been relatively slower due to higher competition and sustainability norms, emerging markets such as the UAE, Australia, Israel, and Mexico are gradually gaining traction, supporting export diversification.

Exhibit 50: The top 5 HT export destinations from India contribute ~79% share



Source: Trademap, MOFSL

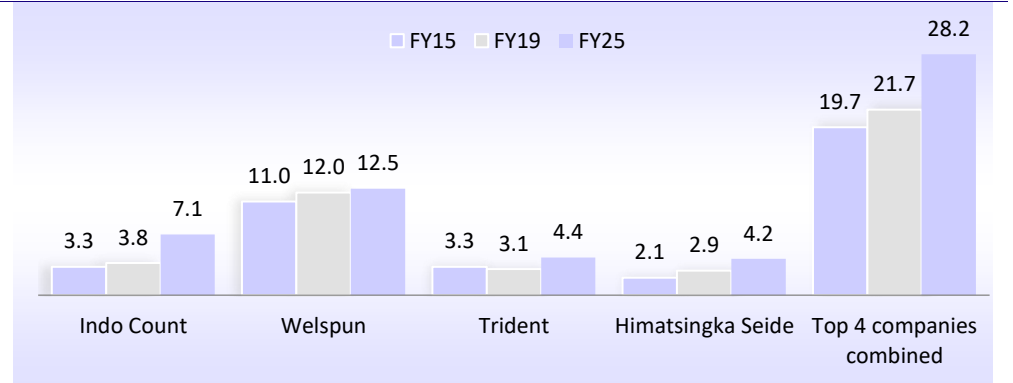
Despite near-term weakness, the long-term outlook for India’s textile exports remains positive, driven by structural tailwinds such as the China+1 sourcing shift, potential FTAs with the UK and EU, and increasing focus on value-added and sustainable products. Capacity expansion, automation, and backward integration are further strengthening competitiveness. Additionally, India’s export concentration towards the US highlights significant growth potential in underpenetrated regions like the EU, UK, and emerging markets, which could support the next phase of export growth through geographic diversification and premiumization.

Key players in the Indian HT market

The Indian HT market is characterized by the presence of a few large, export-oriented integrated players alongside a fragmented base of smaller manufacturers. Key players include Welspun Living, Indo Count, Trident, and Himatsingka Seide, which have established strong global relationships and significant scale across bed linen and terry towels. These companies benefit from backward integration, strong raw material sourcing, and established distribution networks in key markets such as the US and EU. While large players dominate exports, the domestic market remains relatively fragmented, with many MSMEs operating across clusters. The industry is gradually witnessing consolidation, driven by increasing compliance requirements, scale advantages, and a shift toward branded and value-added products.

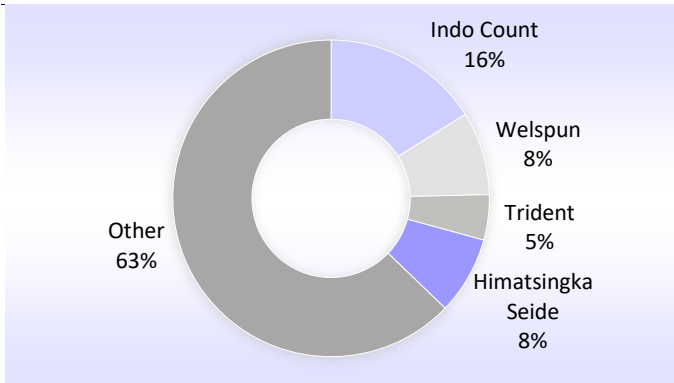
Listed players have steadily gained share in India’s HT exports, with the top four: Indo Count, Welspun Living, Trident, and Himatsingka Seide, increasing combined share from 20% (FY15) to 28% (FY25). This reflects industry consolidation, where scale, compliance, and global retailer relationships are becoming critical. Larger players are better positioned to benefit from China+1, premiumization, and sustainability requirements, while smaller exporters face margin and capability constraints, accelerating share shift toward organized players.

Exhibit 51: Increasing market share of listed companies in Indian HT exports (%)



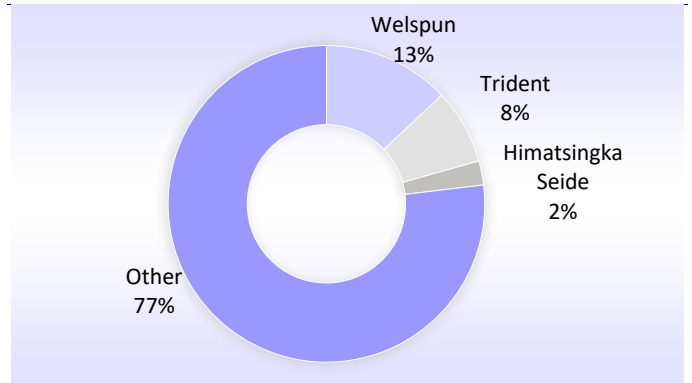
Source: Tradestat, Company, MOFSL

Exhibit 52: Market share of Indian HT Players in US cotton bed linen imports



Source: UN Comtrade, Company, MOFSL

Exhibit 53: Market share of Indian HT Players in US cotton terry towel imports



Source: UN Comtrade, Company, MOFSL

Indian home textile exporters are undertaking strategic capex to enhance scale, integration, and global presence. Indo Count is focused on capacity expansion and downstream diversification, supported by acquisitions and a greenfield US facility, while Welspun Living is driving integration and sustainability through large-scale expansion, renewable energy transition, and growth in the US utility bedding segment.

Exhibit 54: Comparison between HT companies

Particular	Welspun	ICNT	TRID
Mcap (INR b)	156	78	132
Product Focus	Towels, bed linen, rugs, pillows, carpets, advanced textiles and flooring	Primarily bed linen	Towels, bedsheets, yarn, paper
Capacity	Bath Linen - 96k MTPA Bed Linen - 108m meters Rugs & Carpets - 12m square meters Pillow – 4.5 (eff) m pcs Spunlace - 27,729 MTPA Needle punch - 3,026 MTPA Wet wipes - 100m packs Flooring – 4.7 (eff) m square meters	Bed Linen Capacity Maharashtra, India – 108m meters Gujarat, India – 45m meter Utility Bedding Capacity in US Ohio- 5m pcs (pillows) & 1m pcs (quilts) Arizona - 8m pcs (pillows) North Carolina - 18m pcs (pillows)	Bed linen – 64m mtrs Bath linen – 78k MTPA Yarn - 7.9 lakh+ Spindles Paper Production Capacity - 1,75,000 TPA
Revenue Scale (FY26) (INR b)	94	41	67
Revenue CAGR (FY22-26) (%)	0.2	9.9	
Segment Revenue (FY26) (%)	Home Textile - 87 Advanced Textiles - 5 Flooring - 8	Bed linen - 81 New business (Utility + US branded) - 19	Yarn - 27 Towel - 33 Sheeting - 15 Paper – 16
Geographical Sales Exposure (FY26) (%)	US - 59 India - 15 RoW - 26	US - 70 UK & EU - 10 India - 2 RoW - 18	India - 46 US - 18 RoW - 36
Gross Margin (FY26) (%)	46.2	54.3	48.7
Gross Margin (average FY22-26) (%)	45.8	54.9	49.0
EBITDA Margin (FY26) (%)	8.4	9.5	13.2
EBITDA Margin (avg. FY22-26) (%)	11.8	13.7	15.2
RoE (FY26) (%)	4.6	5.5	8.4
RoE (average FY22-26) (%)	11.0	15.1	11.6
RoCE (FY26) (%)	4.3	5.0	7.3
RoCE (average FY22-26) (%)	7.0	9.6	9.7
Total Asset Turnover (FY26) (%)	1.3	1.1	1.0
Total Asset Turnover (avg FY22-26) (%)	1.2	1.1	1.1
Promoter Holdings - March'26 (%)	66.2	58.7	73.7

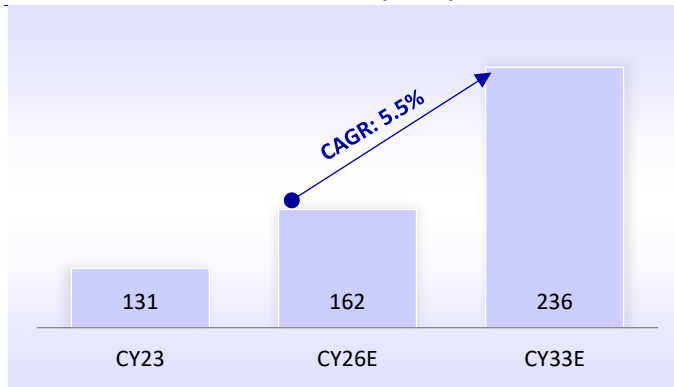
Source: Company, MOFSL

Global HT industry

The global HT industry was valued at USD131b in CY23, estimated at USD162b in CY26, and is projected to reach USD236b by the end of CY33, clocking a CAGR of 5.5%. Global home textile trade was valued at approximately USD80b in CY25, registering a CAGR of ~3% over CY19-25. This growth is being driven by rapid advancement in textile manufacturing, increased spending on new home construction, greater demand for home renovations, and high disposable incomes. The global HT industry also has major investments in infrastructure from governments to support the textile industry and promote eco-conscious manufacturing practices. The global HT industry is driven by factors like:

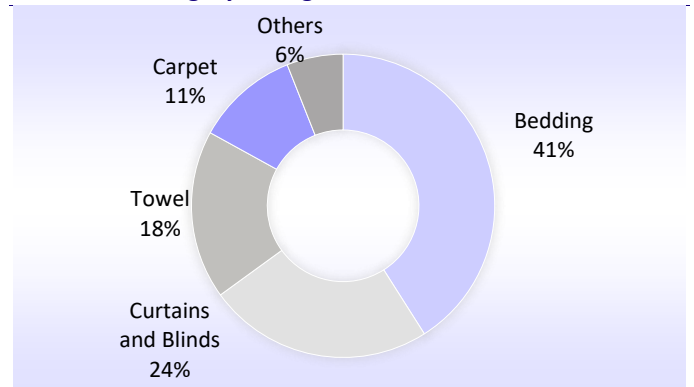
- Wellness & comfort – Growing focus on better sleep quality, enhanced comfort, and overall well-being
- Design & personalization – Rising preference for home textiles that align with evolving décor trends and individual lifestyles
- Trust & transparency – Increasing consumer emphasis on product traceability, sustainable sourcing, and ethical manufacturing practices
- Replacement & renovation demand – Periodic product replacement and home renovation cycles supported by strong brand recall and customer loyalty

Exhibit 55: Global HT market size (INR b)



Source: Indian Textile Journal, Business research insights, MOFSL

Exhibit 56: Category-wise global HT mix



Source: Business research insights, MOFSL

The global HT export market is highly concentrated, with China, India, and Pakistan collectively accounting for ~57% of global exports, led by China's dominant ~42% share (~USD33.5b) driven by scale, infrastructure, and value-chain upgradation.

Global HT export market

The global HT export market remains structurally concentrated in Asia-Pacific, due to the presence of manufacturing ecosystems, cost competitiveness, and vertical integration—from fiber to finished products—which allow countries in the region to operate efficiently at scale. This is reflected in the top three exporters—China, India, and Pakistan—collectively accounting for ~57% of global exports, underscoring a highly concentrated supply base.

China, with ~USD33.5b exports and ~42% share, maintains leadership through unmatched scale, superior infrastructure, and a well-diversified product mix that increasingly includes higher-value and man-made textile segments. Its ability to move up the value chain while retaining cost efficiencies has sustained its dominance despite global diversification efforts. Pakistan, with ~USD5.6b exports (~7% share), has strengthened its position through a focused strategy in cotton-based categories such as bed linen and towels, supported by raw material availability and preferential market access (such as duty-free entry into the EU), which enhances pricing competitiveness.

India's HT industry is anchored in its strong raw material base (particularly cotton), large-scale spinning and weaving capacity, and established presence in key categories like bed linen. Exports have grown to ~USD6.1b (~8% share), with India also benefiting from structural shifts such as the China+1 strategy and restrictions on Xinjiang cotton from China due to allegations of forced labor, which produces 80% of China's cotton, which have redirected sourcing toward alternative suppliers. However, unlike Pakistan, India's growth has been relatively measured due to tariff disadvantages in key markets like the EU, highlighting that competitiveness is not just supply-driven but also policy-linked.

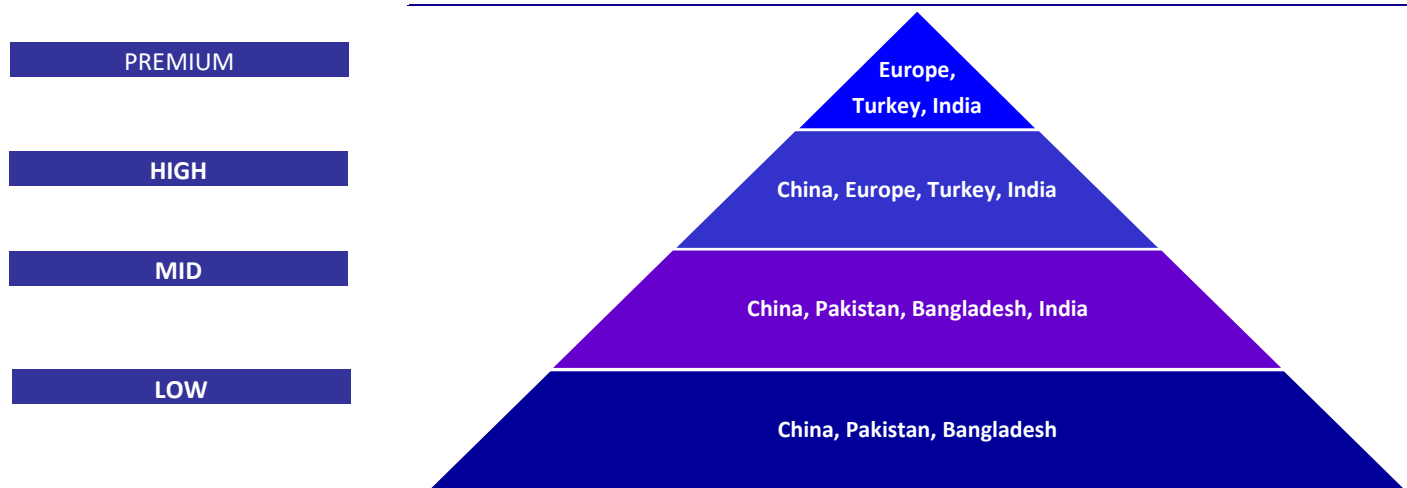
Looking ahead, the global home textile trade will be driven by supply chain diversification, premiumization, and trade policy. Incremental growth is shifting from China to other countries, while demand is increasingly favoring suppliers with strong sustainability, traceability, and design capabilities. Trade agreements will remain critical in shaping competitiveness. For India, closing tariff gaps through FTAs—while leveraging its scale in cotton-based products—will be key to capturing a larger share of global demand.

Exhibit 57: Top 10 HT export countries globally (HS Code: 63)

Particulars	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
China	28.5	27.9	33.5	1.5	3.1	42.8	41.7	41.8
India	4.6	5.2	6.1	2.6	2.8	6.9	7.7	7.6
Pakistan	3.9	4.1	5.7	3.5	5.7	5.9	6.1	7.1
Germany	3.1	3.1	3.6	1.4	2.5	4.6	4.6	4.5
US	2.2	2.2	2.8	2.0	3.7	3.3	3.3	3.4
Türkiye	2.5	2.1	2.2	-1.2	0.8	3.8	3.2	2.8
Vietnam	1.3	1.8	2.7	6.7	6.6	2.0	2.7	3.3
Mexico	1.0	1.2	1.7	4.9	6.7	1.5	1.8	2.2
Poland	1.0	1.3	1.8	5.4	4.6	1.5	2.0	2.2
Netherlands	1.2	1.3	1.6	2.5	3.2	1.9	2.0	2.0
World	66.5	66.8	80.2	1.7	3.1	100.0	100.0	100.0

Source: Trademap, MOFSL

Exhibit 58: Major export countries by price points and value additions



Source: MOFSL

North America and Europe dominate global HT demand, with the EU (~USD23.8b, 33% share) and US (~USD16.1b, 22% share) together accounting for 55% of global imports, driven by premiumisation, sustainability trends, and frequent replacement cycles.

Global HT import market

North America and Europe continue to anchor global HT demand, driven by premiumization trends, higher discretionary spending, and increasingly stringent sustainability standards. These regions are characterized by strong demand for value-added products such as branded bed linen, eco-friendly fabrics, and design-oriented home furnishings, reinforcing their position as high-margin markets for global exporters. The top 10 importing regions collectively account for ~75% of global HT trade, with the US and EU alone accounting for 55%, underscoring the concentration of consumption in developed economies. The EU-27 remains the largest HT import market globally, with imports of ~USD23.8b in CY25, accounting

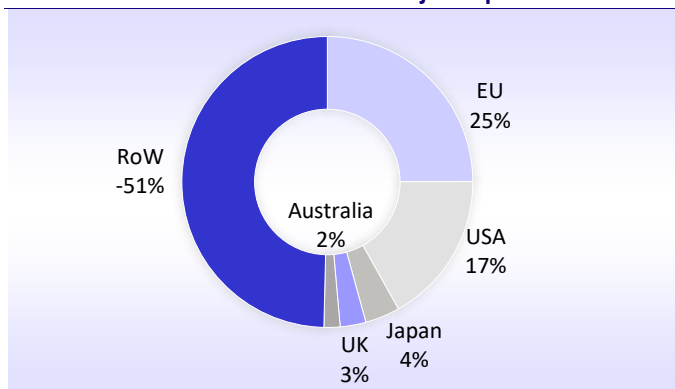
for ~33% share, supported by a large consumer base, well-established retail networks, and growing preference for sustainable and certified products. The US follows closely with imports of ~USD16.1b (~22% share), driven by strong housing demand, e-commerce penetration, and frequent product replacement cycles. Both regions have also been at the forefront of supply chain diversification, actively reducing dependence on China and increasing sourcing from countries like India, Pakistan, and Vietnam. Going forward, global HT demand is expected to be driven by housing expansion, rising renovation activity, and an increasing shift toward sustainable and premium home textile products.

Exhibit 59: Top 10 HT import destinations globally (HS Code: 63)

Particulars	Market Size (USD b)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
EU	17.7	18.9	23.9	2.8	4.0	31.6	30.6	33.0
US	13.9	16.7	16.2	1.4	-0.6	24.8	27.2	22.3
Japan	3.7	3.8	3.7	-0.2	-0.6	6.7	6.2	5.1
UK	2.6	2.6	2.7	0.4	0.8	4.7	4.2	3.8
Australia	1.3	1.4	1.7	2.7	3.6	2.3	2.2	2.4
Canada	1.4	1.4	1.6	1.3	2.3	2.5	2.3	2.2
South Korea	0.7	1.0	1.4	5.7	5.8	1.3	1.6	1.9
Mexico	0.6	0.8	1.4	7.7	10.6	1.1	1.2	1.9
Russian	0.9	0.8	0.6	-3.8	-5.1	1.6	1.3	0.8
Switzerland	0.7	0.7	1.0	2.5	4.9	1.3	1.2	1.3
World	56.0	61.7	72.4	2.4	2.7	100.0	100.0	100.0

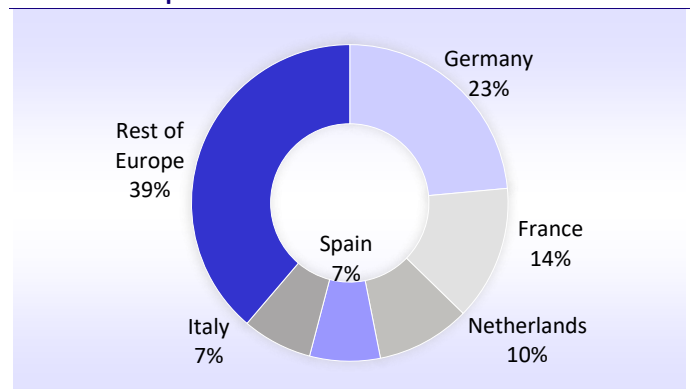
Source: Trademap, MOFSL

Exhibit 60: The US and EU are the major import destinations



Source: Trademap, MOFSL

Exhibit 61: Top 5 countries account for ~61% of EU demand



Source: Trademap, MOFSL

India vs. Pakistan: HT industry comparison

India and Pakistan rank #2 and #3 (ex-EU) in HT, with ~USD6b and ~USD5b exports and ~8% vs ~7% global share. Pakistan has seen stronger gains (+110bp) driven by EU/UK dominance in bed linen and towels, supported by Generalized System of Preferences Plus (GSP+) benefits and an export-heavy model (~15% of exports). India’s growth has been more US-led, with a rising share in towels and bed linen, despite weaker EU trends, reflecting its diversified structure (~1% HT exposure). Pakistan is a low-cost, volume-driven exporter, while India offers greater diversification, flexibility, and stronger logistics.

Exhibit 62: Comparison between Pakistan and India on different parameters on the HT front

Particular	Parameter	Pakistan	India	
Market Size and Focus	Total HT Exports	USD5.7b	USD6.1b	
	Global Market Share	~7%	~8%	
	Market Share Trend (CY14-24)		+110bp globally (~8%)	+70bp globally (~7%)
		<u>Bed linen</u>	+1757bp in EU (~57%)	-542bp in EU (~5%)
			+1583bp in UK (~62%)	-7bp in UK (~7%)
		<u>Terry Towel</u>	+125bp in US (~17%)	+81bp in US (~33%)
		+2332bp in EU (~44%)	-298bp in EU (~15%)	
	+1671bp in UK (~40%)	+135bp in UK (~27%)		
	-319bp in US (~24%)	+678bp in US (~41%)		
	Focus	Export-oriented, HT-led (bed & bath dominance)	Diversified (yarn + fabrics + apparel + ht) in domestic and export market	
Cost Competitiveness	Average Labor Cost	~USD135/month	~USD200/month	
	Power & Energy Cost	Higher (13.2 cents per KW-hr)	Lower (9.5 cents per KW-hr)	
	Overall Cost Position	Low-cost producer (advantage)	Moderate cost	
Trade & Tariff Advantage	EU	Preferential Access — GSP+ (0% duty)	Potentially will be reduced to 0% after the EU FTA	
	UK	Preferential Access — GSP+/DCTS (0% duty)	No (~12%) Potentially will be reduced to 0% after the UK FTA	
	US	Similar MFN	Similar MFN	
	Export diversification	Concentrated in the EU/UK	Concentrated in the US	
Production Model	Specialization	Highly specialized in cotton HT (bed & bath)	Broad-based across fibers, yarns, fabrics, apparel, and HT	
	Vertical Integration	High	High	
	Manufacturing clusters	Faisalabad, Karachi, Lahore, Sialkot	Panipat, Karur, Tirupur, Surat, Ichalkaranji	
Key Buyer Relationship	Buyer Type	Mass retail, value segment	Mass + premium + private labels	
Supply Chain & Logistics	Cotton Availability	Among the Top 5 countries in cotton production 5m bales (FY25-26)	Among the Top 2 countries in cotton production 23.5m bales (FY25-26)	
	Logistics Infrastructure	Improving Karachi's major port	Multi-port advantage (JNPT, Mundra, Chennai)	
Risks & Vulnerabilities	Political Stability	Volatile	Stable	
	Export Concentration	High (EU ~70-80%)	More diversified	
	Product Concentration	High (bed linen dominates ~60%+)	Diversified portfolio	

Source: Trademap, MOFSL

Advantage to Pakistan's HT players only because of the MFN status

Pakistan benefits from the Most Favored Nation (MFN) status and preferential treatment in the textiles trade. MFN-adjusted margins for Pakistan textile exporters reveal a heavy dependence on preferential duty access. Normalizing revenues to include a ~10% tariff (aligned to MFN terms) leads to a sharp compression in EBITDA margins, suggesting that a meaningful share of profitability stems from tariff arbitrage rather than inherent cost advantages. This underscores the structural benefit of preferential access. Once India secures FTAs with the EU and UK, the competitive balance in home textiles is likely to tilt in favor of Indian players over Pakistan.

Exhibit 63: MFN adjusted margins of Pakistan-based companies

(USD m)	Revenue	Total Expenses	EBITDA	EBITDA Margin (%)	MFN adj. revenue	Total Expenses	MFN adj. EBITDA	MFN adj. EBITDA Margin (%)
Gul Ahmed Textile Mills	664	600	64	9.6	597	600	-3	-0.5
Nishat Mills	741	620	121	16.4	667	620	47	7.1
Feroze 1888 Mills	237	215	21	9.1	213	215	-2	-1.0
Interloop	642	549	92	14.4	578	549	28	4.9
Sapphire Textile Mills	546	N/A	N/A	N/A	491	N/A	N/A	N/A
Kohinoor Textile Mills	458	295	163	35.5	412	295	117	28.4

Source: Bloomberg, MOFSL

US: a scaled market

The US HT market, valued at ~USD26.5b in CY25, is projected to grow at ~3.9% CAGR to ~USD33b by CY31, driven by housing demand, renovation activity, and premiumisation. The US also leads the global luxury HT segment with a ~21% share (~USD3 billion), reinforcing its position as the most attractive market for value-added home textile exporters.

The US home textiles (HT) market remains one of the largest and most structurally attractive globally, supported by high consumption levels and steady replacement demand. According to the Mordor Intelligence report, the market is valued at ~USD26.5b in CY25, estimated to be USD27.5b in CY26, and projected to grow to ~USD33b by CY31 (CAGR ~3.9%), driven by housing demand, renovation activity, and increasing preference for premium and sustainable products. According to Future Market Report, the global luxury HT market is valued at USD14b in CY25, out of which, US has the highest share ~21.4% (USD3b).

Within this, US import dynamics clearly reflect the ongoing China+1 sourcing shift, also particularly due to the ban on cotton from the Xinjiang region in China due to allegations of forced child labor, with gradual but visible market share reallocation. China continues to dominate with ~44% share in CY25; however, its share has declined from ~52% in CY2024, a notable dip of 821bp. In contrast, India has steadily strengthened its position, increasing its share to ~19% (from ~16% in CY14 and CY19), supported by consistent growth and strong competitiveness in cotton-based products. Emerging suppliers such as Vietnam and Cambodia have also gained traction, albeit from a low base, highlighting diversification of sourcing away from China.

At a category level, the shift is far more pronounced and underscores India's structural advantage. The US HT market is led by the bed linen category with ~42% share. Cotton as the raw material leads the US HT industry with 66% share, because of which India has structural benefits, as 93% of the bed linen exported by India is cotton-based. In cotton bed linen, India's share has expanded sharply from ~43% in CY14 to ~55% in CY25, while China's share has declined significantly from ~25% to ~8%, reflecting a divergence from China to other countries, including India. Similarly, in terry towels, India has increased its share from ~34% to ~43%, over CY14 to CY25, whereas China's share has reduced from ~25% to ~20% over the same period.

India will be a key beneficiary of the China+1 sourcing shift, particularly in cotton-dominated HT segments where it holds inherent advantages, as India is the second-largest cotton producer, and as the cotton from the Xinjiang region, which produces the majority of China's cotton, is banned. Its strong raw material base and manufacturing scale support continued share gains. Looking ahead, ongoing supply chain diversification, rising premiumization trends, and increasing focus on sustainability and traceability are likely to further accelerate this transition, strengthening India's position in the global home textiles export landscape.

Exhibit 64: US import data for HT (HS Code: 63)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
China	7,502	9,435	7,050	-0.6	-4.7	54.0	56.4	43.6
India	2,271	2,676	3,059	2.7	2.3	16.3	16.0	18.9
Pakistan	1,422	1,413	1,618	1.2	2.3	10.2	8.4	10.0
Mexico	819	968	1,256	4.0	4.4	5.9	5.8	7.8
Vietnam	118	177	689	17.4	25.4	0.9	1.1	4.3
Türkiye	241	262	275	1.2	0.8	1.7	1.6	1.7
Cambodia	32	38	237	20.0	35.7	0.2	0.2	1.5
Bangladesh	197	212	186	-0.5	-2.2	1.4	1.3	1.1
Portugal	111	142	163	3.5	2.3	0.8	0.9	1.0
Canada	144	205	156	0.7	-4.5	1.0	1.2	1.0
World	13,902	16,743	16,181	1.4	-0.6	100.0	100.0	100.0

Source: Tradestat, MOFSL

Exhibit 65: US import data for cotton bed linen (HS Code: 630221 + 630231)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
India	929	958	878	-0.5	-1.5	43.1	46.8	55.4
Pakistan	362	362	379	0.4	0.8	16.8	17.7	23.9
China	547	460	133	-12.0	-18.6	25.4	22.5	8.4
Portugal	63	70	60	-0.4	-2.6	2.9	3.4	3.8
Bahrain	64	63	44	-3.4	-5.9	3.0	3.1	2.8
Italy	43	36	32	-2.6	-1.8	2.0	1.7	2.0
Türkiye	65	42	23	-9.1	-9.7	3.0	2.1	1.4
Bangladesh	10	12	10	0.2	-1.9	0.5	0.6	0.7
Philippines	2	2	4	7.6	9.5	0.1	0.1	0.3
Indonesia	1	0	3	7.5	64.2	0.1	0.0	0.2
World	2,156	2,046	1,584	-2.8	-4.2	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

Exhibit 66: US import data for cotton terry towels (HS Code: 630260)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
India	668	771	872	2.5	2.5	33.8	37.4	43.3
Pakistan	543	505	512	-0.5	0.3	27.5	24.5	25.5
China	495	496	304	-4.3	-9.3	25.1	24.0	15.1
Türkiye	76	130	143	5.9	1.9	3.8	6.3	7.1
Colombia	36	46	66	5.8	7.7	1.8	2.2	3.3
Bangladesh	49	49	32	-3.7	-7.9	2.5	2.4	1.6
Portugal	14	16	31	7.8	14.7	0.7	0.8	1.6
Vietnam	3	1	25	21.7	78.1	0.1	0.1	1.2
El Salvador	13	14	6	-7.0	-15.2	0.7	0.7	0.3
Egypt	19	2	3	-15.0	6.6	1.0	0.1	0.2
World	1,974	2,064	2,011	0.2	-0.5	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

The EU HT market is projected to grow at 3.46% CAGR from USD29 billion in CY25 to USD36 billion by CY31, driven by household replacement demand, hospitality recovery, and rising institutional procurement of certified sustainable linens. Bed linen leads with a 38% share, with cotton dominating at 53% of revenues.

EU HT market: Significant growth opportunity for India with the EU FTA

The EU HT market continues to expand steadily, increasing from USD29b in CY25 to USD30b in CY26, and is projected to reach USD36b by CY31, reflecting a CAGR of 3.46%, according to a Mordor Intelligence Report. Growth is being driven by stable household replacement demand, recovery in travel and hospitality segments, and rising institutional procurement from hospitals and municipalities, which are increasingly mandating certified sustainable linens. Within the market, bed linen remains the largest segment with a 38% share, while cotton dominates the material mix, accounting for 53% of revenues in CY25.

The EU import market grew at a CAGR of 4% over CY19-25, to ~USD23.8b, while India's share has remained stable at ~6-7%, with higher share loss in key categories

like bed linen and terry towels. This is due to structural disadvantages—most notably tariff barriers—while competitors like Pakistan have gained share (now ~12%) by leveraging duty-free access under GSP+ and strong scale in core segments. China, despite gradual diversification, continues to hold a dominant ~27% share, particularly due to the major share of man-made HT exports from China, further intensifying competition.

In EU bed linen imports, India's share has sharply declined from ~10% in CY14 to ~7% in CY25, with India's exports to the EU contracting at a CAGR of ~6% over the decade. China and Pakistan dominate the MMF fiber-based bed linen import market in the EU, while Pakistan dominates the cotton bed linen import market in the EU, with 64% share. This is mainly due to the duty-free access that Pakistan has due to its MFN status. Similarly, in terry towels, India's share has reduced from ~18% to ~15%, with exports declining at a 3% CAGR over CY19-25, while Pakistan has significantly strengthened its position to ~43% share. These trends indicate that despite strong manufacturing capabilities, India has been structurally disadvantaged due to tariff barriers.

Looking ahead, the upcoming EU FTA could be a structural reset for India by removing duties (up to 12%) and restoring competitiveness against peers like Pakistan and China. This would enable India to regain its share in core cotton categories where it has scale advantages. Coupled with rising European focus on sustainability and premiumization, it creates an opportunity not just to recover share but also to move up the value chain as a reliable sourcing partner.

Exhibit 67: EU import data for HT (HS Code: 63)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
China	4,322	5,106	6,446	3.7	4.0	24.5	27.0	27.0
Pakistan	1,396	1,779	2,880	6.8	8.4	7.9	9.4	12.1
Germany	1,602	1,639	2,085	2.4	4.1	9.1	8.7	8.7
India	1,162	1,209	1,561	2.7	4.4	6.6	6.4	6.5
Türkiye	1,501	1,323	1,287	-1.4	-0.5	8.5	7.0	5.4
Poland	684	765	975	3.3	4.1	3.9	4.0	4.1
Netherlands	731	591	850	1.4	6.3	4.1	3.1	3.6
France	434	440	583	2.7	4.8	2.5	2.3	2.4
Bangladesh	419	392	518	1.9	4.7	2.4	2.1	2.2
Belgium	374	390	481	2.3	3.6	2.1	2.1	2.0
World	17,656	18,889	23,862	2.8	4.0	100.0	100.0	100.0

Source: Tradestat, MOFSL

Exhibit 68: EU import data for cotton bed linen (HS Code: 630221 + 630231)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
Pakistan	722	907	1,197	3.4	4.7	40.6	52.5	64.1
Türkiye	311	268	179	-4.9	-6.4	17.5	15.5	9.6
China	180	121	136	-7.3	2.0	10.1	7.0	7.3
India	178	147	134	-5.8	-1.6	10.0	8.5	7.2
Bangladesh	218	155	123	-5.3	-3.8	12.3	9.0	6.6
Switzerland	29	39	34	0.8	-2.3	1.6	2.3	1.8
Rep. of Moldova	35	25	15	-5.7	-7.9	2.0	1.4	0.8
Tunisia	18	12	13	-2.9	0.5	1.0	0.7	0.7
UK	-	-	11	N/A	N/A	0.0	0.0	0.6
Albania	1	9	6	24.6	-6.4	0.0	0.5	0.3
World	1,778	1,727	1,868	0.5	1.3	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

Exhibit 69: EU import data for cotton terry towels (HS Code: 630260)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
Pakistan	243	331	475	6.3	7.5	20.3	30.3	43.4
Türkiye	429	332	254	-4.7	-5.2	35.9	30.3	23.2
India	211	216	169	-2.0	-4.8	17.6	19.7	15.4
China	155	104	80	-5.8	-5.1	13.0	9.5	7.3
Bangladesh	67	66	68	0.1	0.5	5.6	6.0	6.2
Egypt	49	28	28	-4.9	0.1	4.1	2.5	2.5
UK	-	-	4	N/A	N/A	0.0	0.0	0.3
Benin	-	-	3	N/A	N/A	0.0	0.0	0.3
Vietnam	1	1	2	14.4	22.5	0.0	0.1	0.2
Switzerland	3	3	2	-4.8	-7.3	0.3	0.3	0.2
World	1,196	1,094	1,095	-0.8	0.0	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

The UK home textiles market is projected to grow at a modest 1.7% CAGR from USD7.62b in CY25 to ~USD8.46b by CY31, supported by replacement demand and wellness trends. Bed linen dominates with a 46% share, with cotton remaining the preferred material at 66% of the market.

UK HT market: Another growth opportunity for India with the UK FTA

The UK home textiles market is projected to grow steadily from USD7.62b in CY25 to USD7.75b in CY26, reaching ~USD8.46b by CY31, implying a CAGR of 1.7% over CY26-31, according to a Mordor Intelligence Report. Growth remains supported by essential replacement demand in bedding and bath linen, rising consumer preference for wellness-oriented products, and a gradual recovery in hospitality refurbishments despite ongoing cost-of-living pressures. Bed linen dominates the market with a 46% share, while cotton remains the leading material, accounting for 66% share in CY25.

The UK HT import market has remained largely flat at ~USD2.6b over CY14-25, with India's exports to the UK remaining flattish at ~USD278m and a share of ~10%. In contrast, Pakistan grew at a 3% CAGR over CY19-25, maintaining its leadership position with ~23% share, particularly dominating the bed linen segment (~65% share), while India's presence remains limited at ~10%. The absence of a free trade agreement has further impacted India's competitiveness relative to countries benefiting from preferential access.

Category trends further highlight India's relative underperformance in the UK market. In cotton bed linen, which remains a key category, India's exports have declined to ~USD40m in CY25, reflecting a decline of ~3% over the past five years, and a stagnant market share of ~9-10%. In contrast, Pakistan has significantly strengthened its dominance, increasing its share to ~65%, supported by consistent growth (~6% CAGR over CY19-25) and strong cost competitiveness. China, once a meaningful player, has witnessed a sharp decline in its share to ~7%, indicating broader sourcing diversification.

A similar trend is visible in terry towels, where India's exports have contracted at a CAGR of ~9% over CY19-25, leading to a decline in market share from ~33% to ~26%. Pakistan, on the other hand, has gained a share of ~45%, reinforcing its leadership in this segment. The overall category contraction (market down ~4% CAGR) has further intensified competition, disproportionately impacting higher-cost suppliers like India. These trends underscore the urgent need for improved trade access and cost competitiveness for India to regain its share in the UK HT market.

Looking ahead, the UK FTA could act as a structural reset for India by eliminating duties (8-12%) and restoring competitiveness against key peers such as Pakistan and China. This would enable India to regain lost share in core cotton-based categories where it enjoys strong scale and sourcing advantages, while also positioning it to better capitalize on demand recovery and premiumization trends in the UK market.

Exhibit 70: UK import data for HT (HS Code: 63)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
China	930	900	1,072	1.3	3.0	35.5	34.6	39.2
Pakistan	553	523	638	1.3	3.4	21.1	20.1	23.3
India	286	282	278	-0.2	-0.2	10.9	10.8	10.2
Türkiye	118	93	92	-2.2	0.0	4.5	3.6	3.4
Bangladesh	65	79	89	2.9	2.1	2.5	3.0	3.3
Vietnam	29	50	79	9.7	7.9	1.1	1.9	2.9
Portugal	89	48	49	-5.2	0.6	3.4	1.8	1.8
Germany	117	148	39	-9.5	-19.8	4.5	5.7	1.4
Poland	28	14	37	2.7	18.1	1.1	0.5	1.4
US	30	48	36	1.9	-4.6	1.1	1.9	1.3
World	2,623	2,602	2,734	0.4	0.8	100.0	100.0	100.0

Source: Tradestat, MOFSL

Exhibit 71: UK import data for cotton bed linen (HS Code: 630221 + 630231)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
Pakistan	140	175	251	5.4	6.2	38.3	49.1	64.6
India	31	43	40	2.3	-1.1	8.6	12.0	10.4
Bangladesh	21	25	33	4.2	5.0	5.7	6.9	8.5
China	59	31	26	-7.2	-3.1	16.2	8.9	6.7
Portugal	34	23	17	-6.1	-4.5	9.4	6.4	4.4
Türkiye	13	7	7	-6.2	-0.8	3.7	2.0	1.7
Egypt	20	11	4	-14.2	-17.0	5.5	3.2	1.0
Italy	9	5	4	-8.3	-3.6	2.6	1.3	0.9
Bahrain	-	-	2	N/A	N/A	0.0	0.0	0.5
Ireland	4	1	1	-10.5	-2.3	1.2	0.4	0.3
World	366	356	388	0.5	1.5	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

Exhibit 72: UK import data for cotton terry towels (HS Code: 630260)

Particulars	Market Size (USD m)			CAGR (%)		Market Share (%)		
	CY14	CY19	CY25	CY14-25	CY19-25	CY14	CY19	CY25
Pakistan	71	68	91	2.3	6.1	23.3	27.4	44.9
India	79	83	52	-3.7	-8.7	25.8	33.3	25.7
Türkiye	41	33	20	-6.2	-9.5	13.5	13.5	9.9
China	33	20	15	-6.9	-5.7	10.7	8.0	7.3
Bangladesh	13	17	-	-100.0	-100.0	4.2	6.7	0.0
Portugal	35	13	11	-9.8	-3.5	11.4	5.4	5.5
Ireland	7	2	1	-16.7	-11.0	2.4	0.7	0.5
Italy	1	1	1	-6.2	-14.9	0.4	0.5	0.3
Sri Lanka	0	-	-	-100.0	0.0	0.1	0.0	0.0
Bulgaria	0	0	-	-100.0	-100.0	0.0	0.0	0.0
World	305	248	203	-3.6	-3.9	100.0	100.0	100.0

Source: UN Comtrade, MOFSL

Companies

Gokaldas Exports: CMP: INR819 | TP: INR1,110 (+36%) | BUY

Summary	51
Investment Thesis	55
Valuation & view	65

Arvind: CMP: INR517 | TP: INR670 (+30%) | BUY

Summary	71
Investment Thesis	75
Valuation & view	86

Pearl Global Industries: CMP1,793 | TP: INR2,300 (+28%) | BUY

Summary	92
Investment Thesis	96
Valuation & view	106

KPR Mill: CMP: INR1,160 | TP: INR1,200 (+3%) | NEUTRAL

Summary	112
Investment Thesis	116
Valuation & view	126

Indo Count Industries: CMP: INR395 | TP: INR550 (+39%) | BUY

Summary	132
Investment Thesis	136
Valuation & view	146

Welspun Living: CMP: INR162 | TP: INR200 (+23%) | BUY

Summary	152
Investment Thesis	156
Valuation & view	166

Trident: CMP: INR26 | TP: INR28 (+6%) | NEUTRAL

Summary	172
Investment Thesis	176
Valuation & view	186

Vardhman Textiles: CMP: INR657 | TP: INR700 (+6%) | NEUTRAL

Summary	192
Investment Thesis	196
Valuation & view	205

Company Update

Kitex Garments	211
----------------------	-----



Gokaldas Exports

 BSE Sensex
77,094

 S&P CNX
24,103


Stock Info

Bloomberg	GEXP IN
Equity Shares (m)	73
M.Cap.(INRb)/(USDb)	49.8 / 0.5
52-Week Range (INR)	975 / 531
1, 6, 12 Rel. Per (%)	-3/-8/-20
12M Avg Val (INR M)	570
Free float (%)	90.8

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	39.9	47.2	55.5
EBITDA	3.6	4.9	6.3
EBITDA (%)	8.9	10.4	11.3
Adj. PAT	1.0	2.2	3.0
EPS (INR)	13.7	27.6	38.2
EPS Gr. (%)	-38.4	101.8	38.4
BV/Sh. (INR)	302.3	398.0	437.8

Ratios

Net D/E	0.4	0.1	0.1
RoE (%)	4.7	8.7	10.0
RoCE (%)	5.3	8.4	9.8
Payout (%)	0.0	0.1	0.1

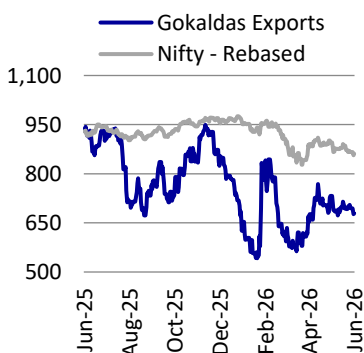
Valuations

P/E (x)	59.9	29.7	21.5
P/B (x)	2.7	2.1	1.9
EV/EBITDA (x)	19.2	14.0	10.7
Div. Yield (%)	0.0	0.2	0.2

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	9.2	9.2	9.4
DII	37.6	39.0	36.8
FII	19.8	23.7	25.8
Others	33.4	28.1	28.0

Stock Performance (1-year)


CMP: INR819
TP: INR1,110 (+36%)
Buy

Balanced portfolio with geographical diversification

- Gokaldas Exports (GEXP) operates a multi-country manufacturer model among Indian apparel exporters. Its manufacturing footprint spans India (52m garments) and East Africa—Kenya and Ethiopia (40m garments through Atraco) for its garments business. Additionally, it holds a 19% stake in BTPL (India), a fabric processing unit with a capacity of ~7m meters/month, supporting backward integration.
- We expect the India business to clock 10% CAGR over FY26–28, with the operating margin at ~12–13%, supported by a capacity addition of 5m pieces. We expect ~26% CAGR over FY26-28 for Atraco, with ~55% utilization. We also project an operating margin of ~9% by FY28, led by higher utilization. BTPL is expected to contribute INR6.6b revenue (net of internal consumption) at a 7% operating margin by FY28.
- GEXP drives growth through deep, direct relationships with leading global apparel brands, ensuring scalability and resilience. Its top five clients – GAP, Carhartt, Columbia, JCPenney, and Abercrombie & Fitch – contribute ~65–70% of revenue, yet GEXP's penetration within each account remains low, offering notable headroom.
- We model a revenue, EBITDA, and PAT CAGR of 18%, 33%, and 73%, respectively, over FY26-28E, fueled by domestic business supported by Africa.
- We initiate coverage on GEXP with a BUY rating and an EV/EBITDA-based TP of INR1,110, valuing the stock at 14x FY28E EV/EBITDA (25% premium to the 10Y mean).

Geographical diversification helps to sustain growth

GEXP operates a multi-country manufacturer model among Indian apparel exporters. The company's manufacturing footprint spans India (52m garments) and East Africa—Kenya and Ethiopia (40m garments through Atraco) for its garments business. Additionally, it holds a 19% stake in BTPL (India), a fabric processing unit with a capacity of ~7m meters per month, supporting backward integration. We believe the India business, excluding Matrix revenue, would grow 10%, led by a 2% improvement in realization (realization per piece at INR765 as of FY26), with over 85% capacity utilization. Matrix India (realization per piece at INR570 as of FY26) expects 10% growth with a 68% utilization level. We expect 26% CAGR over FY26-28 for Atraco, with 55% utilization. We also project a high single-digit operating margin of 9% by FY28, led by higher utilization and higher throughput per line. BTPL is expected to contribute INR6.6b revenue (net of internal consumption) at a 7% operating margin by FY28. We expect the consolidated business to clock a 18% CAGR during FY26-28, with 11.3% operating margin in FY28 (expansion of 240bp from FY26).

Successful M&A the key enabler for GEXP's growth strategy

GEXP's recent M&A signals a shift from incremental capacity expansion to strengthening its structural competitiveness across cost, complexity, and geographic diversification. The Atraco acquisition (Aug'23) provides significantly lower labor costs and favorable tariff structures. Despite initial integration challenges, including workforce re-badging, operations have stabilized, with ongoing capacity expansion expected to increase total capacity to 45m units and utilization to 55% by FY28. The acquisition of Matrix Clothing (Feb'24) strengthens GEXP's product portfolio by establishing a dedicated knitwear vertical, addressing the earlier gap in its predominantly woven-focused mix.

Further, its exports are diversified across North America (76%), Europe (8%), and Asia (16%); the acquisition adds a largely non-overlapping client base, strengthening access to Europe/UK and reducing US dependence. GEXP's backward integration into fabric processing through BTPL is a critical pillar of its long-term investment thesis. We expect BTPL to generate revenues of INR6.6b in FY28 (net of internal consumption) with 7% EBITDA. Together, these acquisitions reposition GEXP for sustained double-digit growth and margin expansion over FY26-28E.

Strong customer relationships lead to double-digit revenue growth

GEXP's competitive strength lies in its technically complex, high-value product portfolio, such as winter jackets, outerwear, seam-sealed garments, etc. Casualwear & fashionwear is one of the largest categories for GEXP, followed by outerwear. GEXP mainly produces woven products. However, after the acquisitions of Matrix and Atraco, it is now diversifying into the growing knitwear segment (~20%). A seasonally balanced production cycle, along with vertically integrated fabric processing, enables faster turnaround and cost-efficient execution. The company drives growth through deep, direct relationships with leading global apparel brands, ensuring scalability and resilience. Its top five clients – GAP, Carhartt, Columbia, JCPenney, and Abercrombie & Fitch – contribute ~65–70% of revenues, yet GEXP's penetration within each account remains low, offering significant headroom. Strategic acquisitions such as Matrix and Atraco have expanded both the product portfolio and customer base with minimal overlap, while rising engagement with UK and European clients supports geographic diversification amid global sourcing shifts.

Financial outlook

GEXP is a leading player in India's apparel export market, with a strong track record of outpacing industry growth. We project an 18% revenue CAGR over FY26–28, supported by the Indian business with a 10% growth rate. We expect 26% revenue CAGR for Atraco over FY26-28 with an utilization of 55%. As profitability improves and capacities scale up, return ratios are expected to recover and remain ~10% by FY28E, indicating improving capital efficiency over the medium term. Overall, the company's revenue, EBITDA, and PAT are expected to clock an 18%, 33%, and 73% CAGR, respectively, over FY26-28.

Valuation & view: Initiate coverage with a BUY rating

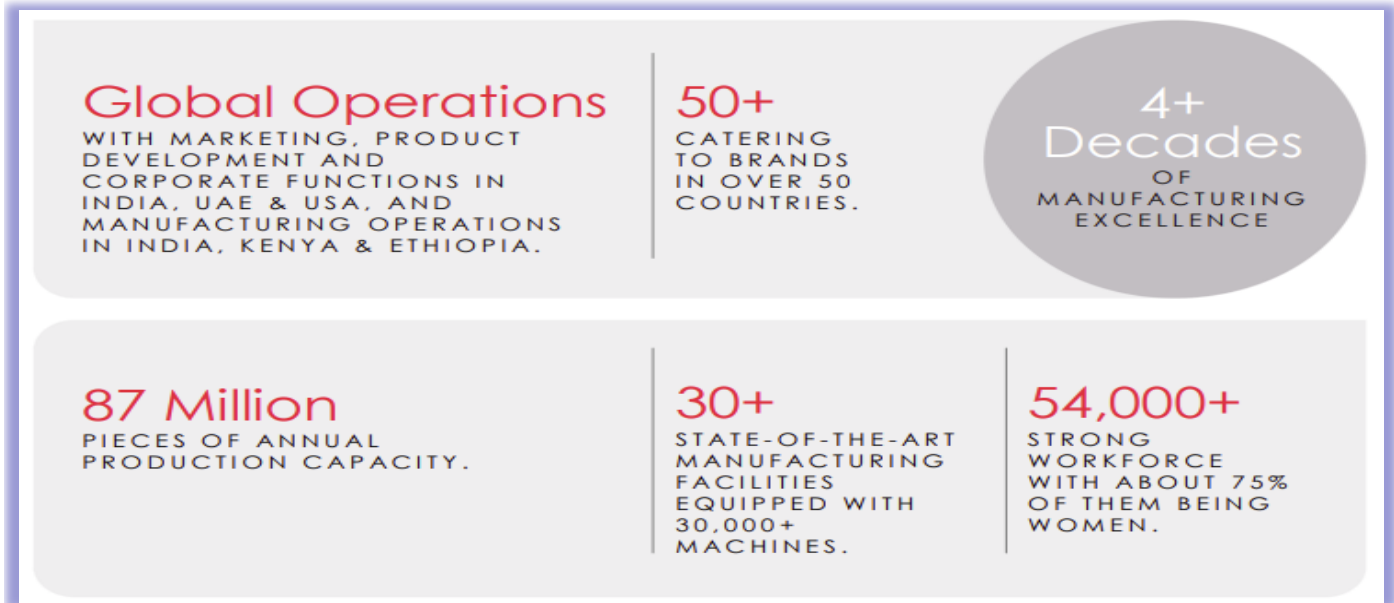
We initiate coverage on GEXP with a BUY rating and an EV/EBITDA-based TP of INR1,110, valuing the stock at 14x FY28E EV/EBITDA (25% premium to the 10Y mean led by better visibility and 3x PAT growth). We believe GEXP benefits from a well-diversified portfolio and a multi-country manufacturing model, providing a competitive edge over peers, though clarity on FTAs and US tariffs may speed up revenue growth in the medium term, in our opinion. As integration stabilizes, we expect margin improvement of ~240bp over FY26-28E.

Key risks and concerns

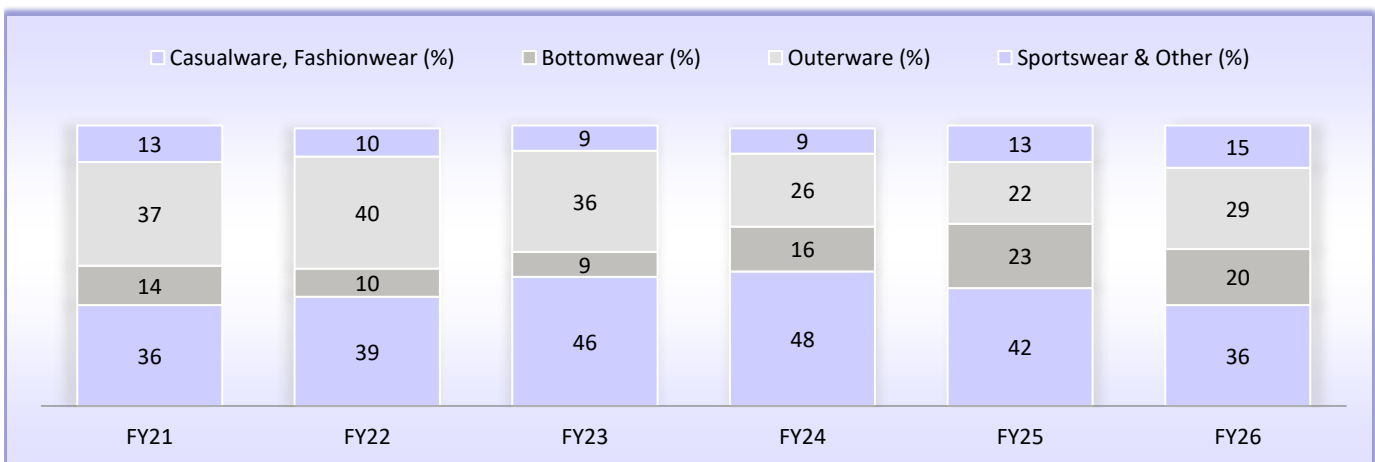
Key risks to our call would include: 1) tariffs and the US exposure risk, 2) raw material and cost pressures, and 3) project & customer concentration risk.

STORY IN CHARTS

GEXP at a glance



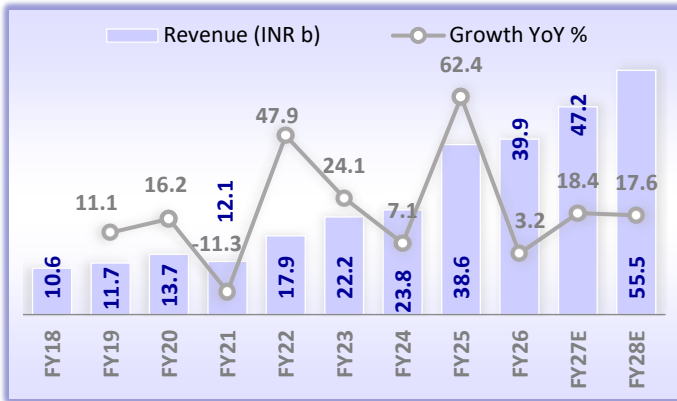
Category-wise revenue bifurcation



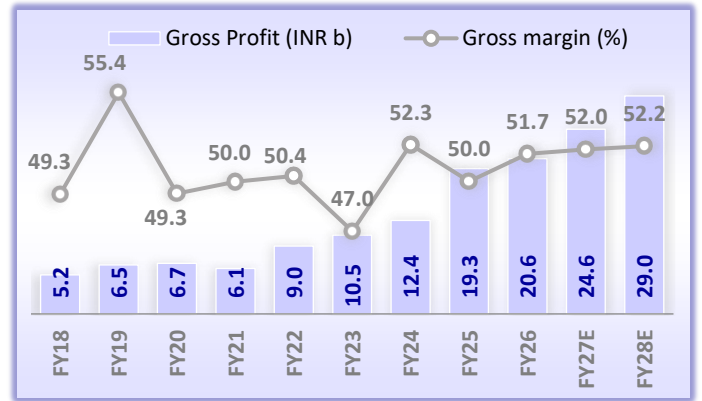
Key metrics of the company's business from different countries

	India (excluding Matrix)	Matrix	Africa
Sales FY26 (INR m)	25,725	4,203	6,920
CAGR FY22-26	11.5%	(8.6%)	NA
CAGR FY26-28E	10.1%	9.5%	25.8%
Capacity FY26	39.5 m pieces	12.5 m pieces	40.0 m pieces
Capacity utilization	85.1%	59%	41%
EBITDA margin FY26	11.4%	11.0%	2.3%

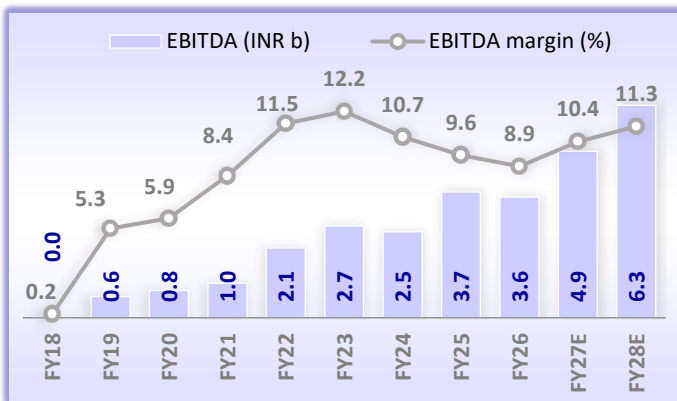
Revenue and revenue growth trends



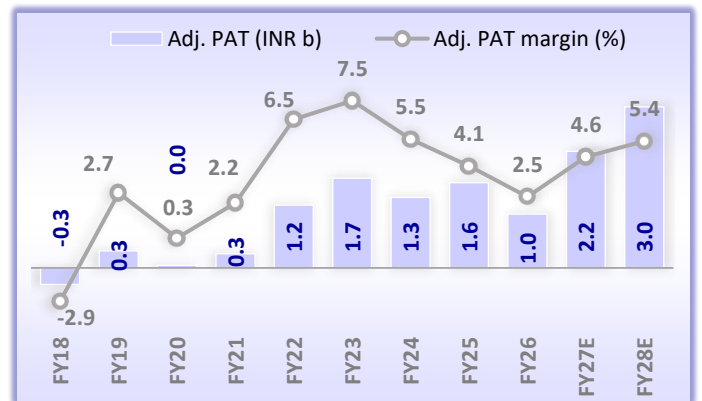
Gross profit and Gross margin trends



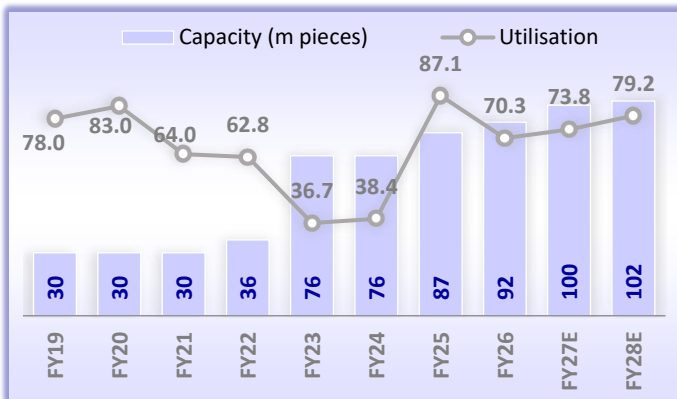
EBITDA and EBITDA margin trends



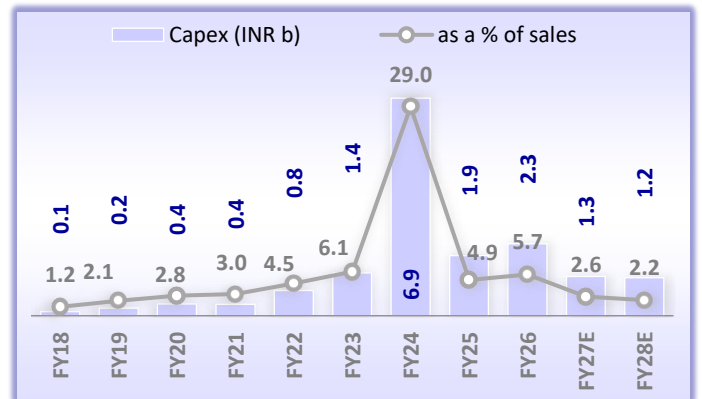
PAT and YoY growth trends



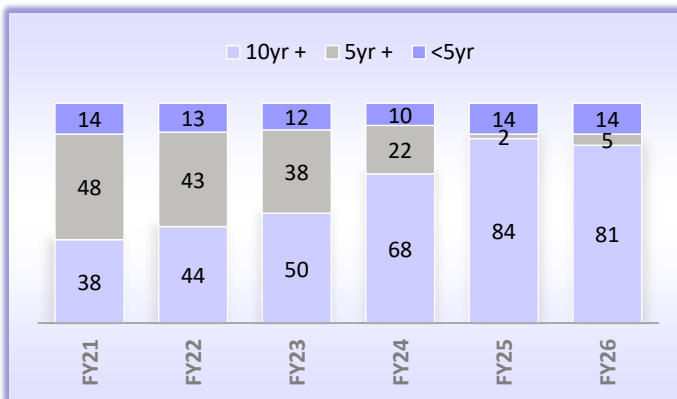
Total capacity and capacity utilization trends



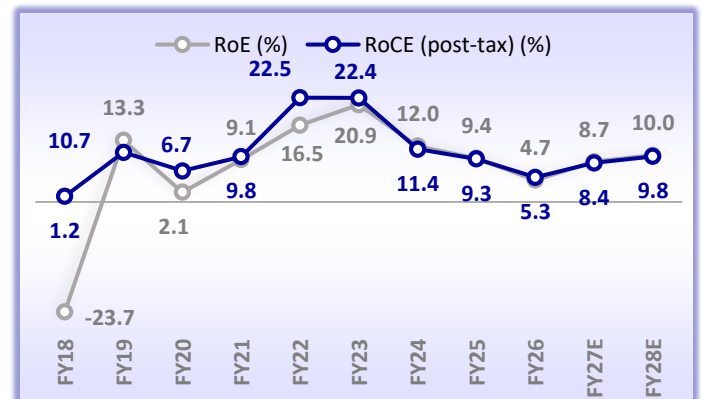
Capex trend



Rising revenue share from long-term customers (10+ yrs)



Return ratios (%)



Geographical diversification: A structural risk mitigant

India remains the backbone of GEXP’s capability

GEXP operates a multi-country manufacturer model in Indian apparel exports. The company’s manufacturing footprint spans India (52m garments) and East Africa—Kenya and Ethiopia (40m garments through ATRACO) for its garments business. Additionally, it holds a 19% stake in BTPL (India), a fabric processing unit with a capacity of ~7m meters per month, supporting backward integration.

India remains the backbone of GEXP’s capability, which produces the high-SMV, complex woven portfolio that drives superior realizations and margin stability, supported by deep technical capabilities and an established manufacturing ecosystem. Over FY25–26, management added 5m pieces through three new factories in KGF, Ranchi and Bhopal (Unit 2). Going forward, it plans to add another 5m pieces, taking total capacity to 57m units by FY28 and generating an additional INR3.5–4.0b in revenue at steady state.

Matrix India strengthens the knitwear platform while expanding exposure to EU and UK markets, helping diversify category mix and reduce seasonal volatility. It also provides strategic insulation for GEXP from its woven-heavy US portfolio. Currently, Matrix has a capacity of 12.5m pieces, including the recently added capacity at Ranchi. Management expects Matrix India (including India business) to benefit from the BTPL acquisition through improved fabric processing and better knit quality.

Exhibit 73: Presence across multiple geographies

Particulars	India	Matrix (India)	Atraco (Kenya + Ethiopia)
Installed Capacity	39.5m garments per year	12.5m garments per year	40.0m garments per year
Strategic Role	High-SMV, high-complexity engineering	EU/UK diversification; fashion knits	US duty-free volume engine (AGOA)

Source: Company, MOFSL

The integration of BTPL further strengthens this ecosystem by improving fabric control, reducing lead times, and enhancing consistency across product lines. Currently, the company processes ~5m meters per month, with an installed capacity of ~7m meters. Through debottlenecking, capacity can be expanded to ~10m meters with INR500m capex. We expect BTPL to generate a revenue of INR6.6b (net of internal consumption) in FY28, with ~70% capacity utilization.

We believe the Indian business, excluding Matrix revenue, would grow 10% over FY26-28, led by 2% realization (per piece realization at INR765 by FY26) improvement with 85%+ capacity utilization. We expect Matrix India (realization per piece at INR570 in FY26) to grow 10% with a 68% utilization level. Overall, we expect the India business to clock 10% CAGR over FY26-28, led by high single-digit volumes.

What is AGOA?

The African Growth and Opportunity Act (AGOA) is a US trade program that allows eligible Sub-Saharan African countries to export goods to the United States duty-free. It is designed to promote economic growth, boost exports (especially apparel), and encourage industrial development by giving these countries preferential market access to the US.

Volume-driven African engine

The Atraco acquisition transformed GEXP from a single-country manufacturer into a multi-country platform, which provides duty-free exports to the US under AGOA. Meanwhile, the Atraco operations in Kenya and Ethiopia provide a cost-competitive, tariff-efficient base for servicing large US programs. This complementary allocation of roles ensures that no single geography or product category disproportionately drives performance, enhancing both earnings durability and customer stickiness. It has four factories in Kenya and one in Ethiopia, with a capacity of 40m pieces and plans to add 5m pieces in FY27 to reach 45m pieces. In FY26, revenue declined by ~18% to INR6.9b with an operating margin at 2.3%, primarily due to 1) reduced demand/order book following AGOA expiry, with the company choosing not to “buy” volumes through discounts, and 2) supply chain disruptions. We expect revenue to deliver a CAGR of 26% during FY26–28, driven by 55% utilization, as we believe the majority of these challenges are now behind the company. We also expect a high single-digit operating margin (of ~9%) in FY28, fueled by improved utilization and higher throughput per line.

During periods of elevated US tariffs on Indian exports, GEXP was able to proactively redirect production to its African facilities, preserving margins and maintaining continuity for key clients. This ability to dynamically allocate manufacturing based on trade regimes, cost structures, and demand conditions acts as a natural hedge against geopolitical disruptions and regulatory shocks. In an industry often exposed to policy volatility and sourcing shifts, such operational agility becomes a competitive differentiator rather than a defensive necessity.

Exhibit 74: African countries have lower tariffs

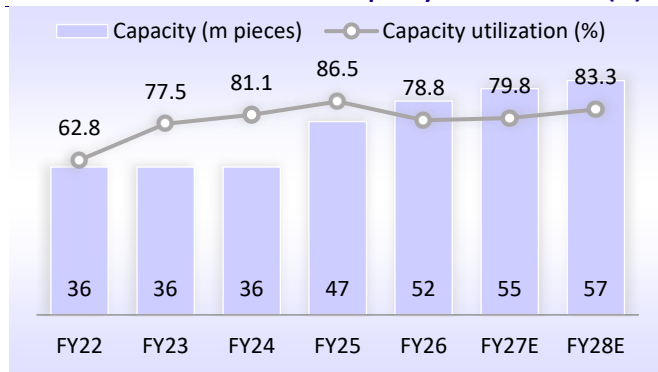
Country	Typical US Tariff on Apparel	Trade Benefit Status	Key Reason
India	(~18-22%)	No FTA / No GSP (currently)	❖ India lacks a comprehensive trade agreement with the US; standard MFN tariffs are applicable.
Pakistan	(~15-20%)	No preferential access	❖ Limited trade agreements, compliance concerns, and lower strategic alignment.
Vietnam	(~15-16%)	No direct FTA with the US	❖ Despite strong manufacturing, no bilateral FTA; it benefits more from FTAs with the EU/others.
Bangladesh	(~15-20%)	No duty-free access (for apparel)	❖ LDC status, but the US excludes apparel from GSP; still competitive due to low costs.
Indonesia	(~18-19%)	Limited GSP benefits	❖ Competitive manufacturing base, but no comprehensive FTA; benefits from diversified product mix and synthetic textile capabilities.
Sub-Saharan Africa	0% (Duty-Free)	Eligible under AGOA	❖ US policy to promote economic development; geopolitical & developmental support.

Source: MOFSL

Capacity expansion to support growth

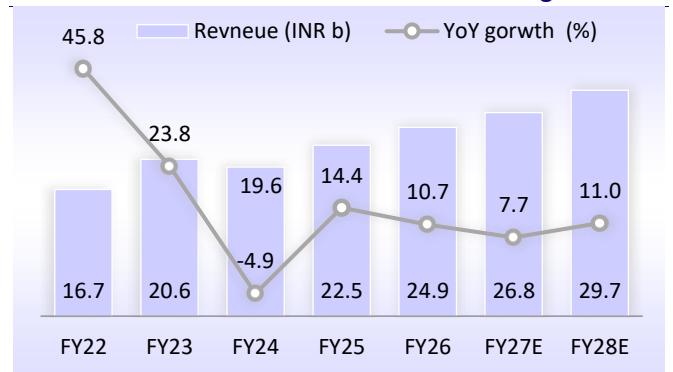
GEXP follows a capex strategy focused on expanding capacity in cost-efficient regions within India while scaling international operations to manage geopolitical and tariff risks. Growth is largely driven by organic additions via greenfield and brownfield projects, supported by investments in automation and productivity initiatives. These measures enable the company to extract an additional 3–4% capacity annually from existing facilities, improving utilization alongside new capacity creation.

Exhibit 75: India – standalone capacity and utilization (%)



Source: Company, MOFSL

Exhibit 76: India – standalone revenue and YoY growth

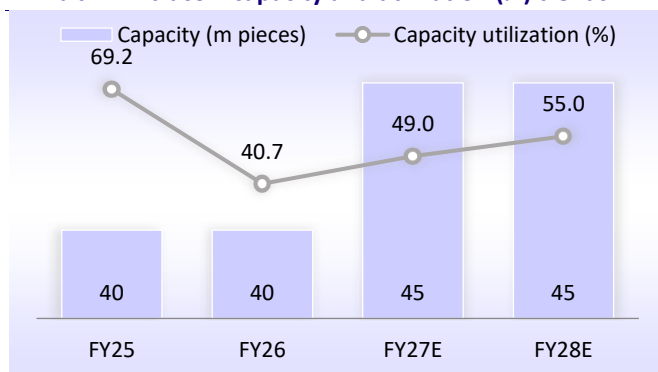


Source: Company, MOFSL

On the domestic front, GEXP is executing multiple expansion projects across key locations that are expected to contribute meaningfully to future revenues. In Madhya Pradesh (Bhopal), after stabilizing the first unit with 1,100 machines, the company is developing a second unit of similar size on the same campus, with an expected annual revenue potential of around INR1.75b once fully operational. In Karnataka, a new facility at Kolar Gold Fields is under construction with a planned capacity of about 750 machines, translating into incremental revenue of INR1.2–1.3b. Additionally, GEXP is expanding operations in Ranchi through a leased facility, with a revenue potential of INR550–600m per annum.

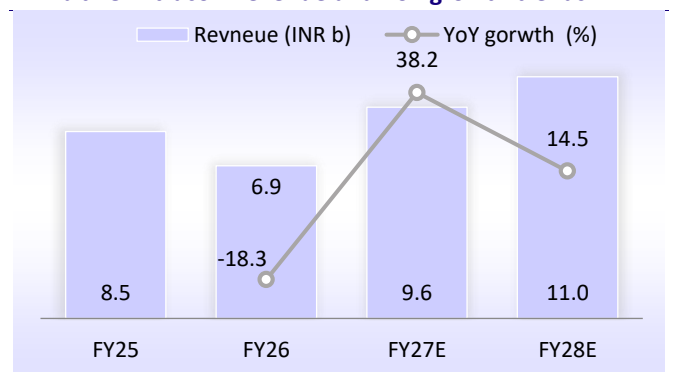
Internationally, GEXP is strengthening capacity through its Africa operations under Atraco, with a focus on Kenya to benefit from favorable tariff structures. The company is undertaking a brownfield expansion by adding 500 machines at an existing facility, with an investment of INR350m. It is expected to raise overall capacity by about 10% and generate incremental revenue of INR1.2–1.3b. Management expects Africa operations to scale faster than India, aided by the current US tariff advantage.

Exhibit 77: Atraco – capacity and utilization (%) trends



Source: Company, MOFSL

Exhibit 78: Atraco – revenue and YoY growth trends



Source: Company, MOFSL

Management expects a capex of ~INR2.0-2.5b annually over the next couple of years to support growth, with the maintenance capex stabilizing at ~INR1.2b by FY28. The company currently produces 92m pieces at a capacity utilization of 70%, and we expect output to increase to 102m pieces with utilization of ~79% by FY28.

Strategic M&A supports the next leg of growth

Successful M&A the key enabler for GEXP’s growth strategy

GEXP’s recent M&A activity marks a decisive shift from incremental capacity addition to structurally strengthening its competitive position across cost, product complexity, and geographic diversification. Matrix expanded capabilities into premium knits and Europe; Atraco gave tariff-free US access and a scale engine in Africa, whereas BTPL strengthened supply chain control and margins. Together, these acquisitions reposition GEXP for sustained double-digit growth and margin expansion as utilization normalizes during FY26-28.

GEXP acquired Atraco, a Dubai-headquartered apparel manufacturer with operations across East Africa and the UAE, in Aug’23. Established in 1986, the company operates five modern production facilities (four in Kenya and one in Ethiopia) with ~95% of its business derived from the US. In FY22, it generated INR8.4b in revenue with an operating margin of ~10-11%. Its product mix is predominantly woven (~75%), followed by knits (~25%). About 40–50% of the volume is in children's wear—a category where GEXP previously had no presence, thereby enhancing its overall product mix. Further, this acquisition provides GEXP with strategically useful manufacturing bases in different regions that benefit from significantly lower labor costs and favorable tariff structures. Ongoing capacity expansion is expected to take total capacity to 45m units, with utilization reaching ~55% by FY28. While the business was margin-dilutive in FY25 and FY26 due to low utilization and integration costs, we expect it to deliver ~26% CAGR over FY26–28, with operating margins improving to ~9% by FY28 (FY26: 2.3%).

Exhibit 79: Atraco’s revenue, EBITDA and EBITDA margin

Atraco	FY23	FY24	FY25	FY26	FY27E	FY28E	CAGR FY26-28E (%)
Revenue (INR m)	8,774	8,949	8,467	6,920	9,566	10,952	25.8
EBITDA (INR m)	820	895	593	160	574	986	148.2
EBITDA margin (%)	9.3	10.0	7.0	2.3	6.0	9.0	

Source: Company, MOFSL

GEXP acquired Matrix Clothing in Feb’24, a Gurgaon-based exporter with over four decades of experience in value-added knitwear. The company derives ~45% of its exports from Europe, followed by ~35% from North America and ~10% from the UK. The acquisition brings a largely non-overlapping marquee client base, enhancing GEXP’s access to UK and European markets, improving customer diversification, and reducing dependence on the US. It also strengthens GEXP’s product portfolio by establishing a dedicated knitwear vertical, addressing the earlier gap in its predominantly woven-focused mix. Post-acquisition, knitwear accounts for ~20% of the overall product mix, with a focus on premium, embellished products that drive higher realizations and margins. The expansion of Matrix’s Ranchi facility further reinforces the company’s low-cost manufacturing strategy. We expect this segment to grow ~10% over FY26-28, with ~100bp margin expansion being driven by the BTPL-led fabric integration, taking the operating margin to ~12% by FY28.

Exhibit 80: Matrix's revenue, EBITDA and EBITDA margin

Matrix	FY25	FY26	FY27E	FY28E	CAGR FY26-28E (%)
Revenue (INR m)	4,263	4,203	4,579	5,041	9.5
EBITDA (INR m)	469	462	527	605	14.4
EBITDA margin (%)	11.0	11.0	11.5	12.0	

Source: Company, MOFSL

GEXP acquired BTPL in Jun'24, which is a fabric processing unit in Palghar with an EV of INR8b (acquisition cost INR5.6b, debt INR2b and OCD 3.5b). Historically, BTPL suffered from underutilization; its large-scale infrastructure supports high-volume fabric processing once ramped up. GEXP currently holds a 19% stake, and management intends to merge this by FY27, with BTPL's shareholders having an option to get paid fully in equity (dilution of 7% through 5.4m equity shares) or an equity + cash deal (equity dilution of 5.5% through 4.0m equity shares and cash of INR1.2b). We expect the existing shareholder to choose option 1 with ~5.36m new shares at a price of INR895, subject to regulatory approvals. BTPL currently has a processing capacity of ~7m meters per month, which can increase to ~10m meters with ~INR500m capex. BTPL is operating at ~40% utilization, and management expects that the company has a potential of INR18b with INR2b EBITDA (~11% operating margin) over 3-5 years. At present, it has low single-digit operating losses, and management expects a break-even by 2HFY27. We expect BTPL to generate a revenue of INR6.6b (net of internal consumption) in FY28, with 7% EBITDA.

Exhibit 81: BTPL's revenue, EBITDA and EBITDA margin

BTPL	FY25	FY26	FY27E	FY28E	CAGR FY26-28E (%)
Revenue (INR m)	3,710	4,500	5,400	6,600	21.1%
EBITDA (INR m)	-1,300	-180	162	462	NA
EBITDA margin (%)	-35.0	-4.0	3.0	7.0	

 Source: Company, MOFSL, Note – BTPL's ~35% revenue is consumed internally, so on consol. level; only 2/3rd would be added

Exhibit 82: A quick synopsis of the acquisitions by GEXP

Parameter	Matrix Design & Industries Pvt Ltd (Matrix)	Atraco Group (Atraco)	BTPL (BTPL)
Core Business	Knitwear and fashion garments	Large-scale apparel manufacturing focused on basics & uniforms	Fabric dyeing & processing
Customer Base	EU and UK fashion retailers	Primarily, the US retailers	Internal supply chain support
Transaction Size	EV INR4.9b (Equity INR3.3b)	Up to USD55m	Total potential EV INR9.5–10b
Ownership Structure	100% acquisition via share swap + cash	100% equity acquisition	19% stake currently via OCDs with a path to merger
Payment Mechanism	INR2.47b share issuance + INR0.86b cash	Cash acquisition	OCD funding up to INR3.5b + equity swap options
Key Strategic Benefit	Expands product mix beyond woven garments	Duty-free access to the US under AGOA and a multi-country manufacturing footprint	Improves supply chain control and lead times
Manufacturing Capacity	12.5 m pieces annually	40 m pieces annually	7 m meters/month processing capacity
Utilization Levels	~60% utilization currently	40% utilization	40–45% utilization currently
Margin Outlook	11-12% EBITDA at scale	10-10.5% EBITDA at scale	11% EBITDA at scale
Revenue Potential (FY28)	~INR5.0b (10% CAGR over FY26-28)	~INR11.0b (26% CAGR over FY26-28)	~INR6.6b (net of internal consumption)

Source: Company, MOFSL

Scaled partnership and balanced portfolio lead to double-digit revenue growth

Scaled partnerships backed by technical depth

The company drives growth through deep, direct relationships with leading global apparel brands, ensuring scalability and resilience. Its top five clients—GAP, Carhartt, Columbia, JCPenney, and Abercrombie & Fitch—contribute ~65–70% of revenues, yet GEXP’s penetration within each account remains low, offering significant headroom. Strategic acquisitions such as Matrix and Atraco have expanded both the product portfolio and customer base with minimal overlap, while rising engagement with UK and European clients supports geographic diversification amid global sourcing shifts.

In FY26, 81% of the business came from clients who have been doing business with the company for over 10+ years; this contribution was 68% in FY24. In addition to its established customer base, clients onboarded over the past 3–5 years now contribute ~22–23% of revenue. This ensures a well-balanced mix of stable demand and incremental growth from new global partnerships.

Exhibit 83: Marquee client base



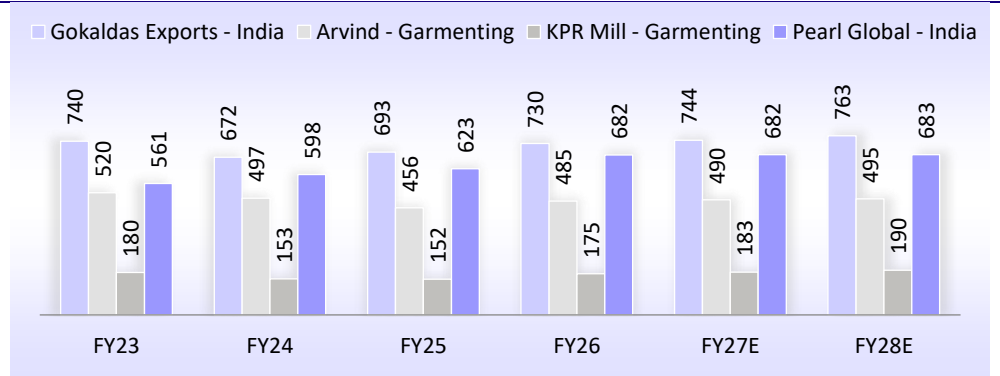
Source: Company, MOFSL

Global retailers conduct rigorous vendor audits covering compliance, safety, sustainability, labor standards, technical capabilities, and financial reliability. Once a vendor is approved, switching is difficult due to high switching costs. This results in very low churn, especially in high-engineering woven garments. Additionally, orders are typically not placed on an ad-hoc basis but through programs. These programs are multi-seasonal, volume-backed, SKU-specific, and fit-tested after months of sampling. This leads to predictable volumes, stable seasonality, repeat business, and stronger demand visibility. We believe that, given its long-standing relationships with customers, GEXP is well-positioned to secure and scale such large programs.

A better product mix provides higher realization

GEXP commands higher realizations compared to peers such as PGIL, KPR Mill, and Arvind, driven by its focus on more complex woven products. We expect this advantage to sustain going forward.

Exhibit 84: GEXP enjoys a higher realization/piece over peers



Source: Company, MOFSL

GEXP’s competitive strength lies in its technically complex, high-value product portfolio, such as winter jackets, outerwear, seam-sealed garments, etc. Casualwear & fashionwear is one of the largest categories for GEXP, followed by outerwear.

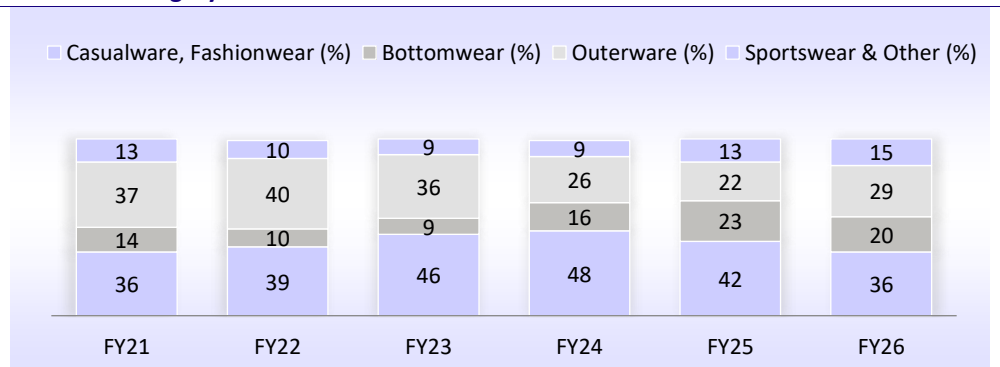
Exhibit 85: Category mix

Product category	Geography	Strategic role	Margin impact
Outerwear/Jackets	India	High engineering	High margins
Dresses/Fashion Woven	India	Capability-led	High/Medium margins
Premium Knits/Fashionwear	Matrix	EU/UK diversification	Stable margins
Casualwear	Africa	High volume, tariff-free US	Normalizing margins
Structured Woven Bottoms	India	Engineering depth	High margins

Source: MOFSL

GEXP has mainly produced woven products; however, after the acquisition of Matrix and Atraco, it has now diversified into knitwear (~20%). A seasonally balanced production cycle, along with vertically integrated fabric processing, enables faster turnaround and cost-efficient execution. This execution-driven, partnership-focused model, demonstrated even during tariff disruptions, positions GEXP as a reliable supplier as global retailers increasingly shift sourcing to India.

Exhibit 86: Category-wise revenue bifurcation



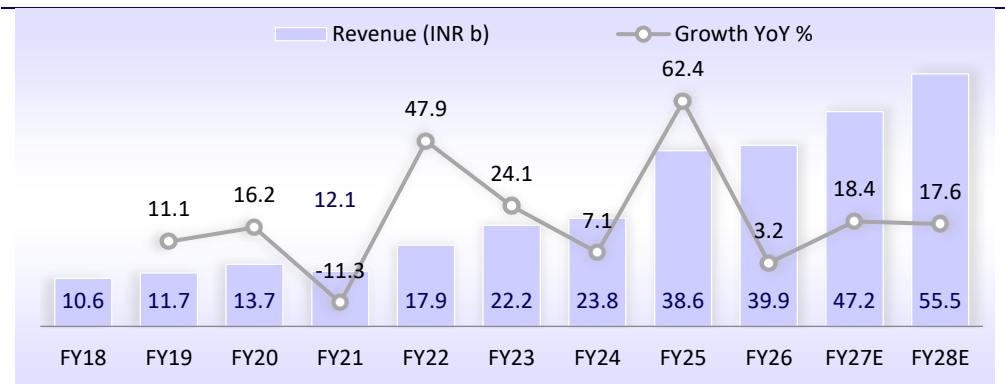
Source: Company, MOFSL

Financial outlook

Revenue CAGR estimated at 18% over FY26-28

GEXP has demonstrated a strong and structurally improving revenue trajectory over the past few years, supported by capacity expansion, acquisitions, and improving global sourcing demand. After a period of moderate growth through FY20 and a temporary decline in FY21, revenues rebounded sharply by 47.9% YoY in FY22 and continued to grow 24.1% in FY23. The company reported a sharp 62.4% jump in FY25 to INR38.6b, marking a record year, largely driven by the consolidation of acquired entities and strong order execution. Looking ahead, revenue is likely to grow in the low teens over FY26-28, implying a 18% CAGR over FY26–28E, aided by strong client relationships, capacity additions, and improving demand visibility across key export markets.

Exhibit 87: Revenue to exhibit a 18% CAGR over FY26-28

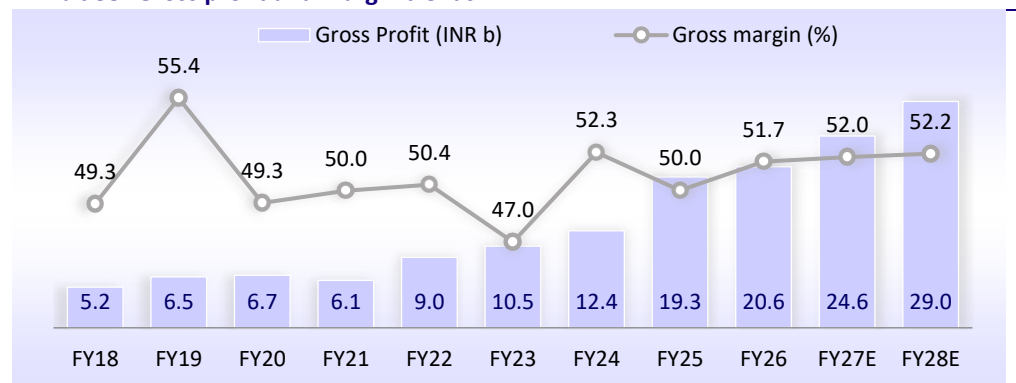


Source: Company, MOFSL

Gross margin estimated to reach over 52.2% in FY28

GEXP’s gross margins have remained broadly resilient over the years, reflecting a stable product mix and disciplined cost management despite periodic demand volatility. The margin has been hovering in the range of ~50% in the last six years over FY20-25. Looking ahead, the margin is anticipated to reach 52.2% by FY28, supported by improving scale, better operating efficiencies, and a favorable mix from higher value-added garment categories.

Exhibit 88: Gross profit and margin trends

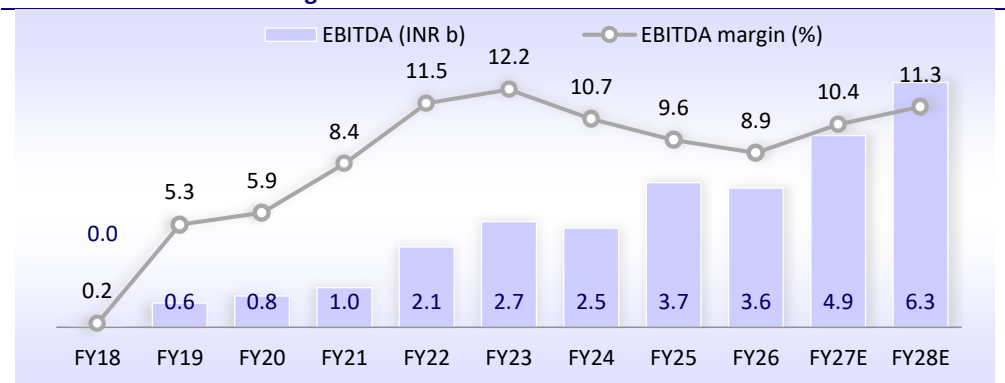


Source: Company, MOFSL

EBITDA margin to inch up to 11.3%

GEXP’s EBITDA margin trajectory has improved materially over the last few years, reflecting operating leverage benefits, better capacity utilization, and integration of acquired businesses. The margin improved sharply from 8.4% in FY21 to 12.2% in FY23, supported by strong demand recovery, productivity gains, and a favorable customer mix. However, the margin moderated to 10.7% in FY24 and further to 9.6% in FY25, largely due to integration-related costs and temporary demand softness in key export markets. Looking ahead, we expect EBITDA margins to reach 11.3% by FY28E, supported by scale benefits, improved utilization across expanded capacities, and continued efficiency initiatives.

Exhibit 89: EBITDA and margin trends

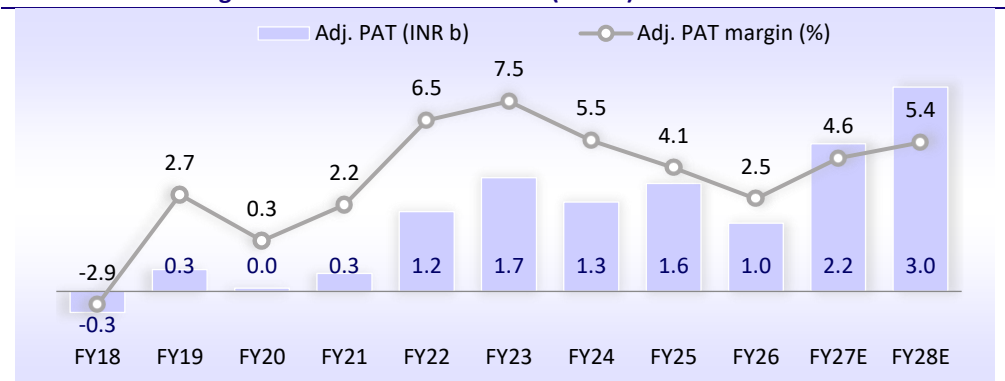


Source: Company, MOFSL

PAT expected to surge ~3x in FY28

GEXP is poised for a healthy earnings recovery, with PAT expected to grow at a robust pace over FY25–28E, supported by steady revenue growth and gradual margin normalization. Profitability remained broadly range-bound during FY23–FY25, with PAT in the INR1.3–1.6b range despite some moderation in margins. We expect earnings to strengthen meaningfully from FY26 onwards, with PAT projected to rise from INR1.0b in FY26 to INR3.0b by FY28E, implying a ~73% CAGR over FY26–28E.

Exhibit 90: PAT margin estimated at 5.4% in FY28 (INR m)

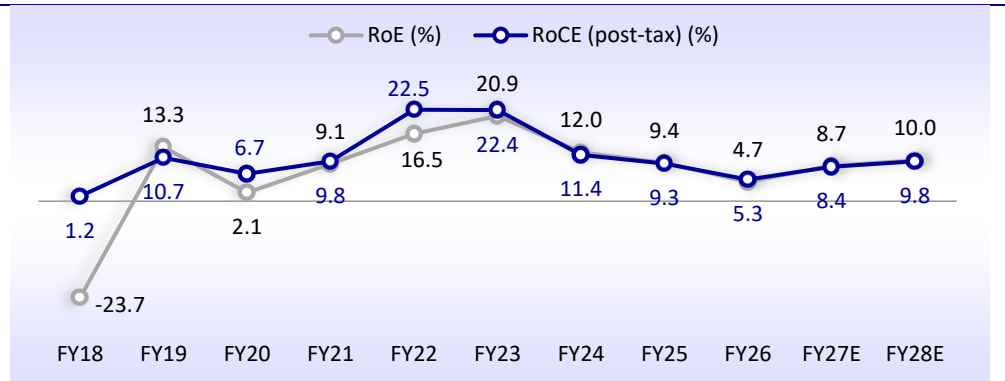


Source: Company, MOFSL

Return ratios to remain ~10% in FY28E

GEXP’s return ratios reflect a sharp post-recovery normalization followed by a gradual earnings-led recovery. RoCE and RoE peaked at 20%+ in FY22-23, supported by strong profitability and operating leverage, before moderating to high single digits in FY25. Further, they are expected to be down to mid-single digits due to margin pressures and incremental capital deployment. However, as profitability improves and capacities scale up, return ratios are expected to recover and remain ~10% by FY28E, driven by higher asset turnover.

Exhibit 91: RoE likely to reach 10% in FY28E

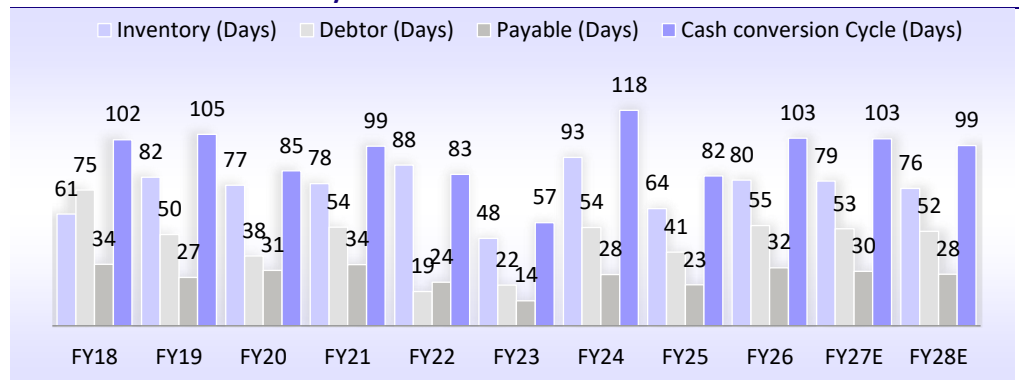


Source: Company, MOFSL

Cash conversion cycle

GEXP has maintained a relatively stable working capital cycle, with the cash conversion cycle averaging ~95–100 days over the past few years. Inventory days have largely remained in the ~55-day range, while receivable days are expected to improve gradually from 55 days in FY26 to 52 days by FY28E. Payable days are projected to remain broadly stable at ~28–30 days. Overall, we expect the cash conversion cycle to remain range-bound over the next 2–3 years, supported by steady receivables & payables and improving inventory discipline.

Exhibit 92: Cash conversion cycle



Source: Company, MOFSL

Valuation & view: Initiate coverage with a BUY rating

- We expect GEXP to benefit from:
 - Scaled global partnerships with strong growth visibility, supported by deep relationships with marquee clients and increasing contributions from the recently onboarded customers, driving stability and growth.
 - Diversified manufacturing footprint across India and Africa, enabling tariff arbitrage, cost optimization, and supply chain resilience.
 - Expansion into high-value, technically complex categories, including outerwear and premium knits, improving margin mix, and strengthening entry barriers.
 - Strategic M&A and backward integration, with Matrix enhancing knitwear capabilities and EU/UK access, Atraco providing scale and tariff advantages in Africa, and BTPL improving lead times, cost control, and margin profile.
 - Operating leverage from capacity ramp-up, with utilization improvement across existing facilities and incremental output growth without significant near-term capex intensity.

A partnership-led, execution-driven model, supported by product mix premiumization, geographical diversification, and supply chain integration, is expected to drive sustainable earnings growth and gradual margin expansion over the medium term.

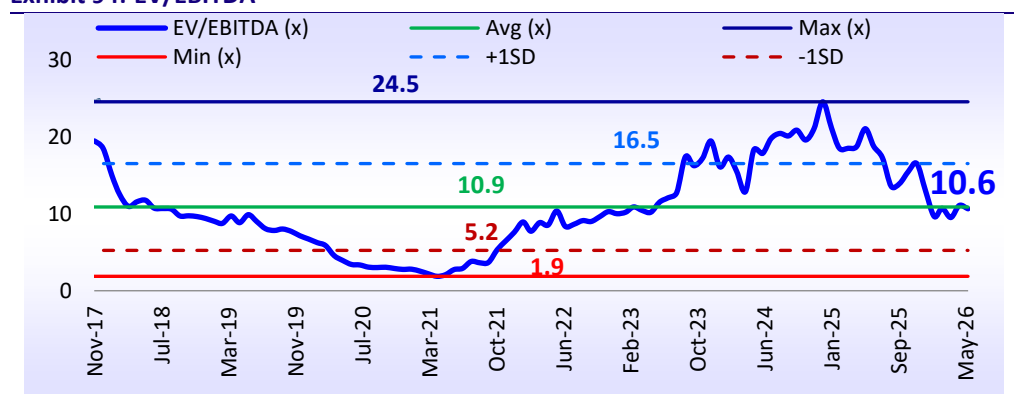
- **We initiate coverage on GEXP with a BUY rating and a TP of INR1,110 based on 14x FY28 EV/EBITDA (25% premium to the 10Y mean, led by better visibility and 3x PAT growth).**
- Key risks would include: 1) demand volatility in key markets, 2) geopolitical instability, and 3) wage inflation.

Exhibit 93: Relative valuation of the apparel companies

Companies	Mcap (INRb)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (X)			EV/EBITDA (X)			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Gokaldas Export	60	819	1,110	BUY	36	18.0	32.7	73.1	59.9	29.7	21.5	19.2	14.0	10.7	4.7	8.7	10.0
Arvind	135	517	670	BUY	30	14.9	22.6	29.3	32.8	23.5	19.6	14.9	12.5	10.4	10.5	13.5	14.4
Pearl Global	82	1,793	2,300	BUY	28	14.2	25.2	28.5	29.7	23.2	18.0	18.5	14.7	11.8	21.3	22.0	23.2
KPR Mill	399	1,160	1,200	Neutral	3	12.8	19.8	20.2	45.7	37.2	31.7	30.9	24.8	21.1	16.2	17.4	17.8

Source: MOFSL

Exhibit 94: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ✓ In our Bull case scenario, we factor in a 19% revenue CAGR over FY26-28E, driven by higher volume growth in the Africa and India businesses.
- ✓ Further, with higher volumes, we expect operating leverage to improve the EBITDA margin to 12.3% by FY28 (from 9.6% in FY25).

Bear case

- ✓ In our Bear case scenario, we factor in a 17% revenue CAGR over FY26-28E, driven by lower volume growth in Africa.
- ✓ Further, with lower volumes, we expect operating leverage to be at 10.3% by FY28 (from 9.6% in FY25).

Exhibit 95: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	17%	18%	19%
EBITDA CAGR FY26-28E	26%	33%	40%
EBITDA Margin FY28E	10.3%	11.3%	12.3%
EV/EBITDA	13	14	15
Target Enterprise Value (INR m)	73,092	89,724	1,04,185
Net Debt (INR m)	2,838	2,838	2,838
Target Equity Value (INR m)	70,254	86,886	1,01,348
Outstanding Shares (Nos m)	78.6	78.6	78.6
Target price (INR)	890	1,110	1,290
CMP (INR)	819	819	819
Upside/Downside	9%	36%	58%

Source: MOFSL

Key risks

Demand volatility in key markets

Heavy dependence on the US and Europe exposes GEXP to demand slowdowns, retailer destocking cycles, and changing fashion trends, leading to order variability and pricing pressure.

Geopolitical instability

Turmoil in Bangladesh and uncertainty surrounding the AGOA rollover in Africa can disrupt order flows. GEXP's diversified manufacturing base across six Indian states and two African countries serves as a natural hedge against these localized risks.

Wage inflation

Statutory minimum wage increases present ongoing cost challenges. GEXP mitigates this issue by focusing on operational efficiency and shifting capacity to lower-cost regions like Bhopal and Ranchi.

Company background

Founded in 1979, GEXP is a leading Indian apparel manufacturer and exporter with over four decades of experience in serving global fashion brands across more than 50 countries. The company offers end-to-end integrated capabilities, covering design and development through cutting, sewing, printing, washing, and finishing, supported by advanced machinery and modern manufacturing infrastructure. Its operations span 31 facilities located in India, Kenya, and Ethiopia, with an annual installed capacity of ~87 million garments.

GEXP caters to a wide range of international brands, including GAP, Carhartt, Columbia, JCPenney, Adidas, H&M, and Marks & Spencer. The company’s revenue is almost entirely derived from garments; the revenue is supported by a diversified product mix across woven and knit categories. With a workforce exceeding 54k, largely comprising women, Gokaldas combines scale, execution capability, and long-standing customer relationships, while North America remains its largest market, contributing nearly three-fourths of the total revenue.

Management team

Exhibit 96: Management personnel

Leader	Role	Experience
Mr. Sivaramakrishnan Ganapathi	Vice Chairman & Managing Director	❖ Sivaramakrishnan Ganapathi (Siva) oversees the company’s strategy and leadership. He has about 30 years of experience across Asia, North America, and Europe and has led GEXP over the past four years. He previously worked with the Aditya Birla Group, DSP Merrill Lynch, ICICI, and Uhde India and holds an MBA from IIM Bangalore and a Bachelor’s degree in Mechanical Engineering from NIT.
Mr. Prabhat Kumar Singh	Whole Time Director	❖ He heads Corporate Development at GEXP and handles industry engagement, regulatory coordination, government scheme projects, and funding support. He has around four decades of experience in the apparel and textile sector and has held roles in industry bodies such as AEPC. He holds a Bachelor of Business Management from Banaras Hindu University, an MBA from XLRI Jamshedpur, and a Diploma in International Marketing from Buckinghamshire College, UK.
Mr. Sathyamurthy. A	Chief Financial Officer	❖ Mr. Sathyamurthy A. has experience across manufacturing, FMCG, retail, and food processing, with prior roles at EID Parry (India), Aditya Birla Retail, Perfetti Van Melle, and Rajshree Sugars & Chemicals. He holds a bachelor’s degree in Commerce from the University of Madras, an MBA from Symbiosis, and is a Fellow Member of the Institute of Cost and Management Accountants of India. He oversees finance functions, including treasury, audit, cost management, and shareholder value, and also handles information technology, commercial operations, ESG, and corporate governance.
Mr. Balakrishna Shetty	Chief Operating Officer	❖ He is a seasoned Textile Technologist with over 33 years of extensive experience in apparel and textile manufacturing industry. His past experience was with Shahi Exports, where he served as Chief Operating Officer. He holds an M. Tech (Textiles) from Bangalore University and B. Tech (Textiles) from University of Mysore.

Source: Company, MOFSL

ESG initiatives



Environment

- The company is minimizing its environmental footprint through strategic energy and water management, prioritizing sustainable resource use.
- The company had achieved a fivefold increase in recycled fabric procurement and a 32% reduction in food waste generation while implementing 100% waste segregation at the source to drive circularity and minimize environmental impact.

Social

- The company is tirelessly working on making workplaces safe, healthy, and inclusive, along with a work environment that is free from discrimination, inequality, and harassment.

Governance

- The internal governance mechanisms are based on a strong foundation of ethics, organizational values, and compassion, and the organizational policies are designed and implemented to drive performance, create stakeholder value, and achieve sustainability goals.

SWOT analysis

- ❖ Specialization in complex garments such as jackets, outerwear, athleisure, technical sportswear (higher ASPs).
- ❖ A high repeat order rate (80%+) indicates customer satisfaction and trust.

S
STRENGTH

- ❖ High dependence on North American markets, leading to geographic revenue concentration.
- ❖ Limited bargaining power, as global brands can easily shift to Bangladesh/Vietnam if pricing not competitive.

W
WEAKNESS

- ❖ Expansion in non-US markets and increased sourcing diversification by global brands.
- ❖ Growth through capacity additions, acquisitions, and value-added product segments.

O
OPPORTUNITY

- ❖ Demand volatility from global economic slowdowns, which affect apparel consumption.
- ❖ Intense competition from low-cost manufacturing countries and pricing pressure from large buyers.

T
THREATS

Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	12,107	17,903	22,222	23,789	38,642	39,876	47,220	55,525
Change (%)	-11.3	47.9	24.1	7.1	62.4	3.2	18.4	17.6
Gross Profit	6,057	9,021	10,450	12,438	19,339	20,630	24,555	28,984
Total Expenditure	11,092	15,848	19,514	21,249	34,933	36,313	42,309	49,251
% of Sales	91.6	88.5	87.8	89.3	90.4	91.1	89.6	88.7
EBITDA	1,015	2,055	2,708	2,540	3,710	3,564	4,911	6,274
Margin (%)	8.4	11.5	12.2	10.7	9.6	8.9	10.4	11.3
Depreciation	526	589	718	888	1,284	1,669	1,850	2,106
EBIT	489	1,466	1,990	1,652	2,426	1,895	3,060	4,168
Int. and Finance Charges	345	402	257	363	774	952	992	1,019
Other Income	122	107	250	301	529	773	822	851
PBT bef. EO Exp.	266	1,170	1,983	1,590	2,181	1,716	2,891	4,000
EO Items	0	0	61	0	0	0	0	0
PBT after EO Exp.	266	1,170	2,044	1,590	2,181	1,716	2,891	4,000
Total Tax	1	-1	314	280	595	715	723	1,000
Tax Rate (%)	0.5	0.0	15.4	17.6	27.3	41.7	25.0	25.0
Reported PAT	265	1,171	1,730	1,310	1,585	1,001	2,168	3,000
Minority Interest	0	0	0	0	0	0	0	0
Adjusted PAT	265	1,171	1,669	1,310	1,585	1,001	2,168	3,000
Change (%)	458.4	342.0	42.6	-21.5	21.1	-36.8	116.5	38.4

Consolidated - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	214	295	303	317	357	366	393	393
Total Reserves	2,686	6,787	8,560	12,596	20,450	21,238	28,046	30,889
Net Worth	2,901	7,082	8,862	12,913	20,807	21,604	28,439	31,282
Minority Interest	-	-	-	-	-	-	-	-
Total Loans	3,388	631	355	6,196	6,433	9,776	9,379	7,552
Deferred Tax Liabilities	1,167	1,300	1,190	1,853	2,093	3,298	3,417	3,540
Capital Employed	7,455	9,012	10,407	20,962	29,333	34,678	41,234	42,373
Gross Block	2,217	2,634	2,890	6,009	9,000	11,054	12,304	13,504
Less: Accum. Deprn.	964	1,081	1,229	2,247	2,805	4,473	5,827	7,366
Net Fixed Assets	1,253	1,553	1,661	3,762	6,196	6,581	6,477	6,138
Capital WIP	-	110	1,079	1,280	170	1,163	581	581
Other Non-Current Asset	1,255	1,562	1,484	8,018	8,191	9,591	9,094	8,527
Total Investments	1,873	2,144	3,839	2,045	5,577	6,477	6,922	6,265
Curr. Assets, Loans&Adv.	5,518	6,744	5,358	12,307	15,238	19,730	26,847	29,725
Inventory	2,592	4,336	2,930	6,036	6,819	8,745	10,279	11,488
Account Receivables	1,798	922	1,358	3,525	4,288	6,011	6,893	7,898
Cash and Bank Balance	153	127	240	1,273	1,662	1,359	5,218	4,714
Loans and Advances	975	1,359	830	1,472	2,469	3,615	4,458	5,626
Curr. Liability & Prov.	2,444	3,101	3,014	6,449	6,039	8,864	8,688	8,863
Account Payables	1,117	1,178	840	1,841	2,383	3,488	3,870	4,308
Other Current Liabilities	995	1,483	1,599	3,899	2,858	4,380	3,723	3,351
Provisions	331	439	574	710	799	995	1,095	1,204
Net Current Assets	3,074	3,643	2,344	5,858	9,199	10,866	18,160	20,862
Appl. of Funds	7,455	9,012	10,407	20,962	29,333	34,678	41,234	42,373

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	6.2	19.9	27.6	20.7	22.2	13.7	27.6	38.2
Growth (%)	458.4	221.4	38.8	-25.0	7.4	-38.4	101.8	38.4
Cash EPS	18.4	29.8	39.4	34.7	40.2	36.5	51.1	65.0
BV/Share	67.6	120.1	146.3	203.7	291.2	302.3	398.0	437.8
DPS	0.0	0.0	1.0	2.0	2.0	0.0	2.0	2.0
Payout (%)	0.0	0.0	0.1	0.2	0.1	0.0	0.1	0.1
Valuation (x)								
P/E	132.5	41.2	29.7	39.6	36.9	59.9	29.7	21.5
Cash P/E	44.4	27.4	20.8	23.6	20.4	22.5	16.0	12.6
P/BV	12.1	6.8	5.6	4.0	2.8	2.7	2.1	1.9
EV/Sales	3.2	2.7	2.2	2.4	1.6	1.7	1.5	1.2
EV/EBITDA	37.8	23.7	18.4	22.4	17.1	19.2	14.0	10.7
Dividend Yield (%)	0.0	0.0	0.1	0.2	0.2	0.0	0.2	0.2
Return Ratios (%)								
RoE	9.1	16.5	20.9	12	9.4	4.7	8.7	10.0
RoCE	9.8	22.5	22.4	11.4	9.3	5.3	8.4	9.8
RoIC	9.5	24.3	28.4	12.6	9.2	4.6	8.5	10.5
Working Capital Ratios								
Fixed Asset Turnover (x)	5.5	6.8	7.7	4	4.3	3.6	3.8	4.1
Asset Turnover (x)	1.6	2	2.1	1.1	1.3	1.1	1.1	1.3
Inventory (Days)	78.1	88.4	48.1	92.6	64.4	80	79.5	75.5
Debtor (Days)	54.2	18.8	22.3	54.1	40.5	55	53.3	51.9
Creditor (Days)	33.7	24	13.8	28.2	22.5	31.9	29.9	28.3

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	266	1,170	1,983	1,590	2,181	1,716	2,891	4,000
Depreciation	526	589	718	888	1,284	1,669	1,850	2,106
Interest & Finance Charges	215	259	280	161	501	469	170	168
Direct Taxes Paid	26	-134	-385	-412	-461	-567	-723	-1,000
(Inc)/Dec in WC	12	-750	1,108	-4,014	-3,085	-2,720	-3,434	-3,206
Others	142	38	-16	17	153	-51	-	-
CF from Operations	1,187	1,172	3,688	-1,771	572	516	754	2,068
(Inc)/Dec in FA	-362	-798	-1,354	-6,891	-1,909	-2,281	-1,250	-1,200
Free Cash Flow	825	374	2,334	-8,661	-1,337	-1,765	-496	868
(Pur)/Sale of Investments	-56	187	-1,590	1,483	-2,376	-679	136	657
Others	96	88	30	34	78	100	822	851
CF from Investments	-322	-523	-2,914	-5,374	-4,207	-2,861	-292	308
Issue of Shares	0	2,926	43	2,475	5,969	538	4,824	-
Inc/(Dec) in Debt	-276	-2,771	-278	5,841	254	3,252	-397	-1,827
Interest Paid	-286	-251	-98	-224	-595	-661	-992	-1,019
Dividend Paid	-	-	-	-61	-	-	-157	-157
Others	-301	-334	-421	-499	-893	-1,100	118	123
CF from Fin. Activity	-862	-430	-754	7,532	4,735	2,029	3,397	-2,880
Inc/Dec of Cash	3	219	20	388	1,100	-316	3,859	-504
Opening Balance	123	153	127	240	1,273	1,662	1,359	5,218
Closing Balance	126	371	147	628	2,373	1,345	5,218	4,714

E: MOFSL Estimates

BSE Sensex
77,094

S&P CNX
24,103

CMP: INR517

TP: INR670 (+30%)

Buy



Stock Info

Bloomberg	ARVND IN
Equity Shares (m)	262
M.Cap.(INRb)/(USDb)	131.1 / 1.4
52-Week Range (INR)	515 / 275
1, 6, 12 Rel. Per (%)	19/63/47
12M Avg Val (INR M)	219
Free float (%)	60.5

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	93.0	111.8	122.9
EBITDA	10.0	12.9	15.1
EBITDA (%)	10.8	11.5	12.3
Adj. PAT	4.1	5.8	6.9
EPS (INR)	15.7	22.0	26.3
EPS Gr. (%)	15.8	39.6	19.7
BV/Sh. (INR)	154.3	171.8	192.6

Ratios

Net D/E	0.3	0.6	0.4
RoE (%)	10.5	13.5	14.4
RoCE (%)	10.3	12.2	12.7
Payout (%)	23.7	20.5	20.9

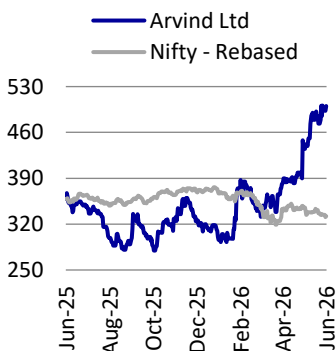
Valuations

P/E (x)	32.8	23.5	19.6
P/B (x)	3.3	3.0	2.7
EV/EBITDA (x)	14.9	12.5	10.4
Div. Yield (%)	0.9	0.9	1.1

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	39.5	39.5	39.6
DII	20.0	19.3	18.1
FII	16.1	16.5	18.7
Others	24.3	24.7	23.6

Stock Performance (1-year)



Stitching the future: A strategic transformation!

- ARVIND is a diversified textile and apparel solutions provider with strong fabric-to-fashion capabilities across global markets. The company operates through three key segments – Core Textiles (~77% of revenue), Advanced Materials Division (~20% of revenue), and Others, including Envisol, Telecom etc. (~3% of revenue).
- We expect the core textile business (vs. a 2% CAGR over FY22–26) to deliver 6% growth, led by lower US tariffs (supporting a turnaround in the US business), new FTAs with the EU and UK, and stronger domestic performance (~44% of the textile business). We expect the garments segment to grow at 15%, driven by strong volume growth in exports (~40% of garment revenues).
- The AMD segment (technical textiles TAM of ~USD33b as on FY26, with ~11% CAGR expected over FY26–32) is projected to deliver 40% revenue CAGR (vs. 16% over FY22–26), driven by the Industrial vertical, supported by the Dalco-GFT acquisition, along with ~200 bp margin expansion to ~17%.
- We model a revenue, EBITDA, and PAT CAGR of 15%, 23%, and 29%, respectively, over FY26–28, fueled by growth in the garmenting business and the AMD portfolio.
- We initiate coverage on ARVIND with a BUY rating and an EV/EBITDA-based TP of INR670, valuing the stock at 13x FY28E EV/EBITDA (30% premium to the 10Y mean).

Core textile segment is likely to grow 6%, driven by garmenting

Arvind is strategically deepening its forward integration across the textile value chain, leveraging its fabric-to-fashion capabilities to drive higher value capture and improve earnings resilience. Core textiles comprises Woven & Denim Fabric (~44% of revenue), followed by Garment (~22% of revenue) and Other textiles business (~11% of revenue). Arvind’s growth strategy is increasingly centered on the garments business, where management is targeting 15% growth and scaling capacity toward 100m units by FY31, supported by supplier consolidation trends among global brands. In contrast, the fabric business is expected to provide 5% growth, led by a turnaround in the US business. Overall, the core textile business is expected to grow 6% over FY26-28. Other textile businesses, comprising Ankur Textiles and the wholesale & retail segments, are likely to deliver 5% growth, supported by store expansion (addition of 45 stores to reach 210 stores). On margins, we expect stable ~13-14% margins on fabrics, followed by ~8% on the garment business (+200bp expansion over FY26-28).

Forward focus on the value chain to improve profitability

Arvind strategic focus on forward integration into garments is expected to materially improve profitability and return ratios by capturing a larger share of the apparel value chain. As global brands increasingly consolidate vendors, the company’s integrated fabric-to-garment model offers faster turnaround, better cost efficiency, and higher customer stickiness. We expect 15% growth driven by ~14% volume CAGR, followed by realization. We also expect a margin expansion of +200bp for garments over FY26-28 to reach ~8%, driven by automation, scale benefits, and a stronger mix of knitwear.

A greater focus on garment manufacturing is expected to drive higher volumes, supported by supplier consolidation trends among global brands. This shift will enable higher realizations compared to fabric-only supply and potentially generate incremental revenue from planned capex.

The AMD segment is likely to grow 40%, led by the Dalco-GFT acquisition

The Advanced Materials Division (AMD) marks Arvind's strategic shift from cyclical textiles toward high-value, technology-led technical textiles with superior growth and margin potential. AMD operates across Human Protection, Composites, and Industrials, with high entry barriers, stringent qualification standards, and strong customer stickiness. The Indian technical textile market stands at USD33b as on FY26 and is expected to grow ~11% over FY26-32. Recently, management acquired a 61% stake in Dalco-GFT (USD100m revenue and 17%+ EBITDA), a US-based needle-punched nonwoven manufacturer, for an EV of USD136m (7.8x on CY25), which has a mobility segment (~68% of revenue) followed by Geotextiles (~15% of revenue), Industrial (~9%) and Flooring & Furniture (~8%). We believe this acquisition will be EPS accretive from the first year, driven by 1) a strong manufacturing footprint (~75m capacity) in the world's largest needle-punch nonwoven market, supported by AAML's decades of expertise; 2) access to a ~USD2.5b US TAM; 3) cross-selling opportunities across 75+ new customers; and 4) TAM expansion due to minimal overlap in segments. Overall, AMD contributes ~20% of sales as of FY26; the segment is expected to deliver 40% (vs. 16% over FY22-26) revenue CAGR, fueled by the Industrial vertical, alongside 200bp margin expansion toward ~17%.

Financial outlook

Arvind's financial outlook remains constructive, with revenue expected to clock a steady 15% CAGR over FY26–28, supported by garment-led growth, improving capacity utilization, and a better product mix. Profitability is likely to strengthen gradually, with EBITDA margin inching up to 12.3% and APAT margin improving to 5.6% by FY28E, driven by operating leverage and mix enhancement. Consequently, return ratios are expected to improve meaningfully, with RoE/RoCE reaching 14.4%/12.7% by FY28, while working capital efficiency remains stable, with the cash conversion cycle moderating toward ~65 days. Overall, the company appears well placed for a gradual recovery in earnings quality and capital productivity.

Valuation & view: Initiate coverage with a BUY rating

We initiate coverage on ARVIND with a BUY rating and an EV/EBITDA-based TP of INR670, valuing the stock at 13x FY28E EV/EBITDA (30% premium to the 10Y mean, led by the new M&A on the AMD segment). We believe ARVIND is on the verge of a strategic transformation from a fabric-focused player to a garments-led business, which offers a larger addressable market. Additionally, the AMD segment, which comprises a high-value segment, is expected to support with its superior margin profile and strong growth potential.

Key risks and concerns

Key risks to our call would include: 1) tariffs and the US exposure risk, 2) raw material & cost pressures, and 3) project & customer concentration risks.

STORY IN CHARTS

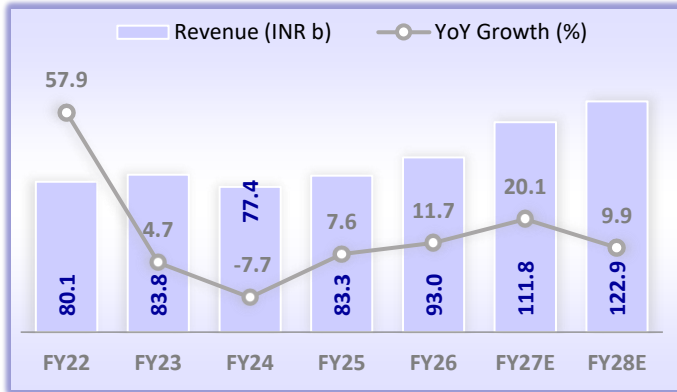
Business at a glance

Textiles	Advance Material	Other Segments
<p>Yarn</p> <ul style="list-style-type: none"> Impacted lives of over 1 Lacs farmers across 4 lakh acres of farmland in India to get a Cotton for Yarn production. 	<p>Composites</p> <ul style="list-style-type: none"> Glass Fiber and Carbon Fibers. Used for Products like Interior of Metro trains, Wind blades and Sports items. 	<p>Water Solution</p> <p>Envisol <small>POWERED BY ARVIND</small></p> <p>At Arvind Envisol, we are driven by care for the environment; beginning with preserving our planet's most valuable resource - water.</p> 
<p>Fabric</p> <ul style="list-style-type: none"> We produce Denim, Woven, Knits and Voiles. 	<p>Human Protection</p> <ul style="list-style-type: none"> Protection from Fire, Hazardous Chemicals, Blades. Initiated Production for Indian Army. 	<p>Telecom Solution</p> <p>ARYA OMNITALK <small>WALKY TALKY / GPS TRACKING / TOLL & 911M</small></p> <p>we are market leaders today, in the telecommunications business in Mini-EPABXs for the SOHO, small & medium businesses.</p> 
<p>Garments</p> <ul style="list-style-type: none"> We manufacture more than 83 million pieces of garments annually for various global companies. <p>Ankur <small>A Division of ARVIND LTD.</small></p> <ul style="list-style-type: none"> The voile fabrics produced by our Ankur division are another offering rooted in Arvind's heritage. This fabric defines our origins in 1930s.  	<p>Industrial Products</p> <ul style="list-style-type: none"> Products like Conveyer Belt, Industry Filtration. 	<p>Retail</p> <p>Arvind STORE</p> <p>The Arvind Store houses the best brands from the house of Arvind like Arrow & US Polo, and now also its Ready To Wear called "Arvind".</p> 

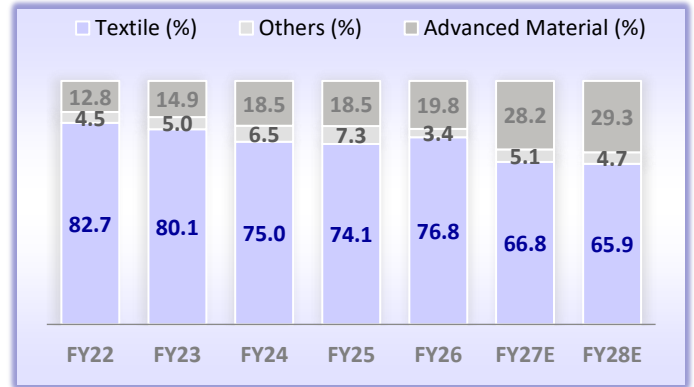
ARVIND's journey

FY 1897	FY 1931	FY 1973	FY 1980	FY 1986	FY 1993
 <p>Laibhai Dalpatbhai set up his first mill, Saraspur Manufacturing Co.</p>	 <p>the Laibhai family founded Arvind Mills</p>	 <p>The Narottam Laibhai Research Centre was established</p>	 <p>Flying Machine, India's first denim apparel brand, was launched</p>	 <p>Arvind's – and India's – first denim manufacturing plant was commissioned at Naroda Road, Ahmedabad.</p>	 <p>Arvind was able to offer high quality global apparel brands like Lee Jeans and Arrow Shirts to the Indian market.</p>
FY 2018	FY 2016	FY 2014	FY 2010	FY 1995	
 <p>Arvind Limited demerged in to four entities.</p>	 <p>Arvind Fashion Brands tied up with Sachin Tendulkar to launch True Blue.</p>	 <p>Arvine Envisol got a Global patent for its Polymeric Film Evaporation Technology. It saves 80% energy cost.</p>	 <p>The Arvind Store was set up to house the best brands of Arvind under one roof. There are currently over 180 Arvind Stores across India.</p>	 <p>To formalize its Corporate Social Responsibility (CSR) efforts, Arvind launched the SHARDA Trust.</p>	

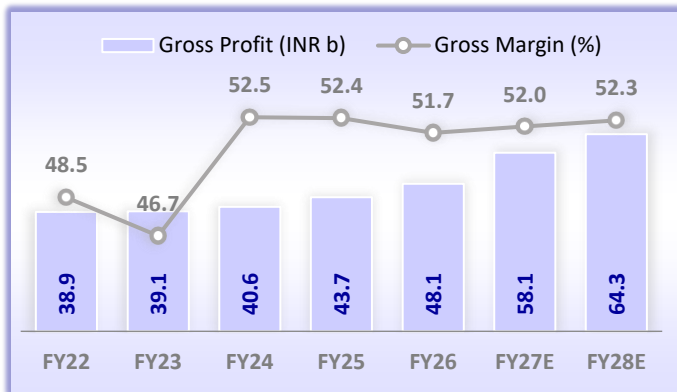
Revenue and revenue growth trends



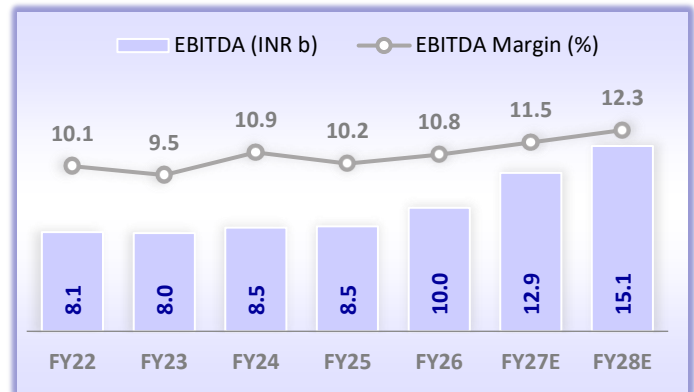
Category-wise revenue share (%)



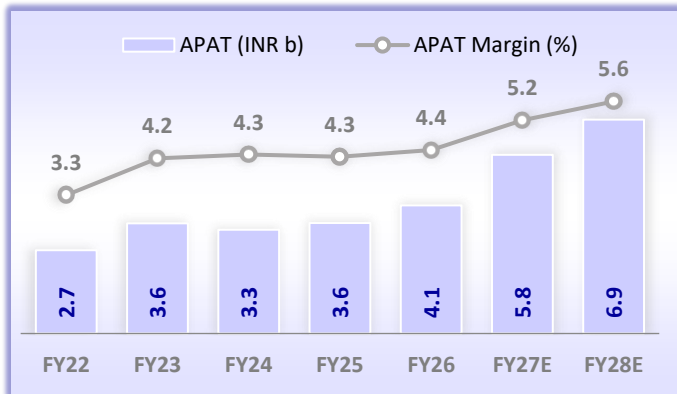
Gross profit and gross margin trends



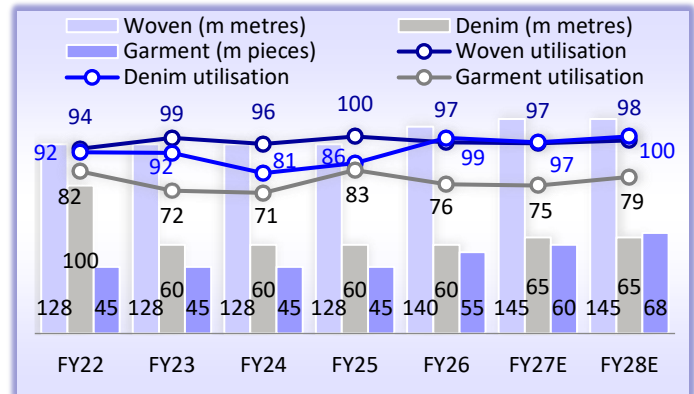
EBITDA and EBITDA margin trends



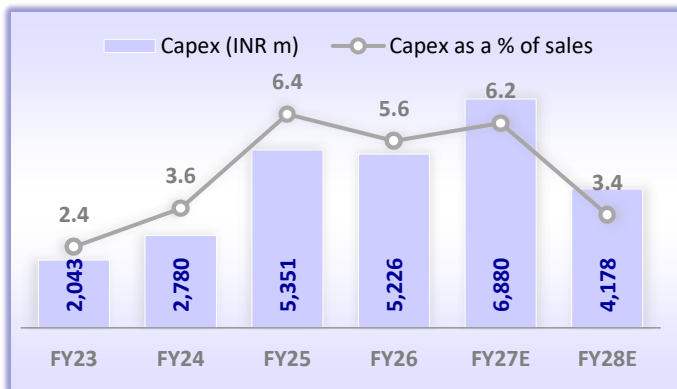
APAT and APAT margin trends



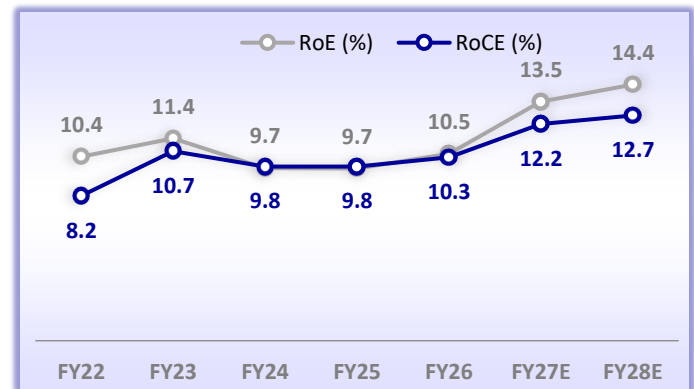
Installed capacity and utilization



Capex (INR m) and capex as % of sales



Return ratios (%)

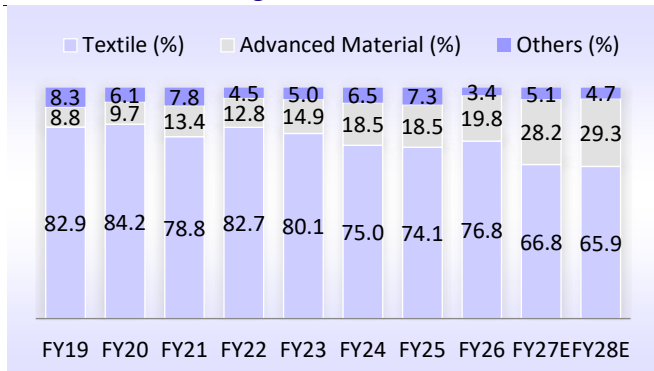


Core textile business is likely to grow 6%

Capturing higher value through forward integration

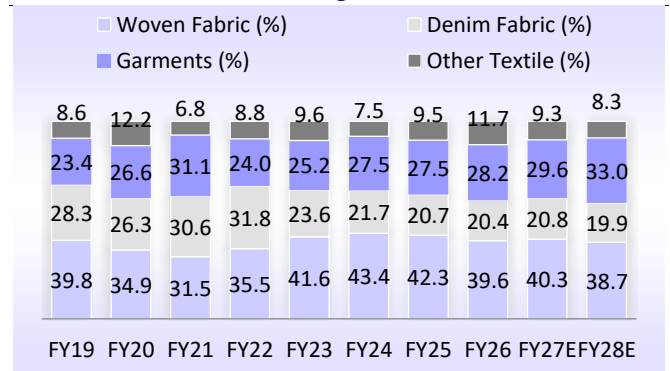
Arvind is a diversified and vertically integrated textile and apparel solutions provider with strong fiber-to-fashion capabilities across global markets. The company operates through three key segments – Textiles, Advanced Materials Division (AMD), and Emerging Businesses. Its textile portfolio spans denim, woven & knit fabrics, and garmenting, supported by capacities of 60m meters in denim fabric, 140m meters in woven fabric, and 55m in garments (Jeans -19m, Shirts 11m, and Knits -25m) pieces annually. With ~40% of revenues from exports, including ~21% exposure to the US, and a diversified global clientele, the company leverages scale, integration, and innovation to deliver resilient performance, supported by disciplined capex and a strong focus on sustainability and operational efficiency. We expect the textile business to grow 6%, led by the garment business (15%) and followed by the fabric business (5%).

Exhibit 97: Arvind's segmental revenue breakdown



Source: Company, MOFSL

Exhibit 98: Arvind's textile segmental revenue breakdown

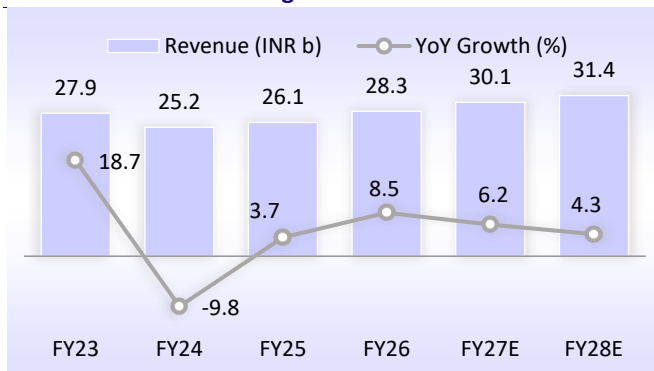


Source: Company, MOFSL

Woven Fabric (~30% of the total revenue)

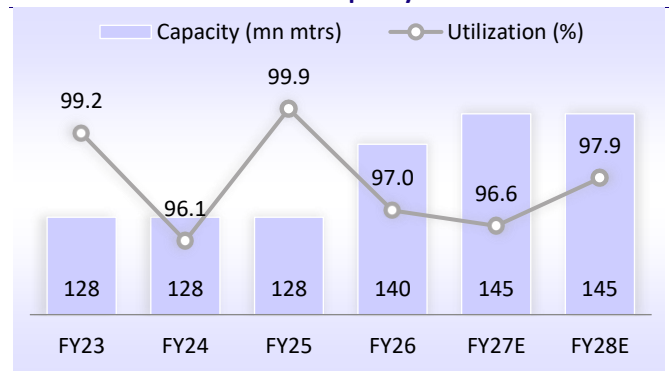
Over FY20–25, the company has not undertaken significant capex, with utilization levels improving to optimal levels. Currently, Arvind produces 140m meters of woven fabric annually. Given the current demand outlook, management plans to add 5m meters of capacity, taking total capacity to 145m meters by FY28. The company offers end-to-end solutions across formal and casual shirts, tops and dresses, trousers, and jackets, covering color woven, indigo, solids, and prints. The segment clocked a 4.8% CAGR over FY22–26, and we expect this business to record a CAGR of 5.2% over FY26–28, driven by volumes.

Exhibit 99: Revenue and growth trends – Woven fabric



Source: Company, MOFSL

Exhibit 100: Woven fabric – capacity and utilization

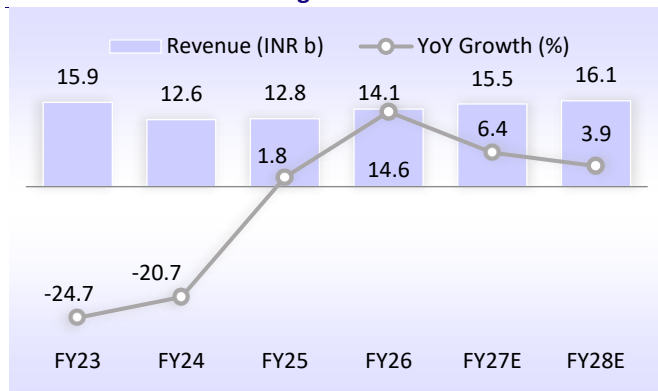


Source: Company, MOFSL

Denim Fabric (~14% of the total revenue)

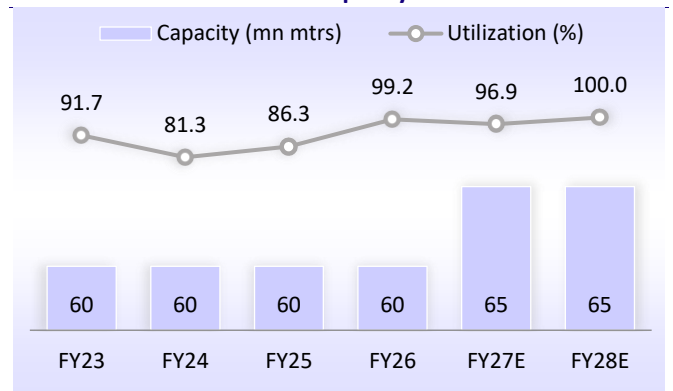
ARVIND has been present in the denim segment since the early 1980s and supplies leading brands across Europe, the US, and Asia. It operates the Arvind Denim Lab, enabling product development and collaboration, and has partnerships such as Denim City Amsterdam. The company produces over 60m meters of denim fabric, supported by proprietary technologies and sustainable processes. Management has deliberately reduced its focus on denim fabric, reducing its capacity from 100m meters to 60m, given denim’s lower margins compared to the woven fabric. Further, denim had been hit by weak global demand during FY23-24. The segment declined 9% over FY22–26 due to capacity rationalization; however, revenue grew 14% in FY26, driven by higher vertical integration. The company caters to leading global and domestic brands such as Gap, Tommy Hilfiger, Levi’s, Victoria Secret, Net Play and H&M. We expect a CAGR of 5.1% over FY26–28, supported by higher volumes in the domestic business.

Exhibit 101: Revenue and growth trends – Denim fabric



Source: Company, MOFSL

Exhibit 102: Denim fabric – capacity and utilization



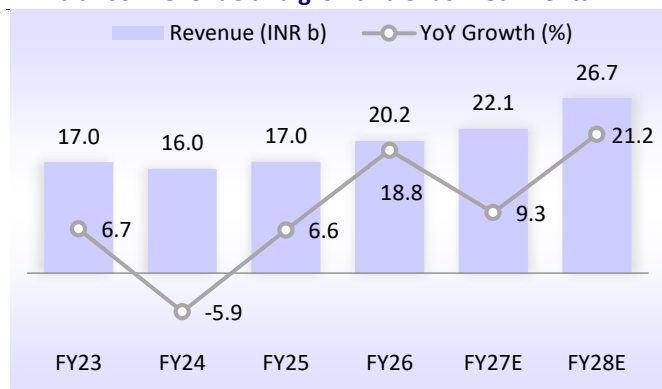
Source: Company, MOFSL

Garments (~22% of the total revenue)

The company’s garments division offers end-to-end apparel solutions across jeans, shirts, knits, and essentials, supported by a vertically integrated, multi-location manufacturing setup. It produces ~19m jeans, 11m shirts, 25m knit garments, and 35m essentials annually, catering to the leading global and domestic brands such as Gap, Levi’s, H&M, Reliance Retail, and M&S. Management is increasingly focused on exports, which currently contribute ~40% of garment sales and are expected to rise to ~50% by FY28. Industry trends indicate that global brands are increasingly consolidating their supplier base to optimize costs and improve efficiency, as fewer suppliers reduce complexity in quality control and procurement. In this context, Arvind is well-positioned as a fully integrated textile player with both fabric and garment manufacturing capabilities.

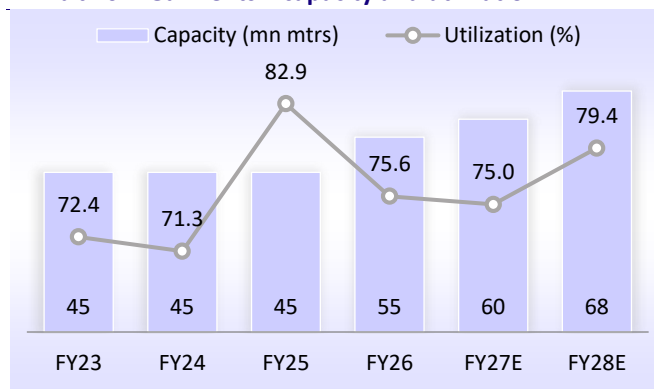
While the fabric segment delivers higher margins, management is strategically prioritizing the garments business given its significantly larger addressable market. The company has set a target to scale up to 100m pieces by FY31, with a focus on denim garments, which offer higher realizations compared to knits. Over the past four years, growth has been mid-single digit; however, in FY26, the segment recorded 19% growth, driven by ~12% volume expansion. We expect this momentum to continue, with 15% CAGR over FY26-28.

Exhibit 103: Revenue and growth trends – Garments



Source: Company, MOFSL

Exhibit 104: Garments – capacity and utilization



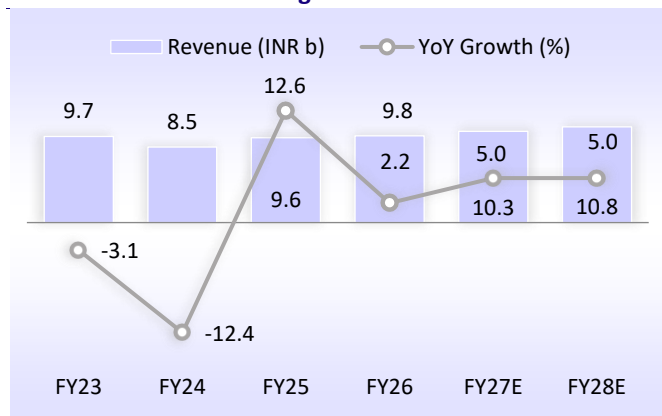
Source: Company, MOFSL

Other Textile (~11% of the total revenue)

The other home textile division offers Ankur Textile (Voiles), wholesale and retail sales for ARVIND. The Ankur division (~INR4.6b as of FY26) produces a wide range of voiles and marketed under brands such as Chakori, Tip-Top, and Padmini, with distribution across. It produces over 40m meters of voile fabric annually (up to 140s count), available in cotton and blended variants for ethnic wear and furnishings.

In the retail division (~INR1.1b as on FY26), currently the company has 11 COCO stores and 154 FOCO stores, and management targets to open 20 COCO and 25 FOCO stores each year for the next 2-3 years. Further, it has a wholesale division (~INR4.0b as on FY26), which sells its own fabric & garment across India. Overall, the other textile division is expected to generate 5% growth going forward.

Exhibit 105: Revenue and growth trends – Other textile



Source: Company, MOFSL

Exhibit 106: Difference b/w Arvind and Arvind Fashion Stores

Particular	Arvind (Stores)	Arvind Fashions (AFL)
Parent Company	Arvind (Textile manufacturer)	Arvind Fashions (Demerged retail entity, listed separately on BSE/NSE)
Business Model	Retail stores selling Arvind's own manufactured brands (primarily fabric, shirts, trousers)	Multi-brand retail portfolio - mix of owned, licensed, and franchised international/domestic brands
Primary Product Categories	Fabrics (suiting, shirting), Ready-to-wear garments (shirts, trousers), Denim, Khakis	Casual Wear, Ethnic wear, kids wear, innerwear, etc.
Approximate Store Count	150-200 stores (including EBOs and MBOs for Arvind's owned brands)	~9,000+ points of sale (including EBOs, SIS, MBOs across all brands as of FY25)

Source: Company, MOFSL

Exhibit 107: ARVIND's capacity across the textile space

Particular	Revenue (INR b)			CAGR FY26-28E (%)	Capacity			CAGR FY26-28E (%)
	FY26	FY27E	FY28E		FY26	FY27E	FY28E	
Woven Fabric	28.3	30.1	31.4	5.2	140 m meter	145 m meter	145 m meter	1.8
Denim Fabric	14.6	15.5	16.1	5.1	60 m meter	65 m meter	65 m meter	4.1
Garment	20.2	22.1	26.7	15.1	55 m pieces	60 m pieces	68 m pieces	11.2

Source: Company, MOFSL

Forward focus on the value chain to improve profitability

Major focus on the high-growth garment category

Arvind strategic shift toward garmenting represents a structural evolution from being a fabric supplier to becoming a fully integrated, end-to-end apparel manufacturer. Traditionally, global retailers sourced fabric from India and shipped it to garmenting hubs such as Bangladesh or Vietnam for stitching before exporting finished garments to the US and EU, which adds logistics costs, lead times, and coordination complexity. As global brands now prefer simpler supply chains and fewer vendors, Arvind's vertical integration offers a compelling one-stop solution that improves speed-to-market and cost efficiency for customers.

India's T&A market stands at ~\$194b in FY26, with exports contributing ~20% (~\$37b). Within exports, apparel accounts for ~43%, while the top five players hold ~15% market share, indicating significant headroom for consolidation, where Arvind is well positioned to gain share.

Exhibit 108: Garmenting capacity across the industry

Particular	Revenue (INR b)			CAGR	CAGR	Capacity (m pieces)			CAGR	CAGR
	FY22	FY26	FY28E	FY22-26 (%)	FY26-28E (%)	FY22	FY26	FY28E	FY22-26 (%)	FY26-28E (%)
Arvind - Garmenting	15.9	20.2	26.7	6.2	15.1	45	55	68	5.1	11.2
Gokaldas Export - Total	17.9	39.9	55.5	22.2	18.0	36	92	102	26.4	5.3
Pearl Global - Total	27.1	50.2	65.5	16.7	14.2	81	101	121	5.8	9.7
KPR Mill - Garmenting	16.9	31.8	43.0	17.1	16.3	157	204	254	6.8	11.6
Shahi Export - Total	80.0	86.9*	NA	2.8 [#]	NA	NA	140+	NA	NA	NA

Source: Company, MOFSL, *Note: For Shahi Export the revenue is for FY25 and [#]CAGR for FY22-25

The economics of this shift are meaningful, as a meter of fabric may realize USD2-3, whereas converting that fabric into a ready-made garment can generate USD5-6 equivalent realizations, with further value captured at retail. By internalizing garment production, Arvind enhances Free-on-Board (FOB) realizations and captures incremental margin otherwise earned by third-party garmenters. Currently, only ~15% of its fabric capacity is utilized for garmenting; management aims to increase this to ~30% over time, translating into scale expansion from 55m pieces per annum toward 100m pieces by FY31.

Further, on margin, it generates the lowest ~5–6%, lagging peers such as Gokaldas and Pearl Global, which operate at ~9–11%. We expect a margin expansion of ~200bp, driven by increased automation, operational efficiency improvements, higher economies of scale due to higher volume orders, and a stronger focus on knit products (a relatively low-cost yet highly profitable category), followed by jeans.

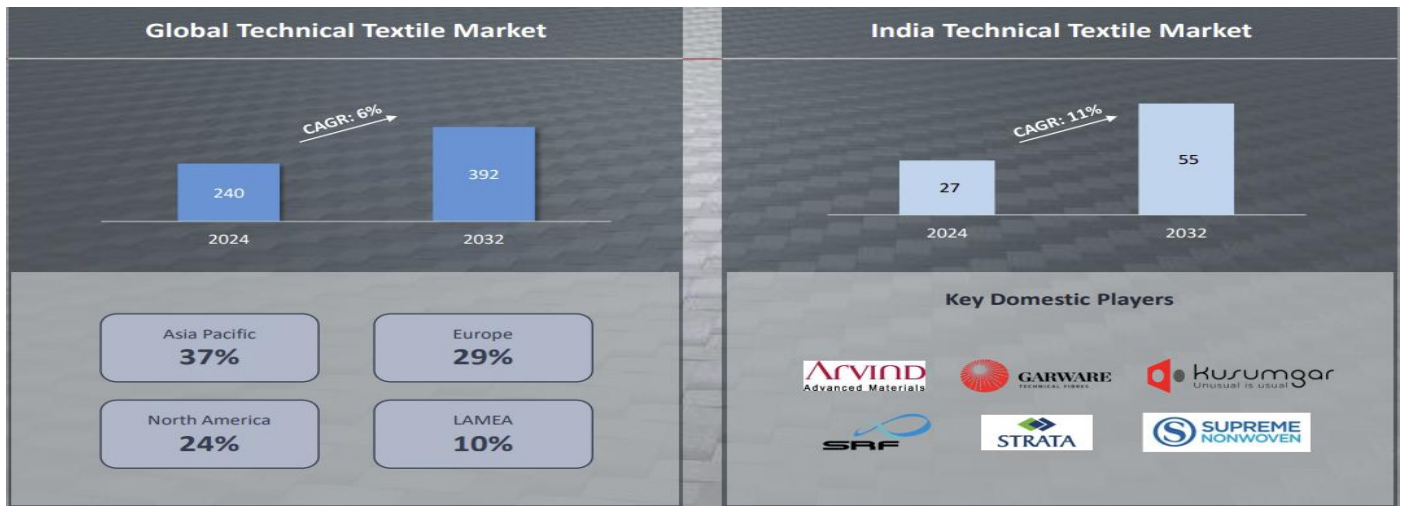
According to an industry experts, the industry-standard garment asset turn of ~2.5–3.0x, the planned INR1.5-2b capex in garments could potentially generate ~INR5.5-6b in incremental revenue. Unlike peers now attempting backward integration (which risks diluting asset turns and returns), Arvind has already absorbed its asset-heavy textile investments and is now executing forward integration, which is structurally ROCE-accretive. This repositioning improves consolidated margin mix and strengthens valuation potential relative to pure-play garment exporters.

High-growth engines: AMD

Strategic transformation: From legacy textiles to high-technology materials

The AMD represents a decisive strategic pivot for Arvind – transitioning the company from a cyclical, commodity-driven textile manufacturer into a high-value, technology-led technical textiles player. While Arvind built its legacy in denim and woven fabrics, AMD positions the company within structurally superior segments characterized by high entry barriers, longer product lifecycles, deeper customer integration, and stronger margin profiles. The key customers for this segment are the Indian armed forces, the Indian railways, Carhartt, Ariat International, Boot Barn, CT Distribution, Workwear Group, UniFirst Corporation, etc. Currently, this segment contributes 20% to sales, and management targets a revenue CAGR of 40%, led by the human protection business (50% on AMD). On the margin front, it generates ~15% margin, with a medium-term aspiration of 18–20% as operating leverage and automation benefits accrue.

Exhibit 109: Advanced material – market size



Source: Company, MOFSL

AMD segments and its key use case

Segment	Key use cases	End-Industries / Applications
Human Protection	Personal safety Protective applications	Defense, police, firefighting, industrial safety, and healthcare
Industrials	Filtration, insulation, reinforcement, and process applications	Cement, steel, mining, chemicals, power, automotive and infrastructure
Composites	Lightweight high-strength structural applications	Aerospace, wind energy, automotive, railways, marine, and sports goods

The global technical textiles opportunity is estimated at ~USD240b as of CY24, growing at a rate of 6% until CY32. The Indian technical textile industry stood at USD33b as of FY26 and is expected to grow ~11% over FY26-32. Unlike conventional textiles, technical textiles are performance-driven materials engineered for functional applications, ranging from fire protection and defense gear to wind turbine blades, metro rail interiors, industrial filtration systems, and conveyor belting. These applications are mission-critical, where product failure can have catastrophic consequences. As a result, supplier qualification standards are stringent, and switching costs are high.

AMD operates across three core verticals, namely Human Protection, Composites (including Mass Transport), and Industrials, each catering to distinct end-markets but benefiting from shared manufacturing capabilities and raw material adjacencies. In terms of margins, the Industrial segment delivers the highest, followed by composites and human protection. Typically, industrial margins are ~300–400bp higher than human protection.

Exhibit 110: Advanced materials – product line


Source: Company, MOFSL

Exhibit 111: Comparison with other companies operating in the AMD segment (INR b)

Revenue	FY20	FY21	FY22	FY23	FY24	FY25	CAGR FY20-25
Garware Techinal Fibres	9.5	10.3	11.9	13.1	13.3	15.4	10.1
Arvind – AMD	7.1	6.8	10.2	12.5	14.3	15.4	16.7
Supreme Nonwovens	4.6	4.3	7.4	10.8	11.7	12.2	21.7
Kusumgar	1.1	1.9	2.2	3.1	4.7	7.8	47.5
Strata Geosystems (India)	3.1	3.1	4.6	5.2	6.7	7.5	19.4
Gross margin %	FY20	FY21	FY22	FY23	FY24	FY25	Average FY20-25
Garware Techinal Fibres	70.7	71.4	70.6	67.9	72.4	71.8	70.8
Arvind – AMD				NA			55.0
Supreme Nonwovens	40.8	46.2	46.3	43.1	48.5	50.7	47.0
Kusumgar	57.6	48.0	51.6	50.2	62.2	53.8	53.2
Strata Geosystems (India)	56.4	55.7	47.1	46.9	46.7	45.0	48.3
EBITDA margin %	FY20	FY21	FY22	FY23	FY24	FY25	Average FY20-25
Garware Techinal Fibres	17.5	22.0	18.3	15.8	16.8	20.9	18.8
Arvind – AMD				NA			15.0
Supreme Nonwovens	9.3	10.3	10.1	11.4	15.6	16.3	12.8
Kusumgar	15.1	18.6	18.1	21.1	28.2	24.2	22.0
Strata Geosystems (India)	17.6	19.7	18.9	18.9	20.0	16.7	18.8

Source: Company, MOFSL

1. Human Protection (54% of the AMD business)

This segment accounts for nearly 54% of AMD revenues, reporting INR9.9b for FY26, which represents the most vertically integrated business within the division. It manufactures fire-retardant (FR) suits, arc flash and molten metal splash protection gear, Kevlar-based body armor, specialized PPE, and defense uniforms.

A key advantage lies in exclusive licensing with global technology leaders such as DuPont (Nomex) and Solvay (Proban), enabling production of certified high-performance protective fabrics. Around 70–90% of sales are full-package garments, enhancing value addition, customer stickiness, and margins. The business serves fire services, industrial safety, defense, and global workwear brands, with a strong moat driven by long qualification cycles and high switching costs, resulting in predictable revenues and long-term relationships. We expect 18% CAGR over FY26-28, driven by higher export business in the US, the UK, and the EU.

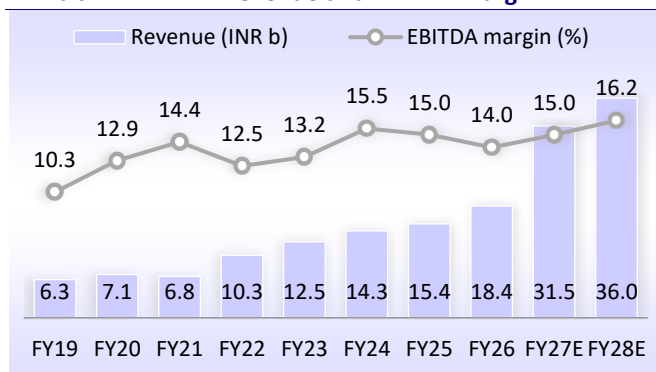
2. Composites (~25% of the AMD business)

The Composites division operates in partnership with the Germany-based Preiss-Daimler Group and produces composite fiber mats used in wind turbine blades, CIPP (Cured-in-Place Pipe) applications, mass transport panels, and industrial & architectural applications. This segment generates INR4.6b in revenues (FY26) and expects 15% CAGR over FY26-28. It operates with a higher fixed-asset-turn profile compared to traditional textile operations.

3. Industrials (~21% of the AMD business)

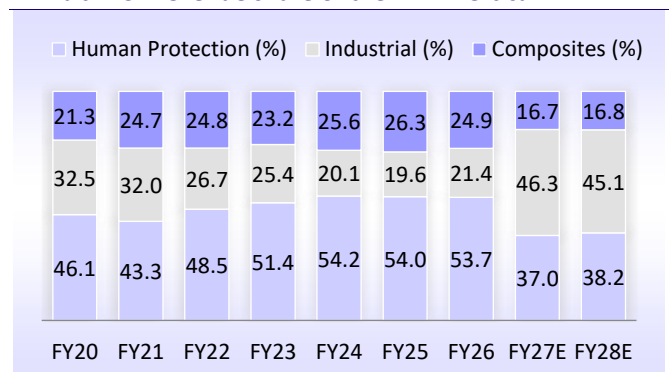
The Industrials division contributes 1% to AMD’s revenue, generating INR3.9b revenue for FY26, and produces industrial filter fabrics and conveyor belt fabrics. Applications include oil & gas filtration, mining, airport logistics, and heavy industrial operations. The business is largely made-to-order and benefits from raw material synergies with the composites division. Though smaller in scale, the Industrials division provides steady revenue visibility and supports higher asset utilization across shared facilities.

Exhibit 112: AMD – revenue and EBITDA margin



Source: Company, MOFSL

Exhibit 113: Revenue share of the AMD vertical



Source: Company, MOFSL

The AMD division stands out structurally versus the legacy textile business on account of superior profitability and capital efficiency. The division consistently delivers higher EBIT margins due to greater value addition and lower commoditization. With fixed asset turns of ~2.5-3.0x, AMD demonstrates strong revenue productivity per unit of capital employed, supporting steady ROCE expansion. Management’s planned INR2.5-3b capex over the next two years could potentially generate INR8-9b of incremental revenues, reinforcing its asset-light, high-operating-leverage model with inter-segment synergies from shared raw materials, manufacturing infrastructure, and technical know-how, which will further enhance margin scalability.

Acquisition of Dalco-GFT – a new growth engine

ARVIND, through its wholly owned subsidiary AAML, has acquired a 61% stake in Dalco-GFT, a US-based needle-punched nonwoven manufacturer, for an EV of USD136m (7.8x on CY25). The acquisition provides AAML an immediate US manufacturing footprint and strong exposure to automotive and geotextile nonwovens, and is expected to be margin as well as EPS accretive from FY27.

Dalco-GFT is a US-based manufacturer of needle-punched nonwoven technical textiles with facilities in North and South Carolina. The company primarily caters to automotive OEMs through products such as wheel liners, trunk components, and NVH solutions while also serving geotextiles, industrial, and flooring segments. It serves 75+ active customers with strong sole-source relationships and operates a highly automated manufacturing platform, delivering strong margins and cash generation.

AAML plans to accelerate Dalco-GFT's growth trajectory toward a mid-to-high teens revenue CAGR, supported by available expansion capacity and favorable industry tailwinds. With current utilization at ~85%, the existing facilities can accommodate three additional production lines with incremental growth capex of ~USD5m per line annually.

Management expects strong demand support from rising US infrastructure spending, particularly in geotextiles, while automotive nonwoven demand continues to grow at high single digits. We believe this acquisition will be EPS accretive from the first year, driven by 1) a strong manufacturing footprint (~75m capacity) in the world's largest needle-punch nonwoven market, supported by AAML's decades of expertise; 2) access to a ~USD2.5b US TAM; 3) cross-selling opportunities across more than 75 new customers; and 4) TAM expansion due to minimal overlap in segments.

Exhibit 114: Pre- and post-acquisition scenarios for ARVIND's AMD section

AMD section before the acquisition	FY25	FY26	FY27	FY28	CAGR FY26-28E
Human Protection (INR m)	8,340	9,880	11,658	13,757	18.0%
Industrials (INR m)	3,020	3,930	4,441	5,107	14.0%
Composites (INR m)	4,067	4,570	5,256	6,044	15.0%
Total	15,427	18,380	21,355	24,908	16.4%
AMD section after the acquisition	FY25	FY26	FY27	FY28	CAGR FY26-28E
Human Protection (INR m)	8,340	9,880	11,658	13,757	18.0%
Industrials (INR m)	3,020	3,930	4,441	5,107	14.0%
Composites (INR m)	4,067	4,570	5,256	6,044	15.0%
Dalco – GFT (INR m)	NA	9,200*	10,120	11,132	10.0%
Total	15,427	18,380	31,475	36,040	40.0%

Source: Company, MOFSL, *Note – FY26: Dalco numbers are not included in the consol. numbers

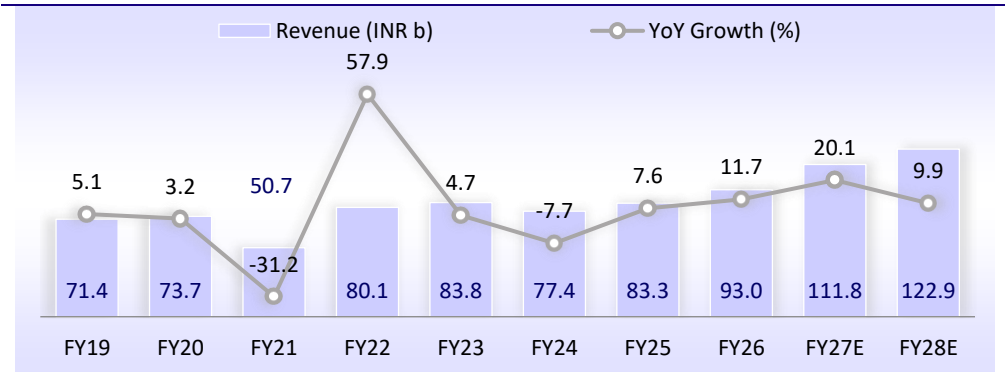
Financial outlook

Revenue CAGR estimated at 15% over FY26-28

ARVIND has exhibited a highly cyclical revenue pattern over the past decade, shaped by shifts in domestic demand, export dynamics, and strategic restructuring. Looking ahead, revenues are projected to stabilize and grow steadily at 15% over FY26–28E, driven by capacity utilization improvements, product mix optimization, and gradual demand recovery across textile and branded apparel segments. We expect the fabric segment to grow 5%, while the garment business is likely to grow 15% over FY26-28. Additionally, the AMD segment is anticipated to be a key growth driver, with an expected growth of 40%.

ARVIND’s other businesses include comprehensive environmental solutions specializing in industrial wastewater treatment, Zero Liquid Discharge systems, and solid waste management, and a telecommunications business in mini-EPABXs for the small & medium businesses. This segment is likely to post a 10% CAGR over FY26-28E.

Exhibit 115: Revenue to exhibit a 15% CAGR over FY26-28E

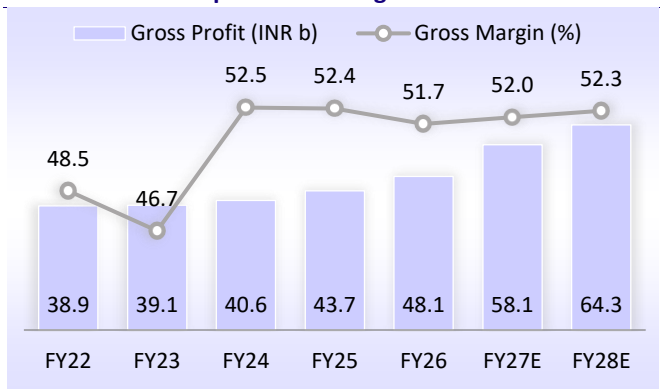


Source: Company, MOFSL

Gross margin estimated to reach 52.3% in FY28

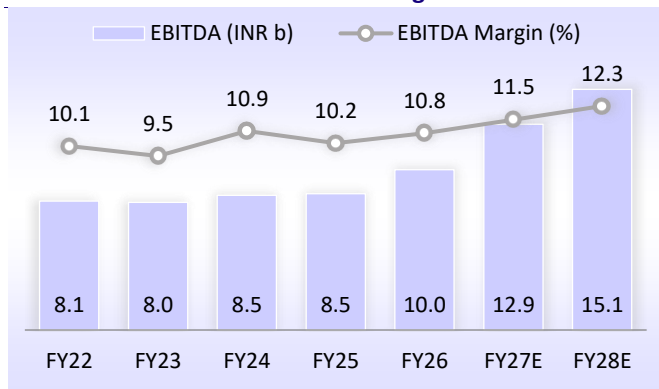
Gross margin for ARVIND has remained relatively range-bound over the past several years, albeit with some moderation during periods of cost pressure and demand weakness. Margins declined from 56.7% in FY16 to 46.7% in FY23, reflecting softer realizations, elevated raw material costs, and an adverse business mix. A meaningful recovery was seen in FY24, with gross margin improving to 52.5% and remaining broadly stable at 52.4% in FY25. This was aided by easing input cost pressures and better pricing discipline. Going ahead, gross margins are expected to remain steady in the ~52–53% range over FY26–28E, led by 1) improved product mix and 2) better capacity utilization.

Exhibit 116: Gross profit and margin trends



Source: Company, MOFSL

Exhibit 117: EBITDA and EBITDA margin trends



Source: Company, MOFSL

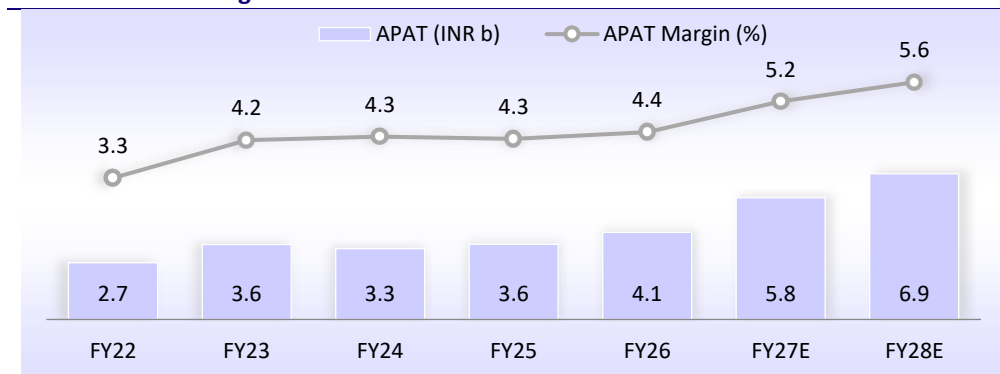
EBITDA margin likely to improve 150bp over FY26-28E

From FY19 onwards, ARVIND’s EBITDA trend reflects a gradual recovery in profitability after a period of disruption. EBITDA declined in FY22 from the pre-Covid level, hit by weaker demand and pandemic-led pressures. Profitability rebounded strongly in FY22 and remained stable through FY25. Going ahead, EBITDA is expected to improve to INR 15.1b in FY28E, with margins expanding from 10.8% in FY26 to 12.3% in FY28, supported by better scale, operating leverage, and an improving business mix.

PAT margin estimated at 5.6% in FY28

ARVIND’s APAT remained under pressure during pre-Covid due to weak demand and pandemic-related disruptions. Earnings recovered meaningfully from FY22 onwards, with APAT improving to INR3.6b in FY23 and remaining broadly stable through FY25. Going forward, profitability is expected to strengthen further, with APAT rising to INR6.9b in FY28E, alongside margin expansion to 5.6%, driven by improving operating leverage and margin recovery across key segments.

Exhibit 118: PAT margin estimated at 5.6% in FY28

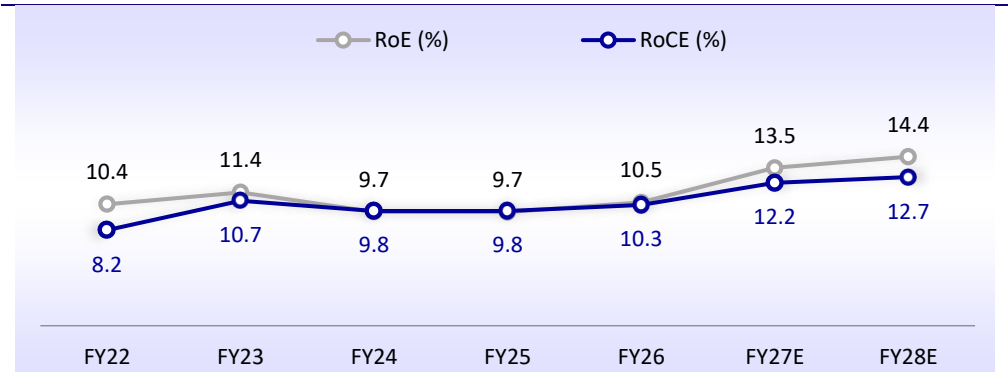


Source: Company, MOFSL

RoE likely to reach 14%+ by FY28E

ARVIND’s return ratios witnessed pressure during Covid, while both metrics recovered steadily from FY22 onwards, supported by normalization in profitability and improved asset utilization. RoE and RoCE remained broadly stable at ~9.7–9.8% in FY24–FY25 and are expected to improve further over FY26–FY28E. We expect RoE to expand to 14.4% and RoCE to 12.7% by FY28E, driven by stronger earnings growth and better asset turnover.

Exhibit 119: RoE likely to reach ~14%+ in FY28E

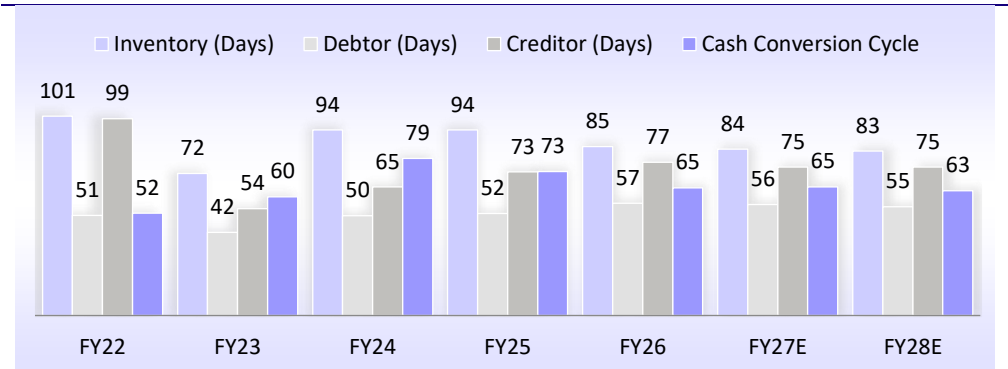


Source: Company, MOFSL

Cash conversion cycle

ARVIND’s cash conversion cycle has remained relatively range-bound, albeit with periodic volatility driven by working capital movements. CCC peaked at 100 days in FY18 and improved to 53 days by FY20, reflecting tighter inventory and receivables management. After remaining elevated during the disruption period, CCC moderated to 60 days in FY23 but again increased to 79 days in FY24, led by higher inventory and debtor days. Going forward, CCC is expected to improve gradually to 60-65 days over FY26–FY28E, supported by normalization in inventory levels and stable receivable and payable cycles.

Exhibit 120: Cash conversion cycle



Source: Company, MOFSL

Valuation & view: Initiate coverage with a BUY rating

- We expect ARVIND to benefit from:
 - Strong growth in the garments and advanced materials businesses, which are expected to improve revenue visibility, enhance margin mix, and reduce cyclicity versus the legacy textile portfolio.
 - Strategic forward integration across the apparel value chain, enabling higher realizations, better customer stickiness, and structurally superior ROCE through garments-led scale-up.
 - A focused shift toward high-value technical textiles through AMD, supported by high entry barriers, strong qualification-led moats, and superior profitability.

A strategy-led transformation focused on value-added segments, operational efficiency, and product mix improvement is expected to drive sustainable earnings growth and gradual return ratio expansion over the medium term.

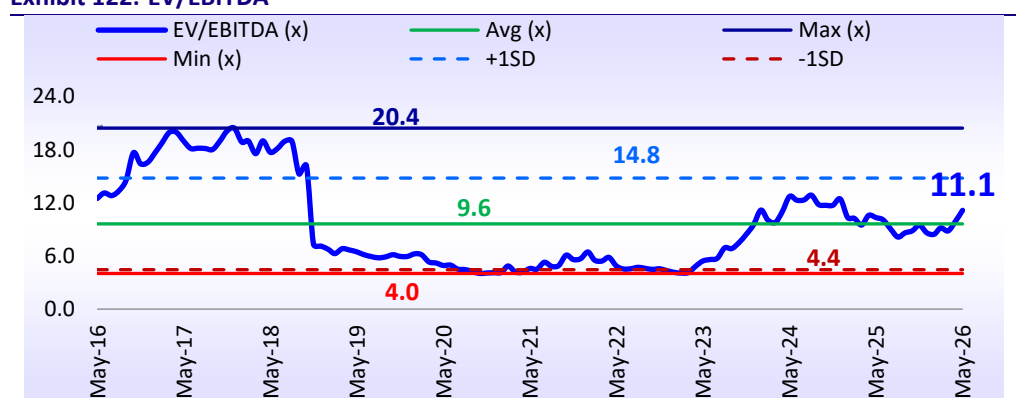
- **We initiate coverage on Arvind with a BUY rating and a TP of INR670 based on 13x FY28 EV/EBITDA (30% premium to the 10Y mean led by new M&A on the AMD segment).**
- Key risks to our call would include: 1) tariffs and the US exposure risk, 2) raw material & cost pressures, and 3) project & customer concentration risks.

Exhibit 121: Relative valuation of the apparel companies

Companies	Mcap (INRb)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (X)			EV/EBITDA (X)			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Gokaldas Export	60	819	1,110	BUY	36	18.0	32.7	73.1	59.9	29.7	21.5	19.2	14.0	10.7	4.7	8.7	10.0
Arvind	135	517	670	BUY	30	14.9	22.6	29.3	32.8	23.5	19.6	14.9	12.5	10.4	10.5	13.5	14.4
Pearl Global	82	1,793	2,300	BUY	28	14.2	25.2	28.5	29.7	23.2	18.0	18.5	14.7	11.8	21.3	22.0	23.2
KPR Mill	399	1,160	1,200	Neutral	3	12.8	19.8	20.2	45.7	37.2	31.7	30.9	24.8	21.1	16.2	17.4	17.8

Source: MOFSL

Exhibit 122: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ✓ In our Bull case scenario, we factor in a 16% revenue CAGR over FY26-28E, driven by higher garment business growth.
- ✓ Further, with the higher garmenting business, we expect operating leverage to improve EBITDA margin to 13.3% by FY28 (from 10.2% in FY25).



Bear case

- ✓ In our Bear case scenario, we factor in a 14% revenue CAGR over FY26-28E, driven by lower garment business growth.
- ✓ Further, with lower garmenting business, we expect operating leverage to improve marginally by 100bp to 11.3% by FY28 (from 10.2% in FY25).

Exhibit 123: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	14%	15%	16%
EBITDA CAGR FY26-28E	17%	23%	29%
EBITDA Margin FY28E	11.3%	12.3%	13.3%
EV/EBITDA	12	13	14
Target Enterprise Value (INR m)	1,63,946	1,96,226	2,33,092
Net Debt (INR m)	20,486	20,486	20,486
Target Equity Value (INR m)	1,43,460	1,75,740	2,12,606
Outstanding Shares (Nos m)	262	262	262
Target price (INR)	550	670	810
CMP (INR)	517	517	517
Upside/Downside	6%	30%	57%

Source: MOFSL

Key risks

Tariff & US exposure risk

The company derives ~21% of its revenue from the US, making it vulnerable to tariff hikes and demand slowdown. Any inflation-led demand destruction in the U.S. could further impact volumes and profitability.

Raw material & cost pressures

Indian cotton remains structurally expensive due to import duties and MSP policies, impacting cost competitiveness. Volatility in key inputs such as cotton and specialty materials can affect gross margins. Mounting labor costs and availability constraints add to the long-term operating pressure.

Project & customer concentration risks

Advanced Materials and Envisol businesses are project-driven, leading to revenue lumpiness and execution-linked variability. Delays in project readiness or order deferments can impact quarterly performance. Higher customer concentration at AMD increases sensitivity to slowdowns at key accounts.

Company background

ARVIND is an integrated textiles and apparel company with fiber-to-fashion capabilities serving a global customer base. The company operates across the textile value chain and expands into adjacent opportunities beyond traditional segments. It undertakes initiatives aimed at business growth and stakeholder engagement, with a focus on innovation and sustainability practices. Arvind is a fabric supplier in global markets and is also engaged in the technical textiles segment, which serves industrial and functional applications.

A vertically integrated textile company with operations spanning nearly nine decades. It is one of the largest denim manufacturers globally and produces cotton shirting, denim, knits, and bottom-weight fabrics (khakis), as well as garments including jeans and shirts. The company's textile operations date back to the late 1800s, with exports of cotton voiles to the UK and Switzerland in the mid-1930s. It later entered the denim segment and launched the brand Flying Machine, which operates in the domestic denim market.

Management team

Exhibit 124: Management Team

Leader	Role	Experience
Mr. Sanjay S. Lalbhai	Chairman	❖ Mr. Sanjay Lalbhai is the Chairman of Arvind, a USD2b Indian conglomerate. It was under his leadership that ARVIND became one of the largest manufacturers of woven textiles in India and one of the largest denim fabric manufacturers in the world. He was also responsible for acquiring India's first denim brand - Flying Machine - in 1981 and for guiding the process of building Arvind's current impressive apparel brand portfolio.
Mr. Punit Lalbhai	Vice Chairman	❖ He leads ARVIND's Advanced Materials, Engineering, and Agribusinesses. He also spearheads initiatives in sustainability, CSR, and Innovation at the company. He has an MBA from INSEAD and a Master's of Environmental Science from Yale University.
Mr. Kulin Lalbhai	Vice Chairman	❖ He is driving new initiatives in the consumer businesses of the group and setting up several new retail concepts. Kulin holds an MBA from the Harvard Business School and a BSc in Electrical Engineering from Stanford University.
Mr. Susheel Kaul	Managing Director & President (Textile Cluster)	❖ Mr. Kaul has been working with ARVIND since 1993. He joined the Arvind group as a Management Trainee after completing Post-Graduation in Textiles from the Indian Institute of Technology, Delhi. His assignments included Quality Assurance and Product Development, Operations, and Business Process Reengineering. In 2002, Susheel took over independent charge of Khakhis Business Division. In 2007, he took over as the CEO of Shirting & Khakhis businesses.
Mr. Gurpreet Singh Bhatia	President & CEO, Arvind Advanced Materials	❖ Mr. Bhatia brings over 33 years of diverse experience in the oil and energy sectors, specializing in sales, marketing, brand management, and strategic leadership. Before ARVIND, Gurpreet served as Managing Director & CEO at Livguard Energy Technologies, where he successfully scaled operations, drove innovation, and expanded the company's footprint across India and 34 international markets.
Mr. Nigam Shah	Chief Financial Officer	❖ He is a qualified Chartered Accountant, bringing more than two decades of experience to Arvind, spanning various sectors, including infrastructure, engineering, chemicals, and banking. His most recent role was at Montecarlo, where he served as the Group CFO, overseeing multiple business segments, including Metro and Buildings, Water, Transport, Mining, and Energy.

Source: Company, MOFSL

ESG initiatives



Environment

- ARVIND is committed to driving a low-carbon transformation across its operations and value chain. The decarbonization journey is anchored in the Science-Based Targets initiative (SBTi), aligning ambition with the 1.5°C pathway and the SBTi Corporate Net-Zero Standard.
- The company is engaged in water stewardship activities to maximize the recyclability of water, putting less stress on freshwater.

Social

- The company is committed to fostering a workplace where diversity and inclusion thrive, creating a vibrant and innovative environment that reflects the rich tapestry of the world around them.

Governance

- The governance dimension of ESG encompasses the policies, procedures, and practices that a company has established to make decisions and manage operations. It includes the Board of Directors, management team, and other stakeholders, as well as internal controls and risk management processes.

SWOT analysis

- ❖ Vertically integrated fiber-to-fashion platform with diversified textile and garment capabilities.
- ❖ Strong global presence in denim, fabrics, and emerging technical textiles segments.

S

STRENGTH



- ❖ Significant revenue dependence on the US export market demand conditions.
- ❖ Higher domestic cotton costs vs. global benchmarks are impacting competitiveness.

W

WEAKNESS



- ❖ The China-plus-one sourcing shift is driving incremental global outsourcing to India.
- ❖ Expansion potential in advanced materials and high-margin technical textiles.

O

OPPORTUNITY



- ❖ Tariff volatility and geopolitical disruptions affecting export visibility.
- ❖ Raw material price swings and currency fluctuations pressuring margins.

T

THREATS



Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	50,730	80,099	83,825	77,378	83,288	93,032	1,11,753	1,22,865
Change (%)	-31.2	57.9	4.7	-7.7	7.6	11.7	20.1	9.9
Gross Profit	25,507	38,879	39,116	40,590	43,658	48,087	58,111	64,258
Total Expenditure	46,104	72,021	75,825	68,925	74,754	82,988	98,861	1,07,771
% of Sales	90.9	89.9	90.5	89.1	89.8	89.2	88.5	87.7
EBITDA	4,626	8,077	8,000	8,452	8,534	10,044	12,892	15,094
EBITDAM (%)	9.1	10.1	9.5	10.9	10.2	10.8	11.5	12.3
Depreciation	2,852	2,540	2,530	2,658	2,587	2,903	3,315	3,595
EBIT	1,775	5,538	5,470	5,794	5,947	7,141	9,578	11,500
Int. and Finance Charges	2,245	1,764	1,642	1,593	1,658	1,649	1,828	2,188
Other Income	516	497	445	408	652	563	687	708
PBT bef. EO Exp.	45	4,271	4,273	4,609	4,941	6,056	8,437	10,019
EO Items	-359	-93	588	25	-	-173	-	-
PBT after EO Exp.	-314	4,178	4,860	4,634	4,941	5,883	8,437	10,019
Total Tax	-35	1,510	706	1,107	1,255	1,681	2,109	2,505
Tax Rate (%)	11	36	15	24	25	29	25	25
Minority Interest	-109	34	86	160	139	130	564	617
P/(loss) from discontinued operations (net of tax)	-	-264	-35	-	-	-	-	-
Share of Profit/(Loss) of JV	4	11	12	-1	-12	68	-	-
Reported PAT	-165	2,381	4,046	3,366	3,535	4,139	5,763	6,898
Adjusted PAT	145	2,946	3,589	3,349	3,560	4,128	5,763	6,898
Margin (%)	0.3	3.7	4.3	4.3	4.3	16.0	39.6	19.7

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	2,589	2,606	2,615	2,616	2,618	2,621	2,621	2,621
Total Reserves	24,604	26,899	30,841	32,811	35,243	37,821	42,404	47,861
Net Worth	27,193	29,505	33,456	35,428	37,861	40,442	45,025	50,482
Minority Interest	473	557	586	780	853	973	973	973
Total Loans	20,022	17,595	14,038	13,254	13,760	14,410	26,061	22,561
Deferred Tax Liabilities	96	1,226	952	682	1,250	977	977	977
Other Long-term Liability	2,063	1,820	1,959	2,085	3,025	4,271	4,271	4,271
Capital Employed	49,847	50,703	50,991	52,227	56,749	61,072	77,306	79,262
Gross Block	45,244	44,995	46,289	48,083	51,205	57,560	64,560	69,060
Less: Accum. Deprn.	11,190	13,102	14,916	16,977	18,476	20,956	23,154	25,025
Net Fixed Assets	34,054	31,894	31,373	31,107	32,728	36,604	41,405	44,035
Intangible Asset	742	438	332	250	241	305	6,415	5,144
Capital WIP	780	453	787	1,168	4,074	1,194	1,074	752
Other Non-Current Asset	2,021	2,481	2,572	2,863	2,830	3,044	2,666	2,214
Total Investments	1,473	1,383	2,901	2,563	3,406	5,060	3,875	3,129
Curr. Assets, Loans&Adv.	28,139	40,397	31,170	34,653	37,710	42,159	52,397	56,800
Inventory	11,599	22,084	16,490	19,860	21,377	21,735	25,718	27,939
Account Receivables	10,917	11,086	9,659	10,698	11,773	14,438	17,146	18,514
Cash and Bank Balance	516	771	770	758	1,166	1,635	1,260	2,074
Cash and cash equivalents	271	598	568	573	564	880	505	1,319
Bank balances other than cash and cash equivalents	244	173	202	185	601	755	755	755
Loans and Advances	5,108	6,456	4,252	3,337	3,395	4,351	8,273	8,273
Curr. Liability & Prov.	17,360	26,343	18,144	20,377	24,241	27,293	30,528	32,811
Account Payables	14,003	21,828	12,376	13,753	16,552	19,728	22,963	25,246
Other Current Liabilities	3,242	4,315	5,623	6,464	7,491	7,064	7,064	7,064
Provisions	115	200	146	160	198	501	501	501
Net Current Assets	10,779	14,054	13,026	14,276	13,469	14,866	21,869	23,989
Appl. of Funds	49,847	50,703	50,991	52,227	56,749	61,072	77,306	79,262

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	0.6	11.3	13.7	12.8	13.6	15.7	22.0	26.3
Growth (%)	-88.7	1924.0	21.4	-6.7	6.2	15.8	39.6	19.7
Cash EPS	11.6	21.0	23.4	23.0	23.5	26.8	34.6	40.0
BV/Share	105.0	113.2	127.9	135.4	144.6	154.3	171.8	192.6
DPS	0.0	0.0	5.7	4.8	4.7	3.7	4.5	5.5
Payout (%)	0.0	0.0	37.2	36.9	35.2	23.7	20.5	20.9
Valuation (x)								
P/E	925.0	45.7	37.6	40.4	38.0	32.8	23.5	19.6
Cash P/E	44.6	24.5	22.1	22.5	22.0	19.3	14.9	12.9
P/BV	4.9	4.6	4.0	3.8	3.6	3.3	3.0	2.7
EV/Sales	3.0	1.9	1.8	1.9	1.8	1.6	1.4	1.3
EV/EBITDA	33.2	18.8	18.6	17.6	17.4	14.9	12.5	10.4
Dividend Yield (%)	0.0	0.0	1.1	0.9	0.7	0.9	0.9	1.1
Return Ratios (%)								
RoE	0.5	10.4	11.4	9.7	9.7	10.5	13.5	14.4
RoCE	4.1	8.2	10.7	9.8	9.8	10.3	12.2	12.7
RoIC	3.9	9	10.7	10.6	10.4	11.3	13.2	13.9
Working Capital Ratios								
Fixed Asset Turnover (x)	1.1	1.8	1.8	1.6	1.6	1.6	1.7	1.8
Asset Turnover (x)	1	1.6	1.6	1.5	1.5	1.5	1.4	1.6
Inventory (Days)	83	101	72	94	94	85	84	83
Debtor (Days)	79	51	42	50	52	57	56	55
Creditor (Days)	101	99	54	65	73	77	75	75

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Working Capital change	5,346	8,590	8,519	9,248	9,109	10,059	12,328	14,478
(Inc)/Dec in WC	2,554	-2,264	-994	-945	-508	191	-7,378	-1,306
Direct Taxes Paid	-137	-380	-864	-1,339	-973	-1,580	-2,109	-2,505
CF from Operations	7,763	5,946	6,661	6,964	7,629	8,671	2,841	10,667
(Inc)/Dec in FA	-1,159	-1,858	-2,043	-2,780	-5,351	-5,226	-6,880	-4,178
Free Cash Flow	6,604	4,088	4,617	4,184	2,278	3,445	-4,039	6,490
(Pur)/Sale of Investments	-	1	-183	-291	119	-1,120	-6,850	-
Others	348	644	872	302	197	278	1,871	1,454
CF from Investments	-811	-1,214	-1,354	-2,769	-5,035	-6,069	-11,859	-2,724
Issue of Shares	2	56	33	2	21	74	-	-
Inc/(Dec) in Debt	-4,533	-2,427	-3,491	-799	499	646	11,651	-3,500
Interest Paid	-2,335	-1,679	-1,533	-1,508	-1,487	-1,470	-1,828	-2,188
Dividend Paid	-	-20	-40	-1,542	-1,300	-1,039	-1,180	-1,442
Others	-302	-320	-309	-342	-442	-491	-	-
CF from Fin. Activity	-7,168	-4,389	-5,340	-4,189	-2,709	-2,280	8,643	-7,130
Inc/Dec of Cash	-216	343	-34	6	-116	322	-375	814
Opening Balance	471	255	598	564	570	558	880	505
Adjustments (for one time & Book OD)	16	-	4	3	110	7	7	7
Closing Balance	271	598	568	573	564	887	512	1,326

E: MOFSL Estimates

BSE Sensex
77,094

 S&P CNX
24,103

PEARL GLOBAL

Exceeding Expectations...Always

Stock Info

Bloomberg	PGIL IN
Equity Shares (m)	46
M.Cap.(INRb)/(USDb)	77.7 / 0.8
52-Week Range (INR)	1993 / 1178
1, 6, 12 Rel. Per (%)	9/17/33
12M Avg Val (INR M)	221
Free float (%)	38.8

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	50.2	57.4	65.5
EBITDA	4.6	5.9	7.3
EBITDA (%)	9.2	10.2	11.1
Adj. PAT	2.8	3.6	4.6
EPS (INR)	60.4	77.1	99.8
EPS Gr. (%)	13.9	27.6	29.4
BV/Sh. (INR)	316.3	385.8	475.6

Ratios

	FY26	FY27E	FY28E
Net D/E	0.2	0.2	0.1
RoE (%)	21.3	22.0	23.2
RoCE (%)	15.3	16.1	18.0
Payout (%)	8.3	10.0	10.0

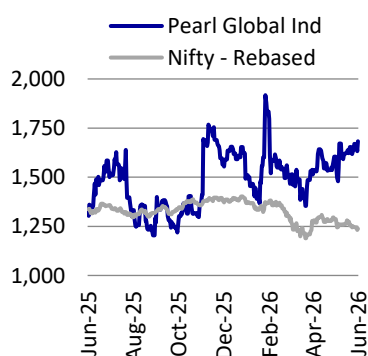
Valuations

	FY26	FY27E	FY28E
P/E (x)	29.7	23.2	18.0
P/B (x)	5.7	4.6	3.8
EV/EBITDA (x)	18.5	14.7	11.8
Div. Yield (%)	0.3	0.4	0.6

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	61.2	61.2	62.8
DII	18.8	16.8	11.6
FII	6.5	6.3	7.4
Others	13.6	15.7	18.2

Stock Performance (1-year)


CMP: INR1,793
TP: INR2,300 (+28%)
Buy

Capacity expansion to drive volume growth

- Pearl Global (PGIL) is a global apparel manufacturing company with an integrated, end-to-end supply chain and a presence across 10 countries, holding an annual capacity of 101m pieces. We believe Indonesia and Guatemala to grow at ~13% over FY26-28, followed by Bangladesh (~11% adj. inc. Hong Kong), India (~9%) and Vietnam (~8%).
- PGIL has established relationships with marquee clients and continues to expand its customer network. Management remains focused on its top five customers, prioritizing large-volume programs over smaller orders from fragmented clients. It has identified top-tier (USD60-100m revenue) and second-tier customers (USD40-60m revenue), which together contributed ~60% of revenues in FY24. Management aims to increase this contribution to over ~80% by FY28.
- The company plans to add ~20m pieces of capacity by FY28, taking total capacity to 121m, with utilization expected at ~78%. In India, current capacity stands at 26m pieces, with an additional 6-7m pieces planned in Bihar. In Bangladesh, capacity is expected to increase by 10m pieces in FY27. We believe this expansion will drive volume growth.
- We model a revenue, EBITDA, and PAT CAGR of 14%, 25%, and 29%, respectively, over FY26-28, fueled by capacity expansion across geographies.
- We initiate coverage on PGIL with a BUY rating and an EV/EBITDA-based TP of INR2,300, valuing the stock at 15x FY28E EV/EBITDA (50% premium to the 10-year mean led by better asset turnover, higher PAT margin, and better return ratios).

Global apparel exporter with diversified manufacturing presence

PGIL is a global apparel manufacturing company with a network of 25 manufacturing units spread across multiple geographies and an annual capacity of 100.8m pieces. In Bangladesh (~49% of sales; inc Hong Kong), capacity is being expanded by 10m pieces to 70m pieces by FY28, with 11% growth (adj. inc. Hong Kong) expected over FY26-28. India (~22% of sales) is projected to deliver ~9% CAGR over FY26-28, supported by the addition of 6-7m pieces in Bihar. Vietnam (~20% of sales), focused on high-engineering products, is also expected to grow ~8%. Indonesia and Guatemala (9% of sales combined) are projected to grow at 13% over FY26-28. Overall, we expect 14% CAGR over FY26-28, driven by double-digit volume growth, supported by ~3% realization growth.

Targeting over 80% revenue contribution from identified customers

PGIL has strong relationships with key clients such as Kohl's, Macy's, Inditex, and PVH Corp. Management remains focused on its top five customers, prioritizing large-volume programs over smaller orders from fragmented clients. Management has identified top-tier (USD60-100m revenue) and second-tier customers (USD40-60m revenue), which together contributed ~60% of revenue in FY24. Management targets to increase this to over 80% by FY28. These customers include PVH Corp. (USD90-100m), Kohl's (USD80-100m), Inditex (~USD75m), MUJI (~USD60m), and GAP Inc. (~USD40m). Notably, PGIL's revenue contribution from these top clients accounts for less than 2% of their total procurement, indicating significant headroom for growth. From a product category perspective, management is focused on bottoms, men's shirts, winter jackets, sleepwear, athleisure, and knit tops, which are expected to drive sustained revenue growth through a balanced mix of scale.

Target to achieve double-digit operating margin by FY28

The Indian business typically delivers ~7.5-8% margins; however, margins contracted to ~6.2% this year due to higher US tariffs. Management expects a recovery to historical levels by FY28 as tariffs normalize. Bangladesh margins are expected to expand ~70-80bp to ~9.5% by FY28, driven by scale benefits. In Vietnam, we expect ~200bp margin expansion to ~12% by FY28. Indonesia is likely to deliver ~11% margins, while Guatemala is expected to reach breakeven by FY28. Overall, at a consolidated level, we expect operating margins to reach double digits (~11.1%) by FY28, supported by tariff normalization and operating leverage.

Financial outlook

PGIL's financial outlook remains strong, with revenue expected to expand at a steady ~14% CAGR over FY26-28, supported by capex-led growth. As capacity utilization improves, we expect operating margin expansion (~190bp), led by the Indonesia and Guatemala ramp-up, followed by Bangladesh, India, and Vietnam. We expect EBITDA margins to inch up to ~11.1% and APAT margins to expand to ~7.0% by FY28. Consequently, return ratios are expected to improve meaningfully, with RoE/RoCE reaching ~23.2%/18.0% in FY28, while working capital efficiency remains stable. On FCF, PGIL has generated positive cash flows over the past three years (ex-FY26), and we expect this trend to continue, with free cash flow of ~INR3b annually over FY26-28. Debt is expected to remain in the range of ~INR8-9b over the next two years.

Valuation and view: Initiate coverage with a BUY rating

We initiate coverage on PGIL with a BUY rating and an EV/EBITDA-based TP of INR2,300, valuing the stock at 15x FY28E EV/EBITDA (50% premium to the 10-year mean, led by better asset turnover, higher PAT margin, and better return ratios).

We believe ongoing capex (adding 20m pieces over FY26-28), supported by strong relationships with top five customers, provides a competitive edge over peers. The company delivers among the best return ratios in the industry, driven by its asset-light model (~25% of revenues). Overall, PGIL appears well-positioned for a gradual recovery in earnings quality; however, we believe the improved ratios are already reflected in the current market price, as the company trades at a premium valuation compared to Arvind and Gokaldas.

Key risks and concerns

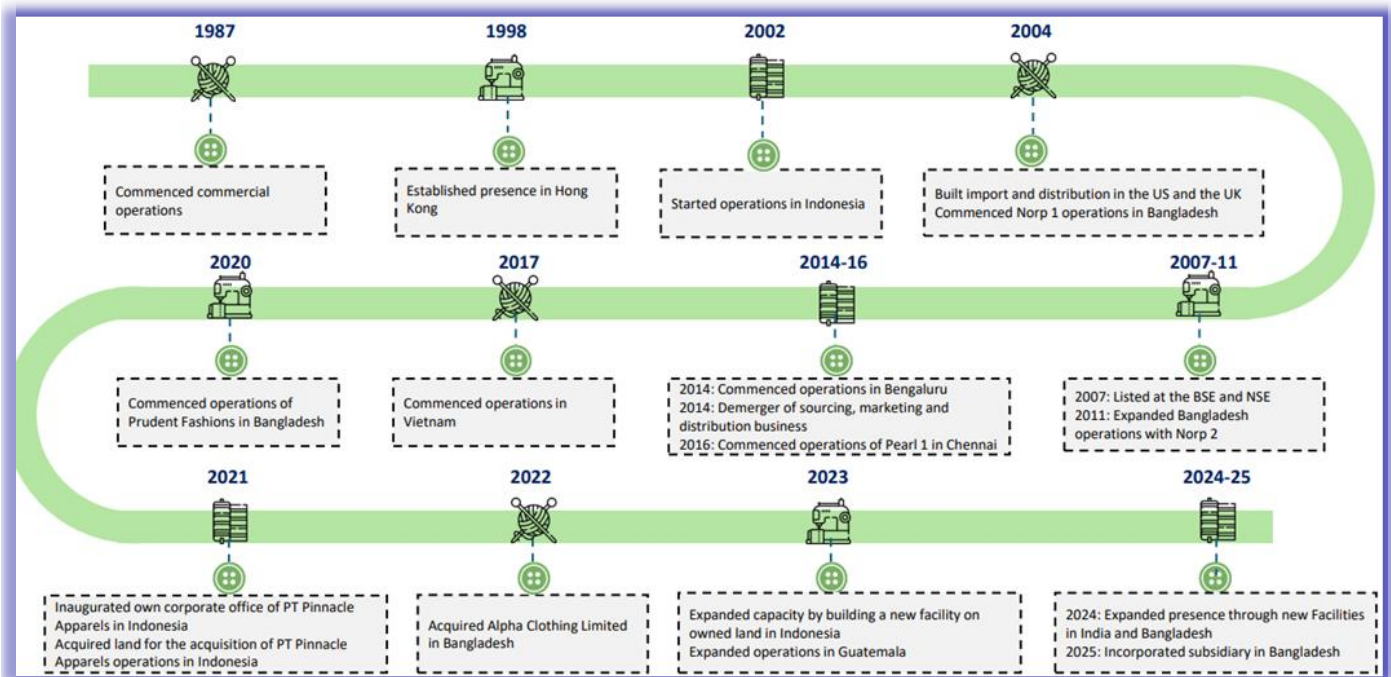
Key risks to our call would include: 1) tariff and US exposure risk, 2) raw material and cost pressures, and 3) project and customer concentration risk.

STORY IN CHARTS

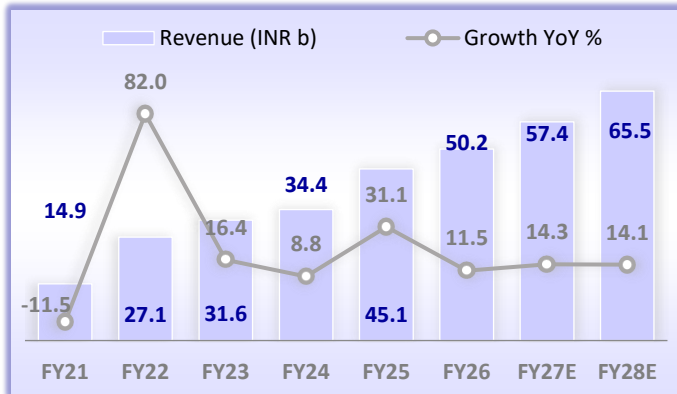
PGIL's business at a glance



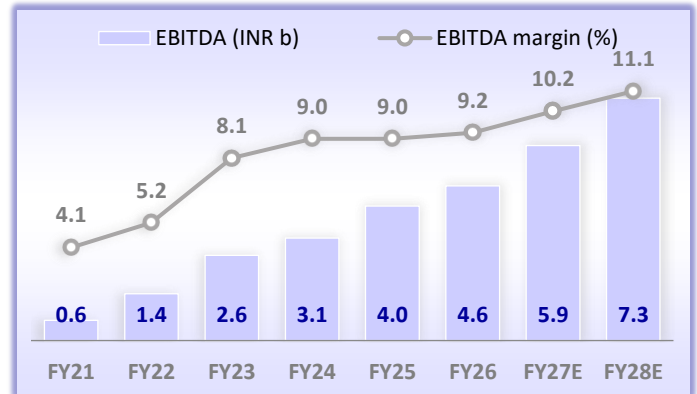
PGIL's business evolution



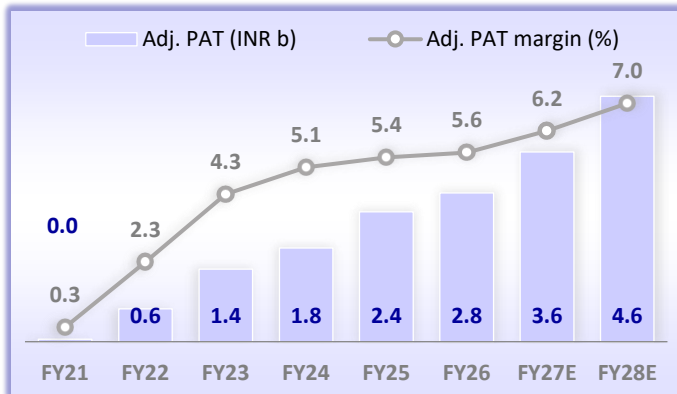
Revenue trend



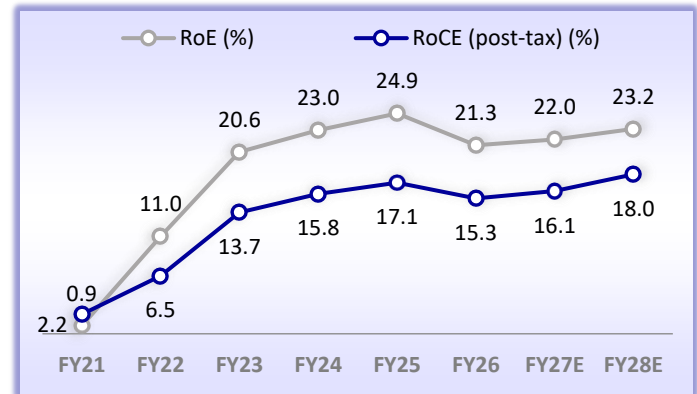
EBITDA trend



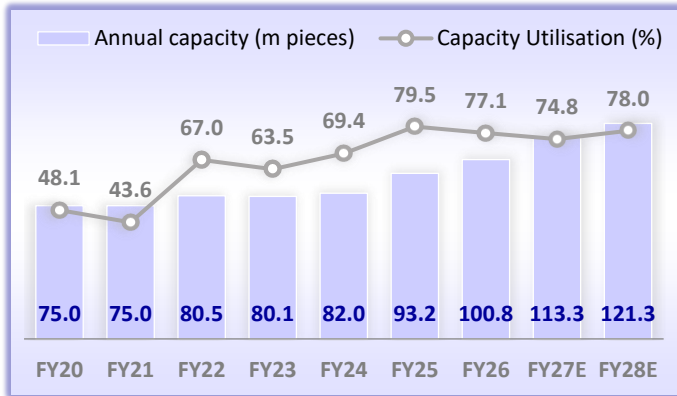
PAT trend



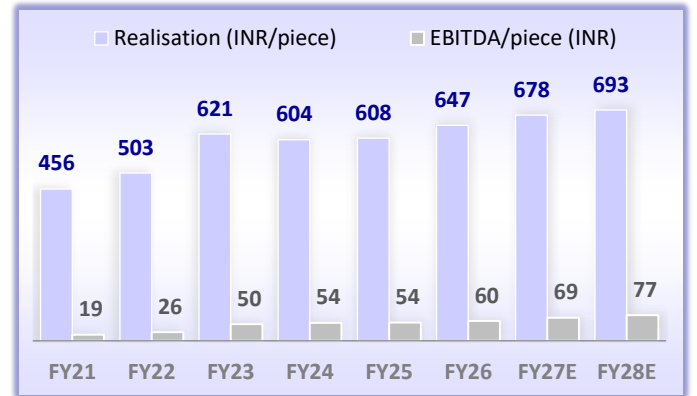
Return ratios



Installed capacity and utilization



Realization and EBITDA per piece



Installed capacity and capacity utilizations across locations (CAGR)

Location	Installed Capacity in m pieces					Capacity Utilization (%)			
	FY25	FY26	FY27E	FY28E	FY26-28E (CAGR, %)	FY25	FY26	FY27E	FY28E
India	24.5	25.9	31.0	33.0	12.9	78.4	62.0	54.0	58.0
Bangladesh	54.8	59.7	66.7	69.7	8.1	87.6	85.0	83.0	89.0
Vietnam	6.5	7.1	7.5	9.5	15.7	63.1	80.0	93.0	78.0
Indonesia	4.1	4.8	4.8	5.8	9.9	39.0	47.0	52.0	48.0
Guatemala	3.3	3.3	3.3	3.3	0.0	38.0	90.0	95.0	98.0
Total	93.2	100.8	113.3	121.3	9.7%	79.5	77.1	74.8	78.0

Diversified presence across geographies

Global apparel exporter with diversified manufacturing

PGIL is a global apparel manufacturing company with an integrated, end-to-end supply chain and a presence across 10 countries. The company specializes in the design, sourcing, and manufacturing of woven and knitted garments, catering to leading global fashion brands, including PVH, Kohl's, GAP, Inditex, Macy's, Walmart (Canada and Mexico), Target (Australia), Knitwell Group (India and Bangladesh), and Muji, across value, mid-market, and premium segments. Its operations are export-oriented, with the US being the largest market. The company also has a presence across Europe, Japan, Australia, and Canada. It has a network of 25 manufacturing units spanning multiple geographies spread across key manufacturing hubs, with an annual capacity of ~101m pieces.

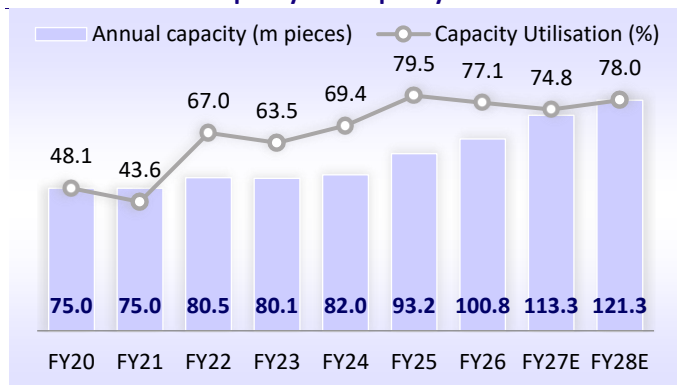
Exhibit 125: Installed capacity and capacity utilizations across locations

Location	Installed capacity in m pieces				Capacity CAGR	Capacity utilization (%)				Revenue CAGR (%)	
	FY25	FY26	FY27E	FY28E	FY26-28E (%)	FY25	FY26	FY27E	FY28E	FY22-25	FY26-28E
India	24.5	25.9	31.0	33.0	12.9	78.4	62.0	54.0	58.0	3.8	9.3
Bangladesh	54.8	59.7	66.7	69.7	8.1	87.6	85.0	83.0	89.0	15.5	10.7*
Vietnam	6.5	7.1	7.5	9.5	15.7	63.1	80.0	93.0	78.0	N/A	7.5
Indonesia	4.1	4.8	4.8	5.8	9.9	39.0	47.0	52.0	48.0	-1.4	13.0#
Guatemala	3.3	3.3	3.3	3.3	0.0	38.0	90.0	95.0	98.0		
Total	93.2	100.8	113.3	121.3	9.7	79.5	77.1	74.8	78.0	16.7	14.2

Note: * Bangladesh revenues adj. inc. Hong Kong, # Indonesia and Guatemala revenues includes intersegmental sales, Source: Company, MOFSL

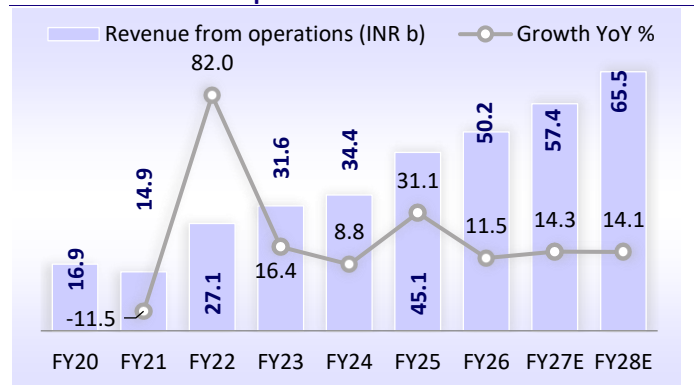
Management plans to add 20m pieces of capacity by FY28, taking the total capacity to 121m, with utilization expected at ~78%. Going forward, capacity is expected to expand at a CAGR of ~9.7%, while revenue is projected to increase at a CAGR of 14.2%, over FY26-28, driven by volumes. On the realization front, blended realizations across all geographies have increased to INR647/piece, expanding at a CAGR of 6.5% over FY22-26, while EBITDA per piece has increased to INR60/piece from INR26/piece, expanding at a CAGR of 23% over FY22-26. We expect 4% realization growth over FY26-28, reaching ~INR693 per piece, along with 14% CAGR in EBITDA per piece to ~INR77.

Exhibit 126: Total capacity and capacity utilization



Source: Company, MOFSL

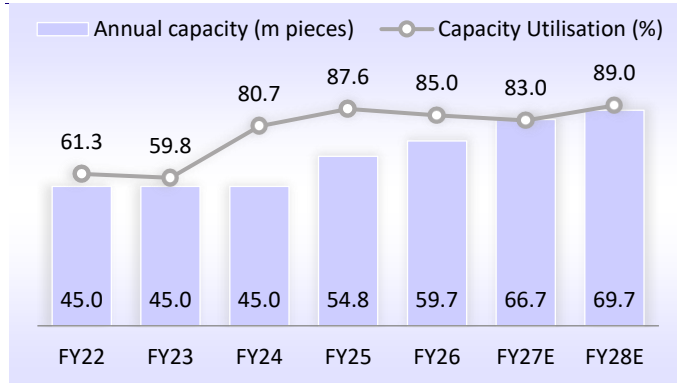
Exhibit 127: Revenue performance of PGIL



Source: Company, MOFSL

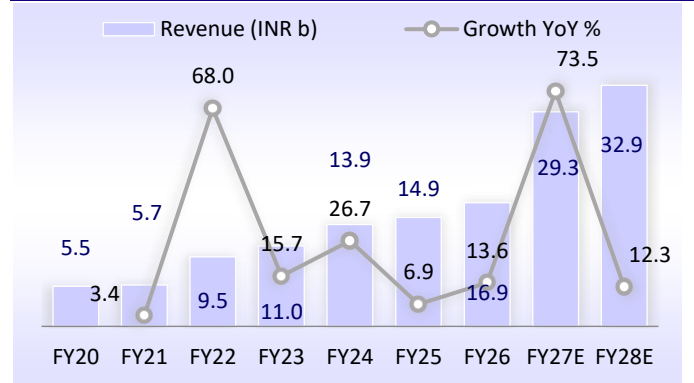
PGIL's presence in Bangladesh offers various advantages, such as lower manufacturing costs and rapid scalability, supported by an established textile ecosystem and the company's asset-light model. It also benefits from duty-free access to EU and UK markets till 2029, owing to Bangladesh's least developed country (LDC) status. The company currently operates four owned and five partner manufacturing facilities in Bangladesh, with a total capacity of 59.7m pieces. Bangladesh (~49% of sales) is expected to witness an increase in capacity by 10m pieces to 70m pieces, and we expect 11% growth (adj. inc. Hong Kong) over FY26-28.

Exhibit 128: Capacity and capacity utilization in Bangladesh



Note: (adj. inc. Hong Kong), Source: Company, MOFSL

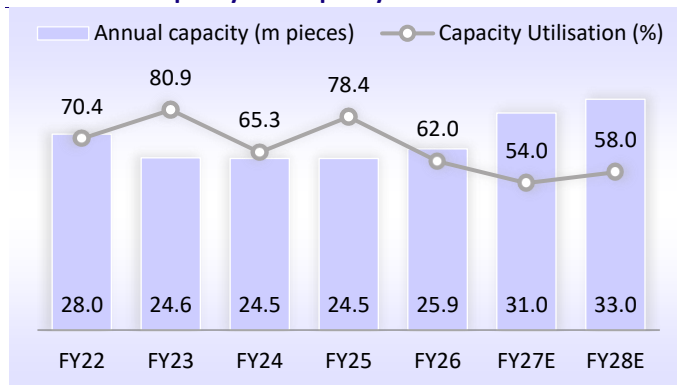
Exhibit 129: Bangladesh business revenue performance



Source: Company, MOFSL

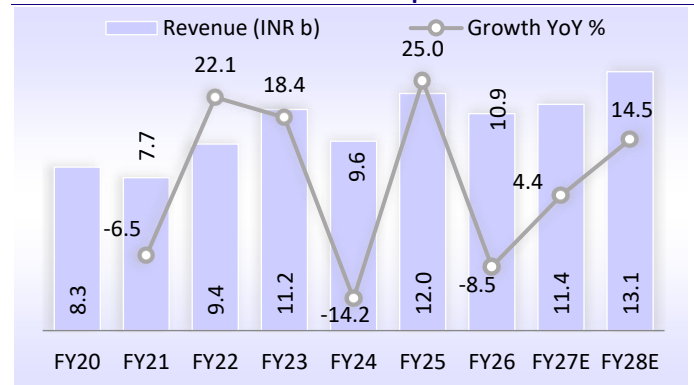
In India, PGIL has eight owned production units across North India and South India, with a total capacity of 25.9m pieces, as of FY26. The company has established hubs in Karnataka, Tamil Nadu, and Haryana, along with a rising presence in Tier 2 and Tier 3 cities like Muzzaffarpur. By FY28, India's capacity is expected to reach 33m pieces, including an addition of 6-7m pieces in Bihar. We expect the Indian segment to deliver 9% CAGR over FY26-28.

Exhibit 130: Capacity and capacity utilization in India



Source: Company, MOFSL

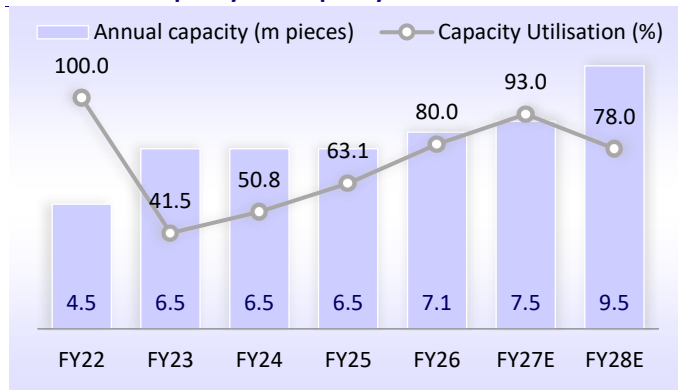
Exhibit 131: India business revenue performance



Source: Company, MOFSL

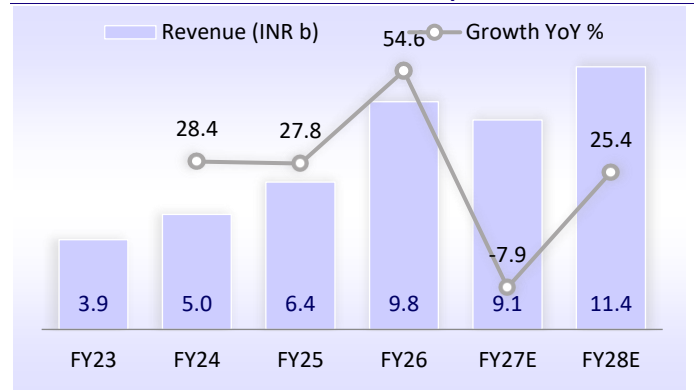
In Vietnam, PGIL operates one owned and four long-term partner facilities, with an annual capacity of 7.1m pieces, primarily focused on high-end outerwear production. The company's presence in Vietnam offers a strategic advantage through favorable trade agreements, allowing duty-free access to key global markets. From its Vietnam operations, PGIL caters to global labels such as Tommy Hilfiger and Polo Ralph Lauren. Vietnam, which contributes ~20% of sales and is expected to witness an increase in capacity by 2.5-3m pieces, and we expect ~8% growth over FY26-28.

Exhibit 132: Capacity and capacity utilization in Vietnam



Source: Company, MOFSL

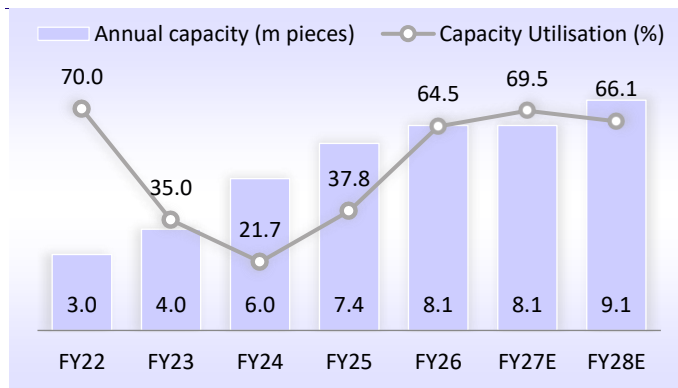
Exhibit 133: Vietnam business revenue performance



Source: Company, MOFSL

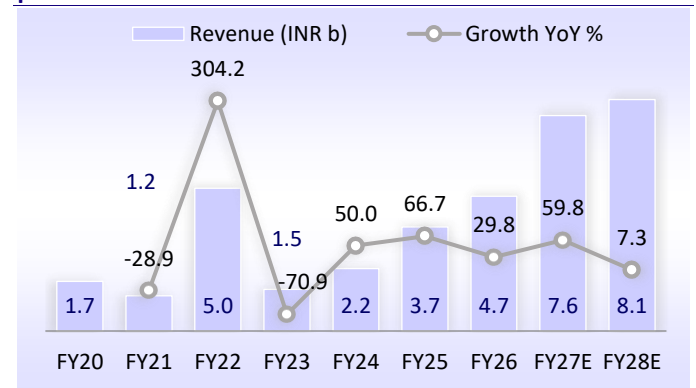
In Indonesia, PGIL operates two owned facilities with an annual capacity of 4.8m pieces and is further expanding its sewing lines. The company also has a presence in Guatemala with a capacity of 3.3m pieces, enhancing its speed-to-market capabilities as transit time to the US from the location is just over a week. The Guatemala facility is currently loss-making, as it is newly commissioned, and is expected to break even by FY28 as operations scale up.

Exhibit 134: Capacity and capacity utilization in Indonesia and Guatemala



Source: Company, MOFSL

Exhibit 135: Indonesia and Guatemala business revenue performance



Source: Company, MOFSL

Capacity expansion to fuel growth

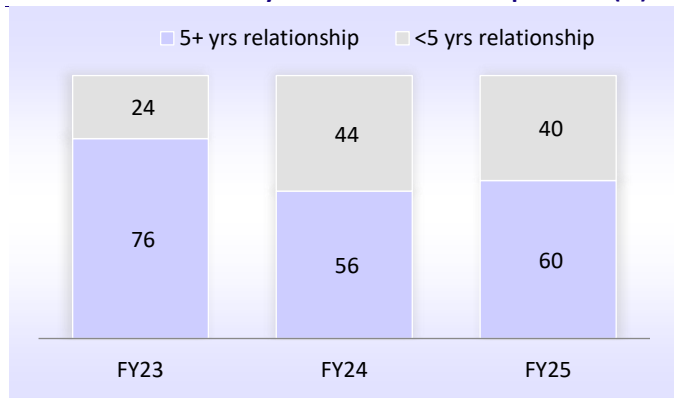
Over FY26-28, PGIL has committed a capex of INR5b toward capacity expansion, targeting an increase in annual capacity to 121.3m pieces from 100.8m pieces in FY26, with a target to ship over 100m pieces annually by FY28. Of this, ~INR2.5b had been allocated for FY26, and within this, INR1.3b (INR1.1b in Bangladesh and INR200m in India) was earmarked for manufacturing capacity expansion, which is expected to add ~7m pieces by FY27. Additionally, INR900m will be invested in expanding in-house laundry capabilities to reduce water consumption and washing costs, thereby enhancing gross margins and targeting an 18-20% RoCE. The balance capex is for equipment upgrades and process improvements, with further expansion opportunities under evaluation.

Strong relationship with top five customers (~60% of sales)

Strategic relationships with marquee clients

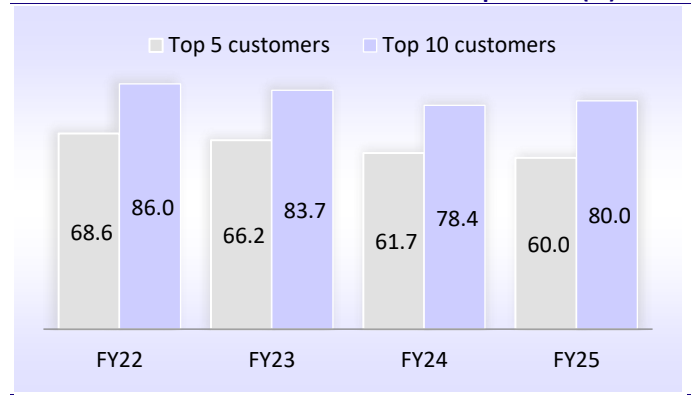
PGIL has established relationships with marquee clients while continuing to expand its customer network. The company has partnerships with retail brands such as PVH, Kohl’s, Macy’s, Inditex, and MUJI, alongside collaborations with brands including Bershka, GAP, and Old Navy. Within the knits segment, key customers include Mango, American Eagle, and Tommy Hilfiger, while the woven portfolio caters to clients such as Kohl’s, TJ Maxx, and Nordstrom. PGIL also supplies denim products to Target, Walmart, ASDA George, and Bershka; sleepwear and loungewear to Macy’s, Kohl’s, and Walmart; activewear and athleisure to Ideology and Nordstrom; and kidswear to JCPenney, Next, Mango, and ASDA. Revenue contribution from clients with over five years of relationship increased from 25% in FY23 to 40% in FY25, while the share from clients with 5+ years of association rose from 17% to 60% over the same period. Management focuses on its top five customers, prioritizing large-volume programs over smaller orders from fragmented clients. These customers account for ~60% of revenues, led by PVH Corp. (USD90–100m) and Kohl’s (USD80–100m), followed by Inditex (~USD75m), MUJI (~USD60m), and GAP Inc. (~USD40m).

Exhibit 136: Revenue by customer relationship tenure (%)



Source: Company, MOFSL

Exhibit 137: Revenue contribution from top clients (%)



Source: Company, MOFSL

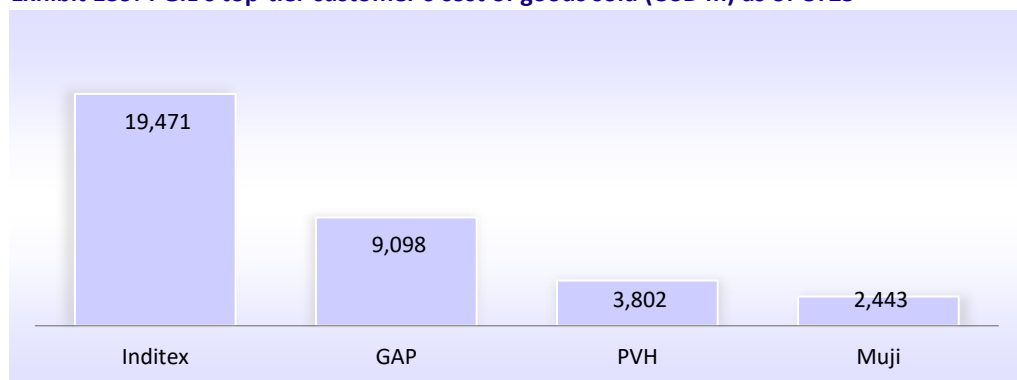
Top-tier clients contributed 22% to total revenue as of FY24

PGIL’s top-tier clientele, including PVH, Kohl’s, and Inditex, contributed ~22% to total revenue as of FY24, where management targets to reach ~38% by FY28. Data suggests that PGIL’s revenue from targeted top-tier customers accounts for only ~3–4% of their overall procurement, indicating significant headroom for growth.

Exhibit 138: PGIL clientele

	FY24 (%)	Target Revenues (FY28E) (%)	Customers
Top Tier (USD100m)	22	38	PVH (USD100m), Kohl (USD100m), Inditex (USD75m)
Second Tier (USD40-60m)	38	50	Gap (USD40-50m), Muji (USD50-60m)
Tactical Customers (<USD20m)	40	10	Ralph Lauren, Chicos, American Eagle

Source: Company, MOFSL

Exhibit 139: PGIL's top-tier customer's cost of goods sold (USD m) as of CY25


Source: Company, MOFSL

Industry trends indicate that global brands are increasingly consolidating their supplier base to optimize costs and improve efficiency, as working with fewer suppliers reduces complexity in quality control and procurement. Additionally, supplier consolidation enables better quality, consistency, and greater value addition from suppliers.

Exhibit 140: Top brands have been consolidating their supply base over the last 10 years

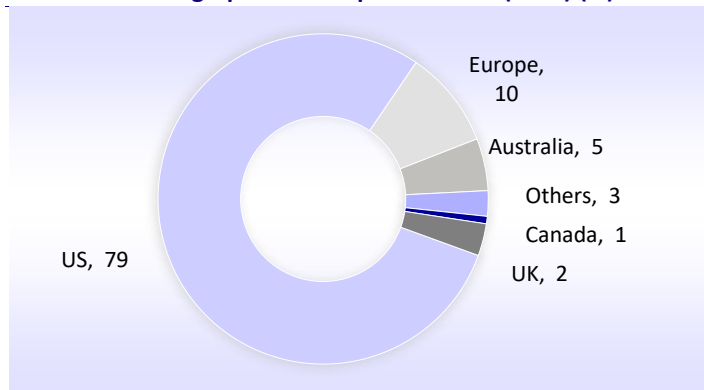
	CY20	CY21	CY22	CY23	CY24	CY25	
GAP	No of vendors	800	250	250	250	200	
	No of countries	30	25	25	30	30	
	Highest exposure to countries (%)	Vietnam 32, Indonesia 16	Vietnam 33, Indonesia 16	Vietnam 30, Indonesia 17	Vietnam 29, Indonesia 18	Vietnam 27, Indonesia 19	Vietnam 27, Indonesia 21
	Exposure from top-1 st (%)	7	8	8	9	9	9
	Exposure from top-2 nd (%)	7	7	6	7	8	8
PVH	No of factories	1,200	1,100	1,100	1,000	1,000	
	No of countries	40	40	40	40	30	
Inditex	Africa	443	443	447	458	441	
	America	26	38	39	42	23	
	Asia	4,346	4,567	4,458	4,600	3,837	
	Europe outside EU	1,770	1,824	1,736	1,616	1,302	
	EU	1,958	1,884	1,591	1,407	1,012	
	Total number of factories	8,543	8,756	8,271	8,123	6,615	
	Markets	50	44	50	45	50	

Source: Company, MOFSL

Strategic de-risking from the US and new FTAs (UK & EU) to support growth

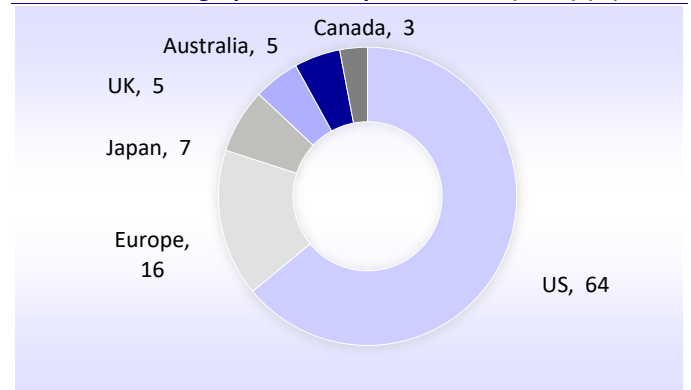
PGIL derives majority of its revenue from product sales in the US, followed by Spain, Canada, UK, Australia, and Europe (FY24 data). The company has strategically reduced its exposure to the US over time, with shipments to the US declining gradually over the years. The US contributed ~64% to the company's revenue in FY25, compared to ~86% in FY21, which has further reduced to ~50% in 2QFY26. The newly signed FTAs are likely to create incremental growth opportunities for the company. The UK contributed only ~5% of revenue as of FY25 and is primarily serviced through Bangladesh. PGIL is targeting a 2-3x scale-up in UK revenues over the next 1-2 years under the UK FTA. The EU contributed ~16% of revenue and is expected to witness further improvement with the upcoming India-EU FTA. Meanwhile, Japan, Canada, and Australia contributed ~7%, ~3%, and ~5% of revenue, with the company also positioned as a key beneficiary of the Australia FTA.

Exhibit 141: Geographic breakup of revenue (FY22) (%)



Source: Company, MOFSL

Exhibit 142: Geographic breakup of revenue (FY25) (%)



Source: Company, MOFSL

New categories to drive growth

PGIL offers a wide product portfolio comprising denims, outerwear, sleepwear, tops, dresses, and activewear, catering to all demographics across wovens and knits categories in the mass premium range. The portfolio comprises 73% woven products and 27% knit products. Tops and bottoms contribute ~80% of revenue, of which pants and denims account for ~30%. Jackets generate the highest EBITDA margin, while bottom wear operates at the lower end of the margin range. PGIL has identified six key categories: bottoms, men’s shirts and women’s blouses, winter jackets, sleepwear, athleisure, and knit tops and bottoms, which are expected to drive future growth.

Exhibit 143: Wide range of apparel

OUR CLOTHING CATEGORIES

GENDER-WISE SPLIT

Gender	Wovens	Knits
Women	Tops, Shirts, Long Shirts, Dresses, Sleepwear, Hoodies, Leggings	Dresses, Tops, Skirts, Sweaters, T-Shirts, Joggers
Men	Shirts, Polo T-shirts, Sleepwear, Pyjamas	T-Shirts, Hoodies
Boys	Shirts	T-shirts, Two-Piece Sets
Girls	Tops, Skirts, Dresses	T-Shirts, Skirts, Dresses, Rompers, Tank Tops
Toddlers		Rompers

DESIGN AND MARKETING OFFICES

- Hong Kong
- Spain
- The UK
- The U.S.

Source: Company, MOFSL

Higher asset turnover and expanded margin offer better ratios

Asset-light partnership offers higher asset turnover

PGIL operates a hybrid asset-light business model that combines owned manufacturing facilities with long-term strategic partnerships. This structure allows the company to expand its manufacturing footprint across geographies while remaining cost-competitive, without the need to commit significant capital toward building and maintaining entirely owned production facilities.

At present, the company operates five partnership factories out of its nine facilities in Bangladesh and four partnership factories out of five facilities in Vietnam. This asset-light approach improves scalability and operational flexibility, enabling the company to respond swiftly to evolving global trade dynamics, tariff structures, and demand patterns. The significance of this strategy is reflected in the rising share of partnership-led capacity in the company's revenue mix, which increased from 14.7% in FY24 to 25% in FY26. Going forward, management aims to maintain an 80:20 mix under the third-party model. Overall, this blended structure of owned and partnership manufacturing enables better asset turnover, which is reflected in the company's healthy return ratios.

Exhibit 144: DuPont analysis of key apparel companies

	PGIL			GEXP			ARVND			KPR Mill		
	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Net Income / Sales (%)	5.6	6.2	7.0	2.5	4.6	5.4	4.4	5.2	5.6	13.0	14.2	14.8
Sales/ Total Assets	1.7	1.7	1.7	1.0	1.0	1.1	1.1	1.0	1.1	1.0	1.1	1.1
Total Assets/ Total Equity	2.2	2.1	1.9	1.9	1.9	1.7	2.2	2.4	2.2	1.2	1.2	1.1
DuPont RoE (%)	21.3	22.0	23.2	4.7	8.7	10.0	10.5	13.5	14.4	16.2	17.4	17.8

Source: Company, MOFSL

Target to achieve double-digit operating margin by FY28

India typically delivers ~7-8% margins; however, margins contracted to ~6.2% this year due to higher US tariffs. Management expects a recovery to historical levels by FY28 as tariffs normalize. Bangladesh margins are expected to expand ~70-80bp to ~9.5% by FY28, driven by scale benefits. In Vietnam, we expect ~200bp margin expansion to ~12% by FY28. Indonesia is likely to deliver ~11% margins, while Guatemala is expected to reach breakeven by FY28. Overall, at a consolidated level, we expect operating margins to reach double digits (~11.1%) by FY28, supported by tariff normalization and operating leverage.

Exhibit 145: Margins across manufacturing facilities

EBITDA Margins	FY25	FY26	FY27E	FY28E
India	7.8%	6.2%	6.5%	7.5%
Bangladesh	9.6%	8.8%	9.0%	9.5%
Vietnam	8.5%	10.0%	11.0%	12.0%
Other	7.4%	4.6%	4.0%	4.7%
Total	9.0%	9.2%	10.2%	11.1%

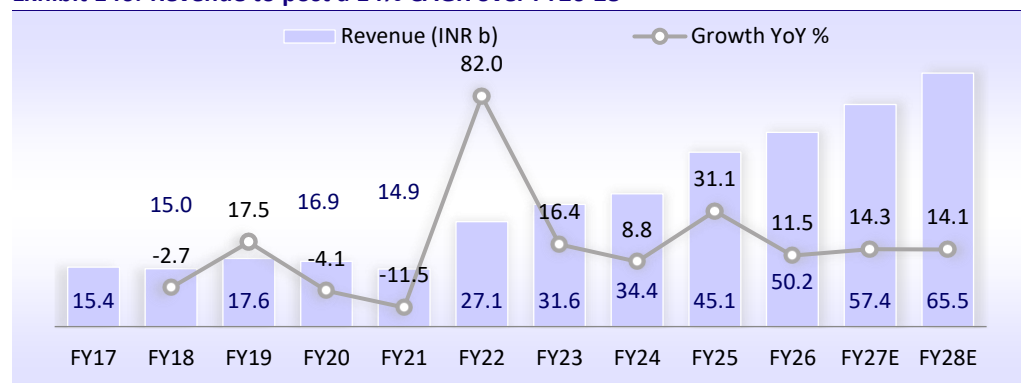
Source: Company, MOFSL

Financial outlook

Estimate a revenue CAGR of 14% over FY26-28

PGIL has delivered a robust revenue CAGR of 16.7% over FY22-26. Although the company faced headwinds in FY21 due to COVID, it bounced back in FY22 and has witnessed stable growth since then. Going forward, we expect a 14% CAGR over FY26-28, although FY26 growth was in low double digits due to tariffs. We expect low-to-mid teens growth to continue post-FY26, led by the UK and EU FTAs. Further, we expect high single-digit growth across India, Bangladesh, and Vietnam, while Indonesia, and Guatemala are expected to grow at ~13%. Management has a target to ship over 100m pieces by FY29.

Exhibit 146: Revenue to post a 14% CAGR over FY26-28

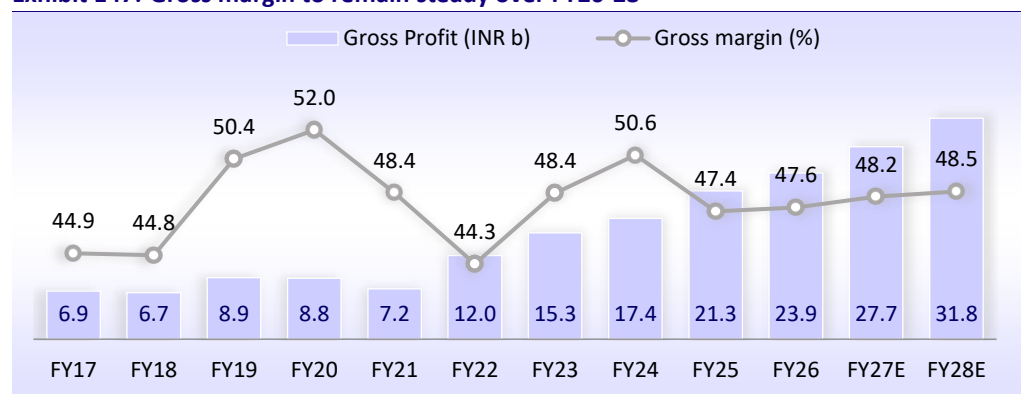


Source: Company, MOFSL

Gross margin

PGIL's gross margin expanded to 52% in FY20, after which it was impacted by COVID. Gross margins expanded to 50.6% in FY24 before moderating to 47.6% in FY26. The improvement reflects a better product mix, increased scale, and stronger sourcing and manufacturing efficiencies across its global facilities. Margins also benefited from higher value-added categories and design-led offerings. Going forward, gross margins are expected to remain stable at ~48-49%, supported by operating scale and cost optimization.

Exhibit 147: Gross margin to remain steady over FY26-28

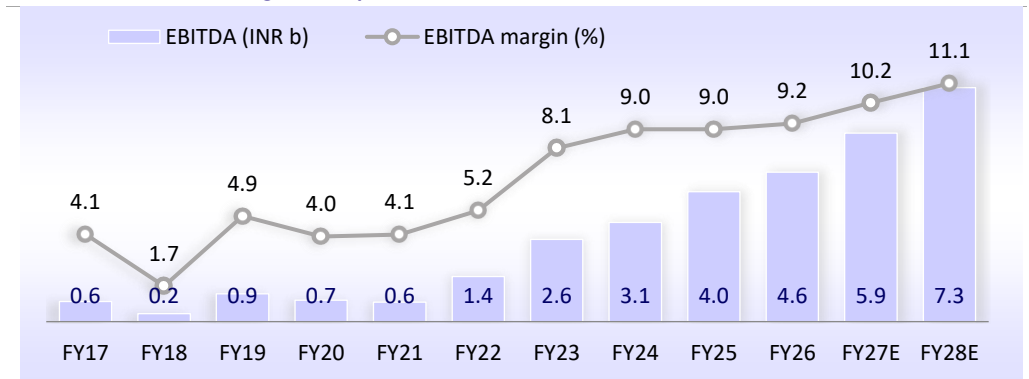


Source: Company, MOFSL

EBITDA margin

PGIL’s EBITDA margins have expanded meaningfully over the past few years, rising from 4.1% in FY17 to 9.2% in FY26. The expansion reflects stronger operating leverage from higher revenues and improved capacity utilization across Bangladesh and Vietnam facilities. Margins also benefited from tighter cost control and scaling of the company’s global manufacturing footprint. Going forward, EBITDA margins are expected to gradually expand to 11.1% by FY28, supported by continued scale benefits and operational efficiencies.

Exhibit 148: EBITDA margins to expand further



Source: Company, MOFSL

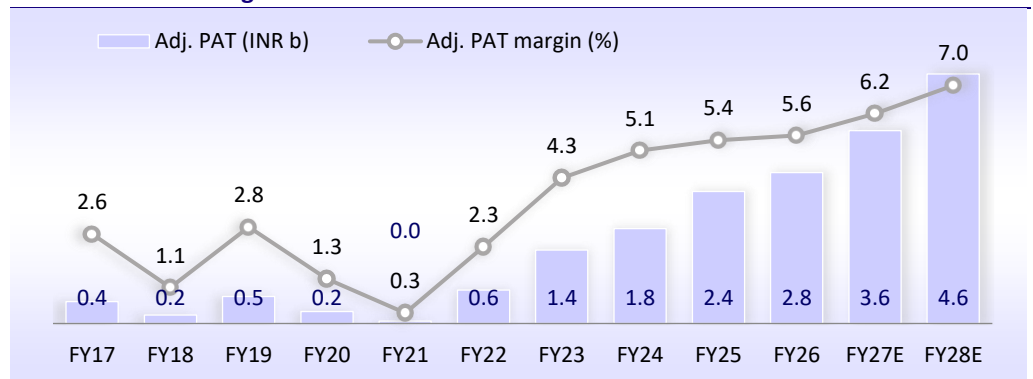
PAT

PGIL’s PAT margins have improved significantly over the past few years, rising from 2.6% in FY17 to 5.6% in FY26, reflecting stronger operating performance and better cost efficiency. The improvement has been driven by higher EBITDA margins, improved scale, and operating leverage. PAT margins were temporarily weak during FY20-FY21 due to pandemic-related disruptions, but recovered sharply as demand normalized and utilization improved. Going forward, margins are expected to gradually expand further and reach 7.0% by FY28, led by a lower tax rate (15%, as PGIL operates across multiple countries where lower taxes are applicable) and lower interest costs.

PGIL’s Tax Rate

FY24	12%
FY25	14%
FY26	13%
FY27E	15%
FY28E	15%

Exhibit 149: PAT margin estimated at 7.0% in FY28

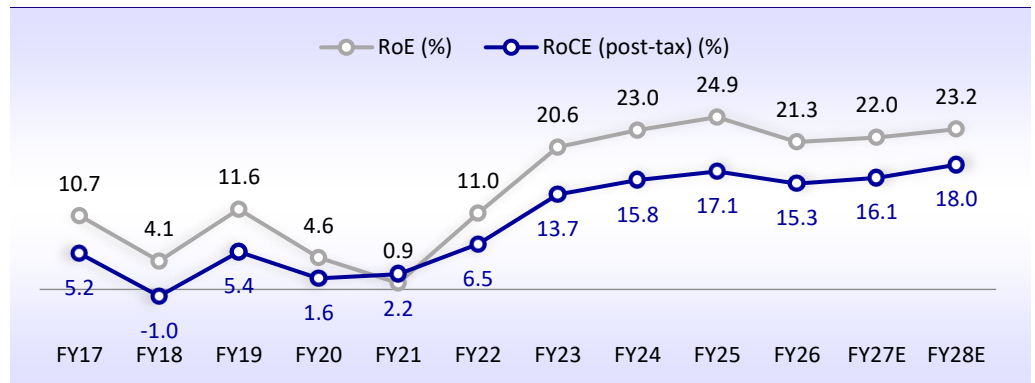


Source: Company, MOFSL

Return ratios

PGIL's return ratios have improved significantly in recent years, reflecting stronger earnings growth and better capital utilization. RoE increased from 10.7% in FY17 to 21.3% in FY26, supported by higher profitability and improved operating leverage. Similarly, RoCE improved from 5.2% in FY17 to 15.3% in FY26, driven by better capacity utilization and higher third-party manufacturing. Going forward, we expect both RoE and RoCE to exceed 18%, outperforming peers, supported by the company's asset-light model. On FCFF, PGIL has generated positive cash flows over the past three years (ex-FY26), and we expect this trend to continue, with free cash flow of ~INR1-2b annually over FY26-28, supported by margin expansion. Debt is expected to remain in the range of ~INR 8-9b over the next two years.

Exhibit 150: RoE to remain above 18% in FY28

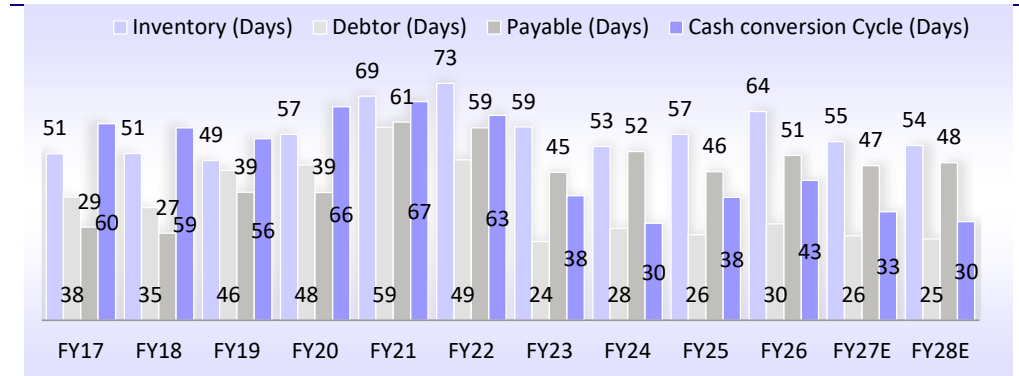


Source: Company, MOFSL

Cash conversion cycle

PGIL's cash conversion cycle has improved significantly over the years, indicating better working capital management. The CCC declined from ~60-67 days over FY17-FY22 to around 30-38 days in recent years and 43 days in FY26, driven primarily by faster receivable collections and more efficient inventory management. Debtor days reduced meaningfully as the company strengthened collections from global retailers, while inventory days also improved with better production planning and supply chain coordination.

Exhibit 151: Improved cash conversion cycle



Valuation and view: Initiate coverage with a BUY rating

- We expect PGIL to benefit from the following:
 - India is expected to deliver 9% CAGR over FY26-28, along with ~130bp margin expansion to ~7.5% by FY28, supported by capacity addition of 6m pieces.
 - The Bangladesh segment’s growth is expected to be driven by volume expansion, supported by an additional capacity of 10m pieces to be added by FY28.
 - Indonesia and Guatemala are expected to deliver over 13% growth, while Vietnam is expected to deliver 8% growth.

We believe ongoing capex (adding 20m pieces over FY26-28), supported by strong relationships with the top five customers, provides a competitive edge over peers. The company delivers among the best return ratios in the industry, driven by its asset-light model (~25% of revenue).

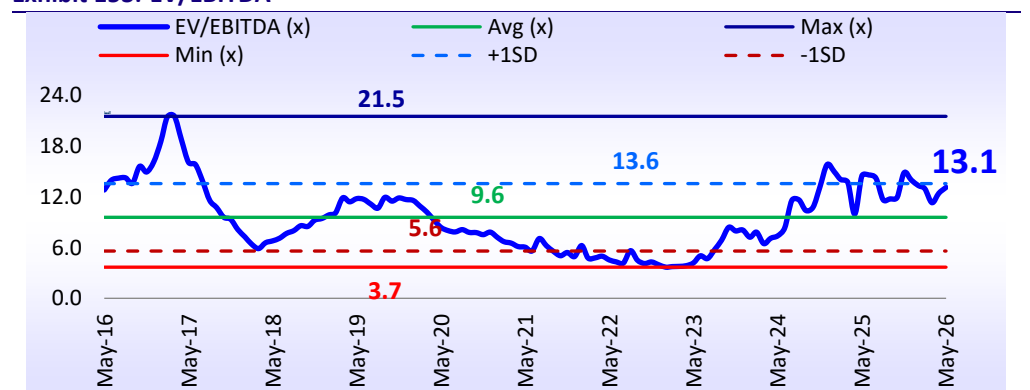
- **We initiate coverage on PGIL with a BUY rating and a TP of INR2,300 based on 15x FY28 EV/EBITDA (50% premium to the 10-year mean, led by a better asset turnover, higher PAT margin, and better return ratios).**
- Key risks would include: 1) customer concentration risk, 2) raw material and cost pressures, and 3) tariff and US exposure.

Exhibit 152: Relative valuation of coverage companies

Companies	Mcap (INRb)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (X)			EV/EBITDA (X)			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Gokaldas Export	60	819	1,110	BUY	36	18.0	32.7	73.1	59.9	29.7	21.5	19.2	14.0	10.7	4.7	8.7	10.0
Arvind	135	517	670	BUY	30	14.9	22.6	29.3	32.8	23.5	19.6	14.9	12.5	10.4	10.5	13.5	14.4
Pearl Global	82	1,793	2,300	BUY	28	14.2	25.2	28.5	29.7	23.2	18.0	18.5	14.7	11.8	21.3	22.0	23.2
KPR Mill	399	1,160	1,200	Neutral	3	12.8	19.8	20.2	45.7	37.2	31.7	30.9	24.8	21.1	16.2	17.4	17.8

Source: MOFSL

Exhibit 153: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ✓ In our Bull case scenario, we factor in a 15% revenue CAGR over FY26-28E, driven by higher volume growth in Bangladesh.
- ✓ Further, higher volumes are expected to enhance operating leverage, leading to an expansion in EBITDA margin to 12.1% by FY28 (from 9.2% in FY26).

Bear case

- ✓ In our Bear case scenario, we factor in a 13% revenue CAGR over FY26-28E, driven by lower volume growth in Bangladesh.
- ✓ Consequently, we expect operating leverage to improve moderately, with EBITDA margin reaching 10.1% by FY28 (from 9.2% in FY26).

Exhibit 154: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	13%	14%	15%
EBITDA CAGR FY26-28E	18%	25%	32%
EBITDA Margin FY28E	10.1%	11.1%	12.1%
EV/EBITDA	14	15	16
Target Enterprise Value (INR m)	91,107	1,09,151	1,29,176
Net Debt (INR m)	3,003	3,003	3,003
Target Equity Value (INR m)	88,104	1,06,148	1,26,173
Outstanding Shares (Nos m)	46	46	46
Target price (INR)	1,909	2,300	2,734
CMP (INR)	1,793	1,793	1,793
Upside/Downside	6%	28%	52%

Source: MOFSL

Key Risks

Client Concentration Risk

High dependence on a few large global retailers; any order cuts, sourcing shifts, or pricing renegotiations can impact revenues, utilization, and margins.

Export Concentration Risk

~99% export-driven revenues expose the company to global demand cycles, trade policies, and macro conditions in key markets like the US and Europe.

Consumer Preference Volatility Risk

Rapidly changing fashion trends can lead to order volatility, shorter cycles, and pricing pressure from retailers.

Geopolitical and Operational Disruption Risk

Multi-country manufacturing exposes operations to geopolitical tensions, regulatory changes, labor issues, and supply chain disruptions.

Company Background

PGIL, founded in 1987 by Dr. Deepak Kumar Seth, is a leading global apparel manufacturer and exporter specializing in fashion apparel catering to large international retailers and brands. The company offers a diversified product portfolio across woven and knit categories, including casual wear, outerwear, dresses, tops, bottoms, and workwear, catering primarily to the fast fashion, mid-market, and value retail segments. PGIL operates a diversified manufacturing platform across India, Bangladesh, Vietnam, Indonesia, and Guatemala, complemented by design and sourcing offices across key global markets. This multi-country manufacturing footprint enables the company to optimize costs, access favorable trade agreements, and provide supply chain flexibility to global customers. The business is predominantly export-oriented, supplying to major retailers in the US, Europe, and the UK, with long-standing relationships with several large global brands. Over time, PGIL has strengthened its positioning by expanding capacity across geographies, adding value-added capabilities such as product development and in-house laundry facilities, and adopting an asset-light manufacturing model that combines owned facilities with strategic partner factories. This diversified global manufacturing network, combined with design-to-delivery capabilities, positions the company as an integrated apparel sourcing partner for international retailers.

Management Team

Exhibit 155: Management team

Leader	Role	Experience
Dr. Deepak Kumar Seth	Chairman	❖ Deepak Kumar Seth is a veteran of the global apparel export industry. He founded the company in 1987 and has led its expansion into a multinational apparel manufacturing network across several countries. An economics graduate from St. Stephen's College, Delhi University, and an MBA from JBIMS, Mumbai, he is also associated with ventures such as PDS and Pearl Academy, and has received recognitions, including the Udyog Ratna award from the Government of Haryana.
Mr. Pulkit Seth	Vice Chairman	❖ Pulkit Seth plays a key role in shaping the company's global strategy and expansion. He has done his Bachelor's in Business Management from NYU Stern School of Business. He comes with 20+ years of experience in the apparel industry and has been closely involved in strengthening the company's international manufacturing footprint and customer relationships across key markets.
Mrs. Shifalli Seth	Non-Executive Director	❖ Shifalli Seth has been associated with the group for several years and contributes to strategy and governance. She holds a bachelor's degree from the University of Bradford and is actively involved with Pearl Academy.
Mr. Pallab Banerjee	Managing Director	❖ Pallab Banerjee is responsible for overseeing PGIL's global operations and strategic growth initiatives. He brings over three decades of experience in the apparel industry, including nearly 20 years with Gap Inc., where he served as Vice President. He holds a Bachelor's degree from the University of Delhi, a Diploma in Apparel Marketing & Merchandising from NIFT, and has completed Financial Management studies from eCornell.
Mr. Sanjay Gandhi	Group CFO	❖ Sanjay Gandhi joined the company in 2019 and is responsible for overseeing global finance, treasury, and investor relations in PGIL. He brings over two decades of experience across companies such as Sterlite Electric, Toshiba Group, Kalyani Group, EIH, and Olam International. He graduated from Shri Ram College of Commerce, University of Delhi, and is a Chartered Accountant. He has also completed a Strategic Thinking program from ISB.

Source: Company, MOFSL

ESG initiatives



Environment

- The company has implemented water recycling systems (ETP, STP, WTP), along with Aqualess processes, which have helped reduce water usage by up to 85%.
- It has also adopted sustainable technologies (laser, ozone, recycled inputs), while increasing the use of renewable energy sources (solar, PNG boilers) to reduce emissions and overall resource consumption.

Social

- The company conducts employee training and skill development programs, including leadership and technical workshops, to strengthen workforce capabilities.
- It also promotes community development and women empowerment initiatives through programs such as R.I.S.E and various education-focused CSR activities.

Governance

- The company has strengthened its governance framework through the appointment of reputed auditors and the enhancement of internal audit systems across geographies.
- In addition, it has increased automation in financial reporting and MIS systems to improve transparency, strengthen internal controls, and support better decision-making.

SWOT analysis

❖ Diversified global manufacturing footprint mitigates tariff and supply chain risks while enhancing operational flexibility.

❖ Strong relations with global retailers ensure repeat orders.

❖ Asset-light model enables scalable growth and lower capex requirements.

S
STRENGTH

❖ High export dependence (~99%) exposes the company to global demand cycles.

❖ Labor-intensive operations make margins sensitive to wage inflation and productivity-related challenges.

W
WEAKNESS

❖ China+1 sourcing shift continues to benefit exporters with multi-country manufacturing capabilities.

❖ Rising demand for value-added apparel and integrated sourcing capabilities bodes well for the company.

O
OPPORTUNITY

❖ Geopolitical and trade risks in key markets like the US and Europe, which contribute ~75% of the business, may impact demand.

❖ Higher dependency on Bangladesh exposes the company to risks arising from economic instability.

T
THREATS

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	14,909	27,135	31,584	34,362	45,063	50,246	57,407	65,513
Change (%)	-11.5	82.0	16.4	8.8	31.1	11.5	14.3	14.1
Gross Profit	7,220	12,029	15,289	17,383	21,342	23,906	27,670	31,774
Total Expenses	14,304	25,729	29,029	31,283	41,027	45,607	51,551	58,241
EBITDA	606	1,406	2,555	3,078	4,036	4,639	5,855	7,272
EBITDAM (%)	4.1	5.2	8.1	9.0	9.0	9.2	10.2	11.1
Deprn. & Amortization	441	483	508	642	752	873	1,048	1,237
EBIT	165	922	2,048	2,436	3,284	3,766	4,807	6,035
Net Interest	413	466	652	833	992	1,032	1,010	1,023
Other income	235	335	228	324	336	371	390	405
PBT Before EO Exp	-13	791	1,624	1,927	2,628	3,105	4,187	5,417
EO expense	127	67	135	-6	46	-12	0	0
PBT after EO	114	858	1,758	1,921	2,673	3,093	4,187	5,417
Tax	-61	157	229	229	366	393	628	813
Rate (%)	-54.0	18.3	13.0	11.9	13.7	12.7	15.0	15.0
Minority and Associates	2	20	37	-57	-176	-76	0	0
Reported PAT	173	681	1,493	1,748	2,483	2,777	3,559	4,605
Change (%)	-19.9	294.6	119.0	17.1	42.0	11.8	28.2	29.4
Adjusted PAT	46	614	1,358	1,754	2,438	2,789	3,559	4,605
Change (%)	-79.2	1,230.2	121.1	29.2	39.0	14.4	27.6	29.4

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	217	217	217	218	230	231	231	231
Reserves	4,956	5,773	7,008	7,802	11,327	14,367	17,571	21,715
Net Worth	5,172	5,989	7,225	8,020	11,557	14,598	17,801	21,946
Minority Interest	129	159	203	154	-92	-218	-218	-218
Total Loans	4,944	7,014	5,920	6,419	8,210	10,123	9,692	8,969
Deferred Tax Liability	-47	17	-8	-21	-62	-	-	-
Capital Employed	10,199	13,179	13,340	14,573	19,614	24,503	27,275	30,696
Gross Block	5,459	6,528	7,731	9,402	11,008	12,795	15,649	17,664
Less: Accum. Deprn.	1,554	2,052	2,728	3,287	3,740	4,612	5,661	6,897
Net Fixed Assets	3,905	4,476	5,003	6,116	7,268	8,183	9,988	10,767
Capital WIP	470	152	331	349	440	1,132	574	655
Investments	549	552	598	300	243	356	392	431
Other Non-Current Assets	437	203	305	276	363	449	493	543
Curr. Assets	7,557	12,429	11,566	12,789	17,579	22,327	24,186	28,051
Inventory	2,812	5,411	5,143	5,027	7,051	8,825	8,627	9,648
Account Receivables	2,422	3,666	2,094	2,654	3,244	4,073	4,089	4,487
Cash	1,171	1,498	2,945	3,665	5,664	7,044	6,200	5,966
Loans and Advances	506	903	1,014	1,081	1,023	986	1,251	1,399
Other Current Assets	647	951	370	362	597	1,400	4,018	6,551
Curr. Liability & Prov.	2,718	4,634	4,463	5,256	6,278	7,944	8,358	9,752
Account Payables	2,488	4,396	3,929	4,880	5,636	6,978	7,470	8,695
Provisions & Others	230	238	533	376	642	967	888	1,056
Net Curr. Assets	4,838	7,795	7,103	7,534	11,301	14,383	15,828	18,300
Appl. of Funds	10,199	13,179	13,340	14,573	19,614	24,503	27,275	30,696

E. MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adjusted EPS	1.1	14.2	31.3	40.3	53.1	60.4	77.1	99.8
Growth (%)	-79.2	1230.2	121.1	28.4	31.8	13.9	27.6	29.4
Cash EPS	11.2	25.3	43.1	55.0	69.4	79.3	99.8	126.6
BV/Share	119.4	138.3	166.8	184.0	251.6	316.3	385.8	475.6
DPS	0.0	5.0	7.5	17.5	11.5	5.0	7.7	10.0
Payout (%)	0.0	35.3	23.9	43.5	21.7	8.3	10.0	10.0
Valuation (x)								
P/E	1682.0	126.4	57.2	44.5	33.8	29.7	23.2	18.0
Cash P/E	159.4	70.8	41.6	32.6	25.8	22.6	18.0	14.2
P/BV	15.0	13.0	10.8	9.7	7.1	5.7	4.6	3.8
EV/EBITDA	134.5	59.2	31.6	26.3	21.0	18.5	14.7	11.8
Return Ratios (%)								
EBITDA Margin (%)	4.1	5.2	8.1	9.0	9.0	9.2	10.2	11.1
Net Profit Margin (%)	0.3	2.3	4.3	5.1	5.4	5.6	6.2	7.0
RoE	0.9	11.0	20.6	23.0	24.9	21.3	22.0	23.2
RoCE (post-tax)	2.2	6.5	13.7	15.8	17.1	15.3	16.1	18.0
RoIC (post-tax)	2.9	8.3	18.2	23.1	25.5	23.7	23.8	24.5
Working Capital Ratios								
Fixed Asset Turnover (x)	3.8	6.1	6.3	5.6	6.2	6.1	5.7	6.1
Asset Turnover (x)	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Inventory (Days)	69	73	59	53	57	64	55	54
Debtor (Days)	59	49	24	28	26	30	26	25
Payable (Days)	61	59	45	52	46	51	47	48

Consolidated - Cash flow statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	114	858	1,759	1,921	2,673	3,093	4,187	5,417
WC	381	-2,392	1,577	445	-2,052	-1,206	-2,289	-2,707
Others	613	763	678	1,359	1,497	2,481	2,058	2,260
Direct taxes (net)	-162	-144	-366	-204	-355	-385	-628	-813
CF from Op. Activity	946	-915	3,648	3,521	1,764	3,983	3,329	4,158
Capex	-307	-501	-407	-1,227	-949	-1,852	-2,296	-2,096
FCFF	639	-1,416	3,240	2,294	815	2,132	1,032	2,062
Interest income	37	28	44	74	101	174	-	-
Others	-297	-425	-301	-1,355	-1,136	-1,754	-2,332	-2,136
CF from Inv. Activity	-261	-396	-257	-1,281	-1,035	-1,580	-2,332	-2,136
Share capital	-	-	-	-	-	-	-	-
Borrowings	-189	1,985	-1,158	6	2,488	946	-500	-800
Finance cost	-260	-257	-550	-695	-831	-802	-1,010	-1,023
Dividend	-	-	-76	-488	-254	-604	-356	-460
Others	-171	-196	-214	-344	-391	-	25	27
CF from Fin. Activity	-620	1,533	-1,998	-1,522	1,011	-459	-1,841	-2,257
(Inc)/Dec in Cash	66	222	1,393	718	1,740	1,944	-844	-234
Opening balance	881	947	1,169	2,562	3,280	5,100	7,044	6,200
Adjustments	-	-	-	-	-	-	-	-
Closing balance	947	1,169	2,561	3,280	5,020	7,044	6,200	5,966

E. MOFSL Estimates

BSE Sensex
77,094

 S&P CNX
24,103

CMP: INR1,160
TP: INR1,200 (+3%)
Neutral

Stock Info

Bloomberg	KPR IN
Equity Shares (m)	342
M.Cap.(INRb)/(USD\$b)	352 / 3.7
52-Week Range (INR)	1257 / 796
1, 6, 12 Rel. Per (%)	12/15/-1
12M Avg Val (INR M)	479
Free float (%)	32.5

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	66.5	75.2	84.6
EBITDA	12.7	15.7	18.2
EBITDA (%)	19.1	20.8	21.5
Adj. PAT	8.7	10.7	12.5
EPS (INR)	25.4	31.2	36.6
EPS Gr. (%)	6.3	23.1	17.4
BV/Sh. (INR)	165.6	190.4	219.5

Ratios

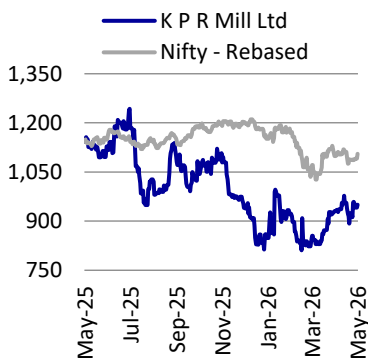
Net D/E	-0.1	-0.2	-0.2
RoE (%)	16.2	17.4	17.8
RoCE (%)	15.4	16.7	17.2
Payout (%)	19.7	20.0	20.0

Valuations

P/E (x)	45.7	37.2	31.7
P/B (x)	7.0	6.1	5.3
EV/EBITDA (x)	30.9	24.8	21.1
Div. Yield (%)	0.4	0.5	0.6

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	67.5	67.5	70.7
DII	19.5	19.2	16.5
FII	6.6	6.5	6.3
Others	6.4	6.8	6.6

Stock Performance (1-year)

Vertical integration driving sustainable growth

- KPR Mill (KPR) is one of India's largest vertically integrated textile players, with a strong leadership position in garment manufacturing. The company also has a presence in the sugar and ethanol businesses. Revenue mix comprises yarn (~31%), garments (~48%), sugar (~9%), ethanol (~7%), and others (~5%).
- Over the last decade, the company has doubled its capacity to 204m pieces (8% CAGR), reflecting a revenue CAGR of 18% over the same period for the garmenting division. Further, we expect management to invest ~INR 5b in the Odisha facility, which is expected to add 50m pieces of capacity by FY28. We expect the garment segment to clock 16% CAGR over FY26-28, supported by ongoing capex and EU & UK FTAs.
- KPR's yarn and fabric segment provides upstream stability through captive consumption, while its integrated sugar and ethanol business acts as a stable cash flow, supported by ethanol blending opportunities and improving industry dynamics, reducing overall earnings cyclicality. We expect 6% revenue CAGR on yarn & fabric, while sugar & ethanol are expected to post 10%/16% revenue CAGR over FY26-28.
- We model a revenue, EBITDA, and PAT CAGR of 13%, 20%, and 20%, respectively, over FY26-28, fueled by growth in the garment portfolio.
- We initiate coverage on KPR with a Neutral rating and an EV/EBITDA-based TP of INR1,200, valuing the stock at 22x FY28E EV/EBITDA (55% premium to the 10-year mean led by higher EU business).

Largest garmenting supplier in the listed space

KPR continues to maintain one of the largest garmenting capacities among Indian apparel players, with an installed capacity of 204m pieces as of FY26, significantly ahead of peers such as Shahi Exports (~170m pieces), Pearl Global (~101m pieces), Gokaldas Exports (~92m pieces), and Arvind (55m pieces). Over the last decade, the company has doubled its capacity to 204m pieces (8% CAGR), reflecting a revenue CAGR of 18% over the same period for the garmenting division. Its strong presence in knitwear products results in lower realizations (INR170-180/piece) compared to peers (~INR 500-600/piece); however, the segment delivers superior margins, supporting better profitability. Additionally, higher employee efficiency drives stronger asset turnover, leading to superior RoE within the sector. Further, we expect management to invest ~INR 5b in Phase I of the Odisha facility, which is expected to add 50m pieces of capacity by FY28. Garments delivered 17% CAGR over FY22-26, and we expect the segment to post 16% CAGR over FY26-28, supported by ongoing capex and lower tariffs in the US.

Vertically integrated player: Yarn segment provides stability

The competitive position of KPR is built on its vertically integrated operating model, where the company sources raw cotton and converts it into finished, packaged garments supplied directly to global buyers. This structure allows the company to manage the entire production chain internally, from spinning yarn to fabric processing and garment manufacturing, without relying on external vendors for core stages of production. The yarn & fabric segment reported revenue of INR20.5b in FY26, contributing ~31% of consolidated revenue.

As yarn is a lower-margin and cyclical segment, with margins declining from a sustainable ~17–18% to ~10% over the past 2–3 years due to the domestic slowdown, KPR is focused on converting a greater proportion of yarn into garments to improve overall profitability. The company also operates a 10 KTPA vortex viscose yarn capacity, which adds a value-added yarn category used in higher-quality garment production. The segment reported a 1% CAGR decline over FY22-26, while we expect it to deliver 6% CAGR over the next couple of years.

Sugar and ethanol businesses clock low-to-mid-teen growth

KPR ventured into the sugar business in FY13 through the acquisition of a distressed sugar mill in Chittoor, Andhra Pradesh, with an initial crushing capacity of 20k TCD annually, strategically diversifying beyond its core textile operations to de-risk the business from cotton price volatility and create an additional revenue stream leveraging management bandwidth. The sugar business contributes ~9% to KPR's consolidated revenue and operates with EBIT margins of ~16%, benefiting from government support for ethanol blending programs. We expect the ethanol business to remain a key margin driver, benefiting from government-mandated ethanol procurement at remunerative prices (INR65-70 per liter under the EBP program) and long-term off-take agreements with oil marketing companies (OMCs) like IOCL, BPCL, and HPCL.

Financial outlook

KPR's outlook remains robust, with revenue expected to clock 13% CAGR over FY26-28, supported by capacity ramp-up, favorable demand in the garments segment, and strategic expansion in higher-margin branded apparel. Profitability is likely to strengthen gradually, with EBITDA margins expanding to 21.5% and APAT margins expanding to 14.8% by FY28E, driven by operating leverage and a better product mix. Consequently, return ratios are expected to improve meaningfully, with RoE/RoCE reaching ~17.8%/17.2% in FY28 as new capacities are absorbed and capital efficiency improves. Working capital remains stable, with the cash conversion cycle averaging ~128 days over the forecast period. Overall, KPR appears well-positioned for earnings growth and disciplined operational execution.

Valuation & view: Initiate coverage with a Neutral rating

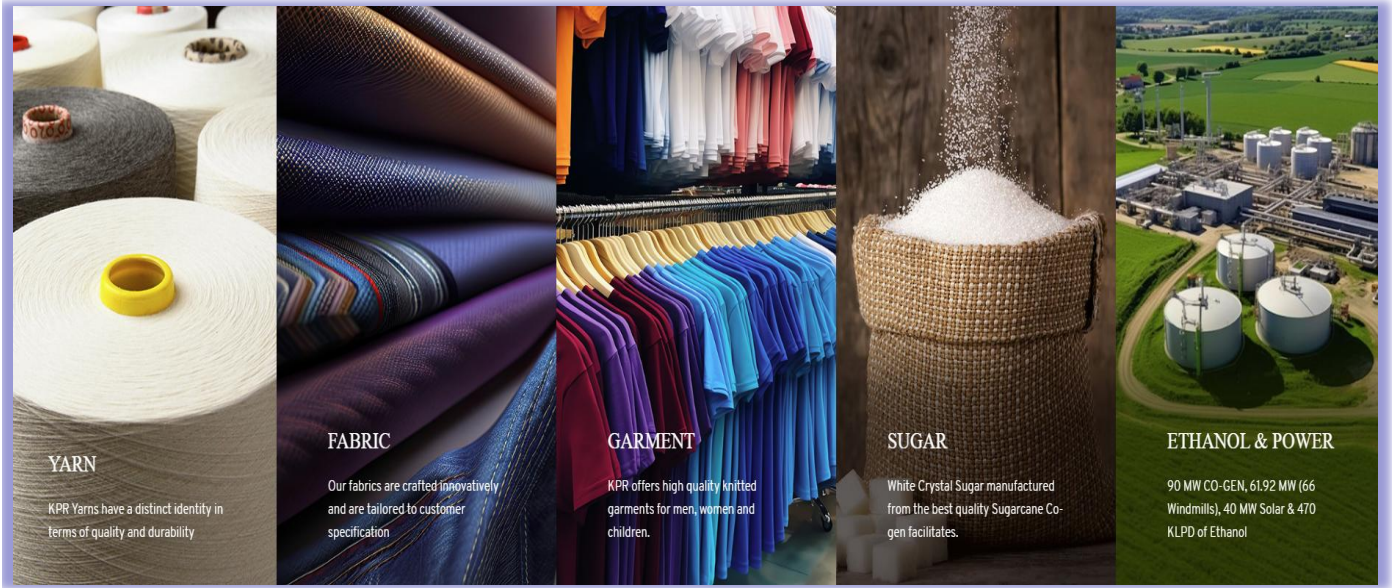
We initiate coverage on KPR with a Neutral rating and an EV/EBITDA-based TP of INR1,200, valuing the stock at 22x FY28E EV/EBITDA (55% premium to the 10-year mean). We believe the company is well-positioned to benefit from its leadership in the Indian textile and apparel industry, supported by the largest garmenting capacity among listed peers. In addition, KPR's sugar and ethanol business acts as a stable cash flow generator, supported by integrated operations, strong ethanol blending opportunities, and cogeneration benefits, thereby reducing cyclicity and strengthening overall earnings visibility. We believe the current valuation already factors in low- to mid-teens growth, leaving limited upside at the CMP.

Key risks and concerns

Key risks to our call would include: 1) dependence on export markets, demand cyclicity in the apparel industry, and intense global competition.

STORY IN CHARTS

KPR's products at a glance



YARN

KPR Yarns have a distinct identity in terms of quality and durability

FABRIC

Our fabrics are crafted innovatively and are tailored to customer specification

GARMENT

KPR offers high quality knitted garments for men, women and children.

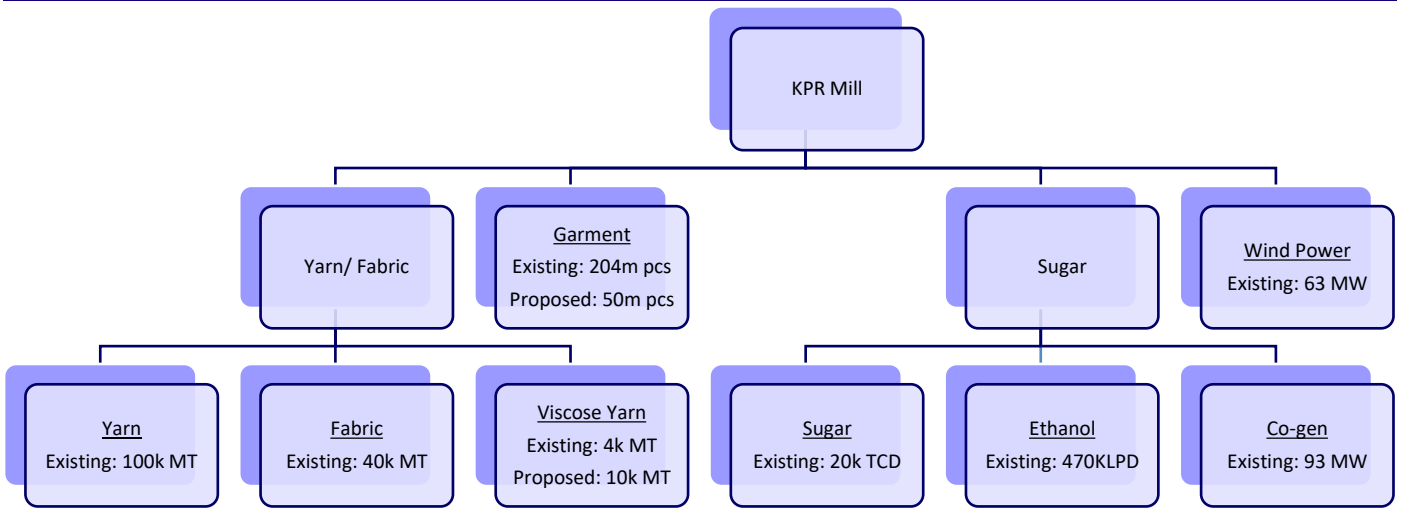
SUGAR

White Crystal Sugar manufactured from the best quality Sugarcane Co-gen facilitates.

ETHANOL & POWER

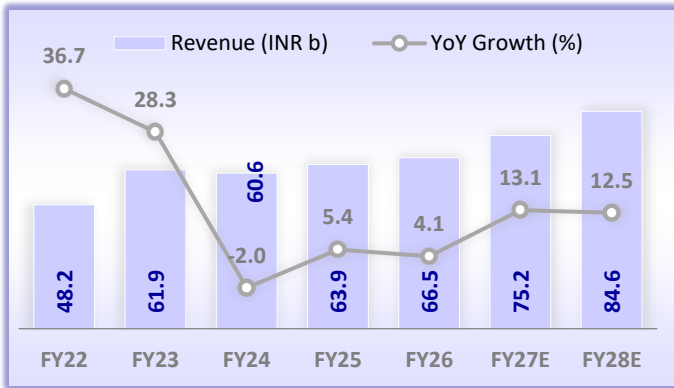
90 MW CO-GEN, 61.92 MW (66 Windmills), 40 MW Solar & 470 KLPD of Ethanol

KPR's capacity across segments

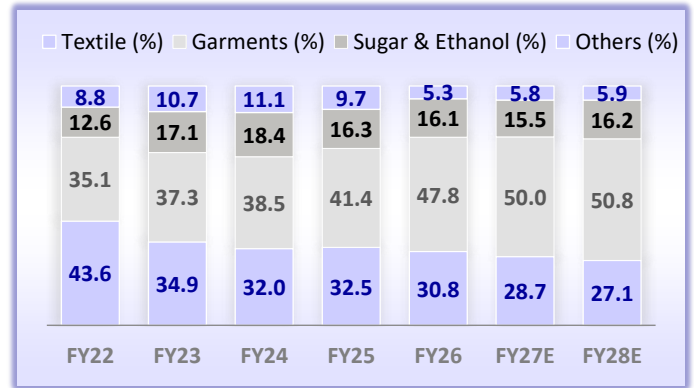


Source: Company, MOFSL

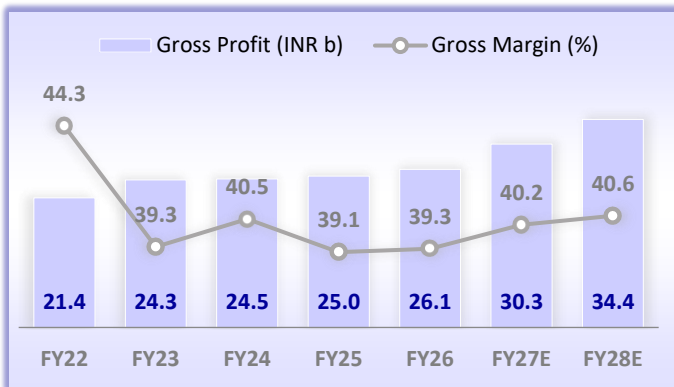
Revenue and revenue growth



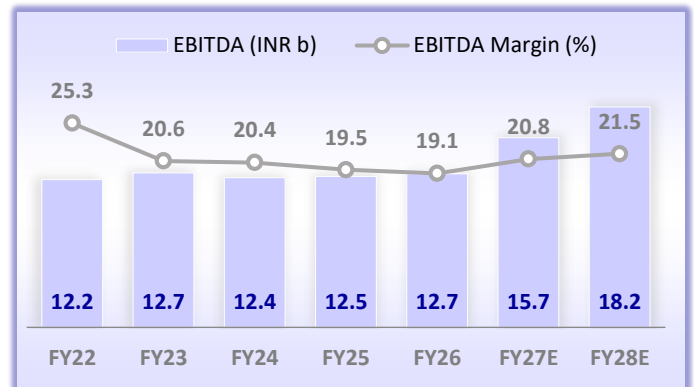
Category-wise revenue share (%)



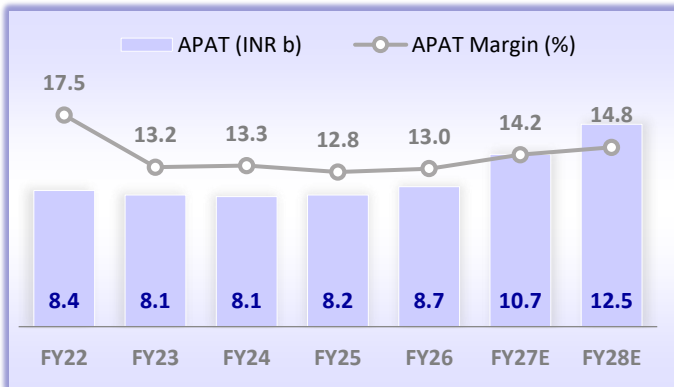
Gross profit and gross margin



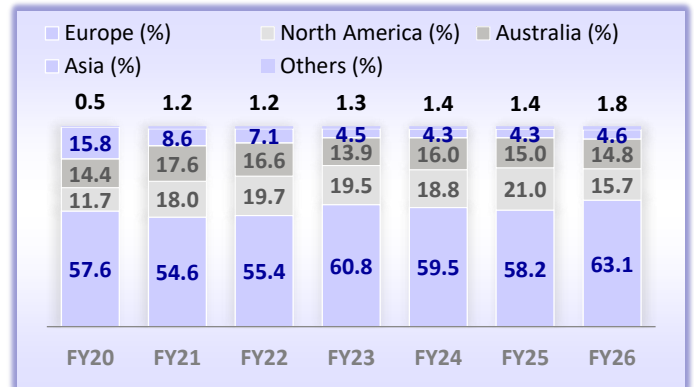
EBITDA and EBITDA margin



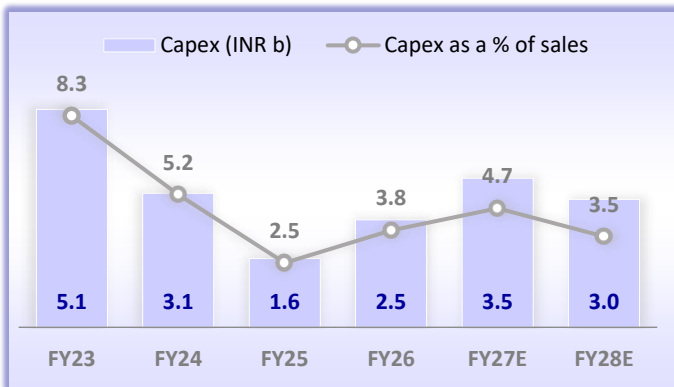
APAT and APAT margin



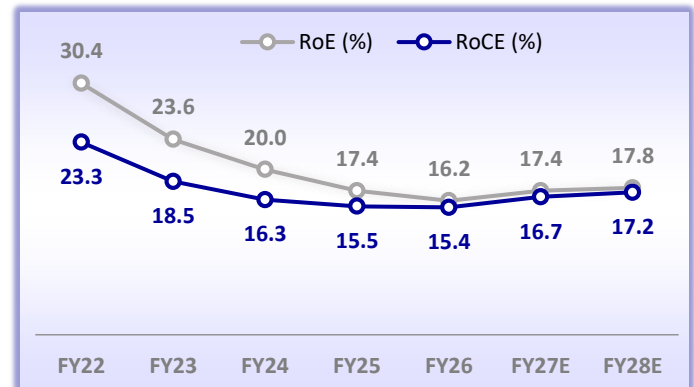
Revenue trend – Country-wise contribution in export



Capex (INR m) and capex as % of sales (b)



Return ratios (%)



Largest garment supplier in the apparel space

Undisputed leader in the listed market

KPR continues to maintain one of the largest garmenting capacities among Indian apparel players, with an installed capacity of 204m pieces as of FY26, significantly ahead of peers such as Shahi Exports (~170m pieces), Pearl Global (~101m pieces), Gokaldas Exports (~92m pieces), and Arvind (55m pieces). We expect management to invest ~INR 5b in Phase I of the Odisha facility, which is expected to add 50m pieces of capacity, taking the total capacity to ~254m pieces by FY28. This large-scale manufacturing base positions KPR favorably to benefit from rising global sourcing opportunities, operating leverage, and better execution capabilities across large-volume orders.

Exhibit 156: Garmenting capacity across the industry

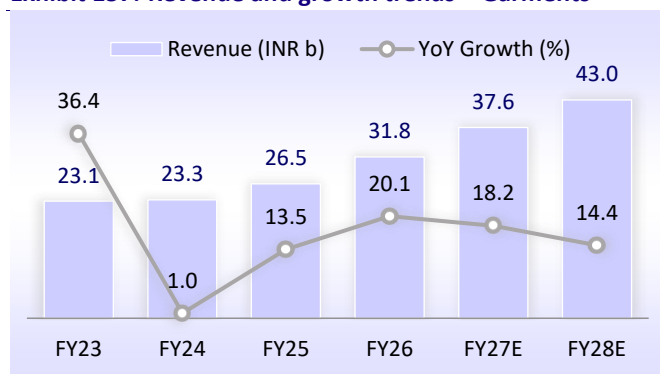
Particular	Revenue (INR b)			CAGR	CAGR	Capacity (m pieces)			CAGR	CAGR
	FY22	FY26	FY28E	FY22-26 (%)	FY26-28E (%)	FY22	FY26	FY28E	FY22-26 (%)	FY26-28E (%)
Arvind - Garmenting	15.9	20.2	26.7	6.2	15.1	45	55	68	5.1	11.2
Gokaldas Export - Total	17.9	39.9	55.5	22.2	18.0	36	92	102	26.4	5.3
Pearl Global - Total	27.1	50.2	65.5	16.7	14.2	81	101	121	5.8	9.7
KPR Mill - Garmenting	16.9	31.8	43.0	17.1	16.3	157	204	254	6.8	11.6
Shahi Export - Total	80.0	86.9*	NA	2.8#	NA	NA	140+	NA	NA	NA

Source: Company, MOFSL, *Note: For Shahi Export the revenue is for FY25 and #CAGR for FY22-25

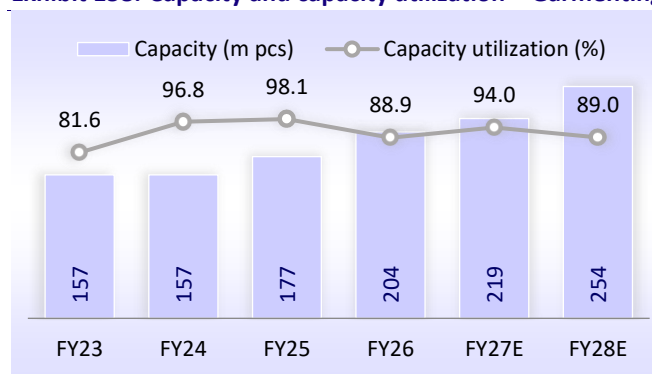
Revenue % - Overseas	FY26
Europe	63.1%
North America	15.7%
Australia	14.8%
Asia	4.6%
Others	1.8%
Total	100.0%

Garmenting — The crown jewel (48% of the total revenue)

The company manufactures knitted garments for men, women, and children using cotton, organic cotton, and cotton blends. It produces garments across categories such as casual wear, sportswear, activewear, sleepwear, and workwear. The company has a garment manufacturing capacity of 204m pieces per year and supplies apparel products to international buyers across multiple clothing segments. Over the last decade, the company has doubled its capacity to over 204m pieces (8% CAGR), while revenue has also nearly doubled, reflecting a CAGR of 18% over the same period. KPR is primarily focused on knitwear products, resulting in lower realizations (INR 170–180/piece) compared to peers (~INR 500–600/piece), reflecting its volume-driven business model. KPR currently operates at over 90% capacity utilization, and we expect similar levels to be sustained through FY28. Management is going to invest ~INR5b in the Odisha facility (Phase I), which would add ~50m pieces of capacity by FY28. Management expects the facility to generate an asset turnover of ~2.5–3.0x, with a payback period of three years at full scale. Additionally, the company expects to receive ~INR 1.5–2.0b in state incentives over 10 years. Garments delivered ~17% CAGR over FY22–26, and we expect the segment to post ~16% CAGR over FY26-28, supported by ongoing capex and lower tariffs in the US. Currently, this segment generates an operating margin of ~25% with a 100% knit product portfolio, and management expects margins to improve gradually over FY26–28.

Exhibit 157: Revenue and growth trends – Garments


Source: Company, MOFSL

Exhibit 158: Capacity and capacity utilization – Garmenting


Source: Company, MOFSL

Exhibit 159: Realization across key garmenting players

Particular (INR)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	CAGR FY22-26 (%)	CAGR FY26-28E (%)
Gokaldas Export	738	741	751	472	570	598	649	-6.3%	6.7%
Arvind - Garmenting	429	520	497	456	485	490	495	3.1%	1.0%
KPR Mill - Garmenting	139	180	153	152	175	183	190	5.9%	4.2%
Pearl Global - India	478	561	598	623	682	682	683	9.3%	0.1%

Source: Company, MOFSL

Garmenting – Structural growth engine with margin expansion visibility

The garmenting division represents the most important value-accretive segment within KPR's integrated textile platform. Unlike the inherently cyclical yarn and fabric businesses, garment manufacturing enables the company to convert internally produced yarn and fabric into higher-value-added finished products, significantly improving margin realization and earnings stability. Over the past decade, KPR has strategically increased the share of garments in its product mix, transforming the business from a traditional textile manufacturer into an integrated apparel exporter with stronger profitability and visibility of demand.

Exhibit 160: EBITDA margins for apparel players

Particular	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gokaldas Export	0.2	5.3	5.9	8.4	11.5	12.2	10.7	9.6	8.9	10.4	11.3
Arvind	9.9	10.0	9.4	9.1	10.1	9.5	10.9	10.2	10.8	11.5	12.3
KPR Mill	19.0	18.1	18.6	23.5	25.3	20.6	20.4	19.5	19.1	20.8	21.5
Pearl Global	1.7	4.9	4.0	4.1	5.2	8.1	9.0	9.0	9.2	10.2	11.1

Source: Company, MOFSL

KPR benefits from structurally superior EBITDA margins compared to peers, driven by its significantly lower employee and other operating costs as a percentage of sales. Employee expenses for KPR have largely remained in the 9-12% range versus substantially higher levels for peers such as Gokaldas Exports (31-34%) and Pearl Global (18-23%). Similarly, KPR's other expenses remain controlled at 9-10% of sales, materially lower than those of Arvind and Pearl Global, where these costs range between 20-30%. The company's integrated manufacturing model, higher automation, and captive renewable energy usage support tighter cost control, enabling consistently superior profitability relative to other peers.

Why are employee expenses lower for the company?

- KPR benefits from lower employee expenses, primarily due to its integrated employee housing model, where the company provides residential quarters and related facilities for workers near its manufacturing units. This helps improve employee retention, reduce attrition-related costs (15% employee attrition vs. industry standard of 25%), and ensure a stable workforce, leading to higher operational efficiency and productivity. Further, it maintains a highly productive, lean workforce through a strategy of intensive training that encourages workers to handle multiple tasks, resulting in higher output per employee compared to the industry.

Exhibit 161: Employee expenses across key garmenting players

Employee Expenses (INR m)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gokaldas Export	5,388	6,193	7,776	12,265	13,290	14,922	17,379
Arvind	7,800	8,676	9,636	10,563	12,025	13,829	15,793
KPR Mill	4,455	5,486	6,006	6,719	7,830	8,348	9,394
Pearl Global	4,586	5,615	6,704	8,393	9,563	10,620	11,989
Employee Expenses as a % of sales							
Gokaldas Export	30.1	27.9	32.7	31.7	33.3	31.6	31.3
Arvind	9.7	10.3	12.5	12.7	12.9	12.4	12.9
KPR Mill	9.2	8.9	9.9	10.5	11.8	11.1	11.1
Pearl Global	16.9	17.8	19.5	18.6	19.0	18.5	18.3

Source: Company, MOFSL

Exhibit 162: Other expenses across key garmenting players

Other Expenses (INR m)	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gokaldas Export	1,578	1,549	2,122	3,365	3,776	4,722	5,330
Arvind	20,917	21,551	21,279	23,840	24,844	30,385	32,511
KPR Mill	4,726	6,100	6,152	5,802	5,601	6,242	6,770
Pearl Global	6,037	7,119	7,601	8,913	9,703	11,194	12,513
Other Expenses as a % of sales							
Gokaldas Export	8.8	7.0	8.9	8.7	9.5	10.0	9.6
Arvind	26.1	25.7	27.5	28.6	26.7	27.2	26.5
KPR Mill	9.8	9.9	10.2	9.1	8.4	8.3	8.0
Pearl Global	22.2	22.5	22.1	19.8	19.3	19.5	19.1

Source: Company, MOFSL

The company's strong presence in knitwear products results in lower realizations; however, the segment delivers superior margins, supporting better profitability compared to peers. Additionally, higher employee efficiency drives stronger asset turnover, leading to superior RoE within the sector. In addition, KPR's largest garmenting capacity in India allows it to achieve significant operating leverage and absorb fixed costs more efficiently. Its investments in renewable energy further reduce power costs, and efficient working capital management supports stronger profitability and return ratios relative to peers.

Exhibit 163: RoE for apparel players (%)

Particular	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Gokaldas Export	-23.7	13.3	2.1	9.1	16.5	20.9	12.0	9.4	4.7	8.7	10.0
Arvind	5.8	8.6	4.7	0.5	10.4	11.4	9.7	9.7	10.5	13.5	14.4
KPR Mill	20.3	19.9	20.6	24.4	30.4	23.6	20.0	17.4	16.2	17.4	17.8
Pearl Global	4.1	11.6	4.6	0.9	11.0	20.6	23.0	24.9	21.3	22.0	23.2

Source: Company, MOFSL

Global client relationships and product mix support revenue stability

KPR’s garment business is supported by long-term relationships with large global apparel retailers, which provide stable demand and revenue visibility. The company supplies knit garments to international brands such as H&M, Primark, and Marks & Spencer, exporting ~150m+ pieces of garments.

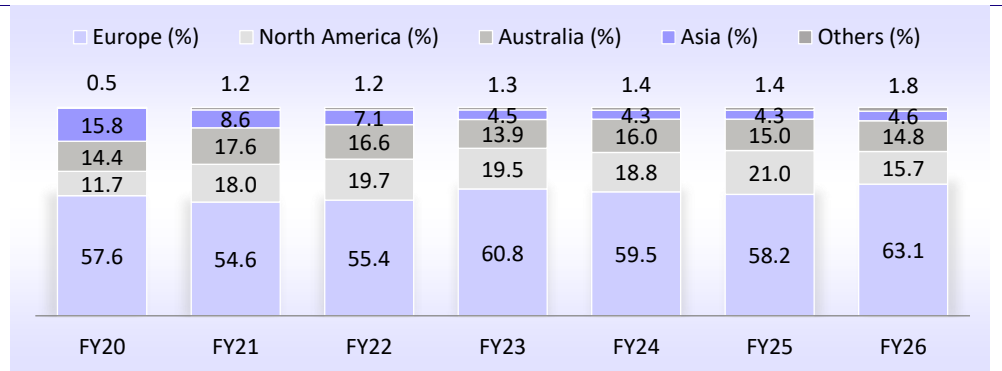
Exhibit 164: Marquee customers for the company



Source: Company, MOFSL

KPR’s export revenues are geographically diversified, with Europe contributing the majority share, followed by the UK, the US, and other markets. The company focuses on essential knitwear products such as T-shirts, nightwear, and loungewear, which typically experience steady replenishment demand across economic cycles. In addition, KPR’s increasing use of renewable energy and compliance with sustainability standards align with the evolving ESG compliance requirements of global brands, thereby strengthening long-term sourcing relationships and supporting stable export demand.

Exhibit 165: Dominant revenue from EU



Source: Company, MOFSL

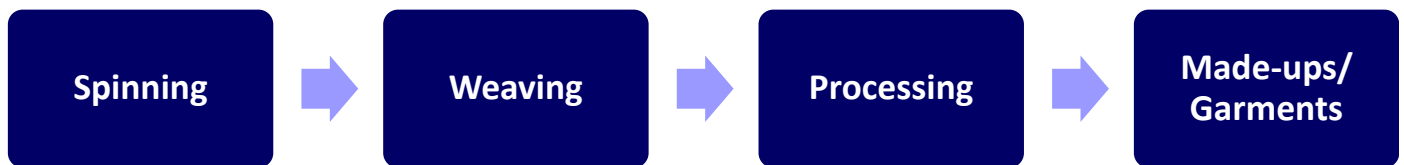
FASO — The domestic brand is building a foundation for long-term value

Fashion Adapted Sustainable and Organic (FASO) is the innerwear and athleisure brand launched by KPR in FY19 as part of its entry into the domestic branded apparel segment. The brand leverages KPR’s experience in knitwear manufacturing and initially targeted markets such as Tamil Nadu, Kerala, Andhra Pradesh, and Telangana. It offers men’s innerwear and athleisure products, including briefs, trunks, boxer shorts, vests, gym vests, and muscle tees across three price segments—comfort, style, and supreme. The products are manufactured using organic cotton and produced through the company’s integrated manufacturing infrastructure.

Vertical integrated player: Yarn provides stability

KPR’s competitive position is built on its vertically integrated operating model, where the company sources raw cotton and converts it into finished, packaged garments supplied directly to global buyers. This structure allows the company to manage the entire production chain internally—from spinning yarn to fabric processing and garment manufacturing—without relying on external vendors for core stages of production. By operating across spinning, knitting, processing, and garmenting, KPR controls multiple stages of the textile value chain, which helps maintain consistency in production standards, delivery schedules, and supply reliability for international customers. It also shortens production lead times and improves order fulfilment reliability, an important advantage when supplying large global retailers that operate on tight sourcing cycles.

Exhibit 166: KPR’s involvement across the value chain

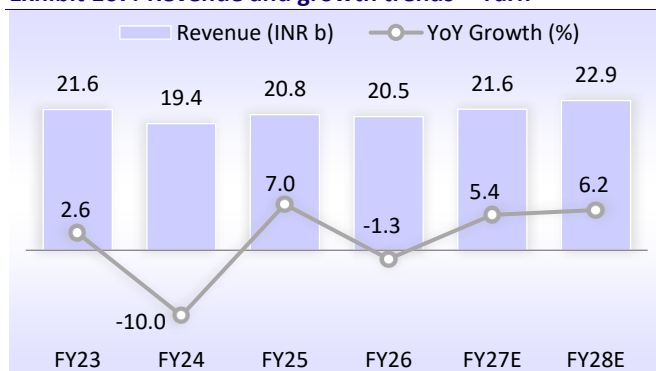


Source: Company, MOFSL

Textiles — Yarn & Fabric (31% of the total revenue)

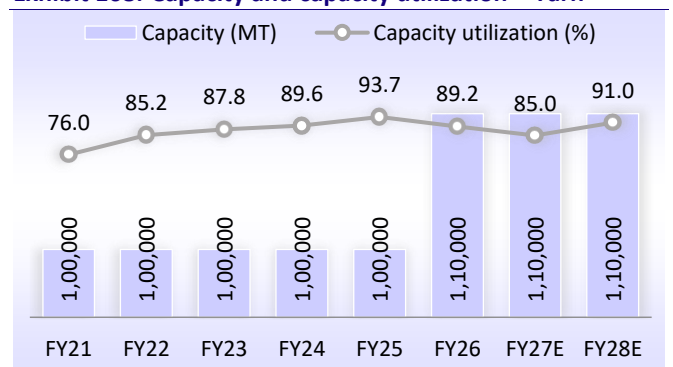
KPR’s yarn & fabric segment reported a revenue of INR20.5b in FY26, contributing 31% of consolidated revenue. This segment acts as the upstream manufacturing base for the company by producing yarn and fabric used internally in the garment division, while also selling surplus yarn in the external market. As yarn is generally a lower-margin and cyclical segment, KPR’s strategy focuses on converting a larger share of yarn into garments to expand overall margins. The company also operates a 10 KTPA vortex viscose yarn capacity, which adds a value-added yarn category used in higher-quality garment production. The company sells its yarn in the Tirupur market (a major knitwear hub in India with an estimated market size of ~INR500b) where it holds a market share of ~5%. Domestic demand has remained subdued over the past five years. The segment posted a 1% CAGR decline over FY22-26, while we expect it to deliver 6% CAGR for the next couple of years. The yarn segment currently delivers margins of ~17–18%, which management believes are sustainable over the medium term.

Exhibit 167: Revenue and growth trends – Yarn



Source: Company, MOFSL

Exhibit 168: Capacity and capacity utilization – Yarn



Source: Company, MOFSL

Sugar and Ethanol mitigate textile sector risks

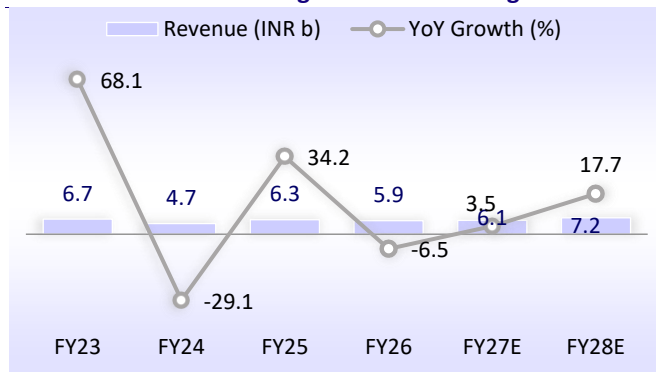
Sugar — The underappreciated stabilizer (9% of revenue)

The Indian sugar industry outlook over the next 2–3 years remains structurally positive, supported by tighter domestic sugar inventories, improving sugar realizations, rising ethanol blending opportunities, and continued diversification into bio-based and value-added businesses. While near-term volatility from global sugar prices, policy interventions, and higher cane costs may pressure margins intermittently, integrated players with strong distillery operations, ethanol exposure, and downstream diversification are expected to outperform. Additionally, companies operating in sugar are increasingly focusing on sustainability-led investments such as PLA bioplastics, green chemicals, cogeneration, and by-product monetization, which could drive long-term profitability and reduce cyclical in the sector.

KPR ventured into the sugar business in FY13 through the acquisition of a distressed sugar mill in Chittoor, Andhra Pradesh, with an initial crushing capacity of 20k TCD annually, strategically diversifying beyond its core textile operations to de-risk the business from cotton price volatility and create an additional revenue stream leveraging management bandwidth.

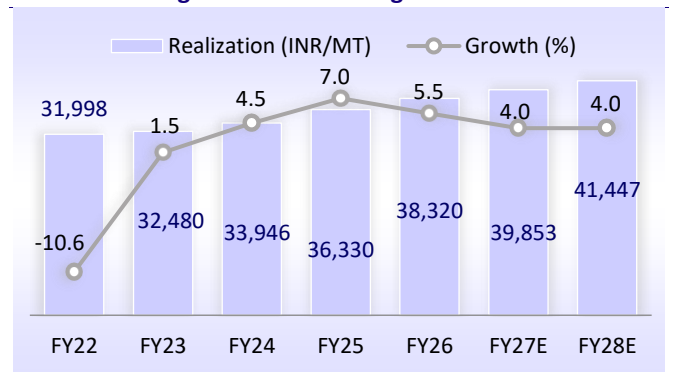
Over the years, the company expanded its sugar division through brownfield expansions and acquisitions, currently operating sugar plants with a capacity of ~20k TCD and a cogeneration capacity of 93 MW, producing sugar, ethanol, and power. The sugar business contributes ~9% to KPR's consolidated revenue and operates with EBIT margins of ~16% as of FY26, benefiting from government support for ethanol blending programs and surplus power sales to the grid. KPR has been cautious about further capacity expansion in sugar, maintaining the current capacity levels while focusing on improving realization through higher ethanol production (470KLPD capacity) and operational efficiencies.

Exhibit 169: Revenue and growth trends – Sugar



Source: Company, MOFSL

Exhibit 170: Sugar realization and growth



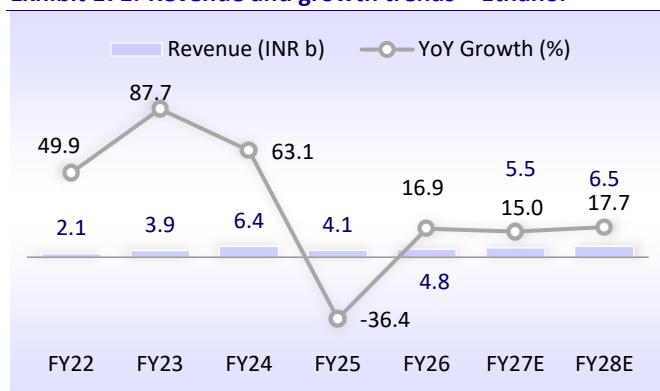
Source: Company, MOFSL

Ethanol — Strong growth led by the gov’t blending program (7% of revenue)

KPR entered the ethanol business in 2020-21 as a natural extension of its sugar operations, initially setting up a 30 KLPD distillery at its Chittoor sugar facility to produce ethanol from molasses (a by-product of sugar crushing), capitalizing on the Government of India's nascent Ethanol Blended Petrol (EBP) program and the growing demand for renewable fuels. Recognizing the superior economics of ethanol compared to sugar (ethanol’s EBITDA margin of 18-20% vs. sugar's 5-10%), KPR has progressively expanded its distillery capacity to approximately 60 KLPD currently, with plans to enhance it further to 100-120 KLPD over the next 2-3 years, including potential diversification into grain-based and second-generation (2G) ethanol from agricultural waste.

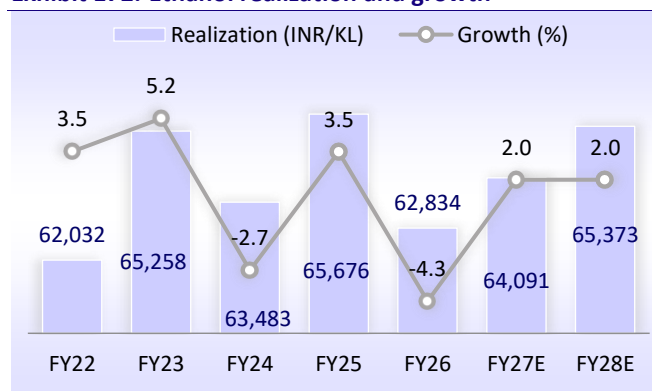
The ethanol business is a key margin driver, benefiting from government-mandated ethanol procurement at remunerative prices (INR65-70 per liter under the EBP program) and long-term off-take agreements with oil marketing companies (OMCs) like IOCL, BPCL, and HPCL. KPR's strategic focus on ethanol reflects India's ambitious target of achieving 27% ethanol blending by 2030 (E30 program), which is expected to create incremental demand of 10-12b liters annually, positioning the company to capture this structural growth opportunity. The ethanol vertical also enhances overall sugar business profitability by providing pricing stability (government-linked rates vs. volatile sugar prices), improving capacity utilization during off-season crushing periods, and generating additional revenue streams from by-products like CO2 and spent wash for bio-compost, making it a high-return, strategically aligned business within KPR's diversified portfolio.

Exhibit 171: Revenue and growth trends – Ethanol



Source: Company, MOFSL

Exhibit 172: Ethanol realization and growth



Source: Company, MOFSL

Exhibit 173: Sugar players in India

Particular	Revenue (INR b)			EBITDA (INR b)			PAT (INR b)			CAGR FY24-26 (%)		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26	Revenue	EBITDA	PAT
Balrampur Chini Mill	55.9	54.2	62.7	7.9	7.0	7.4	5.3	4.4	3.8	5.9	-2.9	-15.9
Shree Renuka Sugars	113.0	105.9	91.6	7.1	6.4	2.3	-6.3	-3.0	-7.9	-10.0	-43.0	12.4
Triveni Engineering and Industries	52.2	56.9	62.9	6.3	4.8	5.5	4.0	2.4	2.7	9.8	-6.5	-17.5
DCM Shriram	114.3	127.4	142.6	9.9	13.3	15.0	4.5	6.0	8.5	11.7	22.9	38.2
Bajaj Hindusthan Sugar	61.0	55.7	54.5	2.5	2.9	3.7	-0.9	-0.2	1.3	-5.5	21.6	
Dalmia Bharat Sugar & Industries	29.0	37.5	36.2	4.1	4.7	4.3	2.7	3.9	2.4	11.7	1.6	-6.8
KPR Mill - Sugar	4.7	6.3	5.9	NA	NA	NA	NA	NA	NA	12.0	NA	NA

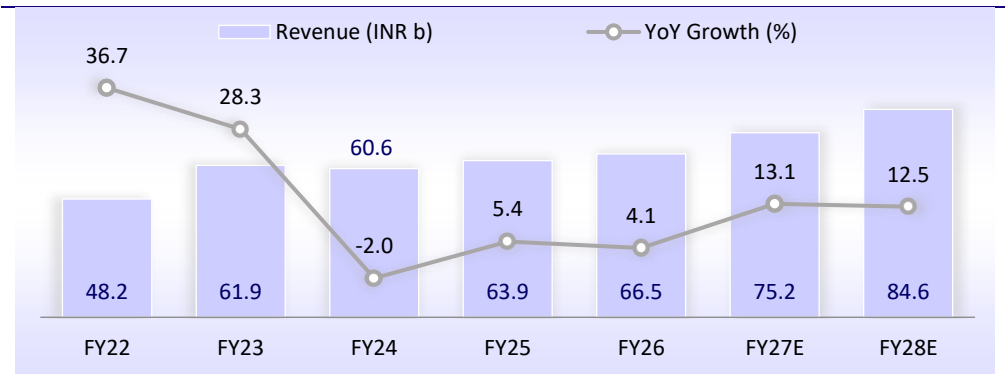
Source: Company, MOFSL

Financial outlook

Revenue CAGR estimated at 13% over FY26-28

KPR has exhibited a steady and resilient revenue trajectory with strong growth momentum in recent years, reflecting its integrated business model and strategic capacity expansions. Revenue grew consistently from INR26b in FY16 to INR34b in FY19 at a healthy CAGR of ~9%, before experiencing mild stagnation in FY20 (-0.9% YoY) due to demand headwinds. The post-COVID period marked a turning point, with revenue surging in FY22 and FY23, driven by strong demand across the yarn, fabric, and garments segments. FY24 witnessed a marginal decline of 2% YoY to INR61b as the industry normalized post-peak cycle, though recovery resumed in FY25 & FY26 with low single-digit growth. Looking ahead, revenue is projected to grow 13% annually over FY26-28E, supported by higher exports and new capacity additions.

Exhibit 174: Revenue to exhibit a 13% CAGR over FY26-28E

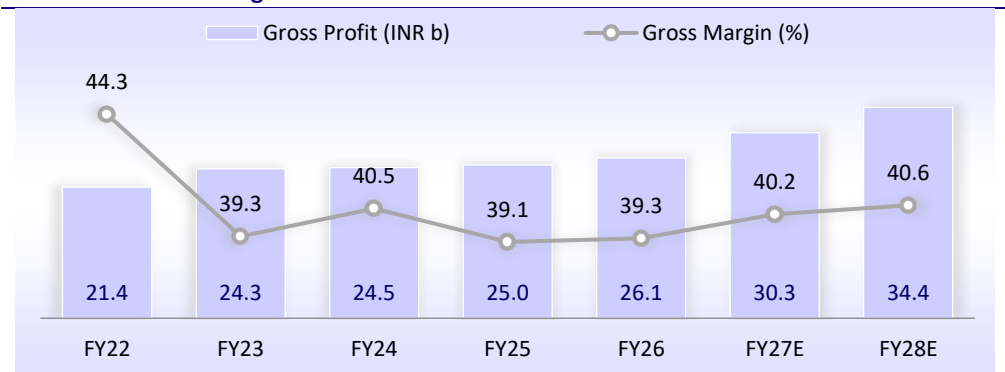


Source: Company, MOFSL

Gross margin estimated to reach 41% in FY28

Gross margins for KPR have demonstrated resilience with some volatility driven by raw material price fluctuations and competitive dynamics. The post-Covid period witnessed elevated margins at 44.3% in FY22, before contracting to 39.3% in FY23 due to cotton price inflation and normalization in garment realizations. Subsequently, margins have stabilized in the 39-40% range over FY24-26. We expect 130bp margin expansion over FY26-28E, led by lower tariffs, higher revenue momentum in the EU, and better operational efficiency.

Exhibit 175: Gross margin

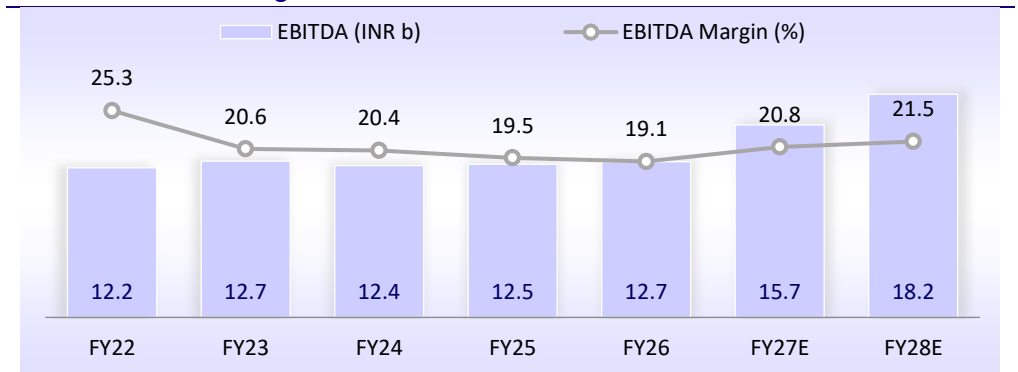


Source: Company, MOFSL

EBITDA margin estimated to reach 21.5% in FY28

KPR's EBITDA margins have shown strong performance with some cyclicality, reflecting the company's integrated operations and cost discipline. The post-COVID period witnessed a significant margin expansion to 23.5% in FY21 and a peak of 25.3% in FY22, driven by favorable cotton-yarn spreads, strong garment demand, and operational leverage. Margins normalized to 20.6% in FY23 and moderated further to 19.1% in FY26 due to input cost pressures and competitive intensity. Looking ahead, margins are projected to recover to 21.5% by FY28E, supported by improved capacity utilization and operating leverage.

Exhibit 176: EBITDA margin

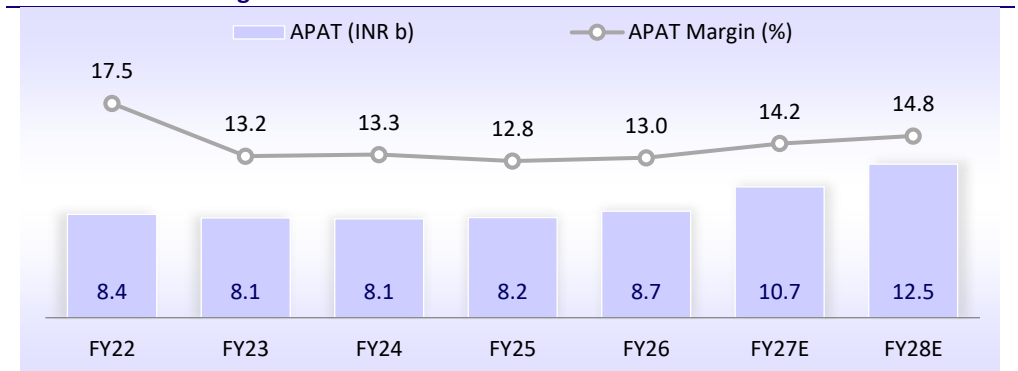


Source: Company, MOFSL

PAT margin estimated at 14.8% in FY28

KPR has delivered strong profitability, with APAT margins rising to 17.5% at peak and stabilizing around ~13% in recent years amid normalization. Going ahead, margins are expected to recover to 14.8% by FY28, supported by operating leverage and a shift toward higher-margin garments, while APAT is likely to expand at 20% CAGR over FY26-28E, reaching INR12.5b.

Exhibit 177: PAT margin estimated at 14.8% in FY28

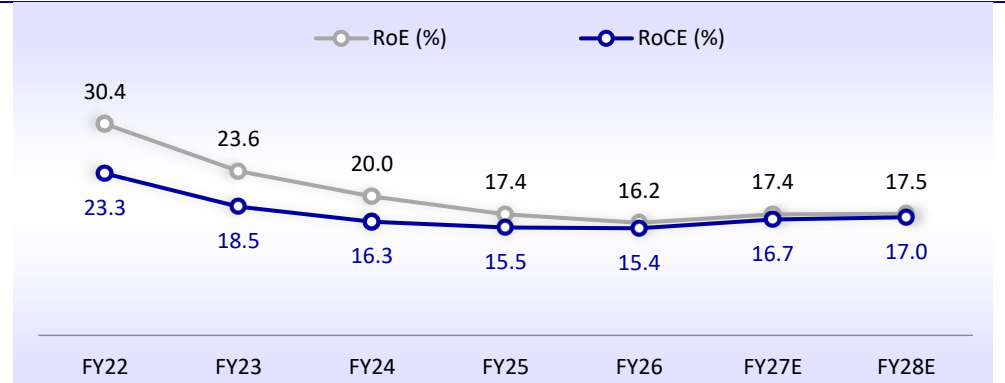


Source: Company, MOFSL

Return ratios expected to improve to ~17%+ in FY28

KPR's return ratios have demonstrated resilience with some moderation in recent years as the company expanded capacity and scaled operations. RoE remained robust at 20-31% during FY16-21, peaking at 30.4% in FY22, supported by strong post-COVID profitability, before moderating to 20.0% in FY24 and 16.2% in FY26 due to equity base expansion and margin normalization. RoCE followed a similar trajectory, rising from 13.4% in FY16 to 23.3% in FY22, before declining to 15.4% in FY26 as significant capex was undertaken and new capacities ramped up. As capacity utilization improves and margins expand, return ratios are expected to recover meaningfully, with RoE projected at 17.8% and RoCE at 17.2% by FY28E.

Exhibit 178: RoE likely to reach over 17%+ in FY28

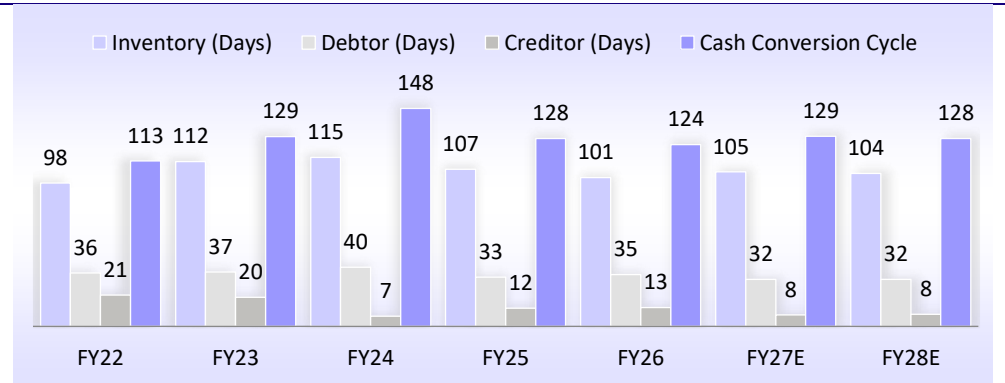


Source: Company, MOFSL

Cash conversion cycle

KPR operates with a stable cash conversion cycle averaging ~120 days, with inventory days at 107 days reflecting the integrated manufacturing model, while receivables and payables stand at 35 days and 13 days, respectively, for FY26. The working capital cycle has remained consistent in the 120-130 days range over the years, and we expect this trend to continue over FY26-28 as the company maintains its operational rhythm across the spinning, knitting, processing, and garment manufacturing segments.

Exhibit 179: Cash conversion cycle



Source: Company, MOFSL

Valuation & view: Initiate coverage with a Neutral rating

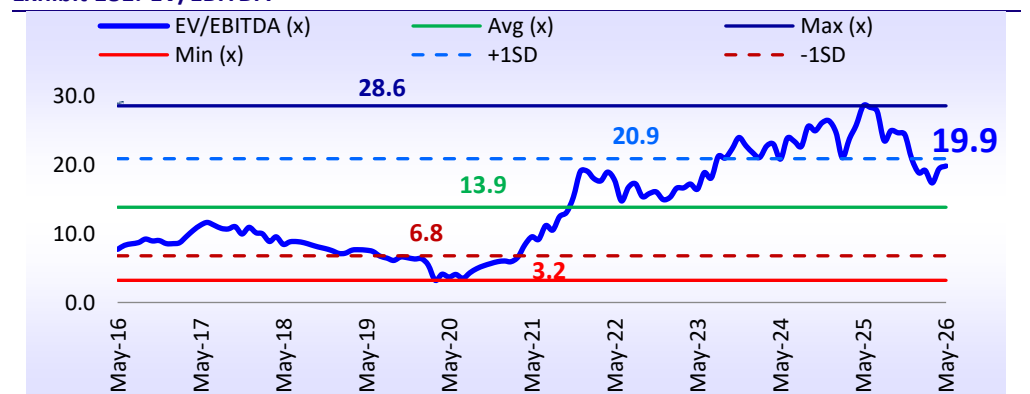
- We expect KPR to benefit from the following:
 - Over the last decade, the company has doubled its capacity to 204m pieces (8% CAGR), while revenue has also nearly doubled, reflecting a CAGR of 18% over the same period. We expect the segment to expand at 16% CAGR over FY26-28, supported by ongoing capex and lower tariffs in the US.
 - The sugar business contributes 9% to KPR's consolidated revenue and operates with EBIT margins of ~16%, benefiting from government support for ethanol blending programs. The ethanol business is a key margin driver, benefiting from government-mandated ethanol procurement at remunerative prices. We expect low-to-mid-teen growth over FY26-28.
 - We expect consolidated revenue to expand at a 13% CAGR over FY26-28, supported by capacity ramp-up and favorable demand in the garments segment. Profitability is likely to strengthen gradually, with EBITDA margins expanding to 21.5%. We believe the current valuation already factors in low- to mid-teen growth, leaving limited upside at the CMP.
- We initiate coverage on KPR with a Neutral rating and a TP of INR1,200 based on 22x FY28 EV/EBITDA (55% premium to the 10-year mean).
- Key risks would include: 1) tariff & US exposure risk, 2) raw material & cost pressures, and 3) project & customer concentration risk.

Exhibit 180: Relative valuation of the apparel companies

Companies	Mcap (INRb)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (X)			EV/EBITDA (X)			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Gokaldas Export	60	819	1,110	BUY	36	18.0	32.7	73.1	59.9	29.7	21.5	19.2	14.0	10.7	4.7	8.7	10.0
Arvind	135	517	670	BUY	30	14.9	22.6	29.3	32.8	23.5	19.6	14.9	12.5	10.4	10.5	13.5	14.4
Pearl Global	82	1,793	2,300	BUY	28	14.2	25.2	28.5	29.7	23.2	18.0	18.5	14.7	11.8	21.3	22.0	23.2
KPR Mill	399	1,160	1,200	Neutral	3	12.8	19.8	20.2	45.7	37.2	31.7	30.9	24.8	21.1	16.2	17.4	17.8

Source: MOFSL

Exhibit 181: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ✓ In our Bull case scenario, we factor in a 14% revenue CAGR over FY26-28E, driven by improved garment growth.
- ✓ Further, with higher volumes, we expect operating leverage to result in EBITDA margin expansion to 22.5% by FY28 (from 19.1% in FY26).

Bear case

- ✓ In our Bear case scenario, we factor in a 12% revenue CAGR over FY26-28E, driven by weaker garment segment growth.
- ✓ Further, with higher volumes, we expect operating leverage to result in EBITDA margin expansion to 20.5% by FY28 (from 19.1% in FY26).

Exhibit 182: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	12%	13%	14%
EBITDA CAGR FY26-28E	16%	20%	24%
EBITDA Margin FY28E	20.5%	21.5%	22.5%
EV/EBITDA	21	22	23
Target Enterprise Value (INR m)	3,49,393	3,91,216	4,36,083
Net Debt (INR m)	-17,278	-17,278	-17,278
Target Equity Value (INR m)	3,66,672	4,08,494	4,53,361
Outstanding Shares (Nos m)	341.8	341.8	341.8
Target price (INR)	1,070	1,200	1,330
CMP (INR)	1,160	1,160	1,160
Upside/Downside	-8%	3%	15%

Source: MOFSL

Key Risks

Dependence on export markets

A large portion of KPR's garment revenue comes from exports to the US and European markets. Any slowdown in global demand, currency volatility, or trade restrictions could impact order flows and revenue growth.

Demand cyclicality in the apparel industry

The textile and apparel industry is highly cyclical and closely linked to global consumer spending. Economic slowdowns or inflation in key markets can lead to reduced apparel consumption and lower export orders.

Intense global competition

The company faces strong competition from low-cost textile-exporting countries such as Bangladesh and Vietnam. Lower labor costs and favorable trade agreements in these countries may pressure pricing and margins.

Company Background

KPR was founded in 1971 by K P Ramasamy along with his brothers, K P D Sigamani and P Nataraj, starting as a small power-loom cloth manufacturer. Over the years, the company has expanded across the textile value chain and evolved into one of India’s largest vertically integrated knitwear manufacturers. The company operates across spinning, knitted fabric, and garment manufacturing with capacities of about 400k spindles (100,000 MTPA yarn), 40,000 MTPA fabric, and nearly 204m garment pieces annually. Its integrated structure enables efficient internal consumption of yarn and fabric, improving cost control and margin stability. The garments segment is largely export-oriented, supplying to global brands across the US, UK, Europe, and Australia, which provides geographic diversification and strong demand visibility. In addition to textiles, the company operates sugar, ethanol, and renewable power businesses, including wind, solar, and cogeneration power plants. These operations support energy requirements and enhance overall business stability.

Management Team

Exhibit 183: Management team

Leader	Role	Experience
Mr. K.P. Ramasamy	Chairman	❖ K P Ramasamy, popularly known as KPR, came from an agricultural background and started his journey as a power loom cloth manufacturer in 1971. With the support of his brothers, he built the KPR Group into a major textile enterprise.
Mr. KPD. Sigamani	Managing Director	❖ K P D Sigamani is a promoter and Managing Director of KPR. Holding a Master’s degree in Mathematics, he has over 30 years of experience in the textile and apparel industry, spanning hosiery, fabric, yarn, and garment exports. He leads the apparel division, which is the key contributor to the company’s export business, and has built strong relationships with global buyers through extensive international exposure. He has also played an important role in strengthening Tirupur’s position as a major knitwear export hub.
Mr. P. Nataraj	CEO & Managing Director	❖ P Nataraj is a promoter and Managing Director of KPR. A science graduate and Fellow Member of the Institute of Chartered Accountants of India, he has over three decades of experience in the textile and apparel industry. He has held key industry roles, including Chairman of the Southern India Mill' Association, and currently serves as a member of the Cotton Yarn Advisory Board.
Mr. C.R. Anandakrishnan	Executive Director	❖ He joined the management team in 2002 and has played a key role in the group’s expansion and modernization. He was appointed Executive Director in 2011 after serving as President of the Processing Division. He has contributed to establishing the company’s advanced textile processing unit with a state-of-the-art effluent treatment facility and has traveled globally to adopt modern textile technologies. Currently, he oversees processing operations, garment units, select spinning units, sugar and cogeneration plants in Karnataka, and the Audi dealership in Coimbatore.
Mr. E.K. Sakthivel	Executive Director	❖ He is a commerce graduate with an MBA from Bharathiar University and has extensive experience in apparel production and marketing. He joined the company in 2007 as Head of Operations (Garment Division) in Tirupur, where he contributed significantly to the division’s growth and expansion. He currently oversees operations of the company’s state-of-the-art garment unit at Chengappally, Tirupur, catering to leading international brands while also supporting operations across some of the company’s spinning units.

Source: Company, MOFSL

ESG initiatives



Environment

- The company is strategically advancing its coal phase-out initiative, reducing greenhouse gas emissions and mitigating environmental impacts in line with its long-term sustainability goals and commitment to environmental stewardship.
- To minimize waste generation and reduce Scope 3 emissions, the company has adopted bulk stainless steel tanks in place of intermediate bulk container (IBC) tanks.

Social

- The company recruits a workforce from rural areas and provides on-site accommodation along with basic amenities. It also conducts periodic personality development and life skills programs, helping create educated, skilled, and contributing members of the community.

Governance

- The company’s corporate governance practices have set operational guidelines aimed at ensuring fair business activities that benefit all stakeholders, including investors, leaders, customers, suppliers, financial backers, regulators, workforce, and the broader community.

SWOT analysis

❖ The company’s fully vertically integrated textile operations enable cost efficiency and support stable margins.

❖ It also has a strong export-focused garment business with long-standing relationships with global brands.

S
STRENGTH

❖ The company’s high dependence on export markets exposes it to global demand fluctuations.

❖ Exposure to volatile cotton prices impacts yarn margins and overall profitability.

W
WEAKNESS

❖ Ongoing garment and fabric capacity expansion is expected to help the company capture rising global apparel demand.

❖ The global sourcing shift toward India is benefiting integrated textile exporters like KPR.

O
OPPORTUNITY

❖ The company faces strong competition from low-cost textile exporters like Bangladesh and Vietnam.

❖ A global economic slowdown could reduce apparel demand and weaken export order visibility.

T
THREATS

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	35,274	48,225	61,859	60,597	63,879	66,504	75,203	84,627
Change (%)	5.2	36.7	28.3	-2.0	5.4	4.1	13.1	12.5
Gross Profit	15,645	21,367	24,330	24,525	24,981	26,104	30,258	34,360
Gross Margin (%)	44.4	44.3	39.3	40.5	39.1	39.3	40.2	40.6
Total Expenditure	26,979	36,038	49,115	48,230	51,418	53,831	59,535	66,431
% of Sales	76.5	74.7	79.4	79.6	80.5	80.9	79.2	78.5
EBITDA	8,296	12,187	12,744	12,367	12,460	12,673	15,668	18,196
EBITDA Margin (%)	23.5	25.3	20.6	20.4	19.5	19.1	20.8	21.5
Depreciation	1,467	1,411	1,737	1,892	2,079	2,156	2,464	2,726
EBIT	6,829	10,776	11,007	10,475	10,382	10,517	13,204	15,470
Int. and Finance Charges	328	233	789	744	498	516	482	396
Other Income	388	872	623	673	744	1,339	1,128	1,185
PBT bef. EO Exp.	6,889	11,415	10,842	10,404	10,628	11,340	13,850	16,258
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	6,889	11,415	10,842	10,404	10,628	11,340	13,850	16,258
Total tax	1,736	2,997	2,701	2,350	2,477	2,675	3,185	3,739
Tax Rate (%)	25.2	26.3	24.9	22.6	23.3	23.6	23.0	23.0
Less: Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	5,153	8,418	8,141	8,054	8,151	8,665	10,664	12,519
Adjusted PAT	5,153	8,418	8,141	8,054	8,151	8,665	10,664	12,519
Change (%)	36.8	63.4	-3.3	-1.1	1.2	6.3	23.1	17.4
Margin (%)	14.6	17.5	13.2	13.3	12.8	13.0	14.2	14.8

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	344	344	342	342	342	342	342	342
Total Reserves	23,158	31,524	36,725	43,241	49,678	56,634	65,166	75,181
Net Worth	23,502	31,869	37,067	43,582	50,020	56,976	65,508	75,523
Minority Interest	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	430	438	970	1,181	1,290	1,453	1,453	1,453
Total Loans	6,574	11,852	13,481	11,584	4,660	5,961	3,961	3,961
Capital Employed	30,506	44,158	51,517	56,348	55,970	64,391	70,922	80,938
Gross Block	30,244	38,503	43,901	47,022	49,418	50,932	53,937	57,338
Less: Accum. Deprn.	17,695	19,107	20,844	22,735	24,814	26,970	29,435	32,161
Net Fixed Assets	12,549	19,396	23,057	24,286	24,604	23,962	24,502	25,177
Goodwill on Consolidation	7	7	7	7	7	7	7	7
Capital WIP	286	1,153	867	1,175	404	631	1,126	725
Total Investments	2,349	3,107	1,287	335	2,641	700	1,013	1,483
Curr. Assets, Loans&Adv.	17,323	24,916	30,759	32,836	31,960	43,029	47,425	57,213
Inventory	9,133	12,888	18,985	19,053	18,685	18,440	21,634	24,113
Account Receivables	3,210	4,802	6,254	6,693	5,862	6,399	6,593	7,419
Cash and Bank Balance	773	1,279	1,127	1,790	3,182	13,683	13,934	19,757
Cash and cash equivalents	680	1,213	1,086	751	1,145	639	890	6,712
Bank bal. other than Cash and cash equivalents	93	66	41	1,039	2,036	13,045	13,045	13,045
Loans and Advances	4,208	5,947	4,394	5,301	4,231	4,507	5,264	5,924
Curr. Liability & Prov.	2,145	4,522	4,459	2,292	3,646	3,938	3,152	3,667
Account Payables	1,087	2,821	3,361	1,150	2,181	2,326	1,601	1,928
Other Current Liabilities	1,057	1,701	1,098	1,142	1,465	1,565	1,504	1,693
Provisions	0	0	0	0	0	47	47	47
Net Current Assets	15,178	20,394	26,300	30,544	28,314	39,091	44,274	53,546
Appl. of Funds	30,506	44,158	51,517	56,348	55,970	64,391	70,922	80,938

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	15.0	24.5	23.8	23.6	23.8	25.4	31.2	36.6
Cash EPS	19.2	28.6	28.7	28.9	29.7	31.4	38.2	44.3
BV/Share	68.3	92.6	107.7	126.7	145.4	165.6	190.4	219.5
DPS	9.0	1.5	4.0	5.0	5.0	5.0	6.2	7.3
Payout (%)	60.1	6.1	16.8	21.2	21.0	19.7	20.0	20.0
Valuation (x)								
P/E	77.5	47.4	48.7	49.2	48.6	45.7	37.2	31.7
Cash P/E	60.3	40.6	40.4	40.1	39.0	36.9	30.4	26.2
P/BV	17.0	12.5	10.8	9.2	8.0	7.0	6.1	5.3
EV/Sales	11.5	8.5	6.6	6.7	6.2	5.9	5.2	4.5
EV/EBITDA	48.8	33.6	32.1	32.8	31.9	30.9	24.8	21.1
Dividend Yield (%)	0.8	0.1	0.3	0.4	0.4	0.4	0.5	0.6
Return Ratios (%)								
RoE	24.4	30.4	23.6	20.0	17.4	16.2	17.4	17.8
RoCE	19.2	23.3	18.5	16.3	15.5	15.4	16.7	17.2
RoIC	19.7	24.2	19.0	16.0	15.5	16.2	19.5	20.9
Working Capital Ratios								
Asset Turnover (x)	1.2	1.1	1.2	1.1	1.1	1.0	1.1	1.0
Inventory (Days)	94	98	112	115	107	101	105	104
Debtor (Days)	33	36	37	40	33	35	32	32
Creditor (Days)	11	21	20	7	12	13	8	8

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	6,889	11,415	10,842	8,054	8,151	8,665	13,850	16,258
Depreciation	1,467	1,411	1,737	1,892	2,079	2,156	2,464	2,726
Interest & Finance Charges	-60	-639	165	744	498	516	-646	-789
Direct Taxes Paid	-1,736	-2,997	-2,701	-1,987	-2,391	-2,532	-3,185	-3,739
(Inc)/Dec in WC	-443	-4,248	-7,057	-3,948	3,641	532	-4,932	-3,449
CF from Operations	6,116	4,943	2,987	4,754	11,978	9,337	7,551	11,008
Others	0	0	0	2,026	2,035	1,742	0	0
CF from Operating incl EO	6,116	4,943	2,987	6,779	14,013	11,078	7,551	11,008
(Inc)/Dec in FA	-1,031	-9,126	-5,111	-3,147	-1,609	-2,522	-3,500	-3,000
Free Cash Flow	5,085	-4,183	-2,124	3,633	12,404	8,556	4,051	8,008
(Pur)/Sale of Investments	6	0	0	144	-3,085	-8,805	-313	-470
Others	-1,803	-295	4,060	62	194	644	1,128	1,185
CF from Investments	-2,828	-9,421	-1,051	-2,941	-4,500	-10,683	-2,685	-2,285
Issue of Shares	0	0	-1,800	0	0	0	0	0
Inc/(Dec) in Debt	-832	5,278	1,622	-1,901	-6,928	1,300	-2,000	0
Interest Paid	-328	-233	-743	-734	-482	-493	-482	-396
Dividend Paid	-3,096	-516	-735	-1,538	-1,709	-1,709	-2,133	-2,504
Others	198	456	-408	0	0	0	0	0
CF from Fin. Activity	-4,058	4,985	-2,063	-4,173	-9,119	-902	-4,615	-2,900
Inc/Dec of Cash	-770	507	-127	-334	394	-507	251	5,823
Opening Balance	1,543	773	1,213	1,086	751	1,145	639	890
Closing Balance	773	1,280	1,086	751	1,145	639	890	6,712

E: MOFSL Estimates

BSE Sensex
77,094

S&P CNX
24,103

CMP: INR395

TP: INR550 (+39%)

Buy



Stock Info

Bloomberg	ICNT IN
Equity Shares (m)	198
M.Cap.(INRb)/(USDb)	66.6 / 0.7
52-Week Range (INR)	361 / 217
1, 6, 12 Rel. Per (%)	14/26/27
12M Avg Val (INR M)	174
Free float (%)	41.2

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	41.4	50.7	60.1
EBITDA	3.9	5.8	8.1
EBITDA (%)	9.5	11.5	13.5
Adj. PAT	1.3	2.8	4.6
EPS (INR)	6.4	14.1	23.0
EPS Gr. (%)	-49.3	120.0	63.6
BV/Sh. (INR)	118.9	130.2	148.6

Ratios

Net D/E	0.6	0.5	0.4
RoE (%)	5.5	11.3	16.5
RoCE (%)	5.0	8.1	11.3
Payout (%)	31.3	20.0	20.0

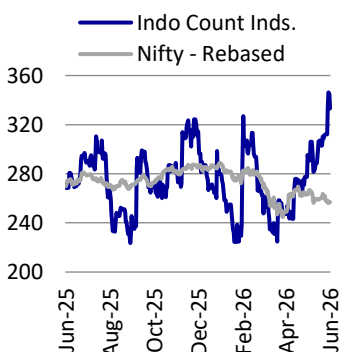
Valuations

P/E (x)	61.7	28.0	17.2
P/B (x)	3.3	3.0	2.7
EV/EBITDA (x)	23.3	15.7	11.1
Div. Yield (%)	0.5	0.7	1.2

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	58.8	58.8	58.8
DII	5.7	6.0	5.0
FII	9.9	9.9	10.1
Others	25.7	25.4	26.2

Stock Performance (1-year)



Expandable TAM to boost PAT growth

- Indo Count (ICNT) is a global home textile company with an integrated manufacturing network and a presence across 50+ countries. Its product portfolio spans bed sheets, pillowcases, comforters, quilts, fashion bedding, and utility bedding, catering to mass through premium segments.
- ICNT is a leading bed linen exporter (core business – 81% of sales), with ~70% of revenue coming from the US and a ~24% market share in India's exports to the US. We expect 15% CAGR for core business over FY26-28 with margin recovery.
- For the utility bedding segment (emerging business), ICNT has acquired Fluvitex (81% stake) and Modern Home Textiles (100% stake), along with setting up a greenfield pillow manufacturing facility in North Carolina. Collectively, these facilities have an annual revenue potential of ~USD275m with margins of ~15-16%, and we expect this segment to deliver 40% growth over FY26-28 in the US market.
- We model a CAGR of 20%, 44%, and 90% in revenue, EBITDA, and PAT, respectively, over FY26-28, fueled by growth in the emerging business, followed by core portfolio.
- We initiate coverage on ICNT with a BUY rating and a TP of INR550, valuing the stock at 15x FY28E EV/EBITDA (25% premium to the 10-year mean).

Core business to grow in mid-teens; emerging business drives growth

ICNT is engaged in the manufacturing of bed linen, which is majorly exported to the US (70% revenue contribution), while the UK and ROW contribute 10% and 20%, respectively. ICNT is the largest exporter of bed linen (core business – 81% of sales) and has a market share of ~24% in exports to the US from India. We expect 15% CAGR over FY26-28, driven by the 10% US tariff (creating a level playing field vs. Bangladesh and Pakistan) and FTAs with the UK and EU. Following the acquisition of a utility bedding business, the company has diversified into higher value-added segments, evolving into a comprehensive home textile player with an expanded total addressable market (TAM) of ~USD15b. Currently, the new business (19% of sales) has an annual revenue rate of USD100m+, which we expect to increase to USD168m by FY28, driven by utility bedding and aided by growth in the US branded segment. Overall, we expect 20% revenue CAGR with 400bp margin expansion over FY26-28.

Revenue target of INR7b in next three years without new major capex

ICNT has an established manufacturing footprint across India and the US. Its core business (bed linen) is entirely manufactured in India, with facilities in Kolhapur and Bhilad and a total capacity of 153m meters. The acquisition of the home textile business of GHCL, including the Bhilad unit, added an additional 45m meters of capacity. Current utilization in the core business is ~62%, and we do not expect any major capex over the next three years to achieve ~INR5b in domestic sales. For the utility bedding segment, ICNT has acquired Fluvitex (81% stake) and Modern Home Textiles (100% stake), along with commencement of operations at its greenfield pillow manufacturing facility in North Carolina in Jan'26. Collectively, these facilities have an annual revenue potential of ~USD275m with margins of ~15-16%, and capacity utilization is expected to reach ~75%+ in FY28.

Expandable TAM to boost PAT growth

ICNT was primarily focused on bedsheets (~USD4b US TAM) prior to 2024. Following the acquisition of a utility bedding business, the company has diversified into higher value-added segments, evolving into a comprehensive home textile player with an expanded TAM of USD15b (bedsheets USD4b, fashion bedding USD5.5b, utility bedding USD4b, and institutional bedding USD1.5b). The company is also gradually transitioning toward a branded and premium portfolio, with branded contributions increasing from 14% in FY23 to 20% in FY26. We expect branded sales to reach ~25-30% by FY28, supported by licensing agreements and the acquisition of brands like Wamsutta. While the company was earlier focused on mid-premium products, it is now transitioning toward a premium positioning. Data suggests that ICNT commands a premium in the US market compared to Welspun and Trident. The premium segment, which accounts for ~30% of the US home textile market, is growing faster, reflecting a broader premiumization trend. We believe that with its entry into the utility bedding segment, ICNT has evolved into a comprehensive home textile player, supported by a strong and established client base.

Financial outlook

We are optimistic about ICNT's financial outlook, with revenue expected to clock a steady 20% CAGR over FY26-28, supported by emerging business followed by core business. We expect the core business to post 15% CAGR over FY26-28. In the emerging segments, supported by ICNT's favorable base and strong client relationships, we believe the company is well positioned to deliver ~40% growth over FY26-28 in the US market, enabling it to achieve ~4% market share. Profitability is likely to strengthen, with EBITDA margins inching up to ~13.5% and APAT margins improving to ~7.6% by FY28. Consequently, return ratios are expected to improve meaningfully, with RoE/RoCE reaching 16.5%/11.3% in FY28E.

Valuation and view: Initiate coverage with BUY rating

We initiate coverage on ICNT with a BUY rating and a TP of INR550, valuing the stock at 15x FY28E EV/EBITDA (25% premium to the 10-year mean). We believe the core business would continue to clock 15% CAGR over FY26-28, driven by the 10% US tariff (creating a level playing field vs. Bangladesh and Pakistan) and FTAs with the UK and EU. Currently, the new business has an annual revenue rate of USD100m+, which we expect to increase to USD168m, driven by utility bedding and supported by growth in the branded segment. Overall, we expect 20% revenue CAGR with 400bp margin expansion over FY26-28, as the emerging business is margin-accretive.

Key risks and concerns

Key risks to our call would include: 1) customer and geographic concentration, 2) commodity price movements, 3) geopolitical tensions.

STORY IN CHARTS

ICNT at a glance

INDO COUNT 2.0: SNAPSHOT

Business Verticals
Single to Multiple businesses:
 Moving from traditional to value-added segments

- Core Business (Bed Linen)
- Core Business (Bed Linen)
- New Businesses (Utility Bedding + USA Brand Business)

Product Portfolio
Single to Multi-product offerings:
 A complete Home Textile player

- Bed sheet/Pillow cases
- Duvet covers
- Quilts/Comforters/Blankets
- Pillows/ Mattress pad/ Down alt comforters, Mattress protectors
- Other products like bath, windows, rugs etc.

Manufacturing Facilities
Single to Multi-location:
 Establishing manufacturing operations in the USA

- Kolhapur, Maharashtra
- Kolhapur, Maharashtra
- Bhilad, Gujarat
- Ohio, USA
- Arizona, USA
- North Carolina, USA

Market Size
Increased Total Addressable Market
 Moving up value-chain

- Sheet Set: **\$4 Bn USA Market Size**
- Diversification into other value-added segments, increasing addressable market size: **\$15 Bn USA Market Size**

Market Presence
White Labelling to Branded Business:
 Multichannel to Omnichannel

- Majority contribution from white labelling
- White Labelling
- Private Label
- Licensed Brands
- Owned Brands

Value Chain Pyramid:
 Moving upward in the value chain

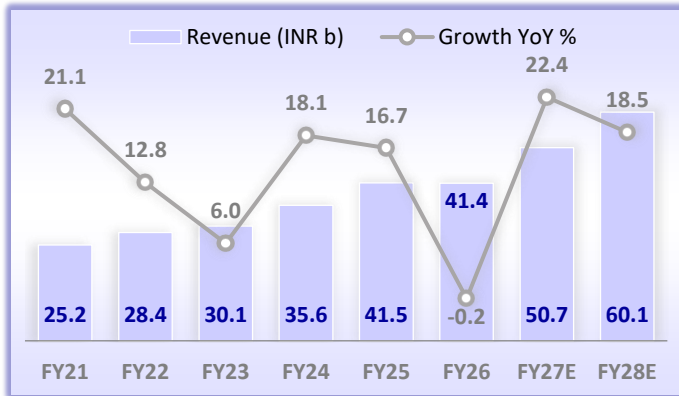
- Brand (Indo Count 2.0 Approach)
- Premium
- Best (Previous Positioning)
- Better
- GOOD

Category expansion and product diversification are expected to drive stronger growth

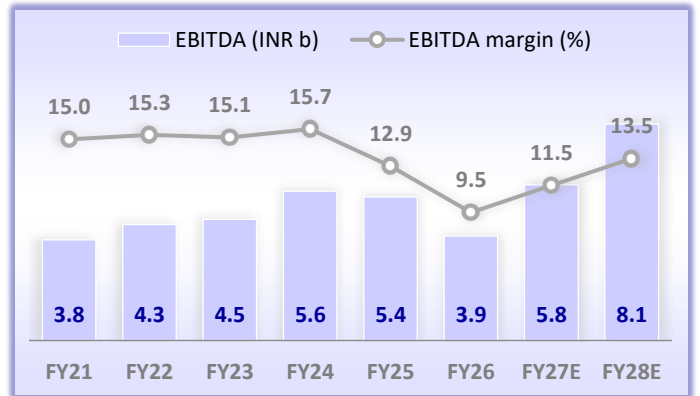
ICNT portfolio

Bed Sheets	Fashion Bedding	Utility Bedding	Institutional Bedding
Flat Sheet Fitted Sheets Pillow-cases	Comforters & Duvets Shams & Decorative Pillows Quilts, Coverlets	Mattress Pads, Protectors, Pillows Down Alt Comforters	Basic white sheets Shams & Pillows Bed Skirts, Duvet covers

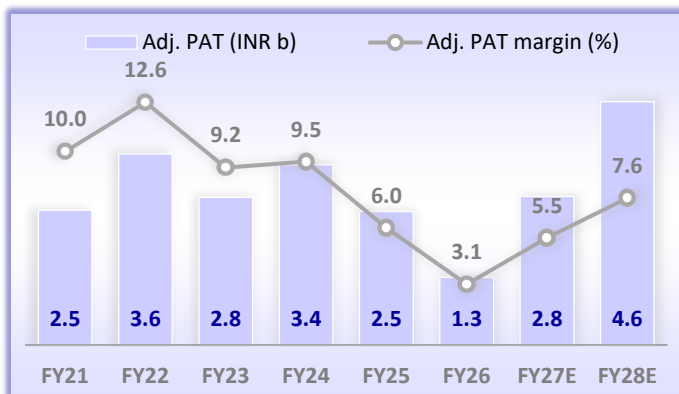
Revenue trend



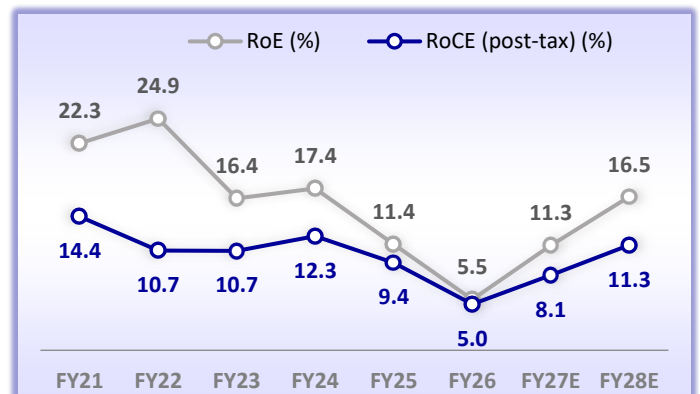
EBITDA trend



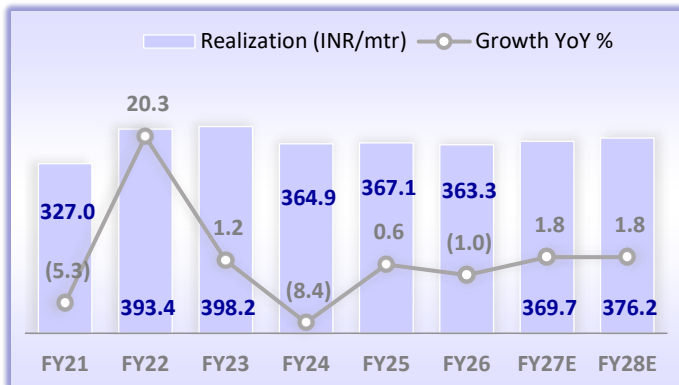
PAT trend



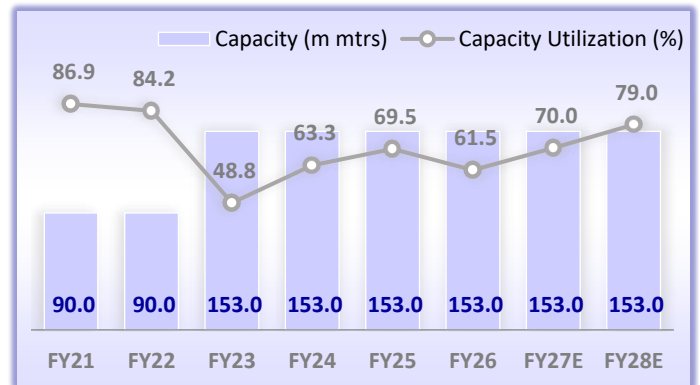
Return ratios



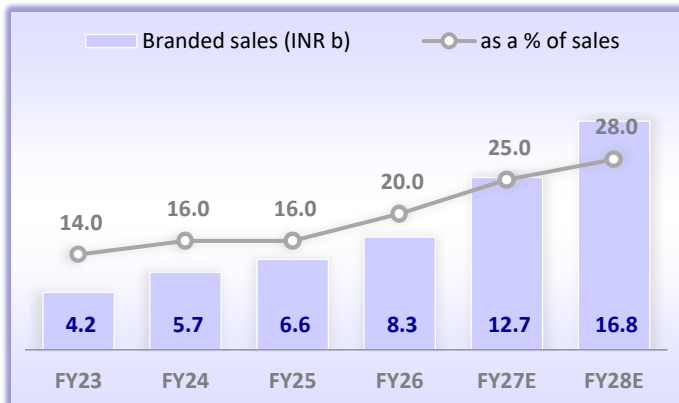
Core business (Bed linen) – Realization



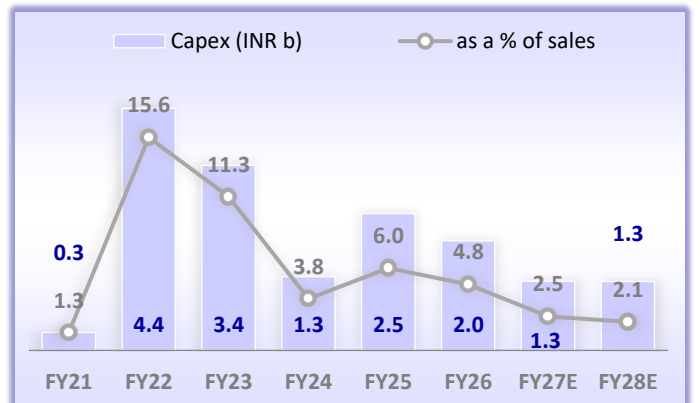
Bed linen – capacity



Branded sales performance



Capex



Core business grows in mid-teens; emerging drives growth

Undisputed market leader in bed linen export

ICNT is a global home textile company with an integrated manufacturing network and a presence across 50+ countries. Its product portfolio spans bed sheets, pillowcases, comforters, quilts, fashion bedding, and utility bedding, catering to mass through premium segments. The business is predominantly export-oriented, with the US as the key market, alongside a growing footprint in the UK, Japan, Australia, and the Middle East, supported by a mix of B2B channels as well as owned and licensed brands. While bed linen manufacturing is its core business, the company is scaling up new growth avenues, including utility bedding and the US branded business. The US branded portfolio comprises Wamsutta, Fieldcrest, Waverly, and Gaiam, each addressing distinct consumer demographics. The utility bedding segment operates through B2B sales and licensed brands such as Beautyrest and Tommy Hilfiger. ICNT's domestic presence is relatively small at around 2.3% of sales, led by its in-house brands, Boutique Living and Layers.

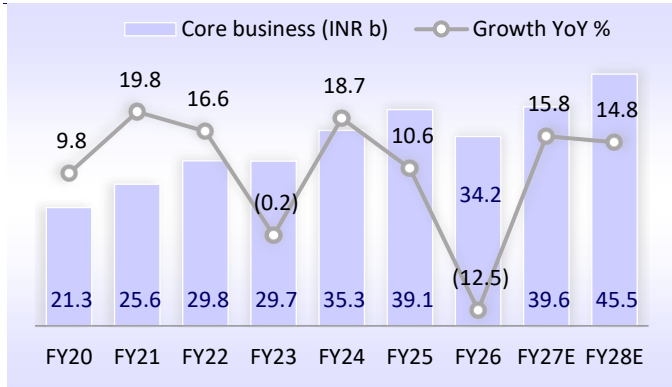
Core business (81% of sales)

The core business of ICNT is the manufacturing of bed linen, which is majorly exported to the US (70% revenue contribution), while the UK and the Rest of the World contribute 10% and 20%, respectively. The core business has margins of ~13-14%. ICNT is the largest exporter of bed linen and has a market share of ~24% in exports to the US from India. Under its core business, ICNT offers a range of products including flat and fitted sheets, pillowcases, blankets, comforters, duvet covers, fashion bedding, and institutional bedding. These are sold across both B2B channels and ICNT's owned/licensed brands, supported by a multi-channel presence, including e-commerce. Currently, the company has a capacity of 153m meters across two plants in Vapi and Kolhapur, and we expect utilization to reach ~80% by FY28. As a result, no significant capex is anticipated, which should support improvement in return ratios.

In FY23, ICNT acquired the home textile business of GHCL for INR5.9b. The acquired business has an annual capacity of 45m meters, with a peak revenue potential of INR13-15b. Following the acquisition, ICNT has emerged as the undisputed leader in the bed linen segment.

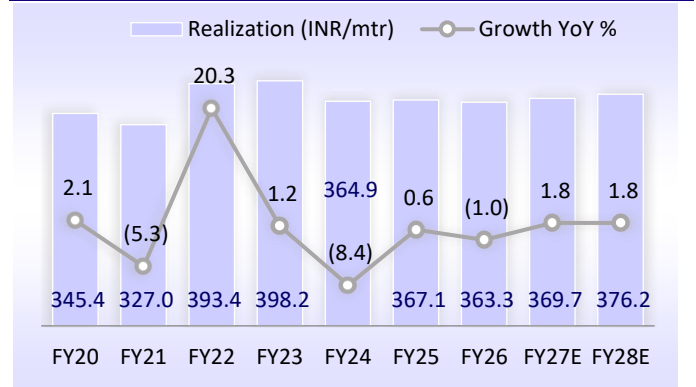
The core business delivered a 3% CAGR over the FY22-26, and we expect 15% CAGR over FY26-28, driven by the 10% US tariff (creating a level playing field vs. Bangladesh and Pakistan) and FTAs with the UK and EU.

Exhibit 184: Core business (Bed linen) – revenue trend



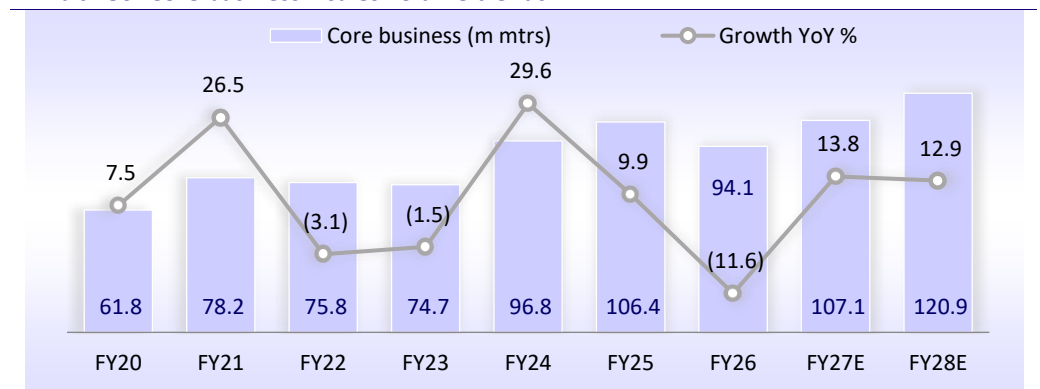
Source: Company, MOFSL

Exhibit 185: Core business (bed linen) – Realization



Source: Company, MOFSL

Exhibit 186: Core business – sales volume trends



Source: Company, MOFSL

Why Fluvitex was sold?

The Masias Invest, a Spain-based textile machinery firm since 1944, owned Fluvitex USA (pillow manufacturer) as a non-core asset, so the firm decided to sell it off to focus on the core business.

Why Modern HT was sold?

Jackie Spinella Waters found Modern Home Textiles in Sept 2023 and sold it to Indo Count after just 13 months. Lacking the scale to win large retail contracts independently, selling to Indo Count gave the business a larger platform to grow.

New business: Growth lever of the company (19% of sales)

ICNT’s new business comprises the utility business (2/3rd of new business) and the US brand business. Its contribution to revenue has increased from 2.2% in FY23 to 6.8% in FY25 and 19% in FY26. The new businesses are expected to generate USD275m in revenue as the new acquired/commissioned facilities and US brands ramp up. Currently, the new business has an ARR of USD100m+, which we expect to reach to USD168m by FY28, driven by utility bedding and growth in the branded segment. On a sustainable basis, the new business generates margins of ~15–16%. However, management expects margins of ~8% in FY27, as the new facilities have only recently commenced operations. As utilization ramp up, margins are expected to gradually reach optimal levels.

Utility business (2/3rd of the new business)

Under the utility bedding segment, ICNT manufactures pillows and quilts, including mattress pads, protectors, pillows, and down alt comforters. ICNT sells its products through B2B as well as through licensed brands. Key brands under the segment are Tommy Hilfiger and Beautyrest. In FY25, ICNT acquired an 81% stake in US-based Fluvitex for USD19.6m, which has a revenue potential of USD50m and capacities of 5m pillows and 1.5m quilts. It also acquired 100% stake in Modern Home Textile for USD11.7m, with a revenue potential of ~USD35m and a capacity of 8m pillows. Additionally, the company has invested USD15m in a greenfield project with a capacity of 18m pillows, translating to a revenue potential of ~USD85-90m, which

was commissioned in Jan'26. On a sustainable basis, the business delivers ~14-15% operating margins, which management expects to achieve by FY28.

ICNT entered into a licensing agreement with Beautyrest, a Serta Simmons Bedding Company flagship brand, in FY25. Recently, ICNT has also entered into a licensing agreement with Tommy Hilfiger for utility bedding for pillows, mattress pads, down all comforters, mattress protectors, and toppers, among others.

Exhibit 187: Large owned/licensed brand portfolio



Source: Company, MOFSL

US brand business (1/3rd of the new business)

Beyond the core bed linen business, the US brand business has multiple portfolio offerings like towels, bed linen, pillows, etc. The business has four brands under its portfolio – Wamsutta, Fieldcrest, Waverly and Gaiam, each targeted at different demographics. Fieldcrest at 25+ age group and Waverly has ~94% feminine recall, driven by the product print and style. The business is expected to generate EBITDA margins of ~16-17%.

ICNT secured a licensing agreement with Iconix Brand Group to manufacture and distribute products in categories like bedding, bath, window treatments, and utility under the brands Fieldcrest and Waverly in FY24 and launched the brands in 2HFY25.

The company acquired Wamsutta, a well-established premium national brand in the US, for around INR850m (USD10.5m). Wamsutta offerings include bed linen, towels, rugs, window treatments and table linens in the premium range and has expanded ICNT's presence in the B2C and D2C segments. US brand business has an annual revenue potential of USD100m, out of which ~USD50-60m is expected from bed linen and the rest from other products. Wamsutta was initially launched online and is now present across 50 US states. ICNT has hired new talent and invested in brand

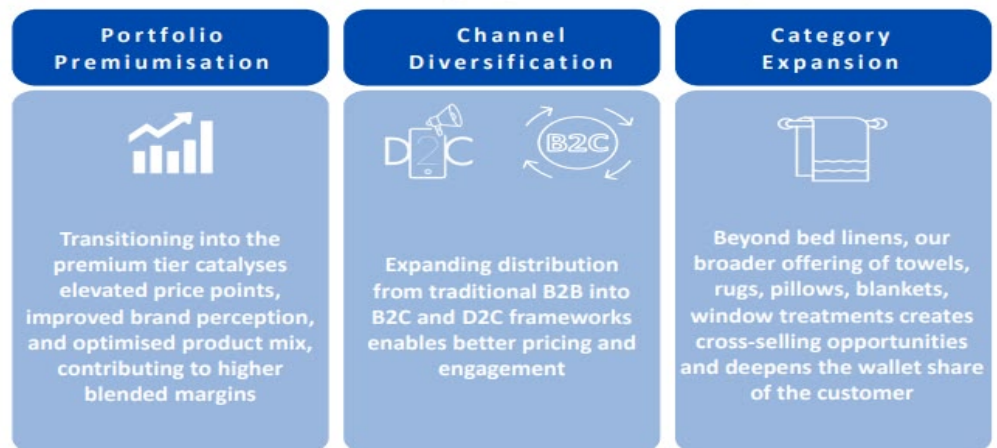
marketing and plans to target North America initially and expand in other markets like Canada and Mexico. As Wamsutta is a premium brand, ICNT plans to establish it in departmental stores and club stores.

Wamsutta was acquired from Beyond Inc. for INR850m and had revenue of ~INR40b. Before Beyond, the brand was owned by Bed Bath & Beyond from 2012 to 2022. The brand generated average revenue of USD500m during the period, while the peak revenue was ~USD800m.

Exhibit 188: Wamsutta acquisition



**Wamsutta: A Strategic Brand Revival
Anchored in Legacy and Modernity**



Source: Company, MOFSL

Domestic business (2.3% of sales)

The domestic home textile business, a part of its core business, has two brands - Boutique Living and Layers, with products across luxury, popular and mass categories. The domestic business contributes 2.3% to revenue, has a reach across 2,000+ MBOs, and has partnerships with leading retailers. Boutique Living is positioned as a premium brand, offering premium bed linen, lightweight dohars, plush towels and coordinated bedding solutions and is present across MBOs and large format stores, including Shoppers Stop, @Home and e-commerce platforms. Layers is a value-driven brand, offering premium cotton collections, microfiber bed linen, plush blankets and bath textiles, with presence across value-format retail chains, including DMart, Reliance, and e-commerce platforms. Management expects the domestic business to scale up to ~INR3-4b by FY29, up from ~INR1b currently.

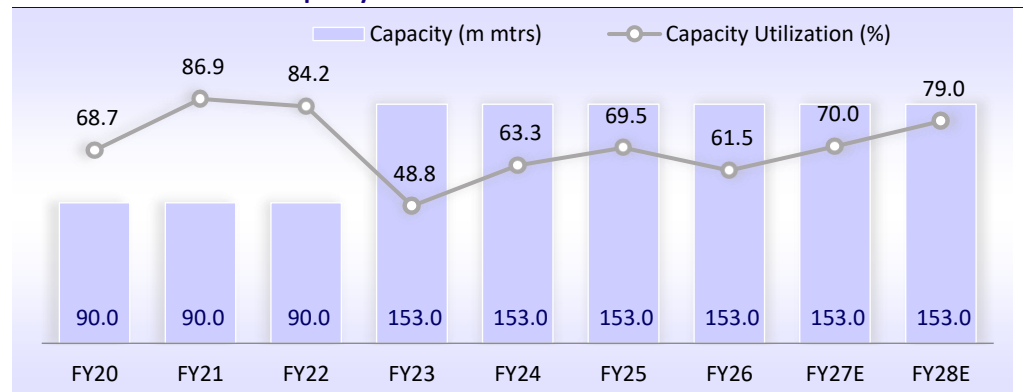
Established manufacturing facilities with significant capacity headroom

Revenue target of INR7.0b in next three years without new capex

ICNT has well-established facilities across India and the US. For the core business, all its portfolio offerings are manufactured at the facilities located in India. Utility business products are sourced from the US facilities. For the US brand business, bed linen and fashion bedding are sourced from ICNT’s own facility, while other product offerings in window, curtains, bath, soft home textiles are from vendors. ICNT has a backward-integrated manufacturing setup with ~140,000 spindles of spinning capacity, supplying ~25% of its yarn and fabric needs. ICNT has taken up a small capex of INR0.6b, to expand installed spindle capacity from 140,000 to 164,000 spindles. Also, an additional INR0.25b, capex will be spent on modernization of existing spinning capacity.

For the core business of bed linen, ICNT has manufacturing plants in India (Kolhapur and Bhilad) with a total capacity of 153m meters. In FY23, ICNT had expanded the total capacity in Kolhapur from 90m meters to 108m meters. The company also acquired the home textile business of GHCL, including the manufacturing unit in Bhilad, thus adding 45m meters capacity. Core business utilization is ~62%, and we expect no additional capex in the next three years to achieve INR5b in core business.

Exhibit 189: Bed linen – capacity



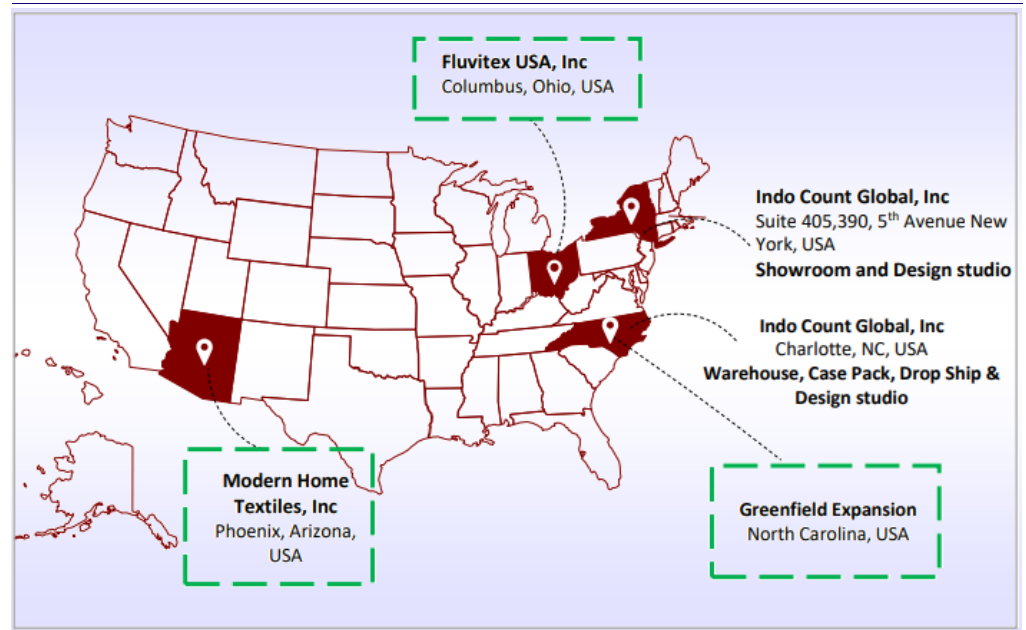
Source: Company, MOFSL

For the utility business, ICNT acquired Fluvitex (81% stake) for USD19.6m in Sep’24 and Modern Home Textiles (100% stake) for USD11.7m in Oct’24. Fluvitex has a facility in Ohio, US, with a capacity of 5m pillows and 1.5m quilts annually and an annual revenue potential of USD50m at peak capacity utilization. The strategic location of Fluvitex enables efficient distribution across the US and Canada. Modern Home Textiles has a facility in Arizona, US, with a capacity of 8m pillows annually and an annual revenue potential of USD35m at peak capacity utilization. Currently, capacity utilization across these facilities is ~65% and is expected to improve with the onboarding of customers and reach 80%+ by FY28.

ICNT has also established a greenfield pillow manufacturing facility in North Carolina, US, with a total investment of INR1,300m, to further expand its utility bedding segment. The facility has an annual revenue potential of USD90m and margins of ~15-16%. The capacity is targeted to achieve ~70% utilization by FY28.

This manufacturing network in the US helps to address geopolitical issues, reducing the impact on the business.

Exhibit 190: Utility business manufacturing network



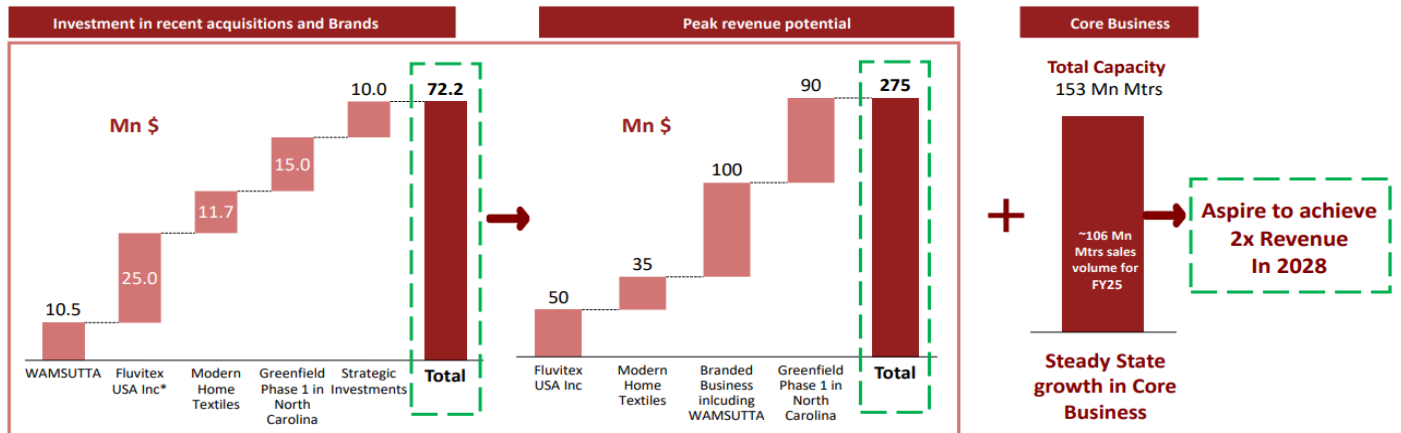
Source: Company, MOFSL

ICNT’s entry into utility bedding positions it within a structurally faster-growing segment, reducing dependence on bed sheets while enhancing growth visibility and realization potential. Utility bedding continues to outpace core bed linen in the US, driven by higher replacement cycles and robust demand from hospitality and healthcare segments, making it a key growth driver in home textiles.

Given ICNT’s favorable base in this category and its established client relationships, we believe the company is well placed to deliver ~40% CAGR over FY26-28 in the US market, enabling it to achieve ~4% market share.

Exhibit 191: Utility bedding to drive revenue

REAFFIRM OUR GUIDANCE: SCALING CORE BUSINESS + NEW BRANDS AND UTILITY BEDDING SEGMENT



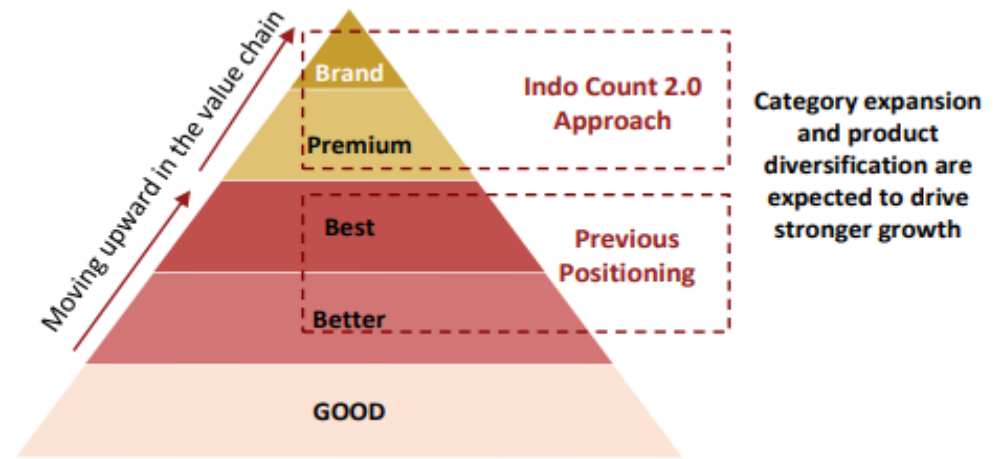
Source: Company, MOFSL

Premiumization provides competitive edge over peers

Moving upward in the value chain toward premium positioning

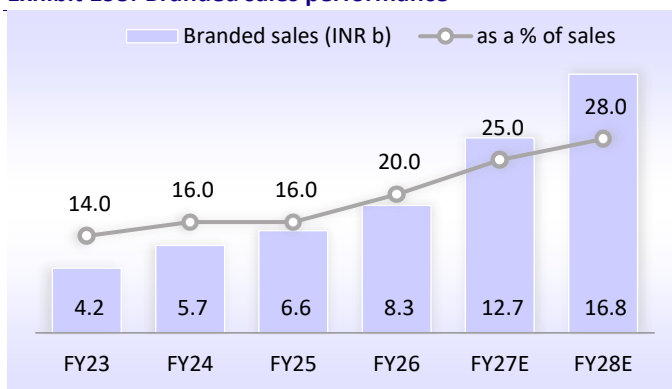
ICNT was primarily focused on bed sheets (~USD4b US TAM) prior to 2024. Following the acquisition of the utility bedding business (including two out of its three factories), the company has diversified into higher value-added segments, evolving into a comprehensive home textile player with an expanded TAM of ~USD15b (bed sheets USD4b, fashion bedding USD5.5b, institutional bedding USD1.5b, and utility bedding USD4b). The company is also gradually transitioning toward a branded and premium portfolio, with branded contribution increasing from 14% in FY23 to 20% in FY26. We expect branded sales to reach ~25-30% by FY28, supported by the acquisition of brands like Wamsutta and licensing agreements with Fieldcrest, Waverly, Gaiam, Beautyrest, Tommy Hilfiger, and Jasper Conran.

Exhibit 192: Transition to branded and premium positioning



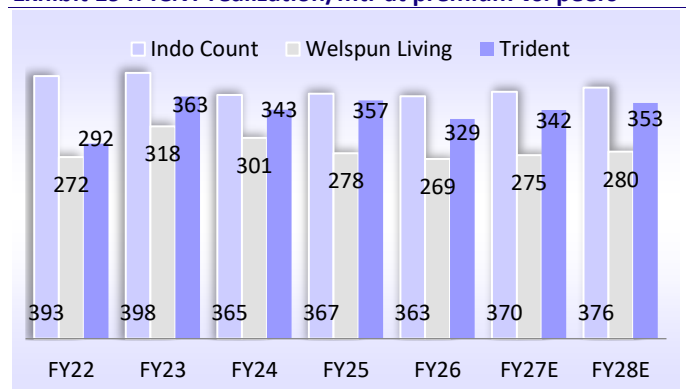
Source: Company, MOFSL

Exhibit 193: Branded sales performance



Source: Company, MOFSL

Exhibit 194: ICNT realization/mtr at premium vs. peers



Source: Company, MOFSL

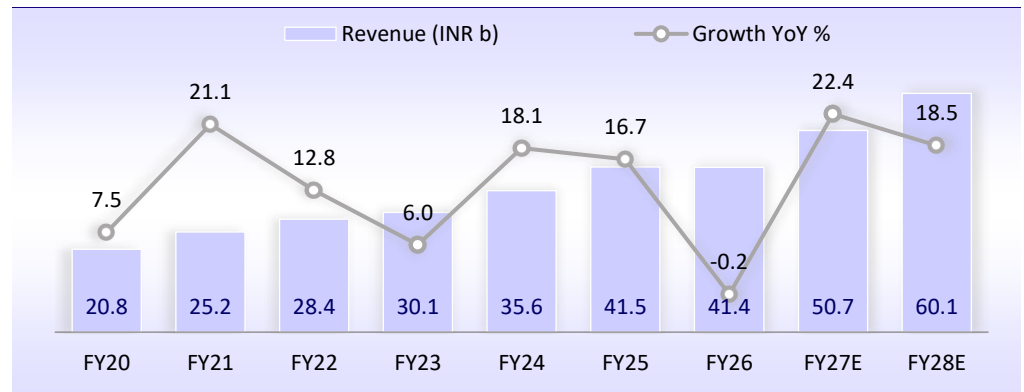
Data suggests that ICNT commands a premium in the US market compared to Welspun and Trident. While the company was earlier focused on mid-premium products, it is now shifting toward a premium positioning. The premium segment, which accounts for ~30% of the US home textile market, is growing faster, reflecting a broader premiumization trend.

Financial outlook

Estimate a revenue CAGR of 20% over FY26-28

ICNT has delivered a healthy revenue CAGR of ~10% over FY22-26, driven by steady growth in its core bed linen exports, particularly in the US market, along with a strong post-Covid recovery in FY22-24. Going forward, we estimate a revenue CAGR of 20.2% over FY26-28, supported by a scale-up in the utility bedding segment, expansion of the US branded portfolio, including Wamsutta, Fieldcrest and Waverly, increasing contributions from e-commerce and premium products, and available capacity headroom in the core bed linen business, enabling volume growth without significant incremental capex.

Exhibit 195: Revenue to clock 20% CAGR over FY26-28

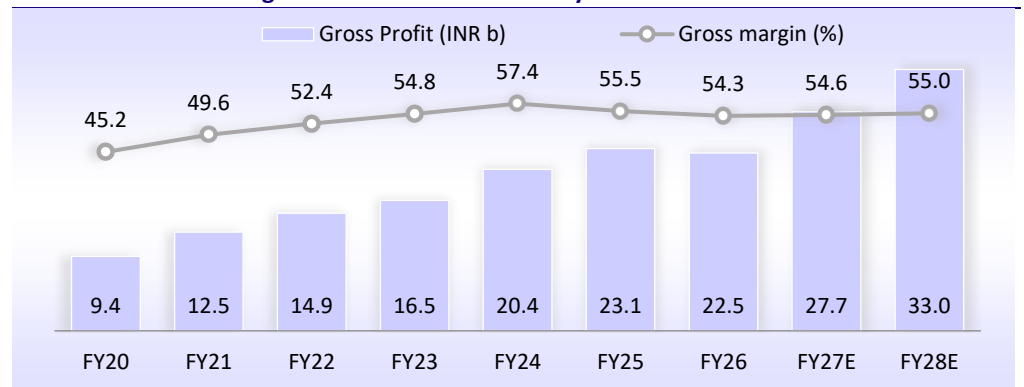


Source: Company, MOFSL

Gross margins to stabilize at 54-55% by FY28

ICNT's gross margins have seen a steady expansion from ~52.4% in FY22 to a peak of ~57.4% in FY24 (lower cotton prices) before moderating to ~55.5% in FY25, and then falling to 54% in FY26, due to tariff-related demand issues. The improvement over FY20-24 was driven by a favorable product mix, higher realizations, and operating leverage in the core bed linen business. Going forward, gross margins are expected to stabilize in the range of ~54-55%, supported by the scale-up of higher-margin branded business, improved utilization in new segments, and continued focus on product premiumization.

Exhibit 196: Gross margin to stabilize to ~54-55% by FY28

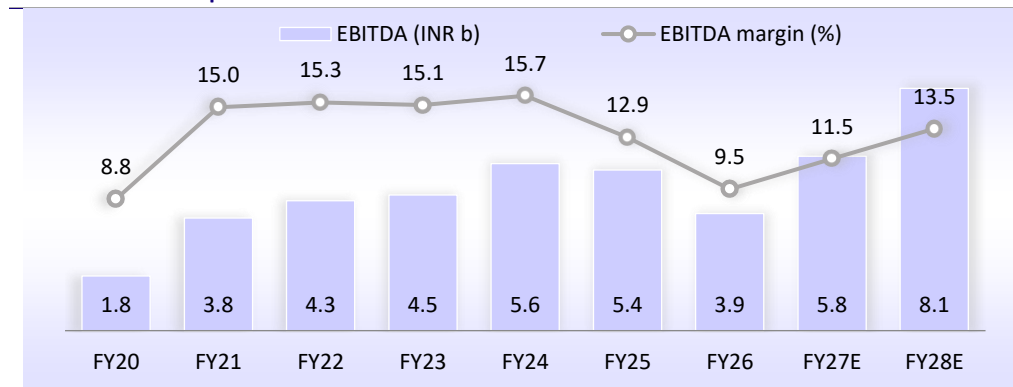


Source: Company, MOFSL

EBITDA margin

ICNT’s EBITDA has grown from ~INR4.3b in FY20 to ~INR5.6b in FY25 at a CAGR of 23.8%, reflecting a strong recovery in the core bed linen business and operating leverage benefits during FY22-24. EBITDA margins also expanded from ~8.8% in FY20 to ~15-16% during FY22-24 before moderating to ~12.9% in FY25, driven by improved scale, better realizations, and stable cost structure in the core export business. Going forward, EBITDA is expected to clock a CAGR of 43.6% over FY26-28, with margins gradually improving to ~13.5% by FY28.

Exhibit 197: We expect an EBITDA CAGR of 44% over FY26-28

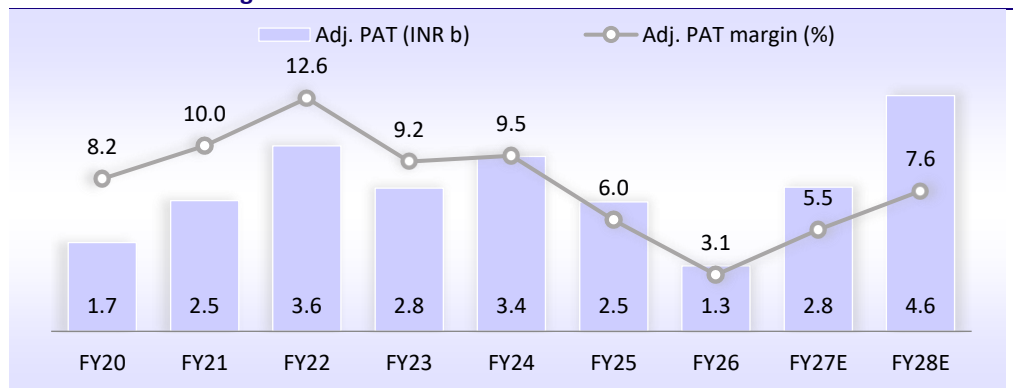


Source: Company, MOFSL

PAT expected to surge 3.5x with 7.6% margin

ICNT’s PAT has shown a gradual improvement over the years, increasing from ~INR1.7b in FY20 to ~INR2.4b in FY25, although growth has been relatively modest compared to revenue expansion. PAT margins improved from ~8.2% in FY20 to ~9–10% during FY22-24, supported by stronger EBITDA margins, operating leverage, and stable performance in the core bed linen business. However, margins have moderated to ~3.1% in FY26, reflecting the impact of ongoing investments in new growth segments and higher tariff impact. As these businesses scale up and begin contributing meaningfully to profitability, PAT is expected to recover, with margins gradually improving to ~7.6% by FY28.

Exhibit 198: PAT margin is estimated at 7.6% in FY28

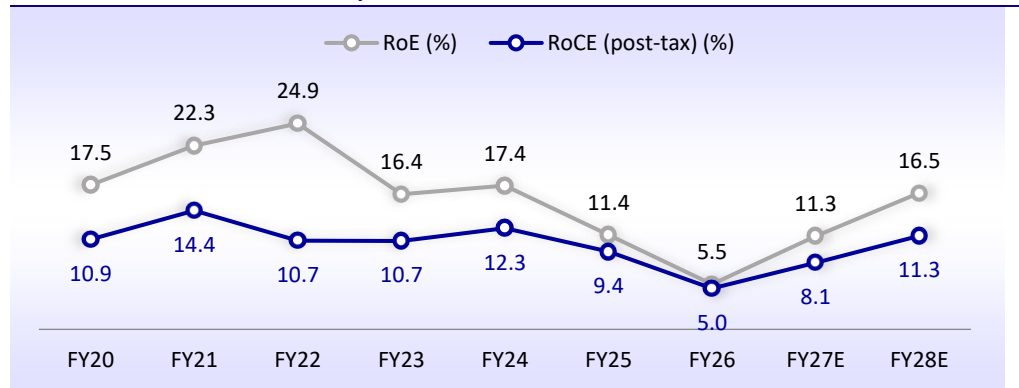


Source: Company, MOFSL

Return ratios

ICNT’s return ratios have seen a mixed trend, reflecting strong core performance alongside recent investments. RoE improved from ~17.5% in FY20 to ~24.9% in FY22, while RoCE rose to ~14-15%, driven by better profitability and capacity utilization. However, ratios have dropped, with RoE at ~5.5% in FY25, and RoCE to ~5.0%, due to margin pressure and capital deployment in emerging business. Going forward, return ratios are expected to recover, with RoE at ~16-17% and RoCE at ~11-12% by FY28, supported by scaling of new segments and improving asset utilization.

Exhibit 199: Return ratios to improve

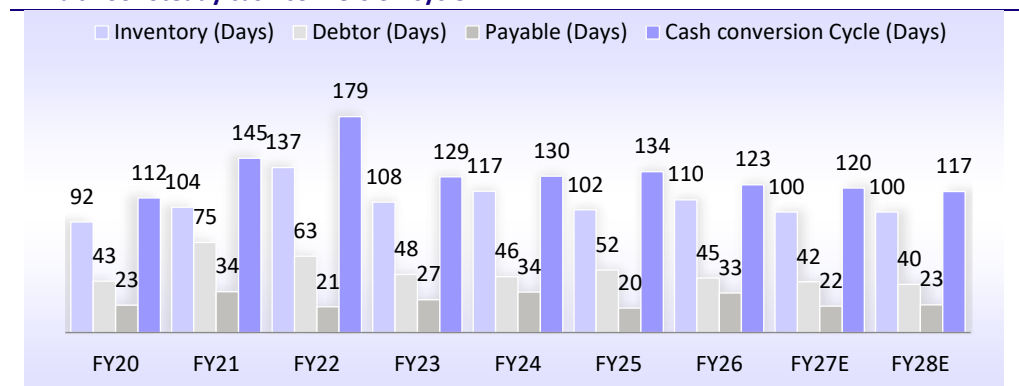


Source: Company, MOFSL

Cash conversion cycle

ICNT’s CCC days remain structurally elevated, reflecting the working capital-intensive nature of the home textile export business. CCC increased to a peak of ~179 days in FY22, and has since moderated to ~130-134 days in FY23-25 and to 123 days in FY26. The improvement has been supported by better inventory management and normalization in receivable cycles, although inventory days remain relatively high (~100+ days). Going forward, CCC is expected to remain broadly stable at ~115-120 days, with gradual improvements driven by better demand visibility, operational efficiencies, and tighter working capital management, supporting steady operating cash flows.

Exhibit 200: Steady cash conversion cycle



Valuation and view: Initiate coverage with BUY

- We expect ICNT to benefit from the following factors:
 - Core business would continue to clock 15% CAGR over FY26-28, driven by the 10% US tariff (creating a level playing field vs. Bangladesh and Pakistan) and FTAs with the UK and EU.
 - Currently, the new business has an ARR of USD100m+, which we expect to reach to USD168m, driven by utility bedding and growth in the branded segment.
 - Expandable TAM and higher premium positioning would give ICNT an edge over peers.

A strategy-led transformation focused on value-added segments, higher capacity utilization, and higher contribution from new business should drive higher earnings growth and return ratio expansion over the next 3-4 years.

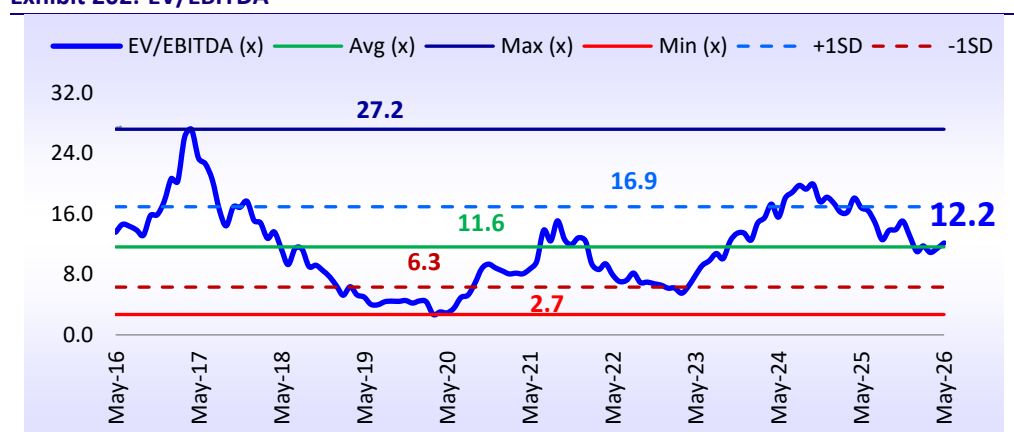
- **We initiate coverage on ICNT with a BUY rating and a TP of INR550, based on 15x FY28E EV/EBITDA (25% premium to the 10-year mean).**
- Key risks would include: 1) customer and geographic concentration, 2) commodity price movement, 3) geopolitical issues.

Exhibit 201: Relative valuation comparison of home textile companies

Companies	Mcap (INR b)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (X)			EV/EBITDA			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Indo Count	78	395	550	BUY	39	20.4	43.8	89.6	61.7	28.0	17.2	23.3	15.7	11.1	5.5	11.3	16.5
Welspun Living	156	162	200	BUY	23	13.9	43.3	96.5	69.6	25.3	18.0	21.7	13.2	10.5	4.6	11.9	14.9
Trident	132	26	28	Neutral	6	11.4	16.9	28.5	33.6	25.2	20.4	16.2	13.4	11.8	8.4	10.7	12.5

Source: MOFSL

Exhibit 202: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ☑ In our bull case scenario, we factor in a 21% revenue CAGR over FY26-28, driven by a higher new business contribution.
- ☑ Accordingly, we expect operating leverage to drive up EBITDA margin to 14.5% by FY28 from 9.5% in FY26.

Bear case

- ☑ In our bear case scenario, we factor in a 19% revenue CAGR over FY26-28E, driven by a lower new business contribution.
- ☑ Accordingly, we expect operating leverage to improve EBITDA margin to 12.5% by FY28 (from 9.5% in FY26).

Exhibit 203: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	19%	20%	21%
EBITDA CAGR FY26-28E	37%	44%	50%
EBITDA Margin FY28E	12.5%	13.5%	14.5%
EV/EBITDA	14	15	16
Target Enterprise Value (INR m)	1,03,363	1,21,126	1,40,933
Net Debt (INR m)	12,168	12,168	12,168
Target Equity Value (INR m)	91,195	1,08,958	1,28,765
Outstanding Shares (Nos m)	198	198	198
Target price (INR)	460	550	650
CMP (INR)	395	395	395
Upside/Downside	17%	39%	65%

Source: MOFSL

Key Risks

Customer and geographic concentration

High dependence on large retailers and the US market (~70% exports) exposes revenue to demand slowdown, pricing pressure, and customer concentration risks.

Trade policy, tariff and regulatory uncertainty risk

Exposure to trade policy and tariff changes, particularly in the US, can impact competitiveness and delay price pass-through.

Commodity price risk

Volatility in cotton and input costs can compress margins, especially under long-term contracts with limited pass-through.

Geopolitical and freight cost volatility risk

Geopolitical disruptions and freight cost volatility can increase logistics costs and impact margins and delivery timelines.

Company Background

ICNT, founded in 1988, is a leading global home textile manufacturer with a strong focus on bed linen and related made-ups. The company offers a comprehensive portfolio, including bedsheets, pillowcases, comforters, quilts, and fashion bedding, catering primarily to large global retailers across value, mid-market, and premium segments. ICNT operates a vertically integrated manufacturing platform spanning spinning, weaving, processing, and finishing, enabling scale efficiencies, quality consistency, and tighter control over costs. With a predominantly export-led business and the US contributing ~70% of core business revenue, the company has built long-standing relationships with marquee customers, while gradually expanding its presence in Europe, the UK, and other international markets to diversify its geographic mix. Alongside exports, ICNT has been scaling up its domestic presence through its owned brands Boutique Living and Layers, addressing the premium and aspirational home textile segment in India. Over time, the company has strengthened its product breadth and value-addition capabilities through strategic acquisitions such as Fluvitex and Modern Home Textiles, and its entry into branded offerings via Wamsutta further supports the transition toward a more diversified, higher-margin, value-added home textile platform.

Management Team

Exhibit 204: Management Team

Leader	Role	Experience
Mr. Anil Kumar Jain	Executive Chairman	❖ Mr. Anil Kumar, promoter of ICNT, is a commerce graduate from St. Xavier's College, Kolkata, with over 45 years of leadership experience in the textile industry. He incorporated ICNT in 1988 and played a key role in turning around stressed textile assets through technology upgrade and a strategic shift toward exports.
Mr. Mohit Jain	Executive Vice Chairman	❖ Mr. Mohit is a Babson College (USA) graduate with specialization in Economics, Finance, and Entrepreneurial Studies. He has over 20 years of experience in global marketing and entrepreneurship. He is actively involved in the home textile business strategy, and plays a key role in developing new markets/customers.
Mr. K. Muralidharan	Group CFO	❖ Mr. Muralidharan joined the company in Nov'18. He has played a key role in major strategic initiatives, including the acquisitions of GHCL's textile division, Wamsutta, Fluvitex USA, and Modern Home Textiles, and now oversees group-level financial strategy, capital allocation, and performance management.
Mr. Manish Bhatia	CFO	❖ Mr. Bhatia, a chartered accountant and a commerce graduate, has over 30 years of experience across accounting, taxation, audit, legal, and finance functions. Prior to joining ICNT, he served as Group CFO at Trident and held senior leadership roles at Prism Johnson and Apollo Tyres. His experience strengthens the company's finance, commercial, and governance framework.

Source: Company, MOFSL

ESG initiatives



Environment

- The company has strengthened its renewable energy footprint through the addition of solar power projects and expansion of biogas capacity to generate renewable energy.
- ICNT has taken initiatives to include recycling and reuse of water through a modernized ETP plant, reducing freshwater consumption.

Social

- It has undertaken CSR initiatives in health, education, environmental conservation, water and sanitation, skill development, and sports promotion.
- The company actively works with farmers to improve awareness and adoption of more sustainable cotton cultivation practices, supporting responsible sourcing through initiatives like Project Gagan, Project Avani, and Project Prithvi.

Governance

- The board of directors comprises members with significant experience in the textile industry. The board has an optimal mix of executive and non-executive directors, including an independent woman director.
- The governance frameworks are supported by strategic risk management and comprehensive occupational health and safety policies.

SWOT analysis

❖ Leading global bed linen player, with 24% market share in India's exports to the US, and long-standing relationships with global customers.

❖ Robust manufacturing network with manufacturing capabilities in the US for pillows.

S
STRENGTH

❖ High dependence on the US market (70% of core business) leading to geographic concentration risk.

❖ Exposure to cotton and freight cost volatility, impacting margins despite partial pass-through.

W
WEAKNESS

❖ Ongoing premiumization trend in the US to provide large opportunity as ICNT has premium portfolio as compared to peers.

❖ Domestic premium market growth and geographic diversification beyond the US to support future expansion.

O
OPPORTUNITY

❖ Trade policy risks, weak discretionary demand, and currency volatility impacting exports and profitability.

❖ Intensifying competition from low-cost countries and large players weighs on pricing and margins.

T
THREATS

Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	25,192	28,420	30,116	35,571	41,514	41,413	50,695	60,056
Change (%)	21.1	12.8	6.0	18.1	16.7	-0.2	22.4	18.5
Gross Profit	12,493	14,890	16,509	20,432	23,057	22,495	27,680	33,031
Total Expenses	21,425	24,079	25,573	29,981	36,142	37,494	44,865	51,948
EBITDA	3,767	4,341	4,543	5,590	5,372	3,920	5,830	8,108
EBITDAM (%)	15.0	15.3	15.1	15.7	12.9	9.5	11.5	13.5
Deprn. & Amortization	431	409	647	826	1,159	1,592	1,667	1,735
EBIT	3,335	3,932	3,895	4,764	4,213	2,328	4,163	6,373
Net Interest	281	474	624	698	1,232	1,360	1,219	1,208
Other income	378	1,402	314	437	395	695	772	915
PBT Before EO Exp	3,433	4,860	3,586	4,503	3,376	1,663	3,715	6,079
EO expense	-37	0	0	0	0	0	0	0
PBT after EO	3,396	4,860	3,586	4,503	3,376	1,663	3,715	6,079
Tax	905	1,274	818	1,124	876	396	929	1,520
Rate (%)	26.6	26.2	22.8	25.0	26.0	23.8	25.0	25.0
Reported PAT	2,491	3,586	2,768	3,379	2,500	1,267	2,786	4,559
Change (%)	240.8	43.9	-22.8	22.1	-26.0	-49.3	120.0	63.6
Adjusted PAT	2,528	3,586	2,768	3,379	2,500	1,267	2,786	4,559
Change (%)	47.3	41.9	-22.8	22.1	-26.0	-49.3	120.0	63.6

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	395	395	396	396	396	396	396	396
Reserves	12,451	15,515	17,531	20,495	22,420	23,157	25,386	29,034
Net Worth	12,846	15,909	17,927	20,891	22,816	23,553	25,782	29,430
Minority Interest	55	-	-	-	-	-	-	-
Total Loans	5,878	13,303	8,938	10,029	15,312	14,419	14,669	14,169
Deferred Tax Liability	796	664	694	851	1,000	797	797	797
Capital Employed	19,576	29,877	27,559	31,770	39,129	38,769	41,248	44,396
Gross Block	10,483	11,139	16,405	19,582	26,139	29,621	30,877	32,127
Less: Accum. Deprn.	4,871	4,830	5,300	6,030	7,189	8,781	10,448	12,183
Net Fixed Assets	5,611	6,309	11,105	13,552	18,950	20,840	20,429	19,944
Capital WIP	77	239	1,831	346	502	50	61	72
Investments	1,669	15	1,435	1,327	1,393	1,901	2,091	2,300
Other Non-Current Assets	121	3,652	527	392	912	129	142	157
Curr. Assets	15,476	22,409	15,580	20,071	20,793	21,998	24,708	29,596
Inventory	7,180	10,680	8,947	11,425	11,580	12,509	13,889	16,454
Account Receivables	5,157	4,942	3,970	4,518	5,918	5,130	5,833	6,581
Cash and Cash Equivalents	400	4,002	1,080	1,032	1,172	1,238	1,189	2,093
Cash	332	3,849	917	926	1,062	1,136	1,087	1,990
Bank Balances	68	153	163	106	110	102	102	102
Loans and Advances	933	311	611	1,324	398	1,030	1,236	1,435
Other Current Assets	1,807	2,474	972	1,772	1,725	2,092	2,561	3,034
Curr. Liability & Prov.	3,380	2,747	2,920	3,916	3,421	6,149	6,183	7,673
Account Payables	2,346	1,655	2,250	3,281	2,312	3,715	3,056	3,784
Provisions & Others	1,033	1,093	670	635	1,110	2,434	3,127	3,889
Net Curr. Assets	12,097	19,661	12,661	16,155	17,372	15,849	18,525	21,923
Appl. of Funds	19,576	29,877	27,558	31,770	39,129	38,769	41,248	44,396

E. MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adjusted EPS	12.8	18.2	14.0	17.1	12.6	6.4	14.1	23.0
Growth (%)	47.3	41.9	-23.1	22.1	-26.0	-49.3	120.0	63.6
Cash EPS	15.0	20.2	17.2	21.2	18.5	14.4	22.5	31.8
BV/Share	65.1	80.6	90.5	105.5	115.2	118.9	130.2	148.6
DPS	1.5	2.0	2.0	2.2	2.0	2.0	2.8	4.6
Payout (%)	11.7	11.0	14.3	12.9	15.8	31.3	20.0	20.0
Valuation (x)								
P/E	30.8	21.7	28.2	23.1	31.3	61.7	28.0	17.2
Cash P/E	26.3	19.5	22.9	18.6	21.4	27.3	17.5	12.4
P/BV	6.1	4.9	4.4	3.7	3.4	3.3	3.0	2.7
EV/EBITDA	22.1	20.1	18.9	15.5	17.0	23.3	15.7	11.1
Return Ratios (%)								
EBITDA Margin (%)	15.0	15.3	15.1	15.7	12.9	9.5	11.5	13.5
Net Profit Margin (%)	10.0	12.6	9.2	9.5	6.0	3.1	5.5	7.6
RoE	22.3	24.9	16.4	17.4	11.4	5.5	11.3	16.5
RoCE (post-tax)	14.4	10.7	10.7	12.3	9.4	5.0	8.1	11.3
RoIC (post-tax)	16.2	13.5	13.7	14.1	10.4	5.5	8.8	12.5
Working Capital Ratios								
Fixed Asset Turnover (x)	4.5	4.5	2.7	2.6	2.2	2.0	2.5	3.0
Asset Turnover (x)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Inventory (Days)	104	137	108	117	102	110	100	100
Debtor (Days)	75	63	48	46	52	45	42	40
Payable (Days)	34	21	27	34	20	33	22	23
Cash conversion Cycle (Days)	145	179	129	130	134	123	120	117

Consolidated - Cash flow statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	3,433	4,860	3,586	4,503	3,376	1,663	3,715	6,079
WC	-4,288	-4,841	3,794	-3,311	-580	1,624	-2,725	-2,494
Others	1,409	1,022	1,046	1,255	2,152	2,917	2,887	2,943
Direct taxes (net)	-751	-1,412	-877	-990	-1,007	-475	-929	-1,520
CF from Op. Activity	-197	-371	7,550	1,458	3,941	5,729	2,948	5,008
Capex	-330	-4,441	-3,394	-1,349	-2,509	-2,006	-1,267	-1,261
FCFF	-527	-4,812	4,156	109	1,433	3,722	1,681	3,747
Interest income	101	171	73	118	118	174	-	-
Others	-1,989	-2,747	-4,811	-1,094	-4,969	-2,342	-1,457	-1,470
CF from Inv. Activity	-1,887	-2,576	-4,738	-975	-4,851	-2,168	-1,457	-1,470
Share capital	-	-	-	-	-	-	-	-
Borrowings	2,276	7,291	-4,606	732	1,784	-1,002	250	-500
Finance cost	-281	-457	-628	-685	-1,200	-1,401	-1,219	-1,208
Dividend	-118	-296	-395	-396	-436	-396	-557	-912
Others	-22	-73	-115	-125	897	-689	-13	-14
CF from Fin. Activity	1,854	6,465	-5,744	-474	1,046	-3,488	-1,540	-2,634
(Inc)/Dec in Cash	-230	3,517	-2,932	9	137	73	-49	904
Opening balance	562	332	3,849	917	926	1,062	1,136	1,087
Closing balance	332	3,849	917	926	1,062	1,136	1,087	1,990

E. MOFSL Estimates

BSE Sensex
77,094

 S&P CNX
24,103

CMP: INR162
TP: INR200 (+23%)
Buy

Stock Info

Bloomberg	WELSPUNL IN
Equity Shares (m)	959
M.Cap.(INRb)/(USD\$b)	136.6 / 1.4
52-Week Range (INR)	153 / 107
1, 6, 12 Rel. Per (%)	10/18/11
12M Avg Val (INR M)	553
Free float (%)	33.8

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	94.0	108.1	122.0
EBITDA	7.9	12.7	16.3
EBITDA (%)	8.4	11.8	13.4
Adj. PAT	2.2	6.1	8.6
EPS (INR)	2.3	6.4	9.0
EPS Gr. (%)	-65.0	174.8	40.5
BV/Sh. (INR)	51.3	56.7	64.4

Ratios

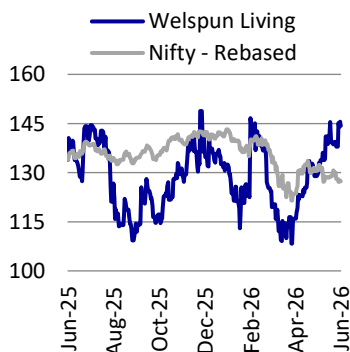
Net D/E	0.3	0.2	0.3
RoE (%)	4.6	11.9	14.9
RoCE (%)	4.3	8.8	11.4
Payout (%)	4.3	15.0	15.0

Valuations

P/E (x)	69.6	25.3	18.0
P/B (x)	3.2	2.9	2.5
EV/EBITDA (x)	21.7	13.2	10.5
Div. Yield (%)	0.1	0.6	0.8

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	66.2	66.2	66.2
DII	11.2	10.4	8.9
FII	5.3	5.4	6.4
Others	17.2	17.9	18.5

Stock Performance (1-year)


Bath linen and advanced textile drive growth

- Welspun Living (Welspun) is a leading vertically integrated home textile exporter, manufacturing a diversified portfolio spanning bed linen, terry towels, rugs and carpets, advanced textiles, and flooring. Its portfolio comprises the core business of home textile and emerging businesses of advanced textiles and flooring.
- The home textile portfolio (~87% of revenue) is expected to grow 14% over FY26-28, led by bath linen (17% CAGR growth), bed linen (9% CAGR growth) and rugs (9% CAGR growth). Home textile growth is driven by lower tariffs in the US market (~59% of sales) and higher branded business (~19% of sales). We expect home textile margin to recover to a sustainable level of 13-14% from ~9% currently.
- The emerging segment (13% of revenue), comprising advanced textiles (~5% of revenue) and flooring (~8% of revenue), is primary growth driver for Welspun. Advanced textile revenue clocked a CAGR of 12% over FY22-26, and we expect ~22% growth over FY26-28. The flooring segment has witnessed 10x growth (on a low base) in the last five years, and we expect 13% growth over FY26-28, driven by strong housing demand and infra-led expansion.
- We estimate a CAGR of 14%/43%/96% in revenue/EBITDA/PAT over FY26-28, led mainly by growth in the emerging business, followed by the home textile portfolio.
- We initiate coverage on Welspun with a BUY rating and a TP of INR200, valuing the stock at 12x FY28E EV/EBITDA (20% premium to the 10-year mean).

Home textiles to grow in mid-teens; margin rebound expected

Welspun is a leading vertically integrated home textile exporter, with a diversified product portfolio that includes bed linen, terry towels, rugs and carpets, advanced textiles, and flooring. HT comprises bath linen (~52% of the portfolio), followed by bed linen (~29%), rugs & carpets (~9%), and others, such as top-of-bed, bathrobes, etc. (~10%). Bath linen is expected to grow 17% with operating margin of ~15-16%. Bed linen and rugs & carpets are expected to grow in high single digits, with new capex for bed linen. HT posted a flat CAGR over FY22-26 with a sustainable margin of ~13-14%. In FY26, the segment saw a low double-digit decline due to higher US tariffs; however, we expect HT to rebound, delivering 14% growth over FY26-28, with margins recovering to sustainable levels.

Emerging business: Key growth driver

The emerging segment, comprising advanced textiles (~5% of revenue) and flooring (~8% of revenue), is the company's primary growth driver. Welspun has built advanced textile capacity across spunlace, needle-punch, and wet wipes, and majorly caters to the Indian market. India's technical textile market is estimated to be ~USD54b and is expected to clock a CAGR of 12.5% over FY26-31. Advanced textile revenue saw a CAGR of 12% over FY22-26, and we expect 22% growth over FY26-28, with EBITDA margin expansion to ~16-17% from ~14% currently. The flooring industry has witnessed steady growth led by rising demand for fashionable, improving lifestyles, and expansion in commercial spaces. Globally, the market is expected to expand at a CAGR of ~5.7% over FY25-32 and we expect 13% growth over FY26-28, with operating margins of ~9-10%.

Branded business is expected to grow in mid-teens

Welspun has a portfolio of owned and licensed brands for both domestic and global markets, including Christy and SPACES (premium), Welspun (Mass), and WELHOME (online). The revenue share of branded products in the home textile portfolio has gradually increased from 13% in FY20 to 20% in FY26. Branded HT revenue posted a CAGR of 3% over FY22-26 and we expect a robust ~15%+ growth rate in the next couple of years after a slowdown in FY26 due to higher tariffs. In India, the branded business is present across ~22k outlets, with management targeting an expansion to ~50k outlets over the medium term. Further, innovation is the key pillar for growth engines, reflected in the company's focus on health-enhancing and high-performance textiles. Backed by in-house R&D, Welspun has developed 47+ patented technologies, with ~22% of revenue coming from innovative offerings such as HygroCotton, Wel-Trak 2.0, and Gx Suspension pillows. We believe Welspun's strong R&D capabilities enable it to offer sustainable products, aligning with the growing demand from suppliers.

Financial outlook

Welspun has delivered a flat revenue CAGR over FY22-26, supported by resilient export demand, scale-up in its core HT portfolio, and gradual diversification into segments such as flooring and advanced textiles. Going forward, we estimate a moderate revenue CAGR of 14% over FY26-28E, after the decline in FY26, followed by a recovery with ~13-14% growth over the subsequent years. Profitability is likely to rebound gradually, with EBITDA margins inching up to ~13.4% and APAT margins improving to ~7.1% by FY28E. Return ratios are expected to improve meaningfully, with RoE/RoCE reaching ~14.9%/11.4% in FY28, while working capital efficiency remains stable at ~80 days. Overall, the company appears well placed for a gradual recovery in earnings.

Valuation and view: Initiate coverage with BUY rating

We initiate coverage on Welspun with a BUY rating and a TP of INR200, valuing the stock at 12x FY28E EV/EBITDA (20% premium to the 10-year mean). We believe the company's core business is expected to improve and drive a margin expansion. We expect home textiles to grow at 14% and EBITDA margins to be at ~13-14%. The emerging business (~13% of revenue) is expected to grow at 17% over FY26-28.

Key risks and concerns

Key risks to our rating and estimates would include: 1) customer concentration, 2) geographic concentration, 3) raw material price volatility, 4) foreign exchange movement.

STORY IN CHARTS

Welspun at a glance

Welspun Living Ltd (WLL)

Part of the \$3.6 bn Welspun Group, WLL is a global leader in the Home Textiles landscape with world-class vertically-integrated manufacturing facilities in India and strategic partnerships with top global retailers.

Differentiated by Branding, Innovation and Sustainability.

Market Position	Rank 1 <i>in Towels & Bath Rugs</i>	Top 2 <i>in Sheets</i>
ESG Leadership	90/100 <i>S&P Global ESG Score</i>	1 <i>Global Rank</i>
Innovation	50 <i>patents globally</i>	
Workforce	24,000+ <i>employees</i>	28% <i>women</i>
		Certified Woman Owned

Business Segments

Home Textile

Bath Linen, Bed Linen, Rugs & Carpets — B2B and Branded across 60+ countries

Advanced Textile

Spunlace, Needle Punch, Wet Wipes — Strategic shift to value addition

Flooring Solutions

Disrupting the world of flooring

Branded Portfolio (Own+Licensed)

welhome.CHRISTY **SPACES**
WELCOME HOME YOUR SPACE. YOUR COMFORT

Welspun^oHOSPITALITY

Welspun^o

Welspun product categories

Bath solutions



Bedding solutions



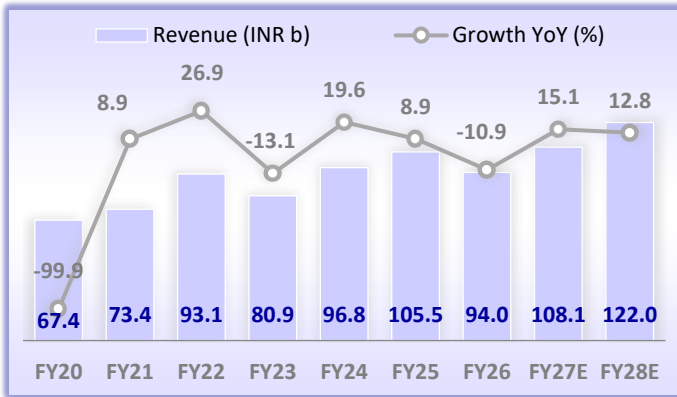
Advanced textiles



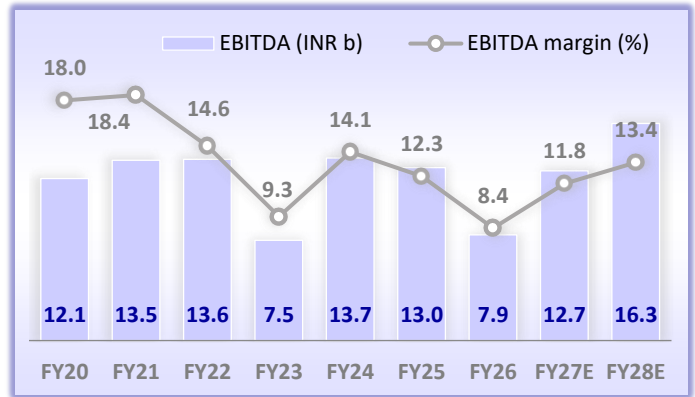
Flooring solutions



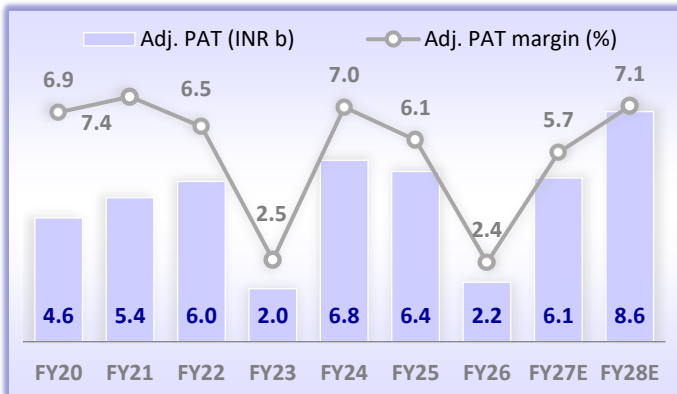
Revenue trend



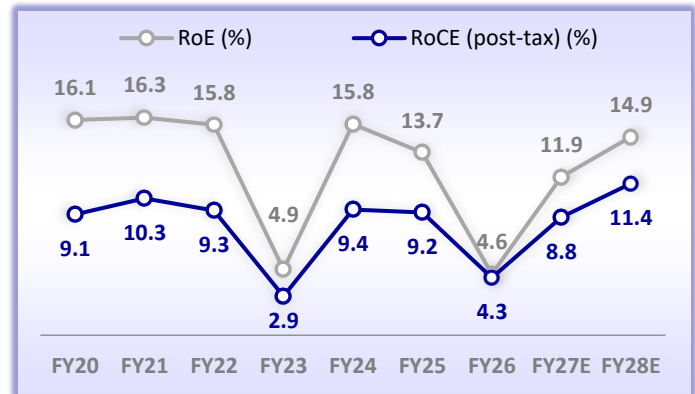
EBITDA trend



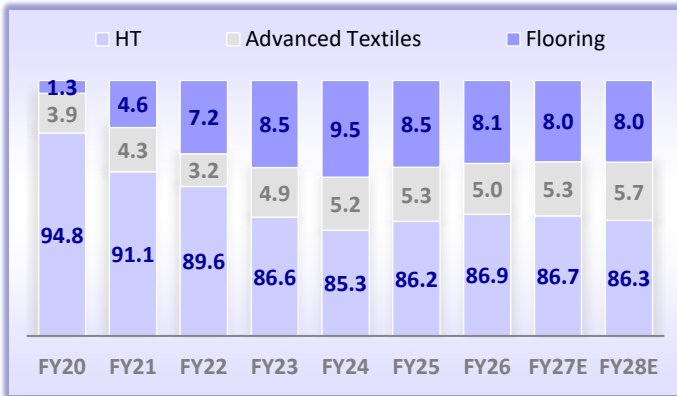
PAT trend



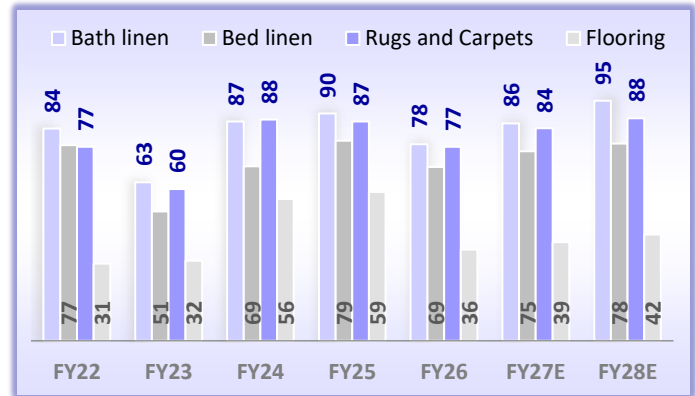
Return ratios



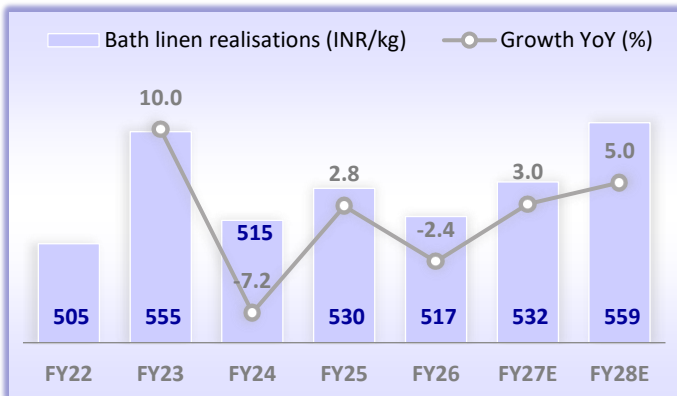
Revenue share by product category (%)



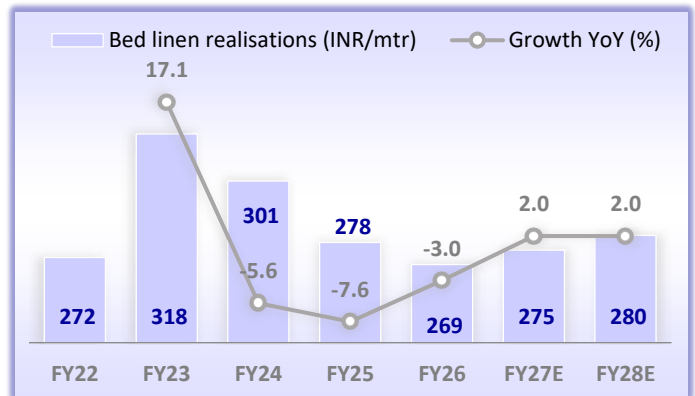
Capacity utilization by product (%)



Bath linen sales realization



Bed linen sales realization

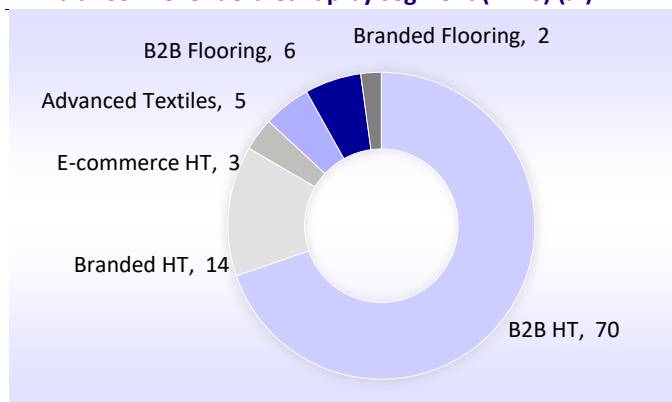


Global leadership in home textiles

Home textiles expected to grow 14% over FY26-28

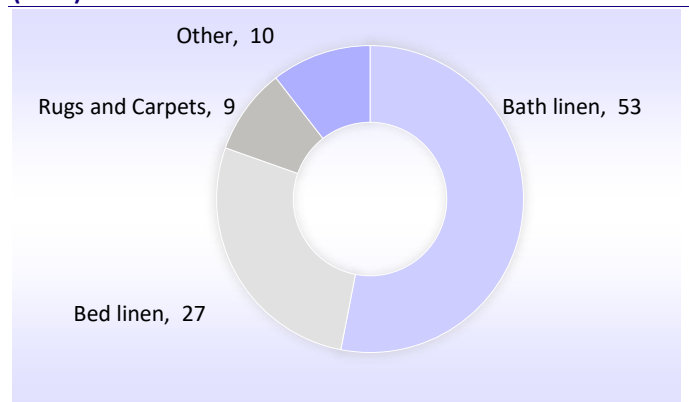
Welspun is a leading vertically integrated home textile exporter, manufacturing a diversified portfolio that includes bed linen, terry towels, rugs and carpets, advanced textiles, and flooring, offered through both owned brands and private labels. The company derives a significant share of its revenue from exports to the US, and it is steadily expanding its geographic footprint across the UK, EU, the Middle East, Australia, APAC, and Southeast Asia. Its manufacturing base comprises home textile facilities in Vapi and Anjar, pillow manufacturing units in Ohio and Nevada, and a flooring plant in Telangana. We expect home textiles to grow at 14% over FY26-28 and EBITDA margins to be at ~13-14%.

Exhibit 205: Revenue breakup by segment (FY26) (%)



Source: Company, MOFSL

Exhibit 206: Home textile revenue breakup by category (FY26)

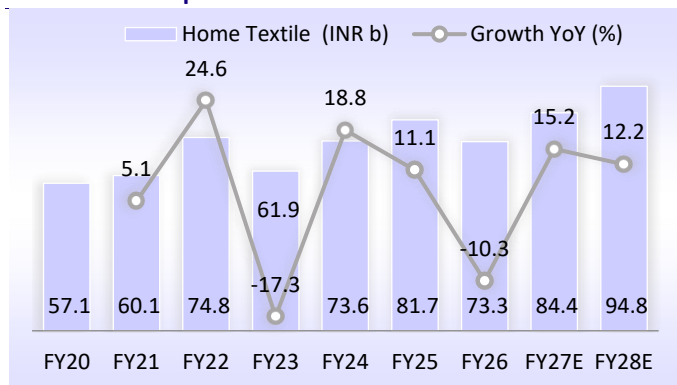


Source: Company, MOFSL

Home textiles (87% of total revenue)

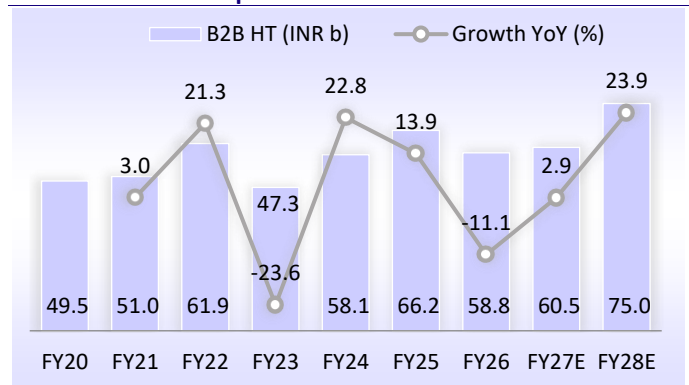
The core home textile portfolio of Welspun comprises bath linen, bed linen, pillows, rugs and carpets, with a contribution of 87% to Welspun's total revenue. Home textile revenue growth was flat over FY22-26. Welspun is known as a market leader in home textile supplies to the US. In home textiles, B2B constitutes ~70% of revenue, which was also flat FY22-26. It has a strong presence in the towel category, globally, with every fifth towel sold in the US being manufactured by Welspun. The company's major clients include leading retailers like Walmart and Costco in the US and Tesco and Sainsbury in the EU. We expect the home textile portfolio of Welspun to grow at 14% and EBITDA margins to be at ~13-14%.

Exhibit 207: HT performance



Source: Company, MOFSL

Exhibit 208: B2B HT performance

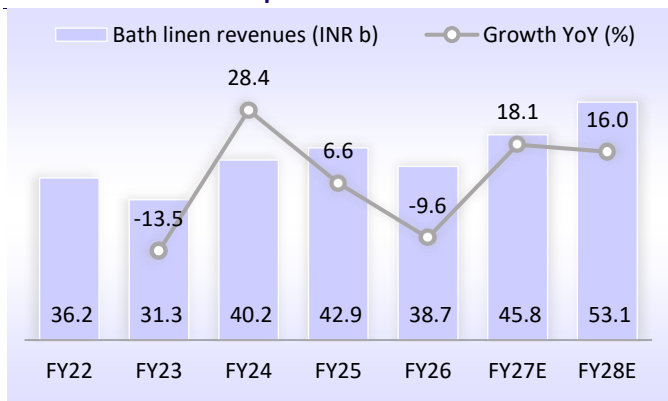


Source: Company, MOFSL

Bath linen (52% of home textile revenue)

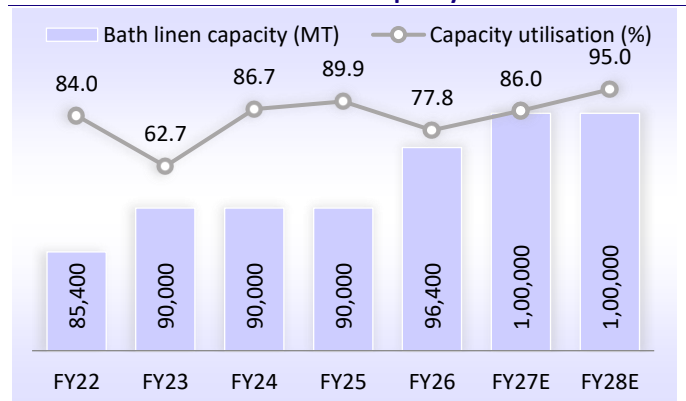
Bath linen accounts for ~52% of the home textile portfolio and has a wide selection of jacquard and beach towels, bathrobes, and bath rugs under bath solutions. Bath linen revenue saw a CAGR of 2% over FY22-26, with a 1% CAGR in realizations. Towels are the highest-growth category for Welspun currently, with management expecting low-double digit growth in the category across geographies. B2B towel business (~70-75%) is the largest contributor to revenue. The towel category has realizations of ~INR517/kg as of FY26, and is expected to generate the highest margins as compared to other categories, with gross margins of ~45-50% and EBITDA margins of ~15-16%.

Exhibit 209: Bath linen performance



Source: Company, MOFSL

Exhibit 210: Bath linen installed capacity and utilizations

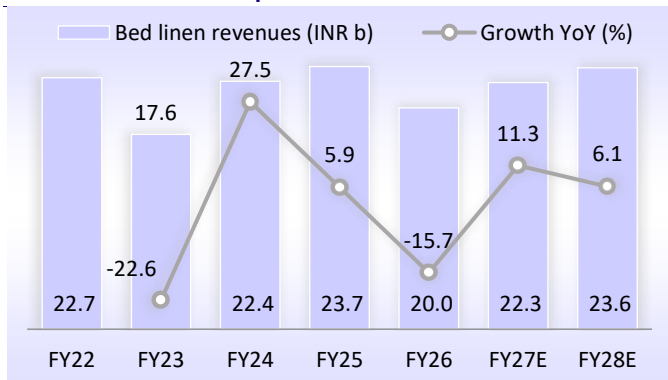


Source: Company, MOFSL

Bed linen (29% of home textile revenue)

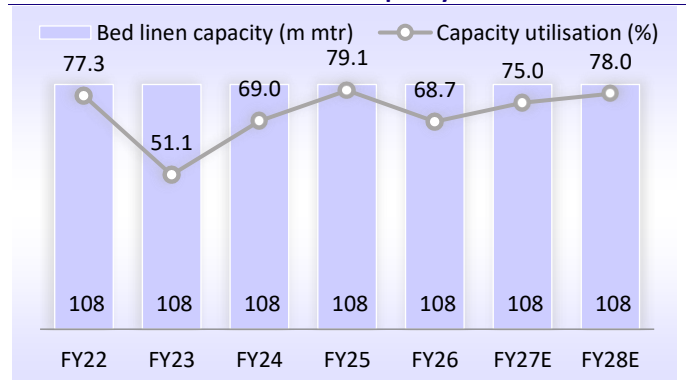
Welspun’s bedding solution includes bed linen, duvet covers, pillows, pillowcases, and Top of Bed. The segment forms ~27% of the home textile portfolio. The bed linen category has realizations of around INR269/meter, and is expected to generate gross margins of ~40-45% and EBITDA Margins of ~7-8%. Bed linen revenue saw a decline of 3% CAGR over FY22-26, with a similar CAGR on realizations. We expect the bed sheet category to grow at 9% over FY26-28 (volume-led growth), driven by a turnaround in its US business, new trade deals with the UK and EU, and plans to focus on value-added sheets, fashion bedding, and pillows.

Exhibit 211: Bed linen performance



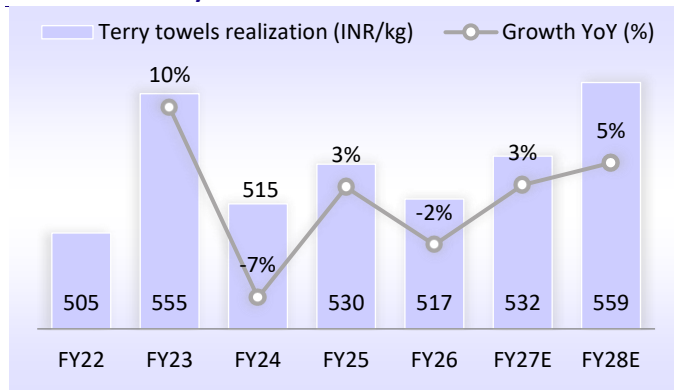
Source: Company, MOFSL

Exhibit 212: Bed linen installed capacity and utilizations



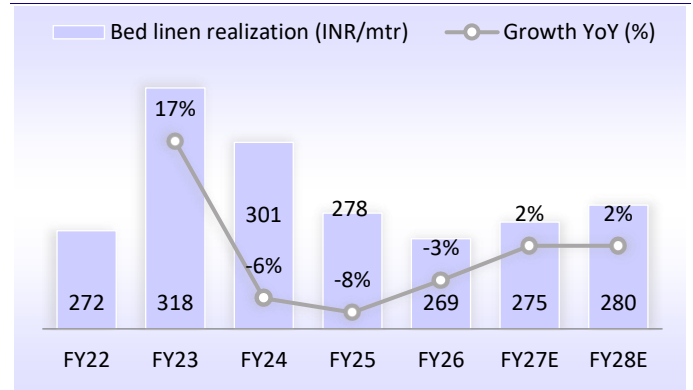
Source: Company, MOFSL

Exhibit 213: Terry towel realization trend



Source: MOFSL estimates

Exhibit 214: Bed linen realization trend



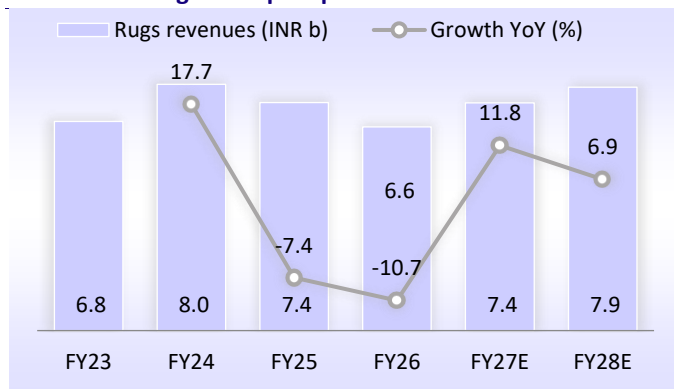
Source: MOFSL estimates

Welspun has entered the pillow category recently under the bed linen segment, with two pillow manufacturing facilities started in the US (13.5m pcs capacity in Ohio and 10.8m pcs capacity in Nevada), and has introduced its own patented Gx Suspension pillows. The category has a wide range of products, including synthetic pillow fills, including fiber and cluster foam, catering to the retail, hospitality and e-commerce channels. Pillow category revenue stood at ~USD27m in FY26 (vs. revenue potential of ~USD110m) and is expected to go up to ~USD60m in FY27. We estimate the segment to deliver EBITDA margins of ~10%, driven by operating leverage and scale-up in capacity utilization.

Rugs and carpets (9% of home textile revenue)

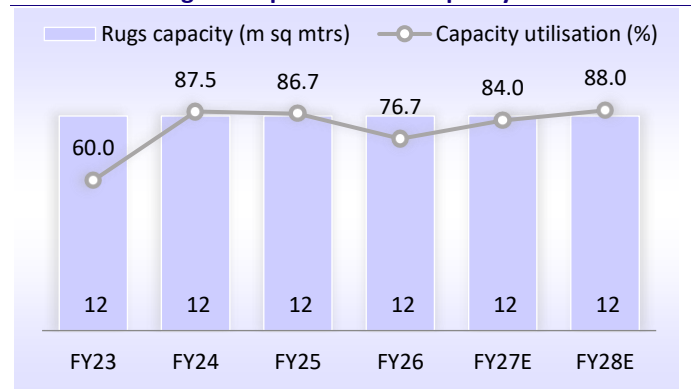
Rugs and carpets make up ~9% of the portfolio, and management expects this category to grow 9% over FY26-28 with EBITDA margins of ~9-10%. It currently has a capacity of 12m sq. meters with ~78% utilization, and we expect no major capex and estimate utilization to improve to ~85%+ by FY28.

Exhibit 215: Rugs & Carpets performance



Source: Company, MOFSL

Exhibit 216: Rugs & Carpets installed capacity and utilizations



Source: Company, MOFSL

Sustainable capex to drive growth

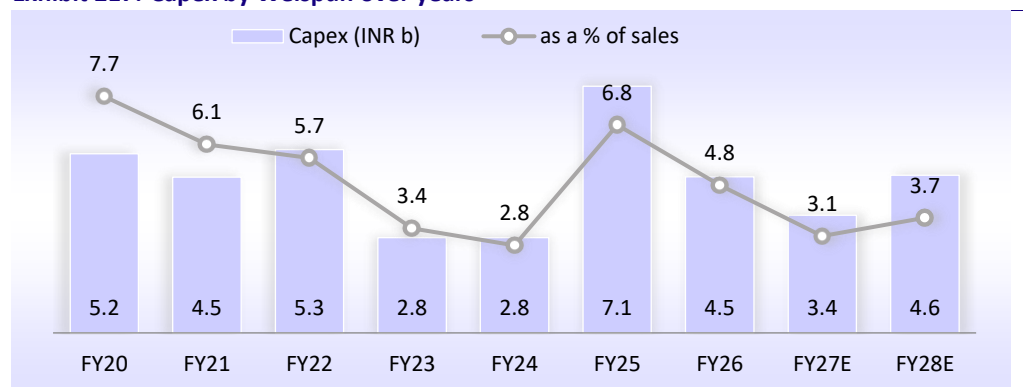
Welspun has undertaken a phase of targeted capacity expansion and capability building, followed by a transition toward lower, maintenance-led capex. A key initiative included the addition of a Jacquard towel line at the Anjar facility, which is expected to generate ~INR4b at full utilization, alongside entry into the US pillow market through a new facility in Ohio with an initial capacity of ~4.7m pillows and revenue potential of USD50m.

In FY25, sanctioned capex increased to INR10.5b for the Anjar facility expansion. This expansion is expected to scale up bed linen capacity to ~146m meters per annum and towel capacity to 100,000 tons, including incremental additions in jacquard terry towels targeting fashion and beach segments. The project also includes a 40-ton-per-day coarse-count spinning line to improve backward integration. Alongside capacity additions, investments have been directed toward sustainability, including transitioning key manufacturing sites at Anjar, Vapi, and Telangana to 100% renewable energy, supported by dedicated transmission infrastructure.

Internationally, Welspun has focused on adding pillow manufacturing capacities in the US. The Ohio plant, operational since Sep'24, has a capacity of ~13.5m pillows with capex of ~USD12.5m (INR1.04b), currently operational at ~60% capacity utilization. The Nevada facility commenced production in Jun'26 with capacity of ~10.8m pillows and capex of ~USD13m (INR1.12b) and a revenue potential of USD60m at peak utilization. Combined, these facilities offer revenue potential of USD110m at peak utilization.

As of FY26, ~INR4.72b in capex was incurred for these investments, and management expects a similar level of capex to continue going forward. The near-term focus remains on sweating existing assets and improving utilization.

Exhibit 217: Capex by Welspun over years



Source: Company, MOFSL

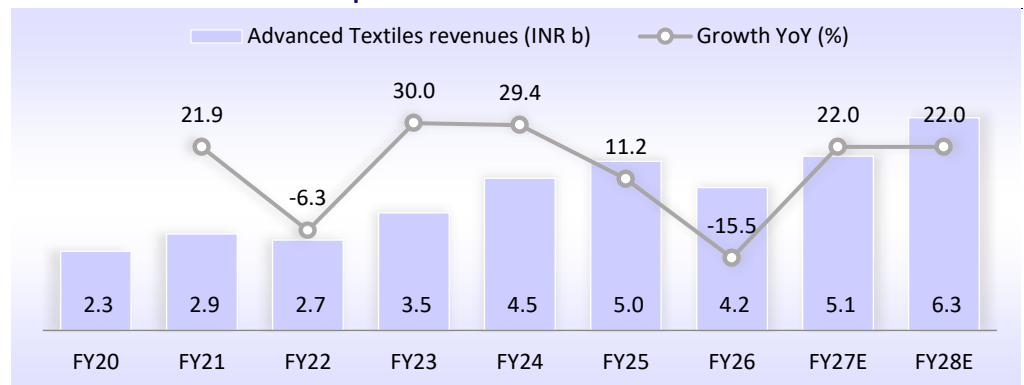
Emerging businesses: Higher growth with better margins

Advanced textiles (5% of total revenue)

According to Wazir Advisors, India’s technical textile market is estimated to be ~USD54b and is expected to clock a CAGR of 12.5% over FY26-31. India’s exports of technical textiles in FY25 are estimated to be USD2.3b, registering a negative CAGR of 1% since FY20. India’s technical textile segment has been supported by the National Technical Textile Mission, launched with an outlay of INR14.8b over FY21 to FY26, which focuses on R&D, market development, and skill development to position India as a global leader in technical textiles.

Welspun has developed significant capabilities in advanced textiles, with established capacity across spunlace, needle-punch, and wet wipes which predominantly serving the domestic Indian market. Its spunlace segment addresses diverse end-use applications including personal care, medical, home care, and industrial uses, while the needle-punch segment spans automotive interiors, filtration, industrial applications, PPE, and technical apparel, including textile inputs supplied to Decathlon for winter jackets. Advanced textile revenue clocked a CAGR of 12% over FY22-26 and we expect a 22% growth rate over FY26-28 (to reach ~6% of revenue by FY28) with potential EBITDA margins of ~16-17% from ~14% currently.

Exhibit 218: Advanced textiles performance

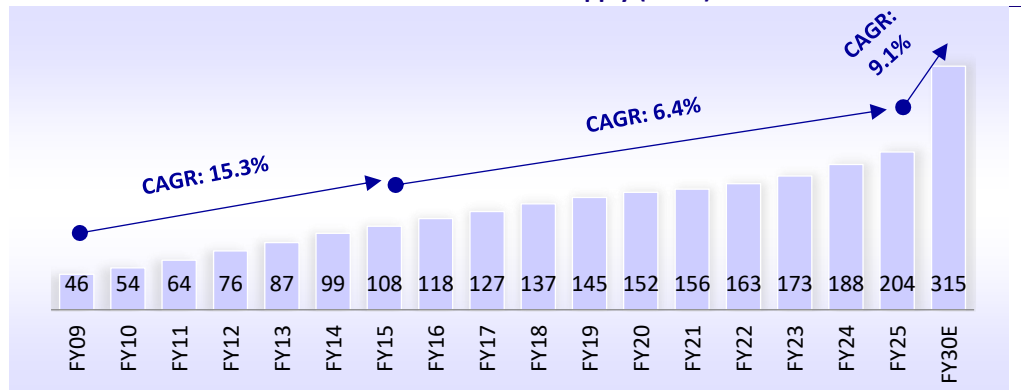


Source: Company, MOFSL

Flooring (8% of total revenue)

The flooring industry has witnessed steady growth in recent years, driven by rising demand for fashionable, durable, and high-quality products, alongside increasing urbanization, improving lifestyles, and expansion in commercial spaces. Globally, the market is expected to expand at a CAGR of ~5.7% through FY32 to USD417b in FY32 from USD439b in FY25, supported by strong housing demand in the US, Europe, and infrastructure-led expansion in Asia Pacific, which dominates the market. In India, growth is closely linked to construction activity, including metro and infrastructure projects, with increasing preference for durable, low-maintenance, and cost-efficient flooring solutions. As per a Mordor Intelligence report, the Indian domestic flooring market size is estimated at USD85.1m in FY25 and is expected to reach USD101.3m by 2030, posting a CAGR of 3.5%. Currently, 2/3rd of business is driven by exports and the remaining comes from domestic.

Exhibit 219: All-India chain affiliated hotel rooms supply ('000s)



Source: ITC Hotels DRHP, Horwath HTL, MOFSL

Exhibit 220: Hotel room inventory of listed players

Player	FY26	FY27E	FY28E	FY26-28E CAGR
ITC	14,000	15,500	18,000	13%
Indian Hotel	32,300	36,000	40,000	11%
Lemon Tree	11,772	12,972	14,172	10%
Park Hotels	3000	3219	4000	15%

Source: Company, MOFSL

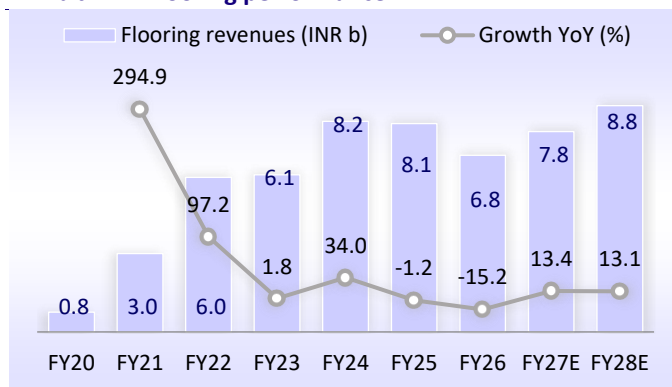
Exhibit 221: Workspace industry area

Company	m sq ft	FY26	FY27E	FY28E	FY26-28E CAGR
awfis		8.6	9.4	10.2	9%
Wework		8.7	10.3	11.4	14%
Smartworks		15.3	17.8	20.3	15%

Source: Company, MOFSL

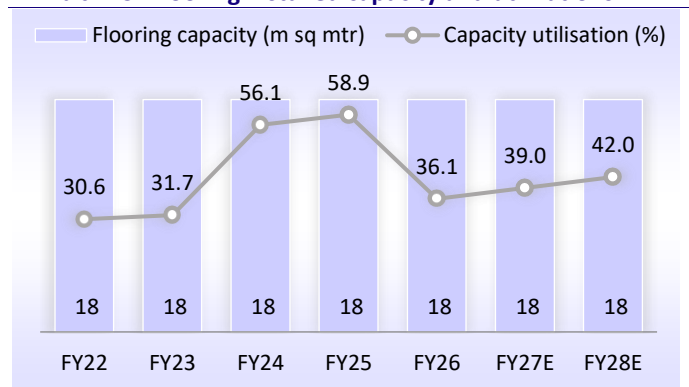
Welspun offers flooring solutions to both B2B and B2C segments, including hospitality, commercial and residential segments, and has presence across India with 63 distributors and 1,200 dealers. Welspun has relationships with Radisson, Marriott, Sarovar, and Wyndham in the hospitality segment, LTI Mindtree, ICICI Bank, HDFC Bank in the commercial segment, and Aurum Developers, Nambiar and Katyayani Associates in the residential segment. It has 300+ touchpoints across India. The portfolio includes both soft flooring, including carpet tiles and wall-to-wall carpets, and hard flooring, including ClickN-Lock and MultiStile. The wall-to-wall flooring is currently the fastest-growing segment, while click-and-lock flooring products are relatively expensive. The flooring segment contributes 8% to the total revenue, with B2B flooring comprising 73% of the business, while branded flooring is 27%. Flooring revenue clocked a CAGR of 3% over FY22-26, while realizations declined. We expect 13% growth over FY26-28, with operating margins of ~9-10%.

Exhibit 222: Flooring performance



Source: Company, MOFSL

Exhibit 223: Flooring installed capacity and utilizations



Source: Company, MOFSL

Premiumization and branded B2C transformation

Branded business (19% of revenues) is expected to grow in mid-teens

Welspun has a portfolio of owned and licensed brands for both domestic as well as global markets, including Christy and SPACES (premium), Welspun (Mass), and WELHOME (online). The revenue share of branded products in the home textile portfolio has gradually increased from 13% in FY20 to 20% in FY26. HT Branded revenue posted a CAGR of 3% over FY22-26 and we expect a robust ~15%+ growth rate in the next couple of years after a slowdown in FY26 due to higher tariffs. In India, the branded business is present across ~22k outlets, with management targeting an expansion to ~50k outlets over the medium term.

Exhibit 224: Diversified owned and licenced brand portfolio

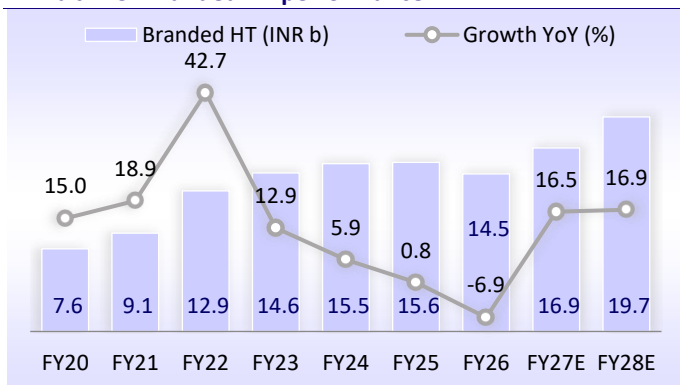


Source: Company, MOFSL

Innovation is the key pillar for growth

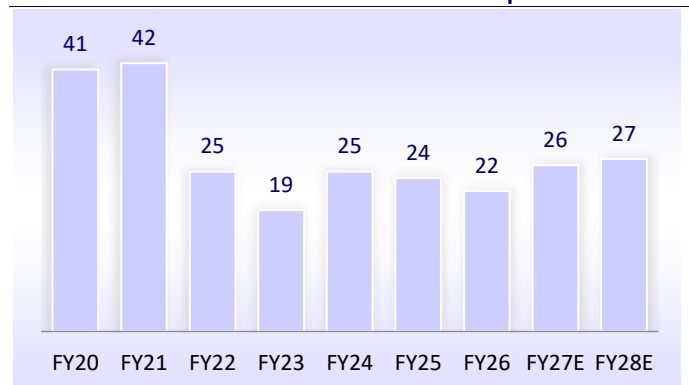
Innovation is critical for growth engines as reflected in the company’s focus on health-enhancing and high-performance textiles. Backed by in-house R&D, Welspun has developed 47+ patented technologies, with ~22% of revenue coming from innovative offerings such as HygroCotton, Wel-Trak 2.0, and Gx Suspension pillows.

Exhibit 225: Branded HT performance



Source: Company, MOFSL

Exhibit 226: % Contribution from Innovative products



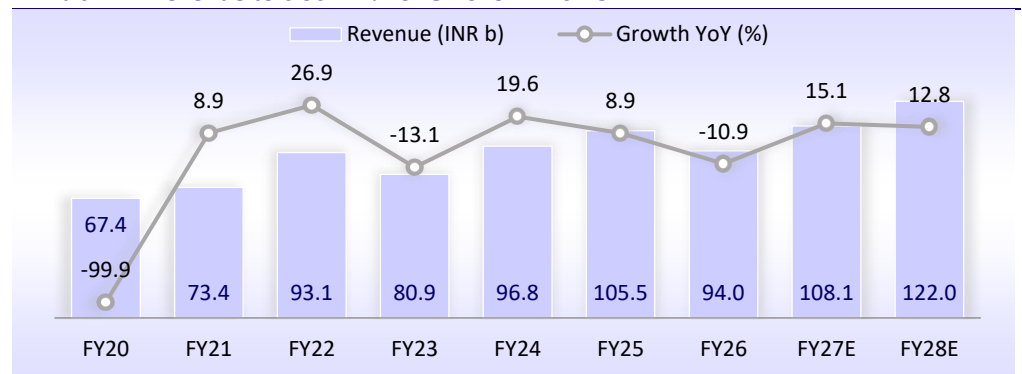
Source: Company, MOFSL

Financial outlook

Estimate a revenue CAGR of 14% over FY26-28

Welspun has delivered a flat revenue CAGR over FY22-26, supported by resilient export demand, scale-up in its core portfolio, and gradual diversification into segments such as flooring and advanced textiles. While the company witnessed some volatility in FY23 due to a demand slowdown and inventory corrections across key markets, performance recovered in FY24-25 with improving retail offtake and normalization of channel inventories. In FY26, revenue declined by 11% due to higher tariffs in the US (~59% of export revenue) and a slowdown in global markets. We estimate a revenue CAGR of 14% over FY26-28, led by a recovery in US markets.

Exhibit 227: Revenue to clock 14% CAGR over FY26-28E

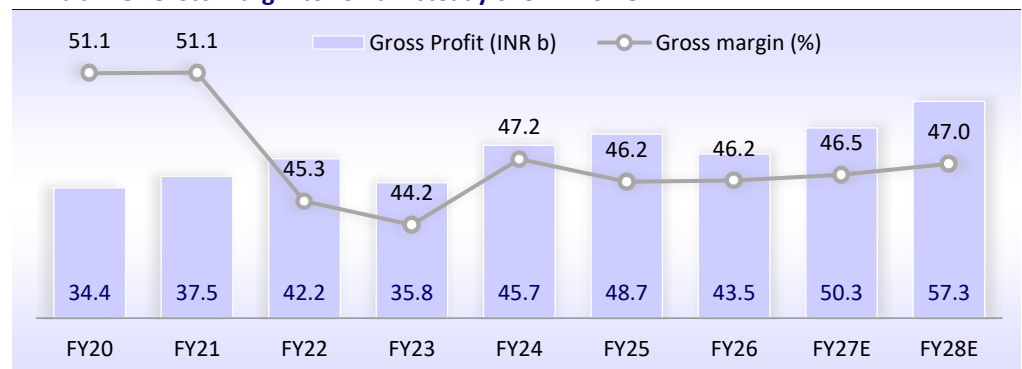


Source: Company, MOFSL

Gross margin

Welspun's gross margins remained strong at ~51% in FY20-21 before declining to ~44.2% in FY23. Margins recovered to ~47.2% in FY24 and moderated slightly to ~46.2% in FY25, FY26, supported by normalization of raw material costs, improved product mix, and benefits from scale and operating efficiencies. Going forward, gross margins are expected to remain broadly stable at ~47% by FY28, supported by improving utilization levels, continued focus on innovation-led offerings, and cost optimization.

Exhibit 228: Gross margin to remain steady over FY26-28

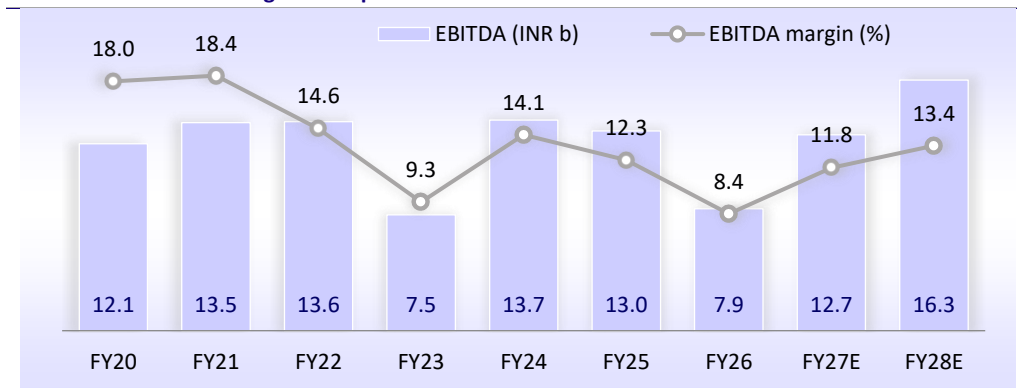


Source: Company, MOFSL

EBITDA margin

EBITDA increased from ~INR12.1b in FY20 to ~INR13.0b in FY25, reflecting a muted ~1% CAGR amid significant volatility across demand cycles and input cost pressures, while it declined further to INR7.9b in FY26 (higher tariffs in US). EBITDA margins expanded from ~18.0% in FY20 to ~18.4% in FY21, before moderating to ~9.3% in FY23 and recovering to ~12.3% in FY25, supported by normalization in raw material costs, improved mix, and operating efficiencies. EBITDA decline to ~8.4% in FY26 due to near-term demand softness, while we expect margins would improve to ~13.4% by FY28, driven by product mix change, premiumization, and operating leverage benefits.

Exhibit 229: EBITDA Margins to improve further

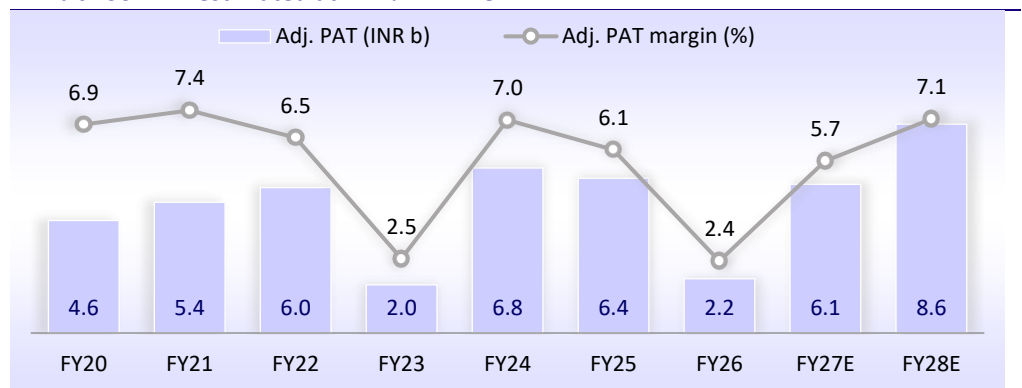


Source: Company, MOFSL

PAT is expected to jump 4x on low base

Welspun’s APAT increased from ~INR4.6b in FY20 to ~INR6.4b in FY25, reflecting a ~7% CAGR, supported by steady operating performance in core home textiles and improved cost efficiencies. APAT margins improved from ~6.9% in FY20 to ~7.4% in FY21 before declining to ~2.5% in FY23 (correction in cotton and higher container prices). APAT declined to ~INR2.2b in FY26 (higher tariff in US), with margins compressing to ~2.4% due to near-term demand softness. However, profitability is expected to recover thereafter, reaching ~INR8.6b by FY28, with PAT margins improving to ~7.1%.

Exhibit 230: PAT estimated at ~7.1% in FY28

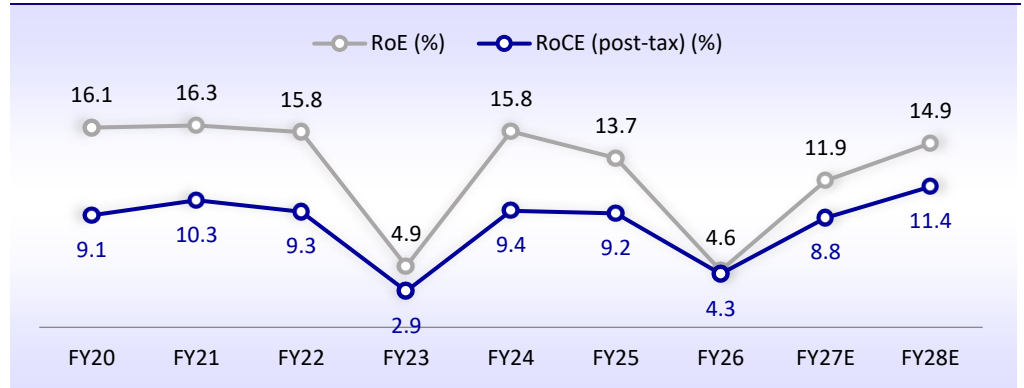


Source: Company, MOFSL

Return ratios

Welspun’s return ratios have been cyclical, with RoE moderating from ~16% in FY20-21 to ~4.9% in FY23 amid margin compression, before recovering to ~13.7% in FY25. RoCE followed a similar trend, falling to ~2.9% in FY23 (lower demand and inferior margin) and recovering to ~9.2% in FY25, supported by improving profitability and normalization in operations. Return ratios dipped again in FY26 to ~4.5% levels, and going forward are gradually expected to recover to ~14.9% RoE and ~11.4% RoCE by FY28, driven by margin recovery.

Exhibit 231: RoE is expected to improve over next couple of years

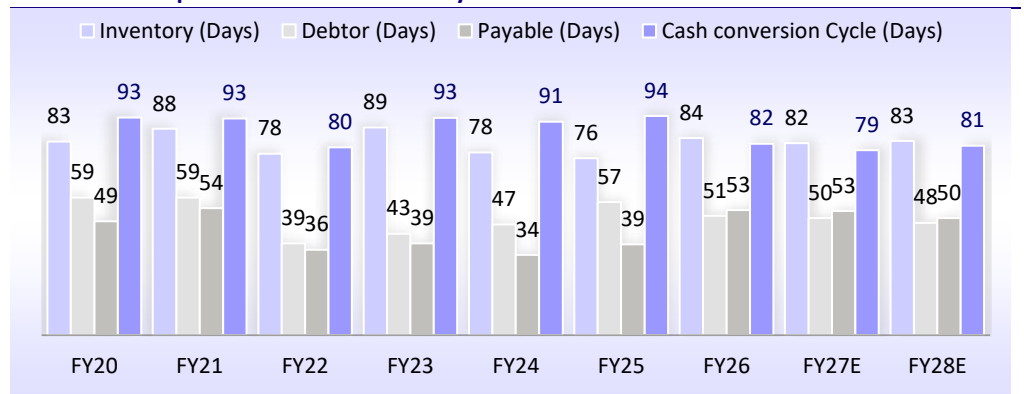


Source: Company, MOFSL

Cash conversion cycle (CCC)

Welspun’s CCC days have remained structurally high, reflecting the working capital-intensive nature of its export-led home textile business. CCC remained broadly stable around 90-94 days over FY20-FY25, reducing to 82 days in FY26. Inventory days have remained in the ~80-85 range, while debtor days have gradually increased to the mid-50s, partly offset by stable payable days. Going forward, CCC is expected to remain broadly stable at ~80-82 days over FY27-28, supported by better WC management.

Exhibit 232: Improved cash conversion cycle



Source: Company, MOFSL

Valuation and view: Initiate coverage with BUY

- We expect Welspun to benefit from the following factors:
 - The company's core business, home textiles, is expected to improve and drive a better margin mix. We expect home textiles to grow at mid-teens and EBITDA margins to be around ~14-15%.
 - Within home textiles, Bath is expected to grow in high-teens, followed by high-single-digit growth in Bed and Rugs & Carpet.
 - The emerging business (~13% of revenue) is the company's key growth driver and is expected to grow at 17% over the next couple of years.

Strong focus on the emerging business, along with a rebound in home textiles, is expected to drive margin improvement and gradual expansion in return ratios over the medium term.

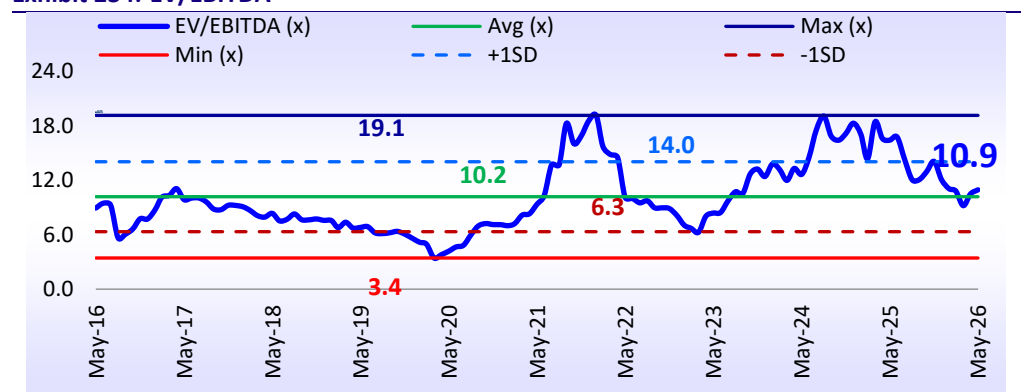
- **We initiate coverage on Welspun with a BUY rating and a TP of INR200, based on 12x FY28E EV/EBITDA (20% premium to the 10-year mean).**
- Key risks would include: 1) customer concentration, 2) geographic concentration, 3) raw material price volatility, 4) foreign exchange.

Exhibit 233: Relative valuation comparison of home textile companies

Companies	Mcap (INR b)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (x)			EV/EBITDA			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Indo Count	78	395	550	BUY	39	20.4	43.8	89.6	61.7	28.0	17.2	23.3	15.7	11.1	5.5	11.3	16.5
Welspun Living	156	162	200	BUY	23	13.9	43.3	96.5	69.6	25.3	18.0	21.7	13.2	10.5	4.6	11.9	14.9
Trident	132	26	28	Neutral	6	11.4	16.9	28.5	33.6	25.2	20.4	16.2	13.4	11.8	8.4	10.7	12.5

Source: MOFSL

Exhibit 234: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ✓ In our Bull case scenario, we factor in a 15% revenue CAGR over FY26-28E, driven by a higher volume growth from UK & EU.
- ✓ Further, with higher volumes, we expect operating leverage to drive up EBITDA margin to 14.4% by FY28 (from 8.4% in FY26).

Bear case

- ✓ In our Bear case scenario, we factor in a 13% revenue CAGR over FY26-28E, driven by lower volume growth from EU.
- ✓ Further, with lower volumes, we expect EBITDA margin to be at 12.4% by FY28 (from 8.4% in FY26).

Exhibit 235: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	13%	14%	15%
EBITDA CAGR FY26-28E	37%	43%	50%
EBITDA Margin FY28E	12.4%	13.4%	14.4%
EV/EBITDA	11	12	13
Target Enterprise Value (INR m)	1,62,959	1,92,293	2,30,011
Net Debt (INR m)	168	168	168
Target Equity Value (INR m)	1,62,791	1,92,125	2,29,842
Outstanding Shares (Nos m)	959	959	959
Target price (INR)	170	200	240
CMP (INR)	162	162	162
Upside/Downside	5%	23%	48%

Source: MOFSL

Key Risks

Customer concentration

High dependence on a few large global retailers exposes revenue and margins to volume cuts, pricing pressure, or loss of shelf space.

Geographic concentration (US-led demand)

Significant reliance on the US market makes growth sensitive to regional demand cycles, consumer spending, and retail inventory corrections.

Raw material price volatility

Fluctuations in cotton and input prices can compress margins, especially when pass-through is limited or delayed.

Foreign exchange movement

Currency movements, particularly INR/USD, can impact realizations, margins, and cash flows despite hedging.

Company Background

Welspun, part of the Welspun Group, is a leading global home textile manufacturer and exporter, with a diversified portfolio spanning bed linen, terry towels, rugs and carpets, flooring solutions, and advanced textiles. The company caters to large global retailers, hospitality chains, and institutional clients through a mix of private label programs and owned brands, with a strong presence across the US, EU, UK, and other developed markets. Welspun operates a vertically integrated manufacturing platform, with key facilities in Vapi and Anjar for home textiles and Telangana for flooring, along with pillow manufacturing units in Ohio and Nevada. This integrated model enables tighter control over sourcing, processing, and finished goods, supporting consistent quality, large-scale execution, and faster turnaround times for global customers. The business remains predominantly export-oriented, with the US as its largest market, where the company has achieved significant scale and strong retail penetration. Its product mix is increasingly aligned towards higher value segments such as premium bedding, and branded offerings, which support better realizations and margin resilience. Alongside exports, Welspun has built a meaningful domestic business in India, supported by a wide distribution network spanning over 22K stores across 500+ districts. The company is also expanding its presence in emerging categories such as advanced textiles and flooring while diversifying geographically into regions such as the EU, UK, Middle East, Australia, APAC, and Southeast Asia.

Management Team

Exhibit 236: Management Team

Leader	Role	Experience
Mr. Balkrishan Goenka	Chairman	❖ Mr. Goenka is the Chairman of the Welspun Group engaged in the business of home textiles, steel, infrastructure, and advanced textiles. He founded the group in the 1980s and has been instrumental in building it into a globally recognized player, particularly in the home textile segment through Welspun. He has played a key role in expanding the company’s presence across major international markets like the US and Europe.
Mr. Rajesh Mandawewala	Executive Vice Chairman	❖ Mr. Mandawewala is a key leader at Welspun World, driving its expansion across 50+ countries. A CA with 30+ years of experience across textiles and SAW pipes, he focuses on innovation, continuous R&D, and developing products aligned with evolving customer needs.
Ms. Dipali Goenka	Managing Director and CEO	❖ Ms. Dipali has been instrumental in building Welspun into a global home textile leader through a strong focus on customer centricity, innovation, and sustainability. A Harvard alumna and psychology graduate, she has been recognized among Asia’s most powerful women by Forbes and has held leadership roles at global forums like the World Economic Forum.
Mr. Manish Bansal	Chief Financial Officer	❖ Mr. Bansal is a seasoned finance leader with over 30 years of experience across financial strategy, accounting, and operations. At Welspun Group since 2010, he has driven key initiatives in capital structuring, risk management, M&A, and cost optimization, most recently serving as CFO of Welspun USA. He has previously worked with major groups like Reliance and Essar, and holds an MBA in Finance from Newport University.

Source: Company, MOFSL

ESG initiatives



Environment

- Targets net zero by 2040 (SBTi approved), supported by waste heat recovery and energy efficiency initiatives.
- Significant solar investments (30 MW Anjar, 18 MW Vapi, plus Hyderabad) driving clean energy adoption.

Social

- Engaged 24,500+ farmers across 390+ villages via Better Cotton and organic programs.
- ~27% women workforce and ~38% board diversity, with strong focus on women in manufacturing.

Governance

- Board-level ESG committee and linkage of executive pay to ESG metrics ensure accountability.
- Robust risk management, digital tracking tools, and third-party ESG assurance strengthen transparency.

SWOT analysis

- ❖ Vertically integrated platform enabling cost efficiency, quality control, and large-scale execution.
- ❖ Strong US market leadership with deep retailer relationships, supported by diversified portfolio across HT and emerging segments.



- ❖ High dependence on the US market and large retailers, exposing revenue to demand cycles, pricing pressure, and sourcing shifts.
- ❖ Sensitivity to cotton price volatility, impacting margins due to limited short-term pass-through.



- ❖ China+1 sourcing and global diversification benefiting Indian exporters in key HT categories.
- ❖ Premiumization, branding, and expansion into emerging categories, new geographies to drive growth and margins.



- ❖ Demand volatility and retail inventory cycles in key markets (especially the US) impacting volumes and pricing.
- ❖ Currency, trade policy risks, and rising competition from low-cost countries affecting profitability.



Financials and valuations

Consolidated - Income Statement							(INR m)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	73,402	93,115	80,938	96,792	1,05,451	93,991	1,08,149	1,22,006
Change (%)	8.9	26.9	-13.1	19.6	8.9	-10.9	15.1	12.8
Gross Profit	37,529	42,174	35,797	45,694	48,696	43,459	50,289	57,343
Total Expenses	59,882	79,528	73,412	83,103	92,466	86,059	95,411	1,05,710
EBITDA	13,520	13,587	7,525	13,689	12,985	7,932	12,737	16,296
EBITDAM (%)	18.4	14.6	9.3	14.1	12.3	8.4	11.8	13.4
Depn. & Amortization	4,536	4,205	4,421	3,945	3,734	3,941	4,226	4,428
EBIT	8,984	9,383	3,104	9,744	9,251	3,991	8,511	11,868
Net Interest	1,975	1,313	1,299	1,534	2,175	1,615	1,081	976
Other income	678	658	1,213	1,458	1,522	688	757	610
PBT Before EO Exp	7,686	8,728	3,019	9,668	8,598	3,064	8,187	11,502
EO expense	0	0	0	0	0	-190	0	0
PBT after EO	7,686	8,728	3,019	9,668	8,598	2,875	8,187	11,502
Tax	2,179	2,663	994	2,942	2,162	746	2,047	2,875
Rate (%)	28.3	30.5	32.9	30.4	25.1	25.9	25.0	25.0
Minority and Associates	112	57	37	-83	53	85	0	0
Reported PAT	5,395	6,009	1,987	6,809	6,384	2,044	6,140	8,626
Change (%)	6.3	11.4	-66.9	242.6	-6.2	-68.0	200.3	40.5
Adjusted PAT	5,395	6,009	1,987	6,809	6,384	2,234	6,140	8,626
Change (%)	16.3	11.4	-66.9	242.6	-6.2	-65.0	174.8	40.5

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	1,005	988	988	972	959	959	959	959
Reserves	35,442	38,729	39,890	44,186	47,252	48,213	53,432	60,764
Net Worth	36,447	39,717	40,878	45,158	48,211	49,172	54,391	61,723
Minority Interest	985	1,046	1,082	973	996	608	608	608
Total Loans	28,414	31,884	23,504	25,205	24,686	18,024	14,524	17,524
Deferred Tax Liability	2,494	2,980	3,239	4,355	4,540	4,454	4,454	4,454
Capital Employed	68,341	75,627	68,703	75,691	78,433	72,257	73,976	84,308
Gross Block	60,561	65,945	68,730	70,612	73,730	79,318	85,318	89,318
Less: Accum. Deprn.	25,443	28,985	32,617	35,492	38,401	41,719	45,388	49,228
Net Fixed Assets	35,118	36,960	36,113	35,120	35,329	37,599	39,931	40,090
Capital WIP	1,709	1,617	457	468	3,747	2,577	800	500
Investments	1,111	6,978	6,415	9,164	5,700	8,923	8,923	15,942
Other Non-Current Assets	5,960	7,253	5,681	6,668	9,202	12,415	7,963	8,235
Curr. Assets	42,879	41,560	37,834	44,081	49,093	43,037	49,415	54,820
Inventory	17,731	19,779	19,698	20,718	21,834	21,707	24,296	27,744
Account Receivables	11,817	9,993	9,605	12,547	16,449	13,122	14,815	16,045
Cash and Cash Equivalents	3,991	2,655	1,814	2,548	3,063	1,471	1,896	1,561
Loans and Advances	6	6	21	17	5	8	8	8
Other Current Assets	9,334	9,127	6,697	8,251	7,742	6,729	8,401	9,464
Curr. Liability & Prov.	18,437	18,742	17,798	19,809	24,638	32,294	33,055	35,279
Account Payables	10,915	9,305	8,697	9,088	11,229	13,767	15,704	16,713
Provisions & Others	7,522	9,437	9,101	10,721	13,409	18,527	17,351	18,566
Net Curr. Assets	24,442	22,818	20,036	24,272	24,455	10,743	16,360	19,541
Appl. of Funds	68,341	75,627	68,703	75,691	78,433	72,257	73,976	84,308

E. MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adjusted EPS	5.4	6.1	2.0	7.0	6.7	2.3	6.4	9.0
Growth (%)	16.3	13.2	-66.9	248.4	-5.0	-65.0	174.8	40.5
Cash EPS	9.9	10.3	6.5	11.1	10.5	6.4	10.8	13.6
BV/Share	36.3	40.2	41.4	46.5	50.3	51.3	56.7	64.4
DPS	0.2	0.1	0.1	0.1	1.7	0.1	1.0	1.3
Payout (%)	2.8	2.5	5.0	1.4	25.7	4.3	15.0	15.0
Dividend yield (%)	0.1	0.1	0.1	0.1	1.2	0.1	0.7	0.9
Valuation (x)								
P/E	30.2	26.7	80.7	23.2	24.4	69.6	25.3	18.0
Cash P/E	16.4	15.7	25.0	14.7	15.4	25.2	15.0	11.9
P/BV	4.5	4.0	3.9	3.5	3.2	3.2	2.9	2.5
EV/EBITDA	13.9	13.9	24.2	13.2	13.6	21.7	13.2	10.5
Return Ratios (%)								
EBITDA Margin (%)	18.4	14.6	9.3	14.1	12.3	8.4	11.8	13.4
Net Profit Margin (%)	7.4	6.5	2.5	7.0	6.1	2.4	5.7	7.1
RoE	16.3	15.8	4.9	15.8	13.7	4.6	11.9	14.9
RoCE (post-tax)	10.3	9.3	2.9	9.4	9.2	4.3	8.8	11.4
RoIC (post-tax)	12.5	11.8	3.8	12.1	12.4	6.2	12.7	16.0
Working Capital Ratios								
Fixed Asset Turnover (x)	2.1	2.5	2.2	2.8	3.0	2.5	2.7	3.0
Asset Turnover (x)	1.3	1.2	1.2	1.1	1.2	1.3	1.3	1.2
Inventory (Days)	88	78	89	78	76	84	82	83
Debtor (Days)	59	39	43	47	57	51	50	48
Payable (Days)	54	36	39	34	39	53	53	50
Cash conversion Cycle (Days)	93	80	93	91	94	82	79	81

Consolidated - Cash flow statement

(InR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	7,687	8,730	3,019	9,670	8,602	2,875	8,187	11,502
WC	-1,047	-3,958	3,409	-5,007	-2,469	6,618	-2,121	-3,516
Others	3,909	2,735	2,026	1,781	2,449	3,215	5,308	5,404
Direct taxes (net)	-1,013	-1,640	-894	-1,115	-1,702	-958	-2,047	-2,875
CF from Op. Activity	9,536	5,867	7,560	5,328	6,880	11,750	9,327	10,515
Capex	-4,498	-5,297	-2,751	-2,754	-7,127	-4,511	-3,400	-4,560
FCFF	5,037	570	4,809	2,574	-247	7,239	5,927	5,955
Interest income	282	153	554	472	591	348	-	-
Others	3,233	-857	4,625	190	7,110	683	-	-7,020
CF from Inv. Activity	-983	-6,002	2,428	-2,092	573	-3,479	-3,400	-11,580
Share capital	-226	-	-	-	-	-	-	-
Borrowings	-5,864	3,464	-8,508	1,699	-582	-6,671	-3,500	3,000
Finance cost	-2,339	-1,577	-1,672	-1,530	-2,187	-1,606	-1,081	-976
Dividend	-	-151	-148	-123	-123	-2,085	-921	-1,294
Others	808	-2,283	-532	-2,731	-3,739	609	-	-
CF from Fin. Activity	-7,621	-547	-10,860	-2,686	-6,631	-9,752	-5,502	730
(Inc)/Dec in Cash	931	-682	-872	551	822	-1,481	424	-335
Opening balance	2,063	3,000	2,333	1,458	2,014	2,862	1,381	1,805
Closing balance	2,994	2,318	1,461	2,008	2,836	1,381	1,805	1,470

E. MOFSL Estimates

BSE Sensex
77,094

 S&P CNX
24,103

CMP: INR26
TP: INR28 (+6%)
Neutral

Stock Info

Bloomberg	TRID IN
Equity Shares (m)	5096
M.Cap.(INRb)/(USDb)	123.3 / 1.3
52-Week Range (INR)	34 / 22
1, 6, 12 Rel. Per (%)	-5/-3/-14
12M Avg Val (INR M)	277
Free float (%)	26.3

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	67.0	75.6	83.1
EBITDA	8.9	10.6	12.1
EBITDA (%)	13.2	14.0	14.5
Adj. PAT	3.9	5.2	6.5
EPS (INR)	0.8	1.0	1.3
EPS Gr. (%)	0.1	0.3	0.2
BV/Sh. (INR)	9.6	10.1	10.8

Ratios

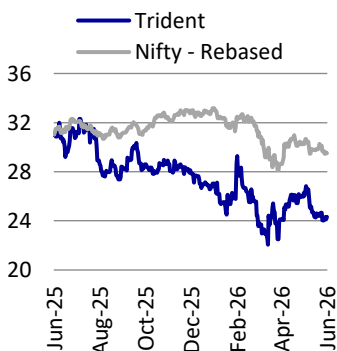
Net D/E	0.2	0.1	0.1
RoE (%)	8.4	10.7	12.5
RoCE (%)	7.3	9.3	10.9
Payout (%)	67.6	48.6	48.6

Valuations

P/E (x)	33.6	25.2	20.4
P/B (x)	2.7	2.6	2.4
EV/EBITDA (x)	16.2	13.4	11.8
Div. Yield (%)	1.9	1.9	2.4

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	73.7	73.7	73.7
DII	0.2	0.2	0.1
FII	3.1	3.2	3.3
Others	23.0	23.0	22.9

Stock Performance (1-year)


Sales recovery in sight; valuation pricey

- Trident (TRID) operates a vertically integrated business model with key product segments of yarn (27% of sales), home textiles (48% of revenue), and paper (16% of revenue), and exports to 100+ countries. It has a large manufacturing base comprising ~7.9 lakh spindles and 1,100+ looms in India, enabling in-house production across the value chain.
- Home textile portfolio, which comprises bath & bed linen, delivered a low-single-digit decline over FY22-26; however, we expect a 16% CAGR over FY26-28, driven by lower tariffs.
- Yarn sales remained flat over FY22-26 due to volatility in cotton prices, and we expect a 6% CAGR over FY26-28 with ~80-100bp margin improvement. The paper segment clocked a 2% CAGR over FY22-26 due to higher paper imports, and we expect a 7% CAGR over FY26-28.
- We model a revenue, EBITDA, and PAT CAGR of 11%, 17%, and 29%, respectively, over FY26-28, fueled by growth in home textile business, followed by the yarn and paper portfolios.
- We initiate coverage on TRID with a Neutral rating and a TP of INR28, valuing the stock at 12x FY28E EV/EBITDA, as we believe higher valuation and lower growth reflect limited opportunity.

Fully integrated player – capturing entire value chain

TRID operates a vertically integrated business model across yarn (27% of sales), home textiles (48% of revenue), and paper (16% of revenue), with exports to 100+ countries. It has a large manufacturing base comprising ~7.9 lakh spindles and 1,100+ looms in India, enabling in-house production across the value chain and supporting scale efficiencies. Home textile portfolio, which comprises bath & bed linen, delivered a low-single-digit decline over FY22-26; however, we expect a healthy 16% CAGR over FY26-28E, driven by lower tariffs. Yarn sales remained flat over FY22-26 due to volatility in cotton prices, and we expect a ~6% CAGR over FY26-28 with 80-100bp margin improvement. The paper segment (15% of sales) has a product mix of ~60% copier paper and 40% non-copier paper. This segment clocked a 2% CAGR over FY22-26 due to higher paper imports, and we expect a 7% CAGR over FY26-28.

Home textiles to drive mid-teens growth led by bed linen

The home textile portfolio, comprising bath and bed linen, remains TRID's key growth and margin driver owing to higher value addition, customization, and branding opportunities compared to the commodity yarn business. The bath linen business, contributing 33% of revenue, positions TRID as one of the world's largest terry towel manufacturers with 90,000mtpa capacity and strong relationships with leading global retailers across the US and Europe. In bath linen, TRID (3.4% negative CAGR) underperformed Welspun (1.7% CAGR) over FY22-26 due to its higher US exposure (witnessed a slowdown); management is now reducing its dependence on the market.

We expect 16% revenue CAGR over FY26-28, driven by volume growth. The bed linen segment, contributing ~15% of revenue, posted a 3% negative CAGR over FY22-26 due to weak demand. To diversify beyond the US, the company plans to expand to Europe, the Middle East, and Australia. TRID also aims to expand its product portfolio to fashion bedding and top-of-bed categories to improve realizations. We believe volume growth momentum would continue after a slowdown in FY26 and expect 16% revenue CAGR over FY26-28.

Higher domestic presence with strong clientele

TRID derives ~54% of its revenue from exports, primarily through its home textile portfolio, which is ~70% is export-oriented. The domestic business is mainly driven by the yarn and paper segments. It has built a diversified global customer base across textiles and papers, catering to leading retailers, hospitality players, publishing houses, and packaging companies across the US, Europe, the Middle East, and Africa. The company services 60-70 global clients, largely under private-label arrangements, with the top five customers contributing ~40% of revenue. In home textiles, key customers include Walmart, Target, IKEA, Costco, and Amazon, highlighting its strong positioning with global retailers. Compared to other home textile players such as Welspun Living and Indo Count, TRID has a relatively higher concentration in the US market, with management currently focusing on expanding its presence in Europe and other regions.

Financial outlook

TRID is expected to deliver 11% revenue CAGR over FY26-28, driven by improving utilization, recovery in home textile realizations, and growth in premium categories. However, we believe growth remains lower compared to Welspun and Indo Count in home textiles. EBITDA margins are likely to improve gradually toward 14-15%, supported by operating leverage and vertical integration benefits. Return ratios RoE/RoCE are expected to recover toward ~11-12% in FY28. With limited capex (INR3b) and normalization in working capital, cash flow generation and balance sheet strength are likely to improve steadily.

Valuation and view: Initiate coverage with Neutral rating

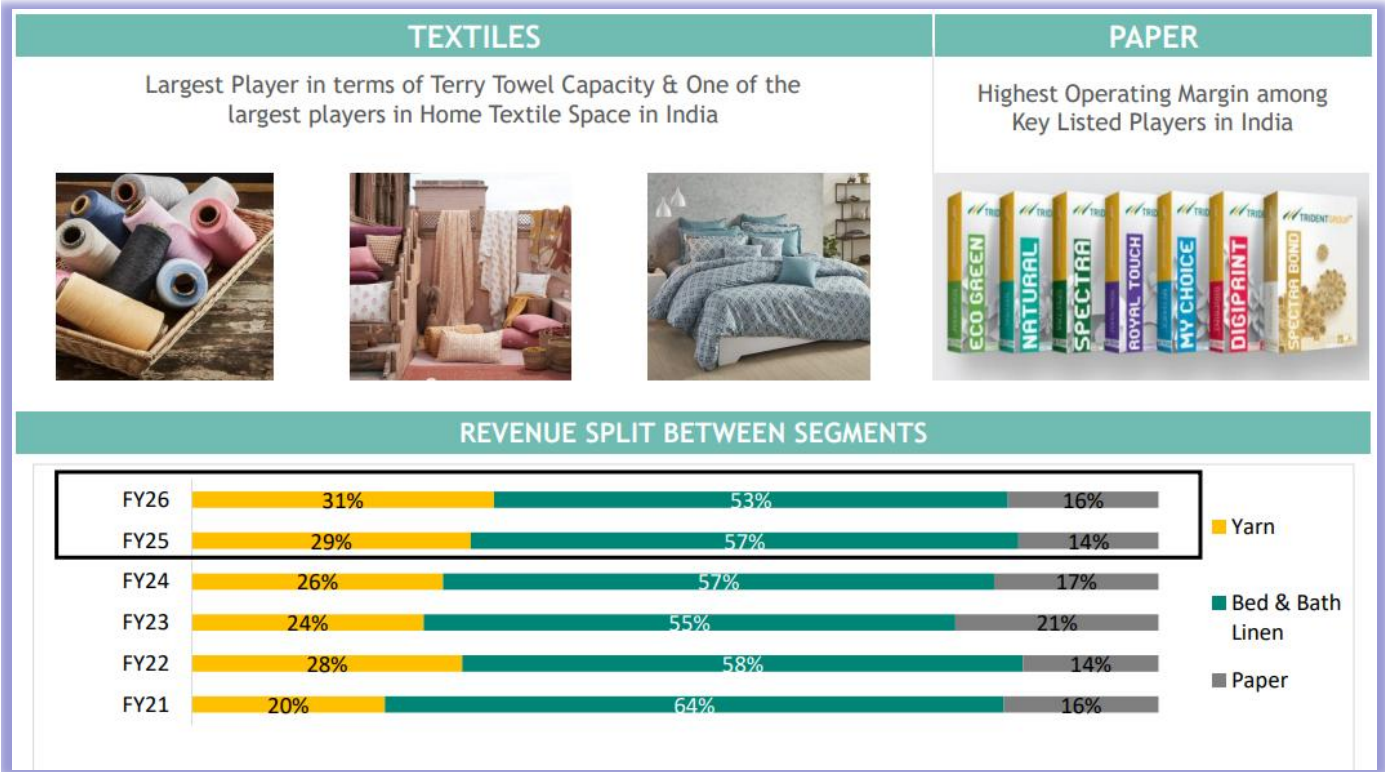
We initiate coverage on TRID with a Neutral rating and a TP of INR28, based on 12x FY28E EV/EBITDA, as we believe higher valuation and lower growth reflect limited opportunity. The home textile portfolio is expected to deliver ~6% CAGR over FY26-28, driven by lower tariffs, led by bath followed by bed. Paper and yarn are expected to grow in mid-single-digits over the same period. Overall, we expect 11% CAGR and 130bp margin expansion. We believe higher valuation and lower growth reflects limited opportunity.

Key risks and concerns

Key risks to our call would include: 1) raw material price volatility, 2) tariff in US markets, 3) slowdown in export markets.

STORY IN CHARTS

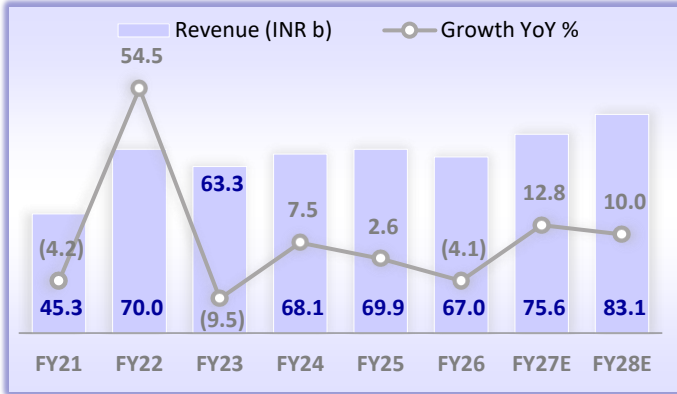
TRID's business at a glance



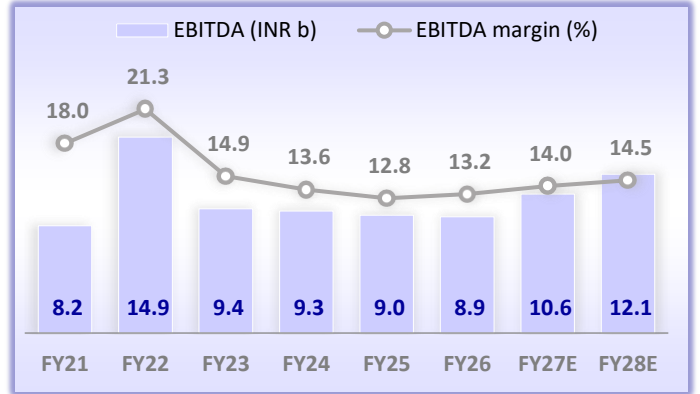
TRID's journey



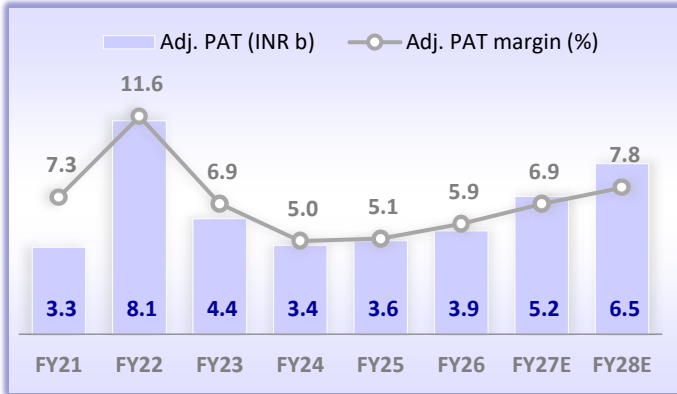
Revenue trend



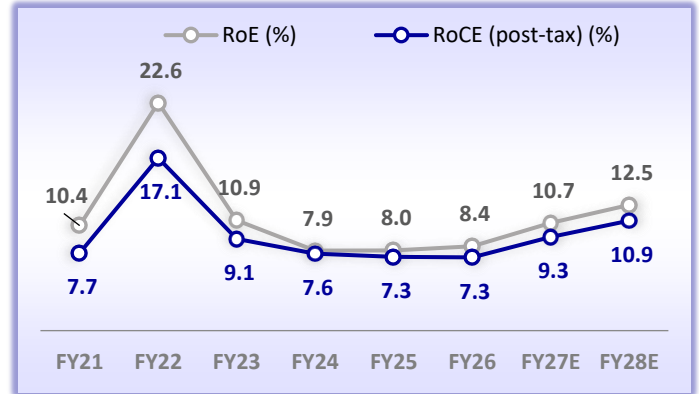
EBITDA trend



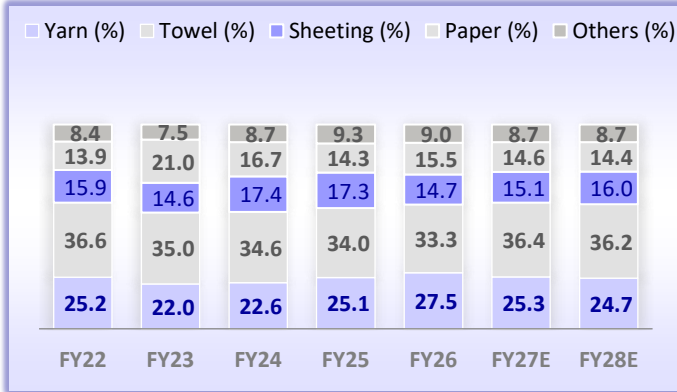
PAT trend



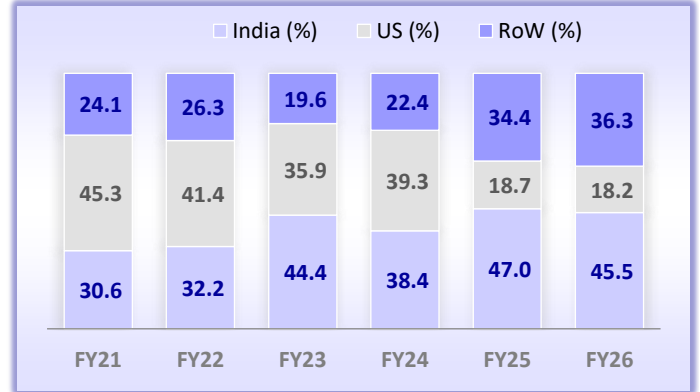
Return ratios



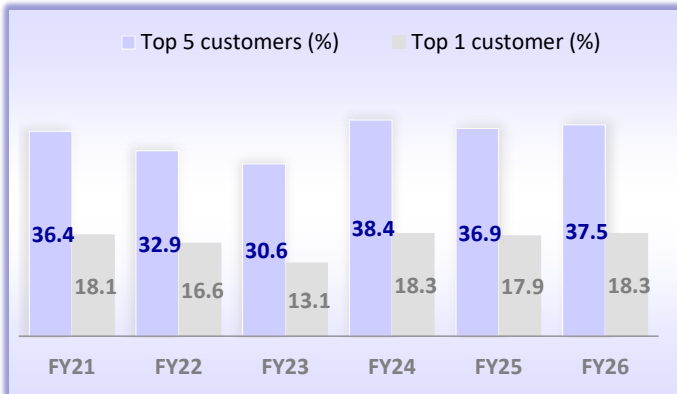
Category-wise revenue breakup



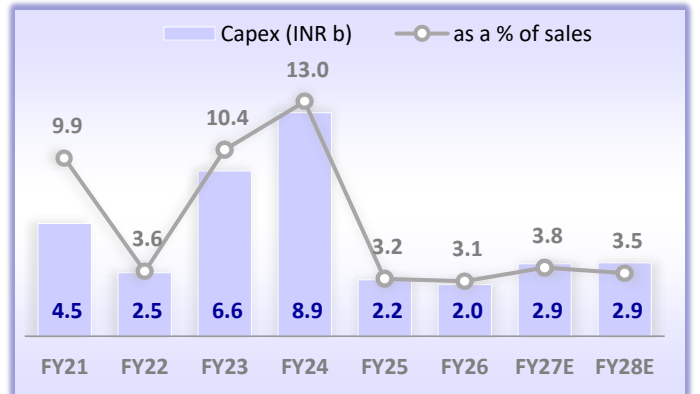
Geographic revenue breakup



Top customers' revenue contribution



Capex



Home textiles to drive mid-teens revenue growth

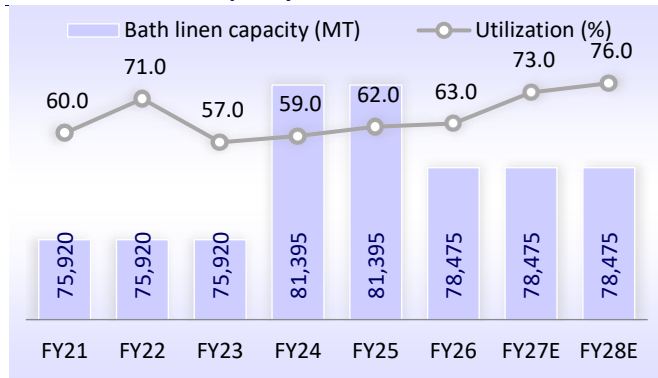
Home textiles as a growth engine

Home textiles, comprising bath linen (towels) and bed linen, represent TRID's highest-margin and fastest-growing segment. Unlike commodity yarn, where pricing is market-driven and margins are thin, home textiles offer a significant scope for value addition through design, branding, quality certifications, and customer-specific customization. Historically, the home textile business had EBIT margins of 20-22% in FY21/FY22, but margins have fallen due to an increase in raw material costs. Overall, we expect bath linen business to drive growth followed by bed linen.

Bath linen (33% of revenue)

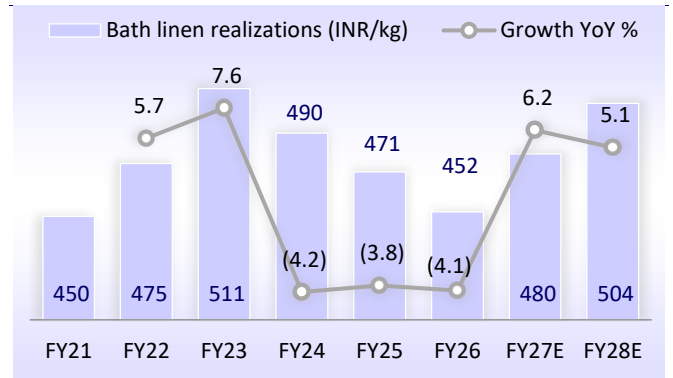
TRID is one of the largest terry towel manufacturers globally, with installed capacity of 90,000mpa. The company operates two production facilities for bath linen, located in Dhaula (Punjab) and Budhni (MP). The business has strong relationships with top-tier US and European retailers, supplying private-label products. TRID has a strong presence across the US, EU, the UK, ANZ, JFE, and GCC markets, and is now focusing on expanding its footprint in non-US regions. The segment declined at 3.4% CAGR over FY22-26. Since this is a high gross margin category, the company plans to scale up towel manufacturing capacity, with an increased emphasis on fashion towels, to improve margins. We expect 16% revenue CAGR over FY26-28, driven by volume growth.

Exhibit 237: Bath capacity and utilizations



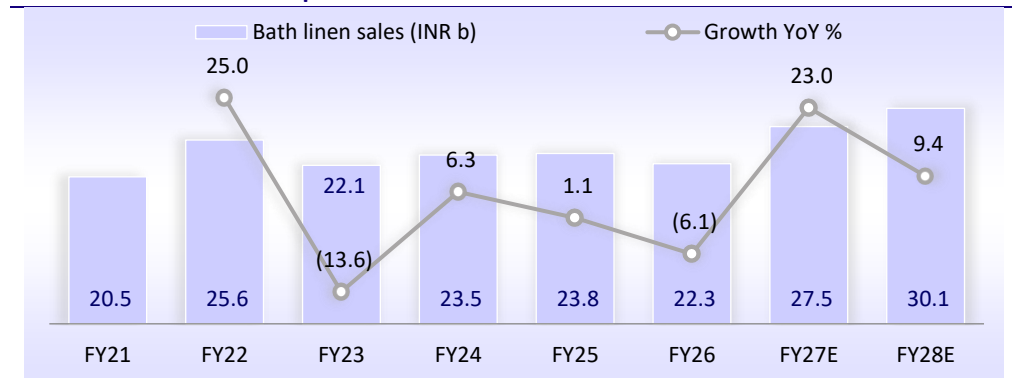
Source: Company, MOFSL

Exhibit 238: Bath linen realizations



Source: Company, MOFSL

Exhibit 239: Bath revenue performance

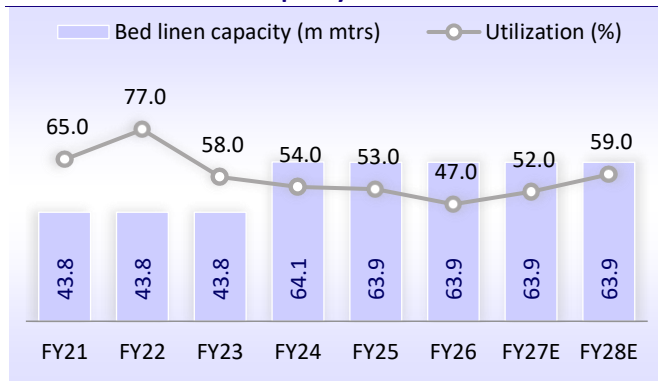


Source: Company, MOFSL

Bed linen (15% of revenue)

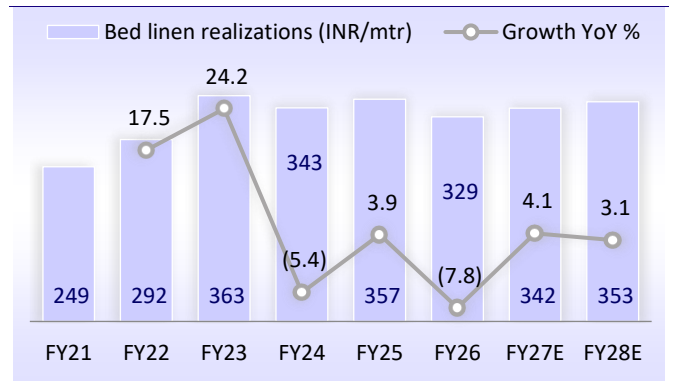
The bed linen segment, started in 2016 and still smaller as of now, is growing rapidly as TRID expands its product portfolio to include sheet sets, duvet covers, and decorative bedding. Its bed linen manufacturing facility is located at Budhni (MP), and has a capacity of 0.12m meters per day. The company has improved its product mix by expanding into fashion and digital print collections, and wider applications of proprietary technologies. The segment posted a 3% negative CAGR over FY22-26 due to weak demand. The company plans to focus on expanding geographically in the Europe, Middle East, and Australia, to diversify beyond the US, and also expand the product portfolio to fashion bedding and top-of-bed categories to improve realizations. We expect 16% revenue CAGR over FY26-28, driven by volume growth.

Exhibit 240: Bed linen capacity and utilizations



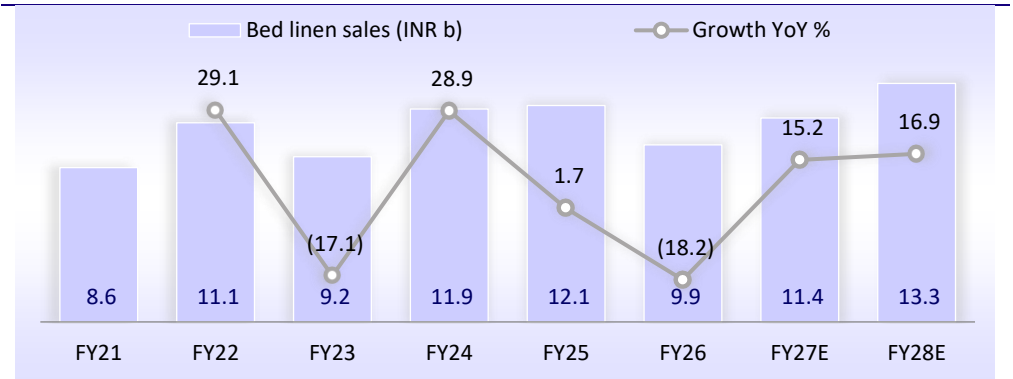
Source: Company, MOFSL

Exhibit 241: Bed linen realizations



Source: Company, MOFSL

Exhibit 242: Bed linen revenue performance



Source: Company, MOFSL

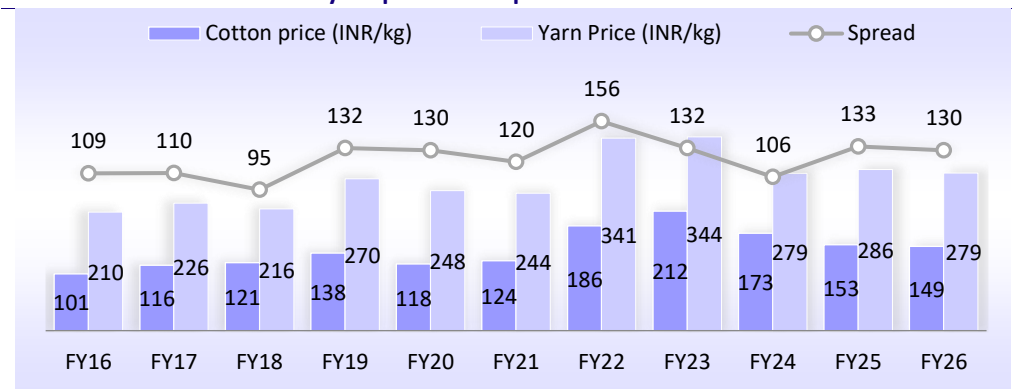
Fully integrated player – capturing entire value chain

Leadership through vertical integration

TRID operates a vertically integrated business model spanning yarn, bath and bed linen, alongside paper and chemicals, with a global presence in 100+ countries. Its manufacturing base supports a large installed capacity of ~7.9 lakh spindles and over 1,100 looms, producing both yarn and fabrics in-house for the home textile segment, enabling scale across both upstream and downstream operations. While this integration drives cost efficiency, pricing power remains constrained in downstream export markets.

The company’s manufacturing footprint comprises 15+ facilities, including key towel plants at Dhaula (Punjab) and Budhni (Madhya Pradesh), along with integrated bed linen operations. These units are strategically located within ~200km of major cotton-growing regions, supported by strong multi-modal connectivity. This proximity enables efficient raw material sourcing, translating into freight savings of ~INR200-300 per quintal. TRID further benefits from India’s strong domestic cotton ecosystem, with ~95% of raw materials sourced locally, ensuring cost stability and supply reliability.

Exhibit 243: India cotton and yarn prices and spread



Source: Index Mundi, MOFSL

The home textile business remains export-oriented, with ~54% of revenue coming from international markets, particularly the US and other developed regions. With annual production of ~124m bath products and ~35m bed linen pieces, the company leverages scale and integration to deliver consistent, high-volume supply to large global retailers, reinforcing its position as a cost-competitive exporter.

Yarn segment: A hedge (27% of revenue)

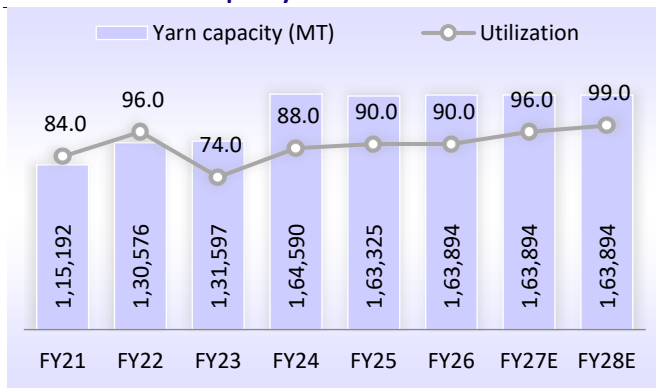
The yarn segment, with an installed base of ~7.9 lakh spindles, primarily serves as a strategic hedge against volatility in yarn and downstream fabric realizations. With ~50% of output consumed captively within the home textile business, it ensures supply security while mitigating the impact of fluctuations in yarn prices on overall margins. The company has a wide portfolio of yarn, including yarn produced using advanced technologies. Yarn sales have been flat over FY22-26 due to a slowdown in the sector. Going forward, we expect 6% CAGR over FY26-28 with moderate margin improvement.

Exhibit 244: Peer comparison in the yarn segment

	Number of spindles (m)	Capacity Utilization (%)	Yarn Revenue (INR mn)					Yarn EBITDA Margin (%)
			FY22	FY26	CAGR FY22-26 (%)	FY28E	CAGR FY26-28E (%)	
Vardhman Textiles	1.25	100	60,824	60,598	-0.1	66,771	5.0	~10
TRID	0.79	90	17,609	18,395	1.1	20,563	5.7	~9
Nitin Spinners	0.43	96	18,784	23,731	6.0	31,449*	15.1	~14
GHCL	0.23	89	9,140	11,790	6.6	N/A	N/A	N/A
Ambika Cotton	0.11	59	5,054	~4,217	-4.4	N/A	N/A	N/A

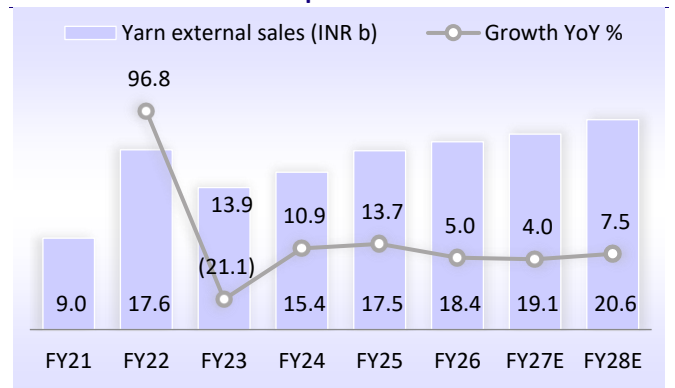
Note: * indicates Bloomberg estimates, Source: Company, MOFSL

Exhibit 245: Yarn capacity and utilizations



Source: Company, MOFSL

Exhibit 246: Yarn revenue performance



Source: Company, MOFSL

Home textile segment (48% of revenue)

TRID's home textile portfolio (largely export-oriented) comprises bath linen (35% of revenue) and bed linen (13% of revenue). The portfolio benefits from in-house yarn production. The company has a relatively large home textile manufacturing base in bath linen, close to Welspun. TRID has 95% of its business coming from private label/B2B, because of which its margins have been impacted. The utilization levels also remain lower in both bath linen (63%) and bed linen (47%), whereas Welspun and INCT benefit from better utilization. TRID's scale and integrated operations could support utilization improvement and we expect 16% CAGR over FY26-28E.

Exhibit 247: Peer comparison in the home textile segment

Company Name	Bath linen installed capacity (MT)	Bath linen capacity utilization (%)	Bath linen Revenue (INR m)					Bath linen EBITDA Margin (%)
			FY22	FY26	CAGR FY22-26 (%)	FY28E	CAGR FY26-28E (%)	
Welspun	96,400	78	36,179	38,749	1.7	53,101	17.1	10.2
TRID	78,475	63	25,620	22,345	-3.4	30,076	16.0	10.0

Company Name	Bed linen installed capacity (m mtrs)	Bed linen capacity utilization (%)	Bed linen Revenue (INR m)					Bed linen EBITDA Margin (%)
			FY22	FY26	CAGR FY22-26 (%)	FY28E	CAGR FY26-28E (%)	
Welspun	108	69	22,705	19,984	-3.1	23,605	8.7	5.9
ICNT	153	62	29,822	34,189	3.5	45,469	15.3	~14-15
TRID	64	47	11,118	9,873	-2.9	13,301	16.1	14.0

Source: Company, MOFSL

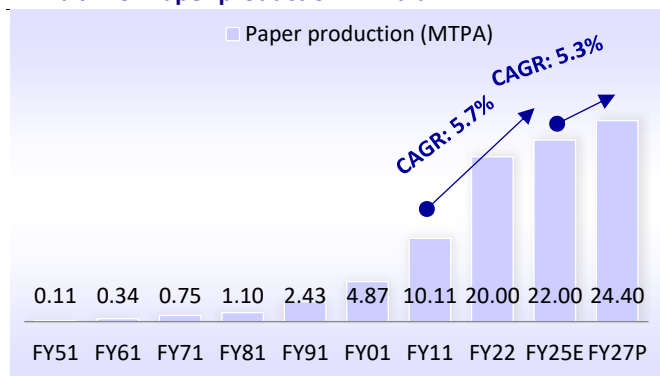
Exhibit 248: Brand portfolio under peers

	Welspun	ICNT	TRID
Licensed Brands	Martha Stewart, The Championship Wimbledon, Creative Co/Lab, Coco Cozy, Disney Home, Jeremiah Brent Home, Kate Shand, Charisma	Fieldcrest, Waverly, Gaiam, Jasper Conran London, Beautyrest, Tommy Hilfiger	-
Owned Brands	Spaces, Christy, Recology, First Apartment, Kingsley, spun by Welspun, Welhome, Welspun, Harmony, Gx Suspension Pillow, kindlier	Wamsutta, Weavestry, Eventide, Malabar Hill Home, Whole Comfort, Pure Earth, Sleep/Rx, Hotel Signature Sateen, Layers, Boutique Living, Kids Corner, Color Sense, Heirlooms of India, reloop	Be Our Guest, Hotelier, Grand Retreat, Earth Lover, Ever Eco, Restful Retreat, Everyday Home, Jiva: unapologetically kid, coastal charm, Macaron, Traveazee, Everyday Oasis

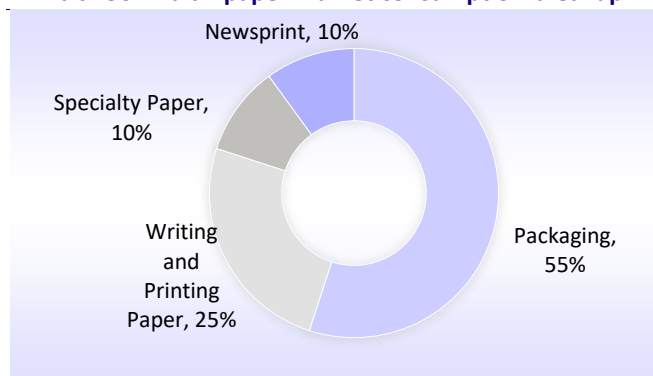
Source: Company, MOFSL

Paper segment (16% of revenue)

India is the 15th largest paper producer globally, accounting for ~5% of the world's paper market, with domestic consumption reaching 23.5mtpa in FY24-25. The industry remained fragmented, with manufacturers leveraging diverse raw materials such as wood, bamboo and wheat straw. Packaging grades continued to dominate (>60% of demand), driven by e-commerce expansion and bans on single-use plastic use. In the last five years, the industry faced several challenges like low-priced supplies, high wood prices and subdued realisations, while we expect some challenges would continue and put pressure on realisations for the next couple of years.

Exhibit 249: Paper production in India


Source: SAMCO, IPMA & Crisil, MOFSL

Exhibit 250: Indian paper market consumption breakup


Source: IPMA, MOFSL

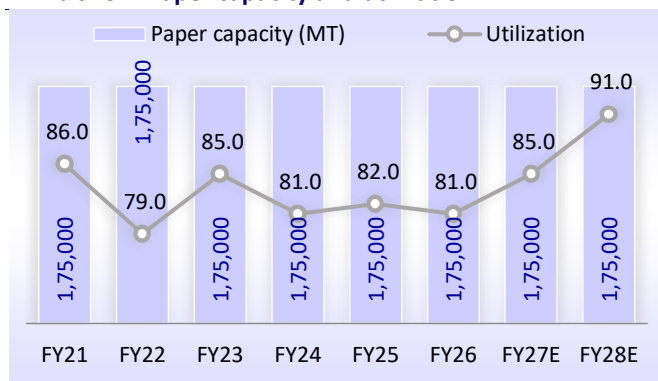
Exhibit 251: Peer comparison in the paper segment

	Paper installed capacity (MT)	Paper capacity utilization (%)	Paper Revenue (INR m)					Paper EBITDA Margin (%)
			FY22	FY26	CAGR FY22-26 (%)	FY28E	CAGR FY26-28E (%)	
JK Paper	8,00,000	109	39,686	70,760	15.6	82,090*	7.7	13.0
West Coast Paper Mills	3,19,869	100	33,680	42,788	6.2	45,748*	3.4	9.7
Andhra Paper	2,59,400	98	13,802	17,012	5.4	N/A	N/A	4.0
TRID	1,75,000	81	9,727	10,397	1.7	11,999	7.4	13.0

Note: * indicates Bloomberg estimates, Source: Company, MOFSL

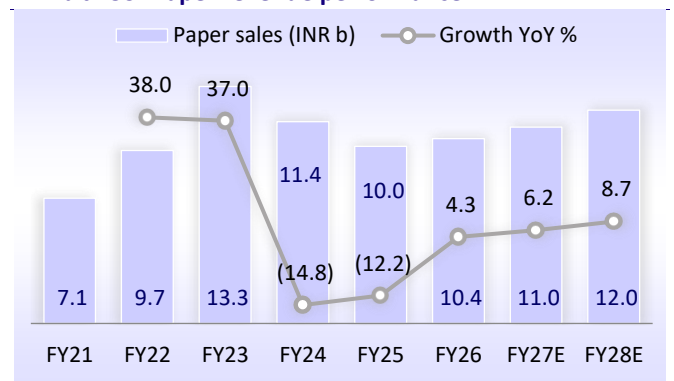
TRID is known as the #1 in North India for branded copier paper, and is the world’s largest wheat straw-based manufacturer, having a capacity of 175,000tpa. The division offers a diverse portfolio, including multi-colour publishing paper, branded copier paper, and *My choice* – the notebook brand. It has a product mix of 60% copier paper and 40% non-copier paper. Capacity utilizations for the segment is 81% and has the best EBITDA margins of 13% among its peers. The segment observed flat growth over FY22-26 due to higher paper import. Currently, the top five customers contribute ~15-20% of total paper sales, which indicates lower concentration risk. We expect this segment would grow ~7% over FY26-28.

Exhibit 252: Paper capacity and utilization



Source: Company, MOFSL

Exhibit 253: Paper revenue performance



Source: Company, MOFSL

Higher domestic presence with strong clientele

Established client network across geographies

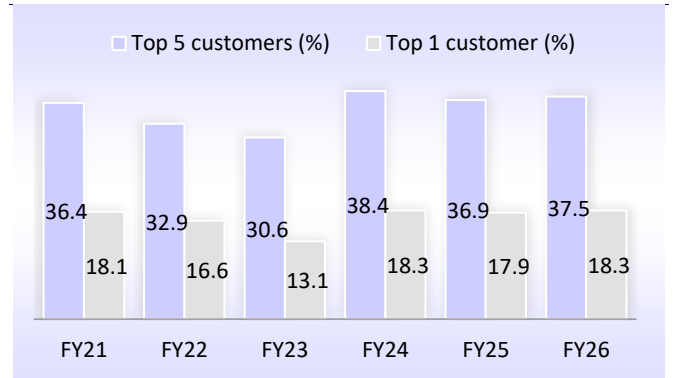
TRID's customer base includes leading retailers and brands, hospitality industry for the textile segment, and the printing houses, publishing companies, and packaging manufacturers for the paper segment. TRID derives ~54% of its revenue from exports, primarily through its home textile portfolio, of which ~70% is export-oriented. The domestic business is mainly driven by the yarn and paper segments. In domestic, its key customers are Reliance, DMart, Taj Hotel, etc. Globally, it has a customer base of 60-70 clients, which largely falls under the private label, contributing ~95%. In home textiles, key clients include Target, Walmart, IKEA, Costco and Amazon, among others, which contribute ~40% to revenue. The top five customers contribute roughly 50-60% of home textile revenue. In comparison, the yarn and paper segments have a more diversified mix, with the top five customers accounting for about 25-30% and 15-20% of revenue, respectively.

Exhibit 254: Client network



Source: Company, MOFSL

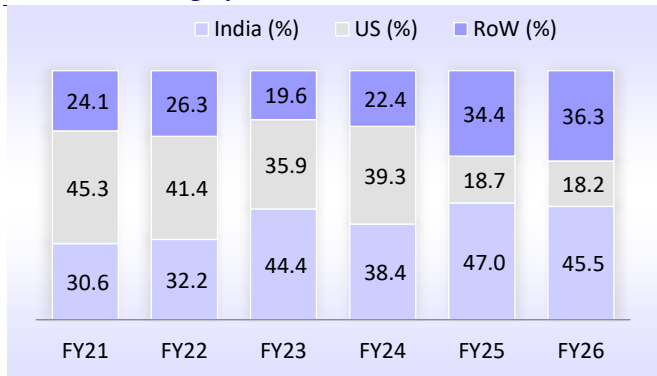
Exhibit 255: Top customers revenue contribution



Source: Company, MOFSL

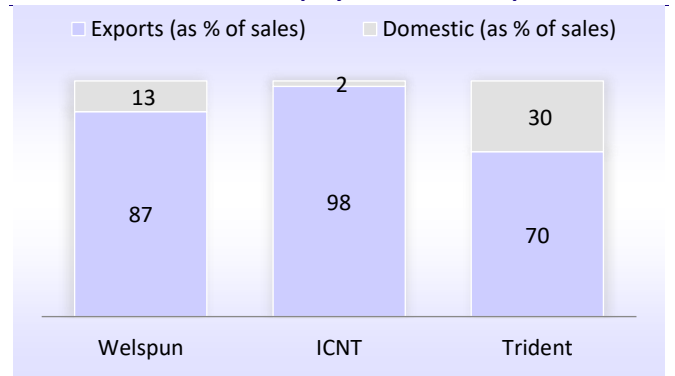
TRID exports to major global markets, including the US, Europe, the Middle East, And Africa. The company plans on transitioning from a mass-market player to a premium and semi-premium targeted audience in the export market to drive margin improvement. Exports accounted for ~54% of revenue in FY26, with the exposure to the US declining from 33% in FY20 to 19% in FY26, while exports to the Rest of the World increased at a 15% CAGR over the same period.

Exhibit 256: Geographic revenue mix



Source: Company, MOFSL

Exhibit 257: Home textile players focus on exports



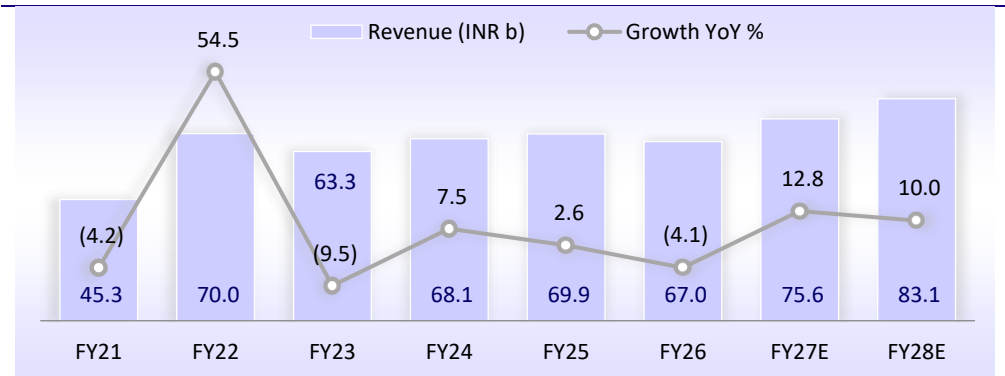
Source: Company, MOFSL

Financial outlook

Revenue estimated to clock 11% CAGR over FY26-28

TRID has exhibited a cyclical revenue trajectory over FY22-26, shaped by commodity price movements and export demand. Revenue declined by 4.2% in FY21, followed by a sharp 54.5% rebound in FY22 to INR70b, led by demand in export markets. However, revenue contracted by 9.5% in FY23 and remained broadly stable thereafter around ~INR70b in FY25, and falling to INR67b in FY26 led by tariff issues. Looking ahead, revenue is projected to clock an 11% CAGR over FY26-28, supported by improving utilization and a gradual recovery in realizations across home textiles.

Exhibit 258: Revenue to clock 11% CAGR over FY26-28

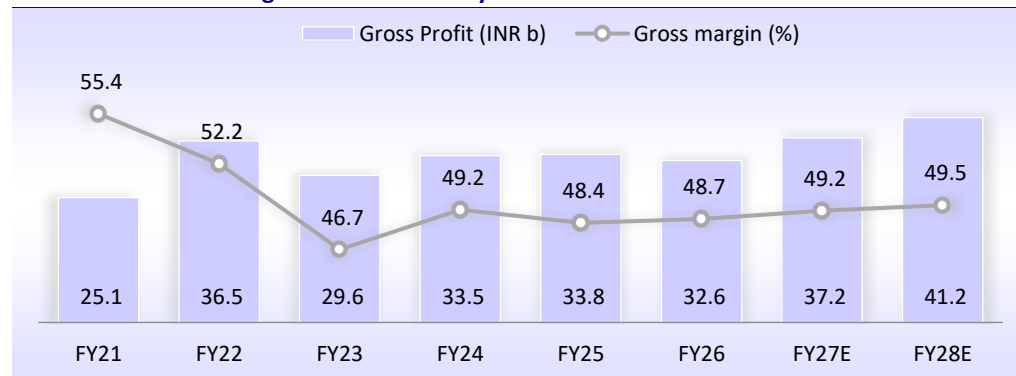


Source: Company, MOFSL

Gross margin

TRID's gross margins peaked at 55.4% in FY21, supported by favorable realizations during the commodity uptrend, before declining sharply to 46.7% in FY23 amid elevated raw material costs and normalization in yarn and home textile spreads. Margins moderated to 48.7% in FY26. The compression reflects adverse input cost movements, weaker realizations, and higher share of commodity yarn, partially offset by benefits from vertical integration and scale efficiencies. Going forward, gross margins are expected to stabilize at ~49-50% over FY27-28, supported by an improving product mix in home textiles, better realizations, and continued cost optimization.

Exhibit 259: Gross margin to remain steady over FY26-28

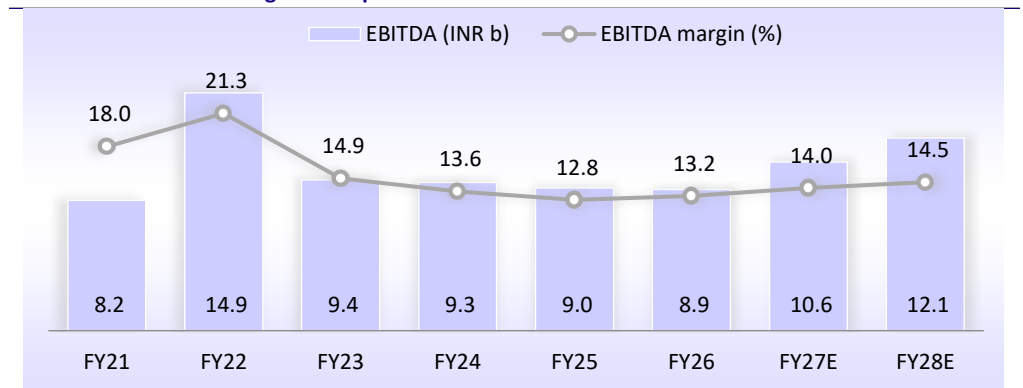


Source: Company, MOFSL

EBITDA margin

TRID’s EBITDA margins expanded to 21.3% in FY22, driven by strong realizations and operating leverage during the uptrend, before moderating to 14.9% in FY23 and further to 13.2% in FY26. The decline reflects normalization in spreads, high input costs, and higher contributions from lower-margin yarn. Despite the compression, margins continue to benefit from vertical integration, scale efficiencies, and a growing share of home textiles. Going forward, EBITDA margins are expected to gradually improve to ~14.5%, supported by better realizations, improving utilization, and product mix optimization.

Exhibit 260: EBITDA margins to improve further

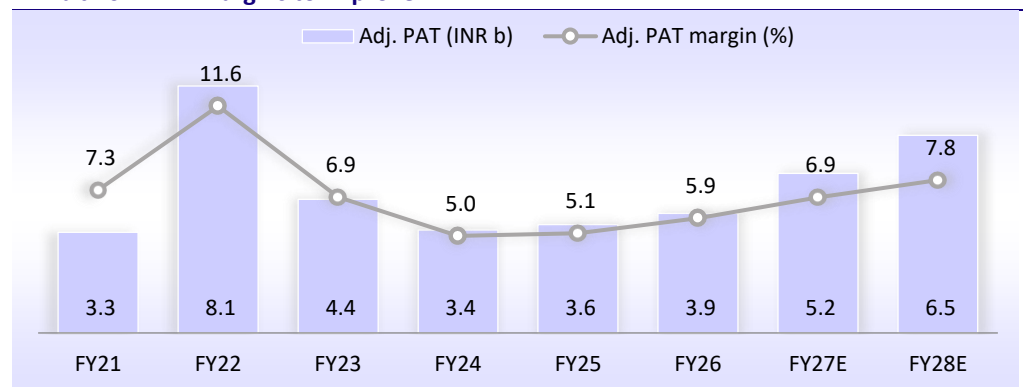


Source: Company, MOFSL

PAT

PAT margins improved sharply to 11.6% in FY22, supported by strong operating profitability during the commodity uptrend. However, margins moderated thereafter and are gradually improving to 5.9% in FY26, reflecting lower EBITDA margins, higher depreciation, and weaker operating leverage. The decline has been driven by normalization in realizations and pressure across commodity-linked segments. Going forward, PAT margins are expected to gradually recover to ~7.8%, supported by improving operating profitability, better utilization, and stabilization in input costs.

Exhibit 261: PAT margins to improve

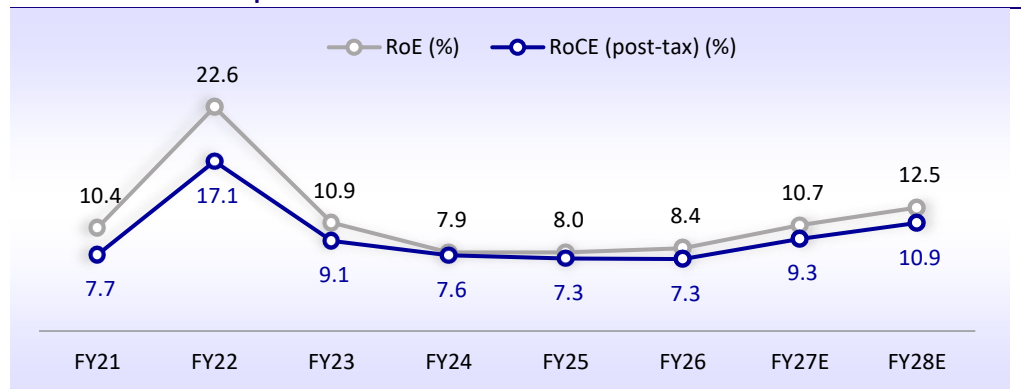


Source: Company, MOFSL

Return ratios

TRID’s return ratios peaked in FY22, with RoE at 22.6% and RoCE at 17.1%, driven by strong profitability during the commodity uptrend and improved operating leverage. However, returns have moderated significantly thereafter, with RoE declining to ~8.0% in FY25 and ~8.4% in FY26, reflecting margin compression and weaker earnings. The moderation highlights the impact of cyclical realizations, high capital intensity, and lower asset turns. Going forward, return ratios are expected to gradually recover to ~11-12% levels, supported by improving profitability, better capacity utilization, and more disciplined capital allocation.

Exhibit 262: RoE to improve to 11-12%

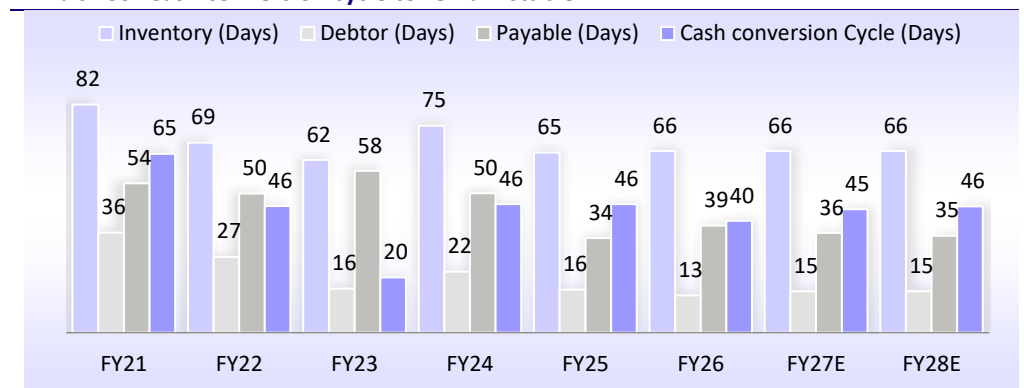


Source: Company, MOFSL

Cash conversion cycle

TRID’s cash conversion cycle has remained stable in the range of ~45-46 days, with FY23 being exceptional with 20 days, and in FY26 to 40 days, due to lower receivables days. Going forward, CCC is expected to remain in the similar 45-46 days range with steady operating cycle.

Exhibit 263: Cash conversion cycle to remain stable



Valuation and view: Initiate coverage with Neutral rating

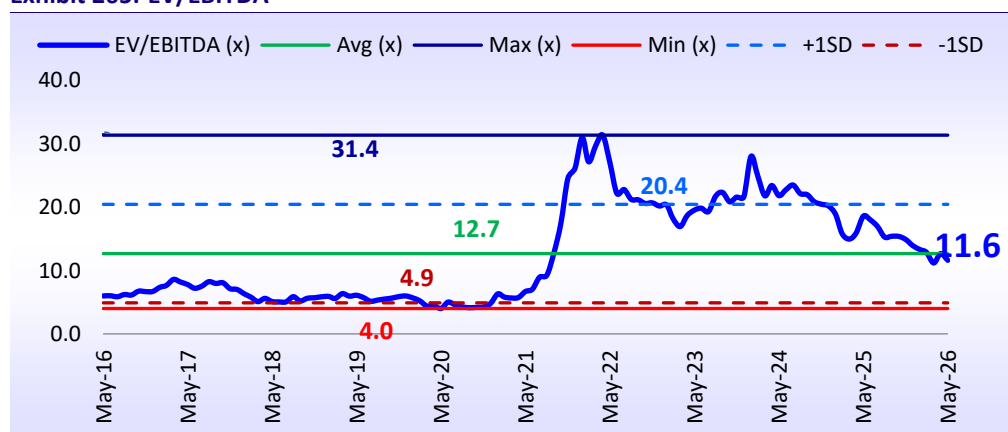
- We expect TRID to benefit from:
 - Bath & Bed linen, where bed has outperformed bath marginally over FY22-26, though both have declined in low-to-mid single digits. Home textile business saw 3.2% negative CAGR over FY22-26; however, we expect a 16% CAGR over FY26-28, driven by lower tariffs.
 - Yarn sales have recorded flat growth over FY22-26; we expect 6% CAGR over FY26-28 with ~80-100bp margin improvement.
 - Paper segment saw flat performance over FY22-26 due to higher paper import, and we expect 7% CAGR over FY26-28.
- Overall, we expect 11% CAGR, along with 130bp margin expansion. We believe higher valuation and lower growth in home textiles reflect limited opportunity.
- **We initiate coverage on TRID with a Neutral rating and a TP of INR28, based on 12x FY28E EV/EBITDA.**
- Key risks would include: 1) raw material price volatility, 2) tariff in US markets, 3) slowdown in export markets.

Exhibit 264: Relative valuation comparison of home textile companies

Companies	Mcap (INR b)	CMP (INR)	TP (INR)	Rating	Upside (%)	CAGR FY26-28E (%)			P/E (X)			EV/EBITDA			RoE (%)		
						Revenue	EBITDA	APAT	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Indo Count	78	395	550	BUY	39	20.4	43.8	89.6	61.7	28.0	17.2	23.3	15.7	11.1	5.5	11.3	16.5
Welspun Living	156	162	200	BUY	23	13.9	43.3	96.5	69.6	25.3	18.0	21.7	13.2	10.5	4.6	11.9	14.9
Trident	132	26	28	Neutral	6	11.4	16.9	28.5	33.6	25.2	20.4	16.2	13.4	11.8	8.4	10.7	12.5

Source: MOFSL

Exhibit 265: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ✓ In our bull case scenario, we factor in a 12% revenue CAGR over FY26-28, driven by higher volume growth.
- ✓ Further, with higher volumes, we expect operating leverage to drive up EBITDA margin to 15.5% by FY28 from 13.2% in FY26.

Bear case

- ✓ In our bear case scenario, we factor in a 10% revenue CAGR over FY26-28E, driven by lower volume growth.
- ✓ Further, we expect operating leverage to drive up EBITDA margin to 13.5% by FY28 from 13.2% in FY26.

Exhibit 266: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	10%	11%	12%
EBITDA CAGR FY26-28E	12%	17%	22%
EBITDA Margin FY28E	13.5%	14.5%	15.5%
EV/EBITDA	11	12	13
Target Enterprise Value (INR m)	1,25,144	1,49,285	1,75,182
Net Debt (INR m)	8,942	8,942	8,942
Target Equity Value (INR m)	1,16,202	1,40,343	1,66,240
Outstanding Shares (Nos m)	5,096	5,096	5,096
Target price (INR)	23	28	33
CMP (INR)	26	26	26
Upside/Downside	-12%	6%	26%

Source: MOFSL

Key Risks

Raw material price volatility

Profitability remains sensitive to cotton price fluctuations, which can compress margins and increase working capital requirements if cost increases are not passed on in time.

Customer and export dependence

Indian cotton remains structurally expensive due to import duties and MSP policies, impacting cost competitiveness. Volatility in key inputs such as cotton and specialty materials can affect gross margins. Rising labor costs and availability constraints add to long-term operating pressure.

Forex and geopolitical risks

Exposure to currency movements and changes in global trade policies or geopolitical disruptions can impact export realizations and overall competitiveness.

Company Background

TRID is an integrated Indian manufacturer with a strong presence across home textiles, yarn, paper, and chemicals, catering to customers in over 100 countries. The company is among the larger domestic players in home textiles, particularly in terry towels and bed linen, supplying primarily to global retailers under private label arrangements. Its business model is anchored to backward integration, with a sizeable spinning capacity of ~7.9 lakh spindles supporting its downstream home textiles operations, where ~50% of yarn is consumed captively. TRID operates 15+ manufacturing facilities in Punjab and Madhya Pradesh, strategically located near key cotton-growing regions, enabling efficient raw material sourcing and logistics advantages. In addition to textiles, TRID has a differentiated presence in paper, being one of the largest producers of wheat straw-based paper globally. With ~54% of revenue derived from exports, TRID's growth and profitability remain closely linked to global demand cycles and input cost movements.

Management Team

Exhibit 267: Management Team

Leader	Role	Experience
Mr. Rajinder Gupta	Chairman Emeritus	❖ Mr. Gupta, a first-generation entrepreneur, co-founded the company in 1990. Under his leadership, TRID transformed from a small textile venture into one of India's largest integrated textile and HT conglomerates with a strong global footprint. Known for his strategic acumen and focus on vertical integration, he played a pivotal role in establishing TRID as a preferred supplier to leading international retailers.
Mr. Deepak Nanda	Managing Director	❖ Mr. Nanda is an alumnus of IIM Ahmedabad and holds a degree of Master of Science in Computer Software and Management. Mr. Nanda has more than three decades of experience in business development, client relationship, contract negotiations, project implementation and delivery, and improving the efficiency and effectiveness of business.
Mr. Samir Joshipura	Group CEO	❖ Mr. Joshipura is a seasoned textile industry professional with over three decades of experience in manufacturing operations, strategic planning, and business transformation. He has held leadership roles across diversified textile businesses, specializing in operational excellence, capacity optimization, and driving profitability in competitive markets. His focus on strategic cost management and sustainable business practices has consistently delivered value across the organizations he has led.
Mr. Rahul Roongta	Group CFO	❖ Mr. Roongta is a Chartered Accountant and holds a Bachelor's degree in Commerce. He has over two decades of experience in corporate finance, treasury management, financial planning and analysis, capital structuring, and investor relations. He was earlier associated with Inox Wind and Vedanta Resources.

Source: Company, MOFSL

ESG initiatives



Environment

- Expanded renewable energy footprint with 51.98 MWp solar capacity and high biomass usage, reducing dependence on conventional energy sources.
- Achieved 98% water recycling through zero liquid discharge systems, alongside waste reduction via recycling and wheat straw-based paper manufacturing.

Social

- Focused on workforce development through training programs, diversity initiatives, and employee well-being, targeting higher female workforce participation.
- Strengthened community engagement through CSR initiatives in education, healthcare, women empowerment, and sustainable agro-waste management programs.

Governance

- Maintained governance standards through independent board oversight, anti-bribery policies, and whistleblower mechanisms, ensuring ethical business practices.
- Integrated ESG risks into enterprise framework with enhanced disclosures, sustainability reporting, and participation in global assessment platforms like EcoVadis.

SWOT analysis

❖ Multi-segment presence with backward integration drives cost efficiency and reduces earnings volatility.

❖ Established exporter with reputed clientele and growing ESG-led brand credibility.

S
STRENGTH

❖ Continuous capex and heavy energy/water usage pressure free cash flow and margins.

❖ Dependence on cotton-based textiles and export markets increases cyclical exposure.

W
WEAKNESS

❖ Rising demand for eco-friendly, functional textiles and specialty paper supports margin expansion.

❖ PLI schemes, textile parks, and entry into new geographies can accelerate growth.

O
OPPORTUNITY

❖ Fluctuations in cotton/pulp prices and global demand cycles impact profitability.

❖ Intense global competition and tightening environmental norms may increase costs.

T
THREATS

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	45,306	69,977	63,323	68,088	69,871	67,011	75,587	83,133
<i>Change (%)</i>	-4.2	54.5	-9.5	7.5	2.6	-4.1	12.8	10.0
Gross Profit	25,112	36,539	29,567	33,529	33,828	32,607	37,177	41,185
Total Expenses	37,134	55,078	53,876	58,806	60,916	58,158	65,016	71,046
EBITDA	8,172	14,898	9,446	9,282	8,955	8,852	10,570	12,088
<i>EBITDAM (%)</i>	18.0	21.3	14.9	13.6	12.8	13.2	14.0	14.5
Deprn. & Amortization	3,369	3,328	3,128	3,650	3,662	3,173	3,236	3,315
EBIT	4,804	11,570	6,318	5,632	5,293	5,679	7,334	8,773
Net Interest	721	862	796	1,564	1,302	1,140	1,103	950
Other income	161	226	244	578	602	741	756	831
PBT	4,244	10,934	5,766	4,646	4,592	5,281	6,987	8,654
EO expense	265	-225	-21	-123	-153	160	0	0
PBT after EO	3,978	11,159	5,787	4,769	4,746	5,120	6,987	8,654
Tax	941	2,827	1,375	1,269	1,038	1,428	1,747	2,164
Rate (%)	23.6	25.3	23.8	26.6	21.9	27.9	25.0	25.0
Reported PAT	3,044	8,337	4,416	3,500	3,707	3,771	5,240	6,491
Minority and Associates	-6	-6	-4	0	0	-79	0	0
Adjusted PAT	3,309	8,113	4,395	3,377	3,554	3,932	5,240	6,491
<i>Change (%)</i>	1.0	145.2	-45.8	-23.2	5.2	10.6	33.3	23.9

Consolidated Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	5,096	5,096	5,096	5,096	5,096	5,096	5,096	5,096
Reserves	28,187	33,351	36,830	38,058	41,114	42,618	45,311	48,646
Net Worth	33,283	38,447	41,926	43,154	46,210	47,714	50,407	53,742
Minority Interest	0	0	15	23	0	0	0	0
Total Loans	15,355	15,706	13,741	20,608	15,758	17,678	14,678	13,178
Other long-term liabilities	3,203	3,034	3,018	3,096	2,752	2,883	2,883	2,883
Capital Employed	51,842	57,187	58,700	66,881	64,720	68,275	67,968	69,803
Gross Block	58,937	61,454	68,008	76,871	79,100	81,144	82,974	85,004
Less: Accum. Deprn.	21,567	24,895	28,023	31,673	35,335	38,508	41,744	45,059
Net Fixed Assets	37,370	36,559	39,985	45,198	43,765	42,637	41,230	39,945
Capital WIP	571	824	3,682	877	526	394	574	582
Investments	14	18	5	489	4	2,581	6,581	10,581
Total Investments	14	18	5	489	4	2,581	6,581	10,581
Curr. Assets	19,761	27,490	24,615	29,069	27,313	29,757	28,183	28,011
Inventory	10,230	13,144	10,818	13,934	12,451	12,048	13,589	14,946
Account Receivables	4,487	5,253	2,765	4,119	2,977	2,469	3,106	3,416
Cash and Bank Balances	1,186	2,925	3,650	5,312	6,813	6,326	4,685	2,166
Others	3,859	6,169	7,382	5,704	5,073	8,915	6,803	7,482
Curr. Liability & Prov.	5,875	7,704	9,587	8,752	6,887	7,093	8,601	9,316
Account Payables	2,985	4,606	5,402	4,766	3,377	3,647	3,788	4,023
Provisions & Others	2,890	3,098	4,186	3,986	3,511	3,446	4,813	5,293
Net Curr. Assets	13,886	19,786	15,028	20,317	20,425	22,664	19,582	18,695
Appl. of Funds	51,842	57,187	58,700	66,881	64,720	68,275	67,968	69,803

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	0.7	1.6	0.9	0.7	0.7	0.8	1.0	1.3
Growth (%)	0.0	1.4	-0.5	-0.2	0.1	0.1	0.3	0.2
Cash EPS	1.3	2.3	1.5	1.4	1.4	1.4	1.7	2.0
BV/Share	6.7	7.7	8.4	8.7	9.3	9.6	10.1	10.8
DPS	0.0	0.0	0.0	0.0	0.4	0.5	0.5	0.6
Payout (%)	5.9	2.1	4.1	5.1	49.5	67.6	48.6	48.6
Dividend yield (%)	0.1	0.1	0.1	0.1	1.4	2.0	2.0	2.5
Valuation (x)								
P/E	39.0	16.3	30.1	39.1	37.2	33.6	25.2	20.4
Cash P/E	19.3	11.3	17.2	18.4	17.9	18.2	15.2	13.2
P/BV	3.9	3.4	3.1	3.0	2.8	2.7	2.6	2.4
EV/EBITDA	17.9	9.7	15.1	15.9	15.8	16.2	13.4	11.8
Return Ratios (%)								
EBITDA Margin (%)	18.0	21.3	14.9	13.6	12.8	13.2	14.0	14.5
Net Profit Margin (%)	7.3	11.6	6.9	5.0	5.1	5.9	6.9	7.8
RoE	10.4	22.6	10.9	7.9	8.0	8.4	10.7	12.5
RoCE (post-tax)	7.7	17.1	9.1	7.6	7.3	7.3	9.3	10.9
RoIC (post-tax)	7.6	16.7	9.2	7.4	7.0	7.0	9.6	11.7
Working Capital Ratios								
Fixed Asset Turnover (x)	0.8	1.1	0.9	0.9	0.9	0.8	0.9	1.0
Asset Turnover (x)	0.9	1.2	1.1	1.0	1.1	1.0	1.1	1.2
Inventory (Days)	82	69	62	75	65	66	66	66
Debtor (Days)	36	27	16	22	16	13	15	15
Payable (Days)	54	50	58	50	34	39	36	35

Consolidated Cash flow statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	3,978	11,159	5,787	4,769	4,746	5,199	6,987	8,654
WC	-2,136	-3,458	5,947	-5,401	1,299	169	1,440	-1,632
Others	4,090	4,190	3,903	4,761	4,530	3,633	4,339	4,265
Direct taxes (net)	-941	-2,827	-1,375	-1,256	-1,128	-1,433	-1,747	-2,164
CF from Op. Activity	4,991	9,064	14,262	2,873	9,447	7,568	11,020	9,124
Capex	-3,636	-2,770	-9,412	-6,387	-2,265	-2,997	-2,011	-2,037
FCFF	1,355	6,294	4,850	-3,514	7,182	4,572	9,009	7,087
Interest income	0	0	0	233	547	609	0	0
Others	2,146	-725	-2,241	-1,030	-333	-4,377	-4,000	-4,000
CF from Inv. Activity	-1,490	-3,495	-11,653	-7,183	-2,051	-6,765	-6,011	-6,037
Share capital	117	0	0	0	0	0	0	0
Borrowings	-4,163	351	-1,965	7,115	-4,894	1,945	-3,000	-1,500
Finance cost	-721	-862	-796	-1,563	-1,242	-1,127	-1,103	-950
Dividend	-179	-179	-179	-1,812	-1,812	-2,540	-2,548	-3,156
Others	-747	-3,140	1,057	2,231	2,053	432	0	0
CF from Fin. Activity	-5,694	-3,831	-1,884	5,972	-5,895	-1,290	-6,651	-5,606
(Inc)/Dec in Cash	-2,193	1,739	726	1,662	1,501	-486	-1,642	-2,518
Opening balance	3,379	1,186	2,925	3,650	5,312	6,813	6,326	4,685
Closing balance	1,186	2,925	3,650	5,312	6,813	6,326	4,685	2,166

E: MOFSL Estimates

Vardhman Textiles

BSE Sensex
77,094

S&P CNX
24,103



Stock Info

	VTEX IN
Bloomberg	VTEX IN
Equity Shares (m)	289
M.Cap.(INRb)/(USD\$b)	179.6 / 1.9
52-Week Range (INR)	647 / 383
1, 6, 12 Rel. Per (%)	11/52/35
12M Avg Val (INR M)	354
Free float (%)	34.9

Financial Snapshot (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	98.7	110.3	118.1
EBITDA	12.4	16.8	18.9
EBITDA (%)	12.6	15.2	16.0
Adj. PAT	7.5	11.1	12.9
EPS (INR)	26.2	39.1	45.3
EPS Gr. (%)	(15.7)	49.3	15.9
BV/Sh. (INR)	369.4	402.7	441.2

Ratios

Net D/E	0.2	0.1	0.1
RoE (%)	7.3	10.1	10.7
RoCE (%)	4.7	6.5	7.1
Payout (%)	19.1	14.8	14.8

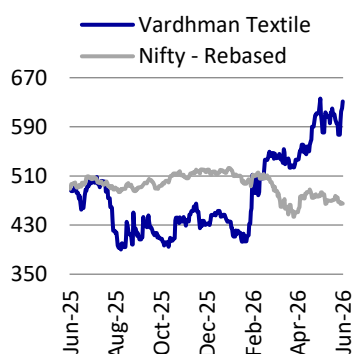
Valuations

P/E (x)	25.1	16.8	14.5
P/B (x)	1.8	1.6	1.5
EV/EBITDA (x)	16.5	11.8	10.3
Div. Yield (%)	0.8	0.9	1.0

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	65.1	64.4	64.2
DII	16.0	16.3	16.7
FII	5.7	5.7	5.8
Others	13.2	13.5	13.3

Stock Performance (1-year)



CMP: INR657

TP: INR700 (+6%)

Neutral

Stable growth led by the yarn & value-added segments

- Vardhman Textiles (VTEX) is one of India's largest and most established yarn manufacturers, with a dominant position in premium yarns and a global export footprint across the world. It has 1.25m spindles, with Yarn contributing ~63% of the revenue, followed by Fabric (~34% of revenue) and Garment (1%). Additionally, VTEX operates in acrylic fiber through its subsidiary, Vardhman Acrylics (70.74% stake), further strengthening its presence across the textile value chain.
- The yarn segment remains closely linked to downstream demand from garments and home textiles, both domestically and globally. Over FY22-26, this segment observed flat growth, while we expect ~5% CAGR over FY26-28 led by higher realization.
- VTEX currently operates ~2.2m pieces of garment capacity with clients such as Zara, Lands' End, and Ben Sherman, leveraging strong backward integration. We expect ~47% CAGR, on a low base, over FY26-28, led by capacity expansion to ~4.5m pieces.
- We model a revenue, EBITDA, and PAT CAGR of 9%, 24%, and 32%, respectively, over FY26-28, led by higher garment growth followed by stable yarn business.
- We initiate coverage on VTEX with a NEUTRAL rating and an EV/EBITDA-based TP of INR700, valuing the stock at 11x FY28E EV/EBITDA (20% premium to the 10Y mean).

Integrated value chain: Largest spinning player in India

VTEX has established itself as India's largest spinning player with ~1.25m spindles, supported by a completely integrated textile value chain. VTEX operates at industry-leading utilization levels of ~100% and has built a strong global export presence across Bangladesh, Vietnam, Sri Lanka, China, the EU, and the US, while steadily increasing its share of value-added and branded yarns to improve realizations and margins. Alongside its dominant yarn business, VTEX is expanding its fabric and garment segments to reduce cyclicalities and strengthen profitability through higher value-added offerings. The company's strong positioning comes at a time when global spinning capacities are facing structural constraints, with China reducing spindle capacities, Pakistan struggling with energy and political issues, and Bangladesh operating at lower utilization levels. Against this backdrop, India's integrated textile ecosystem, cotton availability, and improving export competitiveness position VTEX favorably to capture long-term global yarn demand growth. Over FY22-26, the Yarn segment observed flat growth due to lower yarn prices, while we expect ~5% CAGR over FY26-28, led by higher realization.

Higher cotton yarn spread helps achieve better gross margin

VTEX's profitability remains closely linked to the cotton-yarn spread, as cotton constitutes nearly ~77% of its raw material costs at present, and the company procures ~4% of India's total cotton production. Over the last 2-3 years, elevated domestic cotton prices, driven by MSP hikes, import duties, and supply tightness, created a structural cost disadvantage for Indian spinners versus global peers, compressing industry margins despite stable yarn demand. With global cotton prices rising due to lower crop expectations and tightening inventories, while yarn realizations continue to improve, the sector is expected to witness gradual gross margin recovery over FY26-28.

Any further normalization in domestic cotton pricing or supportive policy actions, such as import duty rationalization, could act as a key trigger for stronger profitability improvement across the spinning industry.

Garments: smaller presence in larger TAM

Despite being a relatively small player in the garmenting segment, VTEX sees the segment as a key long-term growth opportunity given the significantly larger global apparel market and rising sourcing shift toward India. The company currently operates a garment capacity of ~2.2m pieces annually, with strong relationships across global brands such as Zara, Lands' End, and Ben Sherman, while leveraging its strong backward integration across fabrics and yarns. VTEX is expanding garment capacity to ~4.5m pieces through a focused capex plan, which is expected to materially improve operating leverage and reduce fixed costs per shirt, supporting strong earnings growth over FY26-28. Simultaneously, the company is diversifying into synthetic performance and outerwear fabrics through a dedicated filament fabric expansion, positioning itself to participate in high-growth categories across both domestic and export markets.

Financial outlook

We expect revenue to grow at a 9% CAGR over FY26-28E, driven by gradual scaling in the yarn business. VTEX is expanding its garment capacity to 4.5m pieces through a focused capex plan, and we expect ~47% CAGR over FY26-28. Its gross margin is anticipated to improve to ~47% by FY28, supported by a higher share of processed fabrics, ramp-up of synthetic textiles, and better spread. Profitability is likely to strengthen, with EBITDA margins inching up to ~16.0% and APAT margins improving to ~10.9% by FY28E. Consequently, return ratios are expected to improve meaningfully, with RoE/RoCE reaching 10.7%/7.1%.

Valuation & view: Initiate coverage with a NEUTRAL rating

We initiate coverage on VTEX with a NEUTRAL rating and an EV/EBITDA-based TP of INR700, valuing the stock at 11x FY28E EV/EBITDA (20% premium to the 10Y mean). We believe the Yarn business is likely to clock ~5% CAGR over FY26-28, with better realization. Further, the garment business is expected to record ~47% CAGR due to a low base backed by capacity addition. Overall, we expect 9% revenue CAGR with more than 300bp margin expansion over FY26-28.


Key risks and concerns

Key risks to our call would include: 1) high dependence on cotton prices and cotton-yarn spread, 2) weaker apparel and home textile demand, and 3) competition from low-cost manufacturing countries.


STORY IN CHARTS

VTEX at a glance


India's Largest Vertically Integrated Textile Manufacturer




Industry Experience
60+ Years




Turnover
USD 1 Billion+




Largest Producer of Yarn



Processed Fabric Production
222 Million* Metres annually




Workforce
25,000+ Employees




Global footprint across **75+** countries


Navigating Complexity with Consistency




Consistency
Of product specifications within a batch and across batches




Reliability
In delivering the right product in the right quantity at the right time and place




Flexibility
For customizations and in quantum of production as required by brand



Traceability
For enhanced transparency and accountability



Agility
For accelerated implementation of new designs and mid-way revisions



Sustainability
For minimizing environmental impact and producing a positive social impact

VTEX portfolio

Yarn



Installed Capacity
1.25 Mn+ Spindles

Fabric



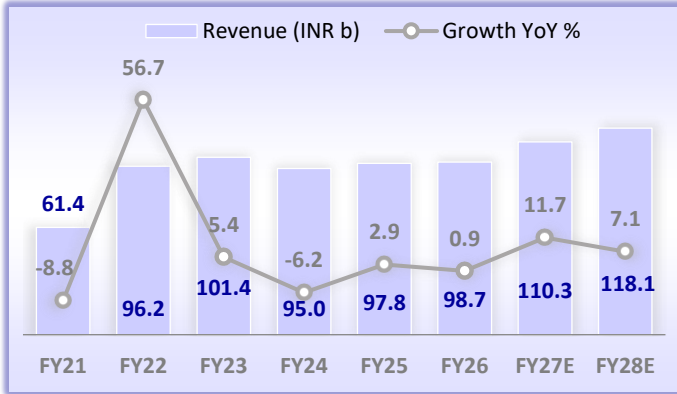
Grey Fabric Capacity
1,500+ Looms
Processed Fabric Capacity
222 MM*/PA

Garment

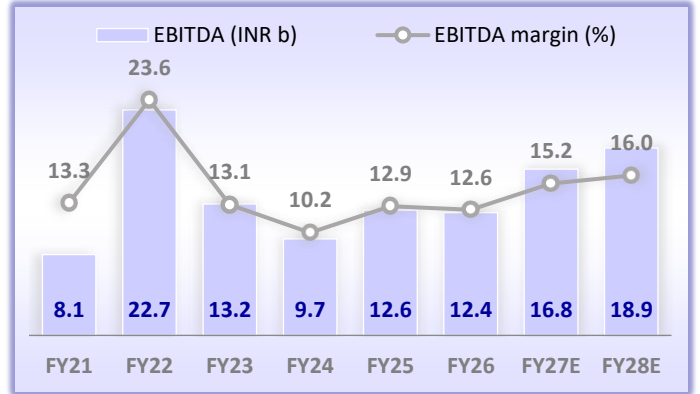


Capacity of 7,500 Shirts
per day

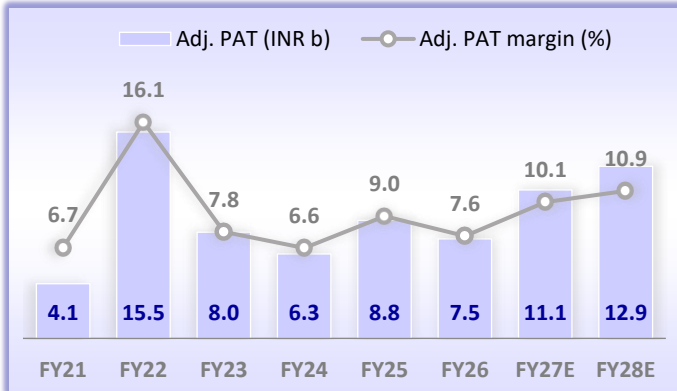
Revenue trend



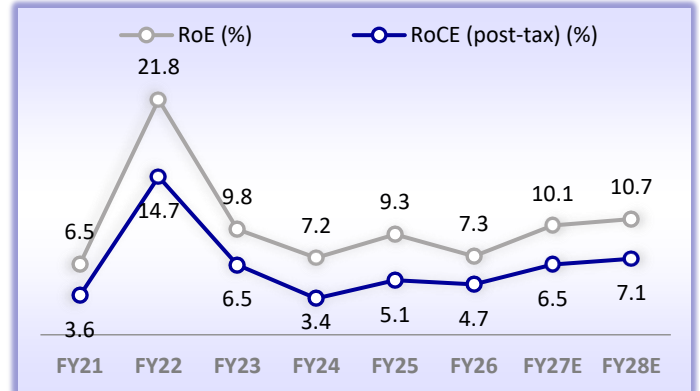
EBITDA trend



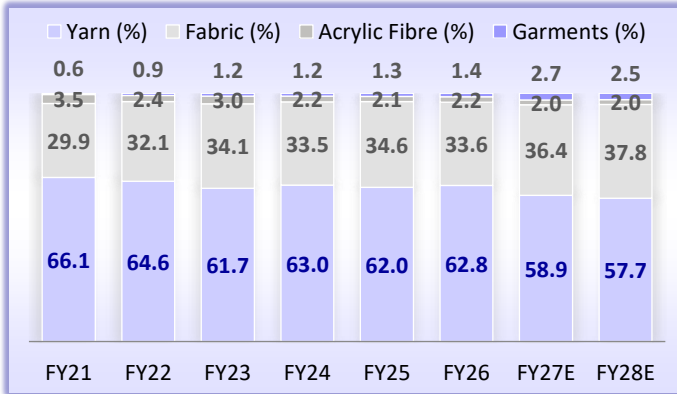
PAT trend



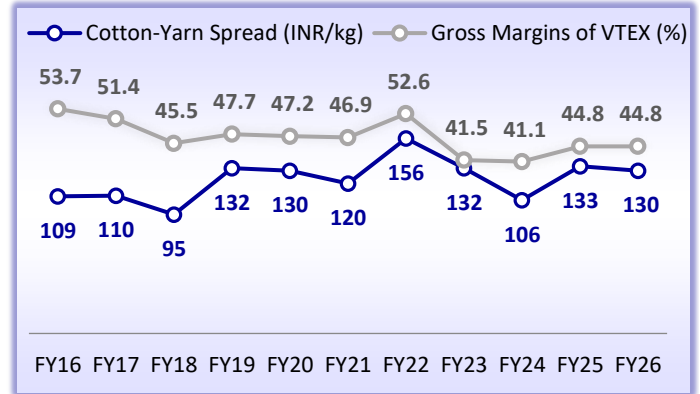
Return ratios



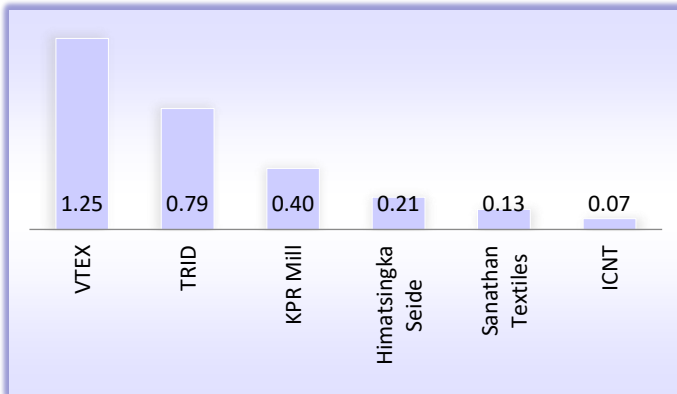
Segment-wise contribution



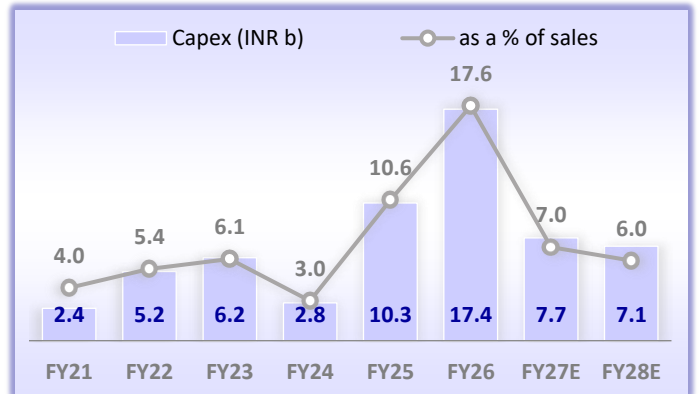
Cotton yarn spread vs. gross margin of VTEX



Largest spindle count with VTEX (m)



Capex

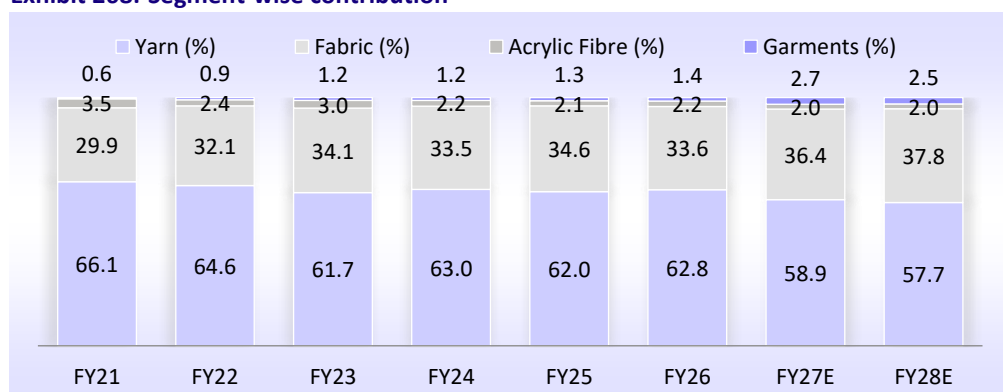


Largest player in the Indian spinning segment

Vertically integrated value chain

VTEX stands out as one of India’s most completely integrated textile players, with operations spanning the entire value chain from spinning to weaving, processing, and garmenting. With 15 manufacturing facilities and one of the largest spinning capacities in the country (~1.25m spindles), the company has built a strong foundation in cotton yarn while steadily expanding into higher value-added fabric and garment segments. This backward and forward integration enables tighter control over costs, quality, and lead times, enhancing competitiveness across both domestic and export markets. While yarn continues to contribute the majority of revenues (63%), the company is increasingly scaling its fabric (34%) and garment businesses (1%) to improve margins and reduce cyclicality.

Exhibit 268: Segment-wise contribution



Source: Company, MOFSL

Exhibit 269: Peer comparison in the yarn segment

	Number of spindles (m)	Capacity Utilization (%)	Yarn Revenue (INR m)				Yarn EBITDA Margin (%)	
			FY22	FY26	CAGR FY22-26 (%)	FY28E		CAGR FY26-28E (%)
VTEX	1.25	100	60,824	60,598	-0.1	66,771	5.0	~10
Trident	0.79	90	17,609	18,395	1.1	20,563	5.7	~9
Nitin Spinners	0.43	96	18,784	23,731	6.0	31,449*	15.1	~14
GHCL	0.23	89	9,140	11,790	6.6	N/A	N/A	N/A
Ambika Cotton	0.11	59	5,054	~4,217	-4.4	N/A	N/A	N/A

Note: * indicates Bloomberg estimates, Source: Company, MOFSL

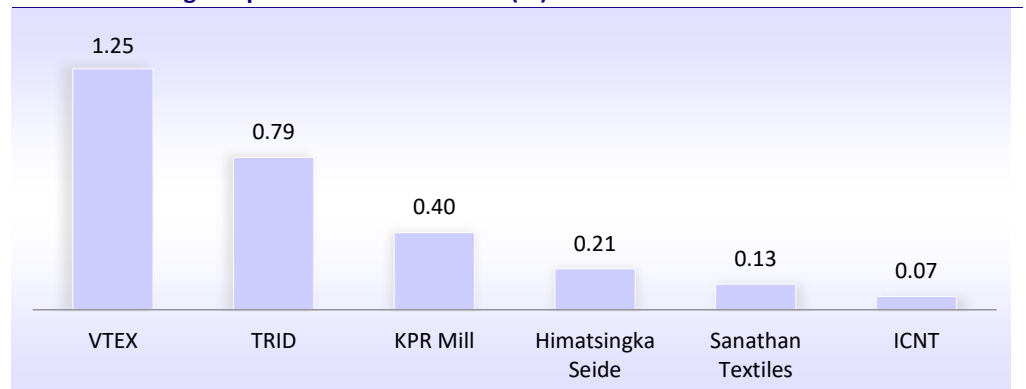
Largest spinning capacity in India

VTEX is one of India’s largest and most established yarn manufacturers, with a dominant position in premium yarns and a global export footprint spanning the EU, Japan, the US, and broader Asia. The company operates the country’s largest spinning capacity at ~1.25m spindles (out of India’s ~42m capacity), translating into a production capacity of ~762 MT per day (~278m kg pa). Its product portfolio is diversified across specialty, acrylic, dyed, grey, fancy, and hand-knitting yarns, with recent additions in functional performance and circular yarns aimed at activewear and lifestyle segments. Additionally, VTEX operates in acrylic fiber through its subsidiary, Vardhman Acrylics (70.74% stake), further strengthening its presence across the textile value chain.

Over FY22-26, yarn volumes clocked ~4% CAGR to reach ~277m kg, supported by high capacity utilization (~100%), while realizations declined at a ~5% CAGR to INR279/kg in FY26. However, profitability has moderated, with EBITDA per spindle per shift at INR3-4 for value-added yarns and ~INR5 for premium yarns, vs. higher historical levels. This resulted in a dip in segment margins to ~10% from ~14-15% earlier. We expect 5% CAGR over FY26-28, led by higher realization.

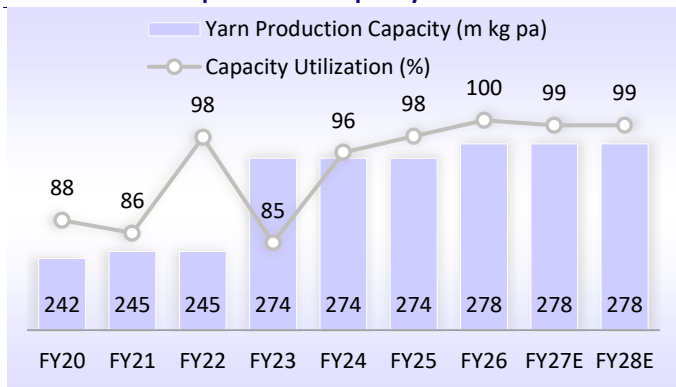
The yarn segment contributes ~65% of VTEX’s overall business (63% yarn, 2% acrylic fiber) and remains closely linked to downstream demand from garments and home textiles, both domestically and globally. Export markets have recently outperformed domestic demand, led by Bangladesh, Vietnam, Sri Lanka, and China. Notably, ~30-35% of exports are linked to US consumption, either directly or indirectly, via garment manufacturing hubs. Of all the yarn exported by VTEX, ~50% is exported to Bangladesh, and the remaining is exported to Asian countries and countries in Central America, like Mexico. The company has also scaled up its direct brand business to ~45% (from 5-7% earlier), improving realizations, margins, and customer stickiness.

Exhibit 270: Largest spindle count with VTEX (m)



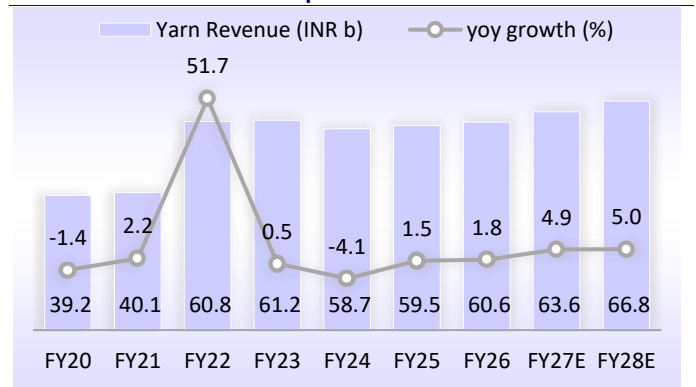
Source: Company, MOFSL

Exhibit 271: Yarn production capacity and utilization



Note: m kg pa is million kilograms per annum, Source: Company, MOFSL

Exhibit 272: Yarn revenue performance



Source: Company, MOFSL

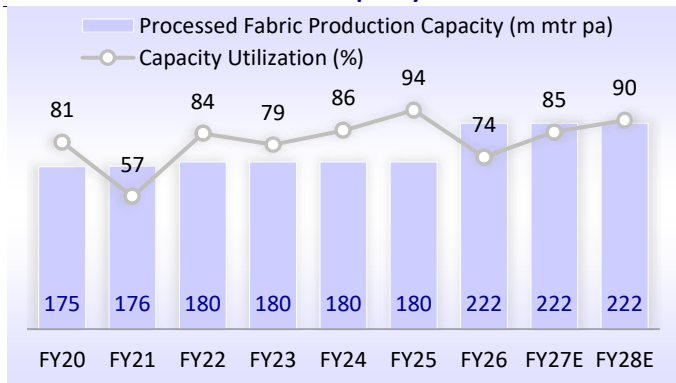
Global yarn dynamics favorable for India

- The global spinning industry is concentrated across five major countries — China, India, Pakistan, Bangladesh, and Vietnam, which together account for ~80-85% of the global spinning capacity.
- China has reduced its spinning capacity from a peak of ~112m spindles to ~84m spindles over the past 15 years, partly due to the shift away from Xinjiang-linked cotton and increasing focus on man-made fiber. Pakistan continues to face challenges related to political instability and power shortages, while Vietnam is witnessing a gradual transition towards electronics and services amid rising per capita income. Bangladesh remains strong in garment manufacturing, but its spinning industry operates at relatively low utilization levels of ~55-60% across ~15-16m spindles, with limited scope for large-scale expansion due to high capex requirements and dependence on imported cotton.
- Against this backdrop, constrained global spinning capacity expansion and favorable cotton yarn demand trends help India’s strong positioning in cotton yarn exports, which are expected to support long-term growth prospects for the Indian spinning industry.

End-to-end fabric solutions provider

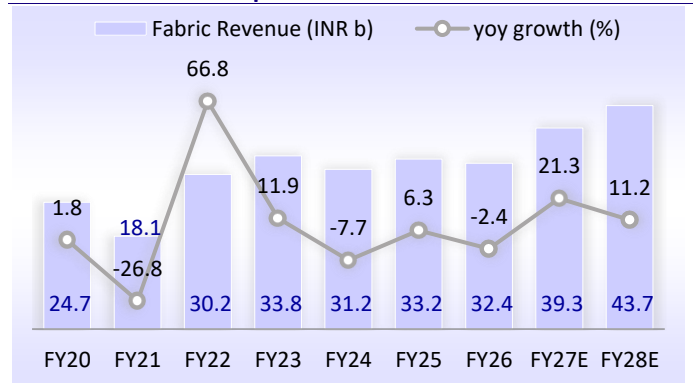
VTEX provides end-to-end fabric solutions for both top and bottom wear to retailers and brands across the globe, where the US accounts for 40-45% of the total fabric business. The segment comprises the sale of greige (unprocessed) fabric as well as processed fabric, and the product range includes piece-dyed fabric, yarn-dyed fabric, prints, fabric blends, and specialty fabric. For FY26, the greige fabric production was 197m meters annually (89% capacity utilization), a flat growth over FY22-26, and the processed fabric production was 165m meters annually (74% capacity utilization), a 2% CAGR over FY22-26. The realization in fabric for VTEX is INR195 per meter, a decline of 0.5% over FY22-26. The EBITDA margin in the segment is currently at 17-18%. VTEX had invested INR4b in FY26, in fabric capacity expansion to increase the processed fabric capacity by 31m meters per annum.

Exhibit 273: Processed fabric capacity and utilization



Note: m m pa is million meters per annum, Source: Company, MOFSL

Exhibit 274: Revenue performance of fabric



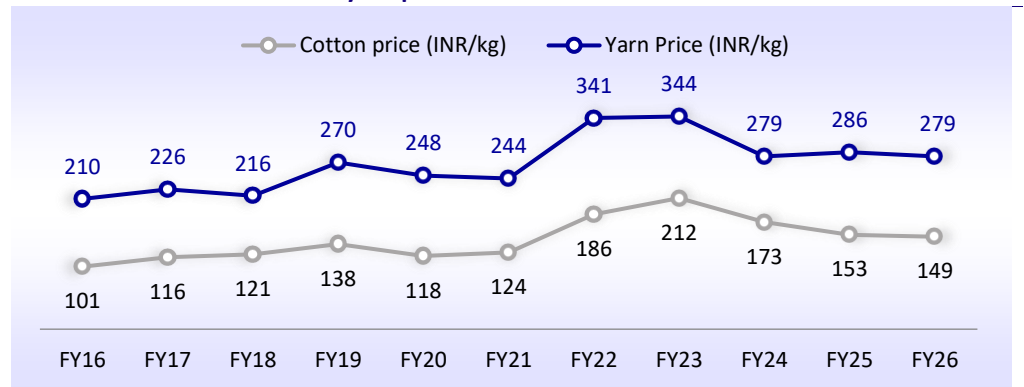
Source: Company, MOFSL

Higher cotton yarn spread helps achieve better gross margin

High dependence on cotton and cost disadvantage

VTEX remains heavily reliant on cotton as its key raw material, procuring nearly ~4% of India’s total cotton output, and also imports cotton from Australia, Brazil, and the US. In the past, the company imported only 3-4% of its total cotton requirement but had increased cotton imports to 35-40% of its requirement due to higher domestic cotton prices in FY26. Cotton accounts for ~77% of the company’s raw material cost, making margins highly sensitive to fluctuations in cotton prices and supply dynamics. Indian cotton prices remained highly volatile over FY20–26, witnessing a sharp spike in FY22 due to supply shortages before normalizing in FY23–24, while prices have again moved upward in FY26 amid lower crop output and import duty-led supply tightness. In the last couple of months, cotton prices have increased from INR154 to INR190 per kg, which is an increase of ~24%, while the yarn price has increased ~10% from INR301 to INR330 per kg. We expect gross margin to improve by ~50-60bp as the spread improves over FY26-28.

Exhibit 275: VTEX’s cotton vs. yarn price trend

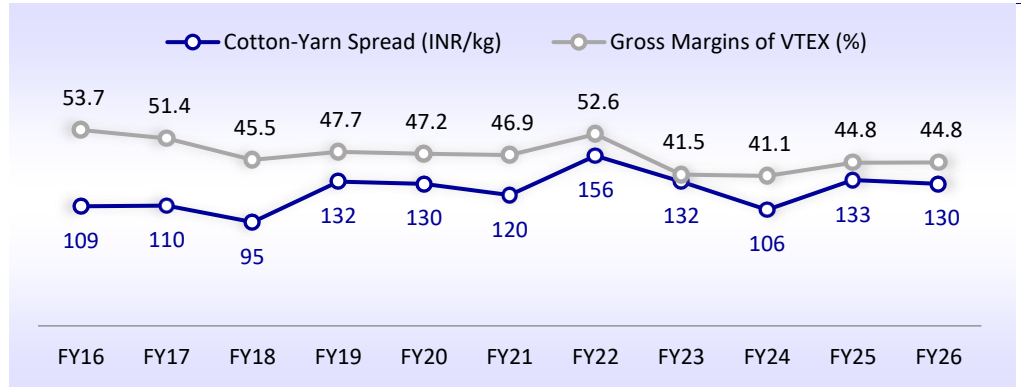


Source: Company, MOFSL

Gross margin heavily depends on the cotton yarn spread

Historically, VTEX’s gross margins have remained highly dependent on the cotton-yarn spread, as yarn prices are largely benchmarked to international cotton prices and global demand-supply dynamics. Hence, Indian spinners are unable to fully pass on higher domestic cotton costs to customers. As a result, whenever Indian cotton trades at a premium to global cotton due to MSP-led pricing, CCI procurement, or import duties, spreads compress sharply, adversely impacting margins. This was evident during FY23-FY25, when elevated domestic cotton prices hurt industry profitability despite stable demand conditions. Conversely, margins improve materially when Indian cotton prices align with global benchmarks.

Exhibit 276: Cotton yarn spread vs. gross margin of VTEX



Source: Company, MOFSL

India's cotton situation

- India's cotton prices are now aligned with the global cotton prices, after trading at a premium to global benchmarks for a long time which had created a structural cost disadvantage for domestic spinners. The Indian cotton prices were very high following an ~8% increase in MSP for medium staple cotton from INR7,121 to INR7,710 per quintal and long staple cotton from INR7,521 to INR8,110 per quintal for season 25-26.
- Over the last 2-3 years, domestic cotton prices have remained elevated. India also has an 11% import duty on cotton. As a result of this situation, several large spindlers' capacities had closed down over the period, with an estimate of ~11-13m spindles (18% of installed spindle capacity; total installed capacity at ~54m spindles) being non-functional in India currently.
- In 3QFY26, domestic cotton prices ranged around USD0.75-0.78 per pound, rising further to ~USD0.79 per pound in Jan'26. In contrast, New York Futures traded at USD0.63-0.65 per pound, translating to a landed cost of USD0.72-0.75 per pound for mills in countries such as Vietnam and Indonesia. This resulted in a cost disadvantage of USD0.03-0.04 per pound for Indian players.
- Recently, the New York futures increased from ~USD0.61-0.63 per pound to USD0.82-0.84 per pound, due to lower crop expectations in the US, India, Brazil, and Australia, along with declining global cotton inventories. The Indian cotton prices are USD0.87-0.88. The difference between the New York futures and Indian cotton prices is equivalent to the 20-year historic average difference of USD0.05-0.08. Indian cotton prices are now aligned with global prices after remaining expensive for the past ~2-3 years due to MSP-related distortions.

As a result, margin improvement in the spinning sector, including for VTEX, remains contingent on either normalization of domestic cotton prices with global levels or supportive policy interventions. While yarn demand and export volumes have remained relatively stable, sustained raw material cost pressures are likely to weigh on profitability. Meaningful margin expansion in the near term appears limited unless supported by an upcycle in global cotton prices or policy actions, such as import duty rationalization or reforms in domestic cotton pricing.

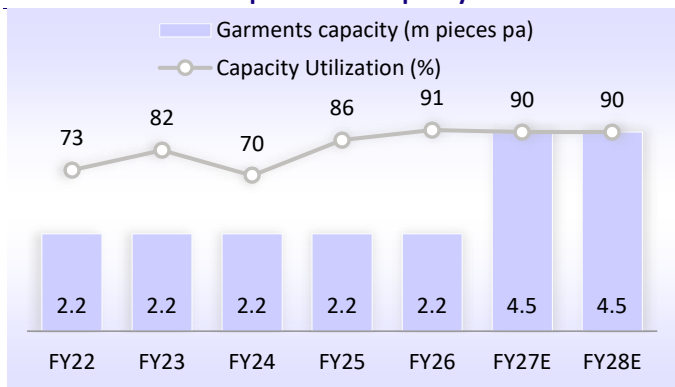
Garments: Smaller presence in larger TAM

Garments: A growth opportunity

VTEX specializes in both formal and casual shirts in a range of fabrics, including 100% cotton, poly-cotton blends, cotton stretch/lycra, linen, cotton modal, cotton tencel, cotton viscose, and Mélange. VTEX caters to brands including Zara, Land’s End, and Ben Sherman through its garment division. The company has a capacity of 2.2m pieces per annum and had a production of 2m pieces per annum, at a capacity utilization of 91%. The realization in garments grew at a CAGR of 6% over FY22-26 and is INR683 per piece. VTEX has competition from established players in the garment segment, as it is a latecomer in this segment, even though it has a robust backward-integrated network.

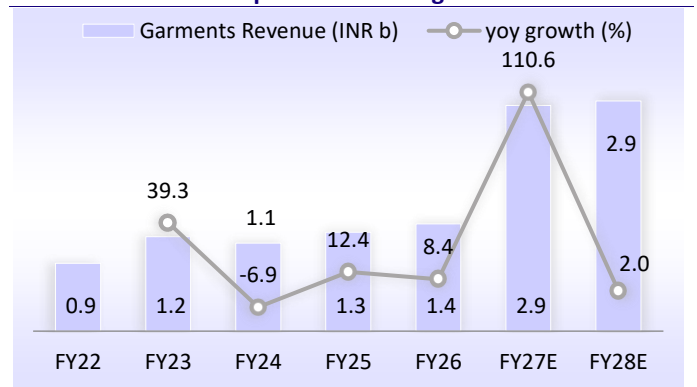
Currently, as VTEX has a small capacity in garments, the fixed cost per shirt is significantly high at ~INR35-40 per shirt, which is ~6-7% of the realization. VTEX is adding a small capex in the garments segment to take its garment capacity to 4.5m pieces, at an investment of INR1.25b, and this is expected to be completed in about eight months. We expect the garment segment to clock 47% CAGR, on a low base, over FY26-28, led by new capacity additions.

Exhibit 277: Garment production capacity



Source: Company, MOFSL

Exhibit 278: Revenue performance of garments



Source: Company, MOFSL

Expansion into synthetic performance fabrics to diversify the portfolio

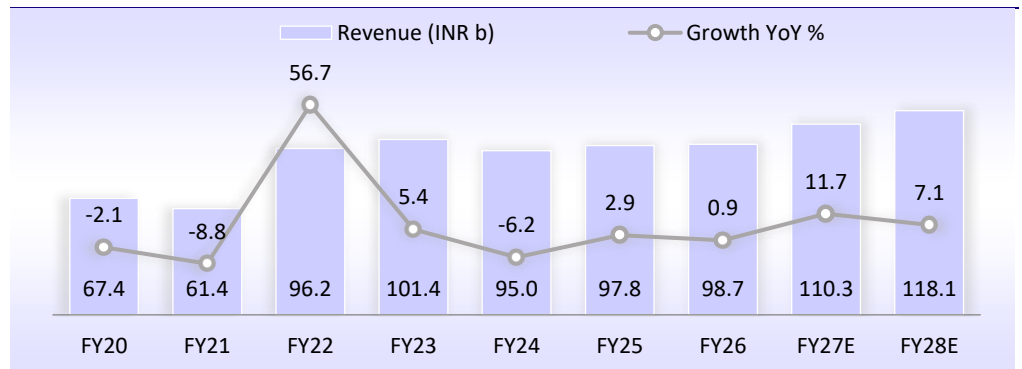
VTEX has invested ~INR3.5b to expand into 100% synthetic filament-based fabrics, adding ~18m meters per annum of capacity focused on outerwear such as jackets and windcheaters. The project has been commissioned, and is expected to scale meaningfully in the coming ~6-9 months. VTEX has currently started servicing domestic customers, but plans to focus on developing international business in the segment. The company plans to have a strong domestic base as well as a well-diversified export base to maintain a balance across geographies. The company is working with existing customers of VTEX and is onboarding them with a product portfolio focused on sportswear and outerwear. The company is targeting to reach a utilization of ~60%+ for the next full year.

Financial outlook

Estimate a revenue CAGR of 9% over FY26-28

VTEX has delivered a flat revenue CAGR of ~0.6% over FY22-26, supported by scale in its spinning business and a sharp recovery in FY22. However, growth has moderated more recently amid cotton-led cost pressures and normalization in yarn realizations. Going forward, we estimate a revenue CAGR of 9% over FY26-28. This will be driven by the gradual scaling of the higher-margin fabric segment, including processed fabrics and the ramp-up of newly commissioned synthetic filament capacity (~18m meters), along with incremental gains from product mix improvement and export diversification.

Exhibit 279: Revenue to exhibit 9% CAGR over FY26-28

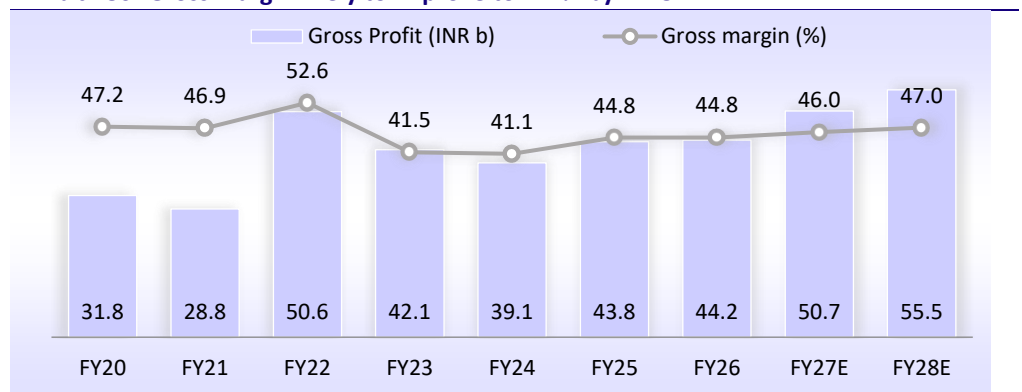


Source: Company, MOFSL

Gross margin likely to improve to ~47% by FY28

VTEX's gross margin dipped from ~52.6% in FY22 to ~41.1% in FY24 before recovering to ~44.8% in FY26. The compression was driven by elevated cotton costs and weaker yarn realizations. Going forward, margins are expected to improve to ~47% by FY28, supported by a higher share of processed fabrics, ramp-up of synthetic textiles, and better spread.

Exhibit 280: Gross margin likely to improve to ~47% by FY28

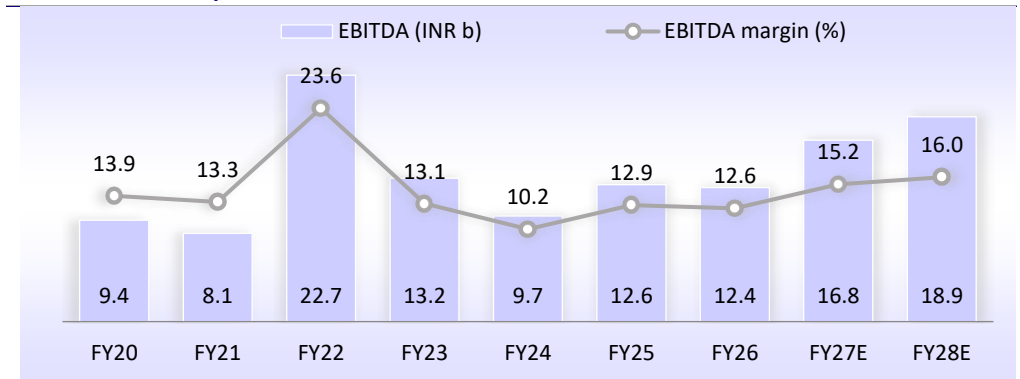


Source: Company, MOFSL

We expect an EBITDA CAGR of 24% over FY26-28

VTEX’s EBITDA declined from ~INR22.7b in FY22 to ~INR12.4b in FY26, at a negative CAGR of 14%. EBITDA margins peaked to ~23.6% in FY22 before moderating to ~12.6% in FY26 due to elevated raw material costs and normalization in the spinning cycle. Going forward, EBITDA is expected to clock a CAGR of ~24% over FY26-28, with margins gradually improving to ~16.0% by FY28. This growth will be supported by a higher share of value-added fabrics, a higher spread, and benefits from the ongoing modernization and operating leverage.

Exhibit 281: We expect an EBITDA CAGR of 24% over FY26-28

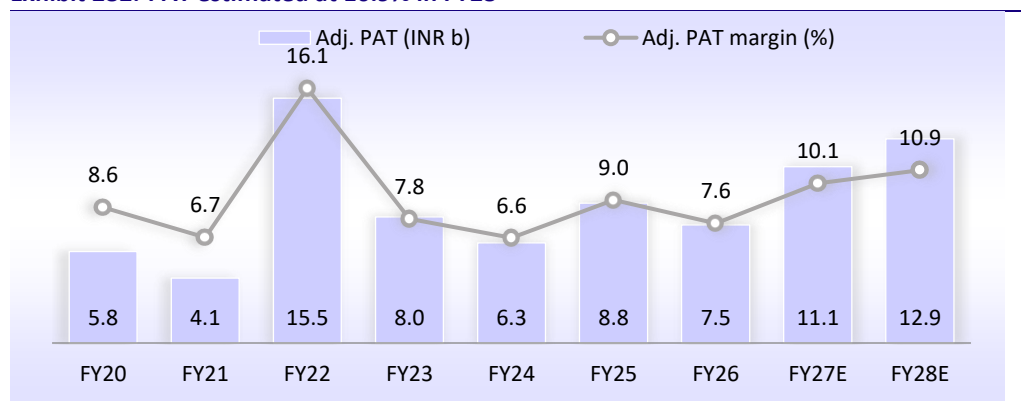


Source: Company, MOFSL

PAT margin estimated at 10.9% in FY28

VTEX’s PAT has declined from ~INR15.5b in FY22 to ~INR7.5b in FY26, reflecting a negative CAGR of ~17%, due to elevated raw material prices. PAT margins peaked at ~16.1% in FY22, before moderating to ~9.0% in FY25 and then falling to 7.6% in FY26, amid higher cotton costs and margin compression in yarn. Margins are expected to soften in the near term due to elevated capex and associated costs before gradually recovering. As fabric and synthetic segments scale and operating leverage improves, PAT margins are estimated to recover to ~10.9% by FY28.

Exhibit 282: PAT estimated at 10.9% in FY28

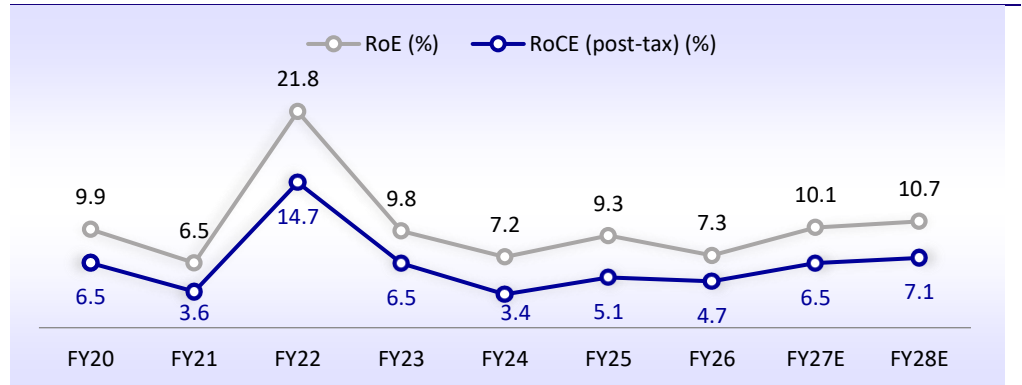


Source: Company, MOFSL

Return ratios to gradually recover by FY28

The return ratios have remained under pressure, reflecting cyclical profitability and an ongoing capex cycle. RoCE declined from ~14.7% in FY22 to a low of ~4.7% in FY26, while RoE moderated from ~21.8% in FY22 to ~7.3% in FY26. The compression has been driven by lower margins in the spinning segment and elevated capital deployment across fabric expansion, synthetic capacity, and modernization. Going forward, return ratios are expected to improve gradually, with RoE reaching ~10.7% and RoCE ~7.1% by FY28, supported by better utilization of new capacities, improved product mix, and recovery in operating margins.

Exhibit 283: Return ratios to improve

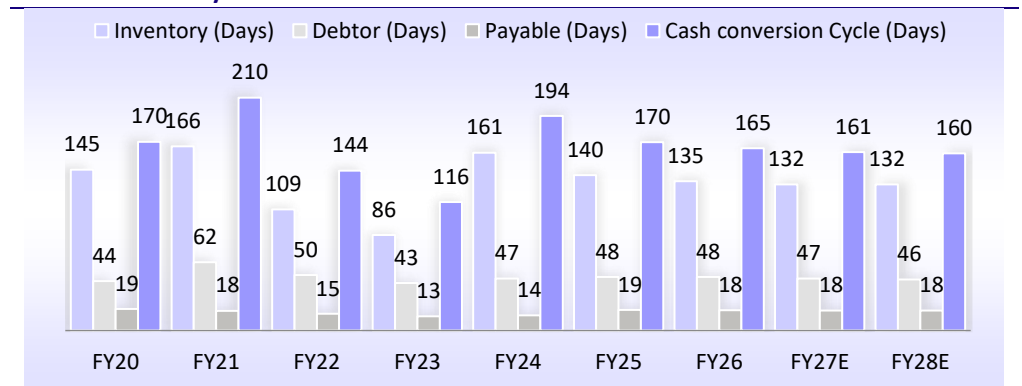


Source: Company, MOFSL

Cash conversion cycle (CCC) to remain elevated, with gradual improvement

The company's CCC remains structurally high, reflecting the working capital-intensive nature of the yarn and fabric business. CCC increased to a peak of ~210 days in FY21, moderated to ~116 days in FY23, and rose again to ~165 days in FY26, largely driven by elevated inventory levels. While receivable days have remained relatively stable (~45–50 days), inventory continues to be the key driver of volatility (~140+ days). Going forward, CCC is expected to gradually improve to ~160 days by FY28, supported by better inventory management, normalization in demand cycles, and improved operational efficiencies, aiding steady operating cash flows.

Exhibit 284: Steady CCC

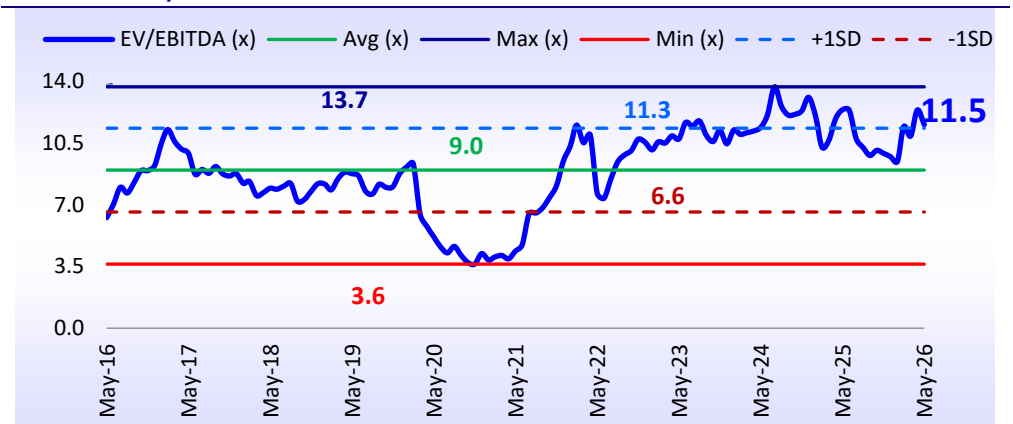


Valuation & view: Initiate coverage with a NEUTRAL

- We expect VTEX to benefit from:
 - The yarn segment remains closely linked to downstream demand from garments and home textiles, both domestically and globally. Over FY22-26, this segment observed flat growth, while we expect 5% CAGR over FY26-28, led by higher realization.
 - VTEX currently operates ~2.2m garment capacity with clients such as Zara, Lands' End, and Ben Sherman, leveraging strong backward integration. We expect 47% CAGR, on a low base, over FY26-28, led by capacity expansion to ~4.5m pieces.
 - Overall, we expect its revenue to clock 9% CAGR over FY26-28, driven by gradual scaling on the yarn business.

- **We initiate coverage on VTEX with a NEUTRAL rating and a TP of INR700 based on 11x FY28 EV/EBITDA, given limited growth prospects in the spinning business and its relatively late foray into the garment segment.**
- Key risks would include: 1) high dependence on cotton prices and cotton-yarn spread, 2) weaker apparel and home textile demand, and 3) competition from low-cost manufacturing countries.

Exhibit 285: EV/EBITDA



Source: Bloomberg, MOFSL

Bull and Bear cases



Bull case

- ☑ In our Bull case scenario, we factor in a 10% revenue CAGR over FY26-28E, driven by a higher new business contribution.
- ☑ Further, we expect operating leverage to improve EBITDA margin to 17.0% by FY28 (from 12.6% in FY26).

Bear case

- ☑ In our Bear case scenario, we factor in an 8% revenue CAGR over FY26-28E, driven by a lower new business contribution.
- ☑ Further, we expect operating leverage to improve EBITDA margin to 15.0% by FY28 (from 12.6% in FY26).

Exhibit 286: Scenario analysis

Particulars	Bear case	Base Case	Bull case
Revenue CAGR FY26-28E	8%	9%	10%
EBITDA CAGR FY26-28E	18%	24%	28%
EBITDA Margin FY28E	15.0%	16.0%	17.0%
EV/EBITDA	10	11	12
Target Enterprise Value (INR m)	1,75,366	2,09,170	2,46,979
Net Debt (INR m)	6,718	6,718	6,718
Target Equity Value (INR m)	1,68,648	2,02,453	2,40,262
Outstanding Shares (Nos m)	289	289	289
Target price (INR)	583	700	831
CMP (INR)	657	657	657
Upside/Downside	-11%	6%	26%

Source: MOFSL

Key Risks

High dependence on cotton prices and cotton-yarn spread

Profitability remains highly sensitive to fluctuations in domestic and global cotton prices. Since yarn realizations are linked to international cotton prices, sharp increases in Indian cotton prices may not be fully passed on to customers, compressing spreads and margins.

Weaker apparel and home textile demand

Weak apparel demand in key markets such as the US and Europe, inventory corrections by global brands, or recessionary conditions can impact yarn demand, realizations, and capacity utilization.

Competition from low-cost manufacturing countries

Intensifying competition from countries such as Bangladesh, Vietnam, and China, particularly in downstream textile and garment segments, could pressure pricing and market share. Any adverse trade agreements or duty disadvantages for India may further affect competitiveness.

Company Background

VTEX is one of India’s largest integrated textile players, with a dominant position in cotton yarn and a strong presence in fabrics and garments. The company operates 15 manufacturing facilities across India and has one of the largest spinning capacities in the country, with 1.25m spindles, making it a key supplier to both domestic and global markets. Its operations are vertically integrated across spinning, weaving, processing, and garmenting, thereby enabling tighter control over costs, quality, and lead times. The company derives a significant share of its revenues from yarn, while steadily scaling its higher value-added fabric and garment segments to improve margins and reduce earnings volatility. VTEX has a well-diversified export footprint spanning 60+ countries, supplying leading global brands while also maintaining a strong domestic presence.

Management Team

Exhibit 287: Management Team

Leader	Role	Experience
Mr. Shri Paul Oswal	Chairman & MD	❖ Shri Paul Oswal is the Chairman and Managing Director of Vardhman Group, with over five decades of experience in the textile industry. A gold medalist in Commerce from Punjab University, he has played a pivotal role in driving VTEX’s growth and establishing it as a leading integrated textile player in India. He has been recognized with several prestigious honors, including the Padma Bhushan in 2010, along with multiple industry awards for leadership and contribution to the textile sector.
Mrs. Suchita Jain	Vice Chairman & Joint MD	❖ Suchita Oswal Jain, a third-generation entrepreneur at Vardhman Group, has over two decades of experience within the organization and has been instrumental in driving its forward integration strategy. She played a key role in establishing the Group’s first fabric manufacturing plant and has since built the fabric business into a significant contributor, acting as a key growth driver. A commerce graduate from Panjab University, with leadership training from London Business School and INSEAD, she has received multiple recognitions for her leadership, including awards from ET, Outlook Business, and India CSR.
Mr. Neeraj Jain	Joint MD & Head - Yarn Business	❖ Neeraj Jain has been the Joint Managing Director and Head of the Yarn Business at VTEX since August 2014, and brings over three decades of experience within the Vardhman Group. A Chartered Accountant with a Bachelor’s degree in Commerce, he has spent his entire career with the company, playing a key role in strengthening its leadership in the yarn segment. He is also a board member across multiple group companies and has further enhanced his leadership capabilities through the Program for Leadership Development at Harvard Business School.
Mr. Rajeev Thapar	CFO	❖ Rajeev Thapar is a senior finance leader at VTEX, associated with the Group since 1990. A Chartered Accountant with a Bachelor’s degree in Commerce, he oversees key functions including finance, accounts, taxation, MIS, secretarial, and insurance, playing a critical role in the company’s financial management. Over his long tenure, he has also handled legal, internal audit, and commercial functions, reflecting his broad expertise across core business operations.

Source: Company, MOFSL

ESG initiatives



Environment

- Targeting ~42% reduction in Scope 1 & 2 emissions by 2030 (MCAP) and net-zero by 2045, supported by scaling rooftop solar (~31 MWp to ~70 MWp) and transitioning from coal to biomass/biogas.
- ~36% of raw materials are sustainably sourced, backed by certifications such as GOTS, GRS, BCI, and Fairtrade.

Social

- Trains farmers in sustainable practices and supports women through skill development while investing in education infrastructure such as schools and Anganwadi centers.
- Funds medical infrastructure and runs health camps, blood donation drives, and awareness programs such as menstrual hygiene (Project Nandini).

Governance

- Well-diversified Board of Directors (~50% independent, with ~33% women) with dedicated committees (audit, risk, CSR, and ESG) ensuring focused governance.
- Defined reporting structures, regular compliance reviews, and active board oversight support transparency, accountability, and performance monitoring.

SWOT analysis

- ❖ Large spinning capacity (>1 m spindles) with an integrated yarn-to-garment model supports cost efficiency and quality control.
- ❖ Strong balance sheet with low leverage and a diversified export presence across 60+ countries.



- ❖ Profitability is exposed to fluctuations in cotton prices due to high dependence on cotton as a key raw material.
- ❖ A relatively smaller garmenting segment restricts full margin capture and increases exposure to cotton price volatility.



- ❖ Scaling fabrics and garments can drive margin improvement and reduce commoditization risk.
- ❖ China+1 tailwinds along with a ban on Xinjiang-based cotton and rising demand for sustainable textiles create growth opportunities.



- ❖ Cotton price volatility and cyclical demand can impact margins and utilization.
- ❖ Slowdowns in key markets (US/EU) and competition from low-cost hubs like Bangladesh and Vietnam may pressure growth and pricing.



Financials and valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	61,399	96,223	1,01,375	95,047	97,849	98,691	1,10,257	1,18,095
Change (%)	-8.8	56.7	5.4	-6.2	2.9	0.9	11.7	7.1
Gross Profit	28,794	50,616	42,076	39,109	43,835	44,230	50,718	55,505
Total Expenses	53,260	73,484	88,135	85,315	85,221	86,304	93,498	99,200
EBITDA	8,138	22,739	13,240	9,732	12,628	12,386	16,759	18,895
EBITDAM (%)	13.3	23.6	13.1	10.2	12.9	12.6	15.2	16.0
Depn. & Amortization	3,638	3,675	3,944	4,046	4,009	4,645	5,036	5,386
EBIT	4,500	19,064	9,296	5,686	8,619	7,741	11,723	13,509
Net Interest	1,133	997	1,022	1,023	773	925	809	734
Other income	2,016	2,245	1,920	3,259	3,360	2,235	3,352	3,754
PBT Before EO Exp	5,383	20,312	10,194	7,923	11,206	9,051	14,266	16,530
EO expense	0	0	0	0	0	0	0	0
PBT after EO	5,383	20,312	10,194	7,923	11,206	9,051	14,266	16,530
Tax	1,364	5,197	2,552	1,982	2,815	2,019	3,139	3,636
Rate (%)	25.3	25.6	25.0	25.0	25.1	22.3	22.0	22.0
Minority and Associates	81	354	310	375	443	421	0	0
Reported PAT	4,099	15,469	7,952	6,316	8,833	7,453	11,128	12,893
Change (%)	-29	277	-49	-21	40	-16	49	16
Adjusted PAT	4,099	15,469	7,952	6,316	8,833	7,453	11,128	12,893
Change (%)	-29.0	277.4	-48.6	-20.6	39.9	-15.6	49.3	15.9

Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	566	568	569	569	569	569	569	569
Reserves	64,173	76,469	85,066	90,432	98,391	1,04,568	1,14,027	1,24,986
Net Worth	64,739	77,038	85,634	91,001	98,960	1,05,137	1,14,596	1,25,555
Minority Interest	1,332	1,375	885	879	696	741	741	741
Total Loans	18,690	20,050	16,961	18,054	12,505	18,685	16,185	14,685
Deferred Tax Liability	2,941	2,943	3,093	3,248	3,664	3,695	3,695	3,695
Capital Employed	87,702	1,01,407	1,06,573	1,13,183	1,15,825	1,28,257	1,35,216	1,44,675
Gross Block	53,560	56,659	64,942	67,146	74,443	88,527	1,01,010	1,08,023
Less: Accum. Deprn.	18,170	21,717	25,568	29,456	32,938	37,584	42,619	48,005
Net Fixed Assets	35,391	34,942	39,374	37,690	41,504	50,944	58,391	60,017
Capital WIP	780	2,412	510	608	2,519	5,862	1,103	1,181
Investments	10,745	16,911	25,488	16,991	18,436	18,282	17,050	18,097
Other Non-Current Assets	655	3,170	1,508	2,465	3,441	3,898	3,898	3,898
Curr. Assets	48,700	52,357	46,445	62,055	58,421	59,670	63,823	70,819
Inventory	27,961	28,823	23,927	41,799	37,615	36,433	39,874	42,708
Account Receivables	10,387	13,212	11,910	12,203	12,976	13,058	13,058	13,058
Cash	2,115	1,217	3,742	878	890	834	5,378	7,967
Loans and Advances	27	30	38	22	21	18	3,308	1,181
Other Current Assets	8,210	9,074	6,828	7,153	6,919	9,329	2,205	5,905
Curr. Liability & Prov.	8,568	8,384	6,752	6,625	8,496	10,398	9,047	9,337
Account Payables	2,993	3,956	3,599	3,584	4,966	4,968	4,968	4,968
Provisions & Others	5,575	4,429	3,153	3,042	3,530	5,431	4,080	4,370
Net Curr. Assets	40,132	43,972	39,693	55,429	49,925	49,272	54,776	61,482
Appl. of Funds	87,702	1,01,407	1,06,573	1,13,182	1,15,826	1,28,257	1,35,216	1,44,675

E. MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
Adjusted EPS	14.5	54.4	28.0	22.2	31.1	26.2	39.1	45.3
Growth (%)	-29.1	275.5	-48.6	-20.6	39.9	-15.7	49.3	15.9
Cash EPS	27.4	67.4	41.8	36.4	45.1	42.5	56.8	64.2
BV/Share	228.9	271.1	301.1	319.9	347.9	369.4	402.7	441.2
DPS	51.5	0.0	3.5	4.0	5.0	5.0	5.8	6.7
Payout (%)	355.3	0.0	12.5	18.0	16.1	19.1	14.8	14.8
Valuation (x)								
P/E	45.4	12.1	23.5	29.6	21.2	25.1	16.8	14.5
Cash P/E	24.0	9.8	15.7	18.0	14.6	15.5	11.6	10.2
P/BV	2.9	2.4	2.2	2.1	1.9	1.8	1.6	1.5
EV/EBITDA	24.9	9.0	15.1	21.0	15.7	16.5	11.8	10.3
Return Ratios (%)								
EBITDA Margin (%)	13.3	23.6	13.1	10.2	12.9	12.6	15.2	16.0
Net Profit Margin (%)	6.7	16.1	7.8	6.6	9.0	7.6	10.1	10.9
RoE	6.5	21.8	9.8	7.2	9.3	7.3	10.1	10.7
RoCE (post-tax)	3.6	14.7	6.5	3.4	5.1	4.7	6.5	7.1
RoIC (post-tax)	4.5	18.4	8.8	4.4	6.4	6.0	8.3	8.9
Working Capital Ratios								
Fixed Asset Turnover (x)	1.7	2.8	2.6	2.5	2.4	1.9	1.9	2.0
Asset Turnover (x)	1.0	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Inventory (Days)	166	109	86	161	140	135	132	132
Debtor (Days)	62	50	43	47	48	48	43	40
Payable (Days)	18	15	13	14	19	18	16	15
Cash conversion Cycle (Days)	210	144	116	194	170	165	159	157

Consolidated - Cash flow statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
(INR m)								
PBT	5,589	20,709	10,599	8,349	11,682	9,551	14,266	16,530
WC	-6,584	-4,219	7,493	-19,202	4,910	-1,117	-959	-4,117
Others	3,135	3,128	3,090	2,427	2,226	4,794	5,036	5,386
Direct taxes (net)	-463	-5,173	-2,653	-2,127	-2,381	-2,148	-3,139	-3,636
CF from Op. Activity	1,677	14,446	18,528	-10,552	16,438	11,081	15,205	14,162
Capex	-2,430	-5,191	-6,217	-2,840	-10,326	-17,379	-7,723	-7,091
FCFF	-753	9,255	12,311	-13,392	6,112	-6,298	7,481	7,071
Others	1,271	-3,801	-8,230	13,876	1,410	2,215	1,233	-1,048
CF from Inv. Activity	-1,159	-8,992	-14,447	11,036	-8,916	-15,164	-6,491	-8,139
Share capital	92	128	30	7	0	46	0	0
Borrowings	-885	-1,491	-3,056	1,139	-5,530	6,169	-2,500	-1,500
Finance cost	-944	-860	-961	-987	-615	-776	0	0
Dividend	-3	-3,492	-5	-1,056	-1,184	-1,458	-1,669	-1,934
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	-1,740	-5,714	-3,992	-897	-7,329	3,980	-4,169	-3,434
(Inc)/Dec in Cash	-1,222	-260	90	-413	193	-102	4,545	2,589
Opening balance	2,149	926	666	756	343	536	433	4,978
Adjustments	0	0	0	0	0	0	0	0
Closing balance	926	666	756	343	536	433	4,978	7,567

E. MOFSL Estimates

BSE Sensex
77,094

S&P CNX
24,103

CMP: INR163

Not Rated



Kitex Garments Limited

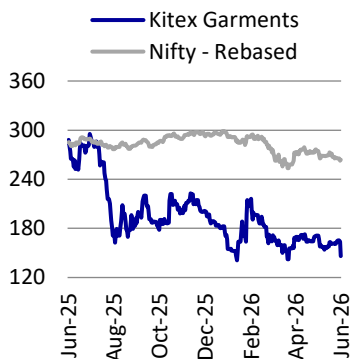
Stock Info

Bloomberg	KTG IN
Equity Shares (m)	200
M.Cap.(INRb)/(USD\$b)	29.2 / 0.3
52-Week Range (INR)	304 / 138
1, 6, 12 Rel. Per (%)	-11/-17/-41
12M Avg Val (INR M)	287
Free float (%)	43.3

Shareholding pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	56.7	56.7	56.7
DII	0.1	0.2	0.9
FII	0.9	0.9	0.9
Others	42.3	42.3	41.6

Stock Performance (1-year)



Beyond Infant Apparel—Building a Multi-Category Manufacturing Platform

We recently visited KGL Garments Ltd (KGL) manufacturing facilities and interacted with the senior management team to gain a deeper understanding of the company's expansion plans, operational capabilities, customer relationships, and strategic direction. Our visit provided valuable insights into the scale of ongoing investments, the proposed corporate restructuring, and management's long-term vision of building a globally competitive apparel manufacturing platform.

One of the World's Largest Infant Apparel Manufacturers

KGL has established itself as one of the world's largest manufacturers of infant apparel, serving several marquee global retailers and brands. The company has spent over three decades building expertise in a highly specialized segment characterized by stringent quality, compliance, and safety requirements. During our interaction, management highlighted its long-standing customer relationships and its ability to consistently meet the demanding standards of global retailers, which continue to remain key competitive advantages.

Telangana Expansion Creates Significant Growth Runway

A key takeaway from our visit was the scale of the company's expansion program in Telangana. Management reiterated its ambition of creating one of India's largest integrated apparel manufacturing ecosystems. The ongoing investments are expected to substantially enhance production capacity over the coming years and position the company to capitalize on growing global sourcing opportunities. The scale of the planned infrastructure suggests that KGL is preparing for a significantly larger operational footprint than its historical base.

While the Telangana expansion significantly increases manufacturing capacity, its true strategic value lies in the integrated production model, which is expected to improve supply-chain control, optimize costs, and enhance profitability through greater operating leverage.

Positioned to Benefit from Global Sourcing Diversification

Global retailers continue to diversify their sourcing networks amid geopolitical uncertainties, supply chain disruptions, and rising concentration risks. India has emerged as an increasingly attractive sourcing destination, supported by favorable demographics, improving infrastructure, and government support for manufacturing. Management believes that KGL's established compliance standards, scale, and execution capabilities position the company favorably to benefit from these structural industry shifts.

Vendor Consolidation Favours Large, Integrated Suppliers

Another theme emphasized during the interaction was the ongoing consolidation of supplier relationships among global retailers. Large apparel buyers are increasingly seeking fewer but larger and more reliable manufacturing partners capable of delivering scale, quality assurance, compliance, and product innovation. The company's integrated manufacturing model and planned capacity additions could strengthen its positioning within this evolving sourcing landscape.

Product Diversification Expands the Long-Term Growth Opportunity

A key takeaway from our interaction with management was the company's strategic intent to diversify beyond its traditional infant apparel segment into adjacent apparel categories. Management believes that the Telangana facilities, with their large-scale integrated manufacturing capabilities, will provide the flexibility to address a broader range of garment categories over time.

This diversification strategy appears significant for three reasons. First, it substantially expands the company's addressable market, given that the global adult apparel market is considerably larger than the infant apparel segment. Second, it provides opportunities to deepen relationships with existing global retailers while attracting new customers across a broader range of apparel categories. Third, the ability to manufacture multiple product categories could enhance capacity utilization, diversify revenue streams, and improve long-term growth visibility.

Eliminating the Governance Overhang, Unlocking the Scale Opportunity

The proposed demerger of the Textile Business Division of Kitex Childrenswear Ltd into KGL represents a significant strategic development. The transaction will consolidate promoter-group textile operations within a single listed entity, bringing together manufacturing assets, investments, intellectual property, and operational capabilities under one platform. Beyond operational synergies and scale benefits, the restructuring is expected to simplify the corporate structure, reduce related-party operational dependencies, improve transparency, and create a cleaner ownership framework.

Key Monitorables

Key factors to monitor include the pace of capacity commissioning and ramp-up in Telangana, successful integration of the proposed restructuring, customer additions, order inflows from global retailers, labor availability, and developments in U.S. trade and tariff policies that could impact apparel imports.

Our View

Our facility visit and management interaction reinforced the view that KGL is entering a new phase characterized by significant capacity expansion, structural simplification, and increasing operational scale. The Telangana investments and proposed corporate restructuring have the potential to reshape the company's operating profile, while ongoing global sourcing shifts and vendor consolidation trends could provide a supportive industry backdrop. The execution of expansion plans and realization of merger-related benefits will remain key determinants of the company's trajectory in the years ahead.

Creating Value Through Scale, Compliance and Trust

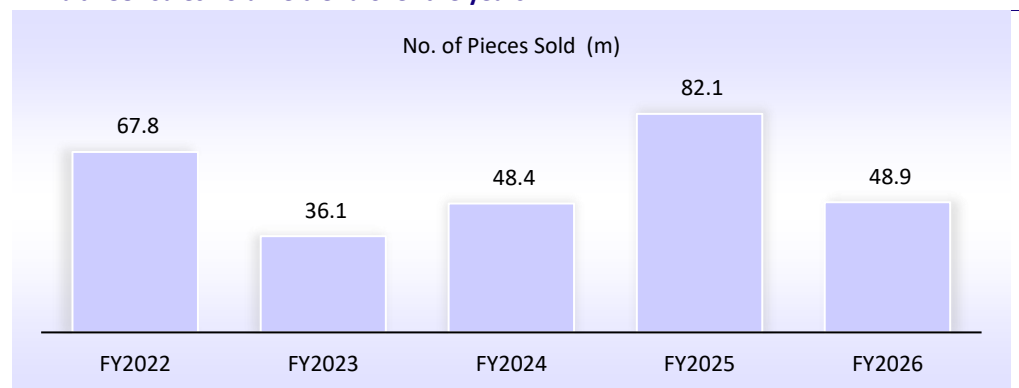
World's Second-Largest Infant Apparel Manufacturer with Over Three Decades of Expertise

KGL has over 32 years of experience in the infant garment industry and is among the world's largest manufacturers of infant apparel, as well as one of India's leading exporters in this segment. The company has built long-standing relationships with prominent global retailers including Carter's, Gerber Childrenswear, Walmart, Amazon, and The Children's Place, resulting in a steady stream of repeat business.

The infant apparel segment is characterized by stringent quality standards, high levels of customization, and significant value addition, creating meaningful entry barriers for new competitors. These factors enable manufacturers with established capabilities to earn superior margins compared to many other apparel categories. Furthermore, demand for infant garments tends to be relatively resilient, as purchases are driven by essential consumption needs and demographic factors, making the segment less susceptible to economic slowdowns than discretionary adult apparel categories.

This combination of specialized manufacturing expertise, long-standing customer relationships, and a resilient end market positions KGL favorably within the global apparel supply chain.

Exhibit 288: Sales volume trend over the years



Source: Company, MOFSL

Barriers Built on Trust: Why Global Retailers Rely on KGL's Compliance Infrastructure

In the global apparel industry, infant wear (0–24 months) is among the most highly regulated product categories. Safety, traceability, and quality assurance are not merely operational requirements but critical prerequisites for participation in global supply chains. Over the years, KGL has built a comprehensive compliance and quality-control framework that serves as a significant competitive advantage and creates meaningful barriers to entry for smaller and less organized manufacturers.

For leading global retailers, product safety failures can result in costly recalls, regulatory penalties, reputational damage, and loss of consumer trust. Consequently, buyers place a high value on suppliers that can consistently demonstrate compliance with stringent international standards. KGL's ability to

meet these requirements has helped the company establish long-standing relationships with major global retailers and infant-wear brands. This level of institutional safety is nearly impossible for fragmented, unorganised peers to replicate at scale.

(a) Chemical & Ecological Safety: The Toxicity Barrier

Infants are particularly vulnerable to chemical exposure due to their sensitive skin and tendency to place garments in their mouths. As a result, chemical safety standards for infant apparel are significantly more stringent than those applicable to adult garments.

Global Certifications and Standards

KGL adheres to internationally recognized safety and sustainability standards, including:

- OEKO-TEX Standard 100 Class I, the most stringent category applicable to products intended for babies and young children.
- Global Organic Textile Standard (GOTS), one of the world's leading certifications for organic textiles.

These standards require rigorous testing and control of potentially harmful substances, including heavy metals, pesticides, formaldehyde, and other chemical residues.

Focus on Safe Materials

The company's manufacturing processes emphasize the use of child-safe dyes, hypoallergenic materials, and sustainable raw materials designed to meet the strict requirements of international retailers and regulators. To reduce variability and minimize the risk of human error, KGL utilizes automated laboratory systems for dye formulation and recipe preparation. This enables precise chemical dosing and consistent adherence to prescribed safety standards across production batches.

(b) Mechanical & Physical Safety: The Choking Hazard Barrier

In addition to chemical safety, infant garments must comply with strict regulations governing physical safety. Standards such as the Consumer Product Safety Commission requirements and European product safety regulations focus on preventing choking hazards, sharp objects, and other physical risks. KGL employs multiple layers of quality assurance designed to minimize these risks.

Pull Testing of Components

Buttons, snaps, fasteners, and decorative trims undergo rigorous pull testing to ensure they remain securely attached during normal usage and laundering, reducing the risk of detachment and potential choking hazards.

Broken Needle Controls and Metal Detection

The company maintains strict procedures governing needle breakage on production lines and subjects finished garments to metal detection screening prior to shipment. These processes are intended to ensure that no metallic fragments remain within finished products.

(c) Why Compliance Creates a Competitive Moat

For major retailers such as Walmart, Target Corporation, and Carter's, supplier reliability is often as important as manufacturing cost. The financial and reputational consequences of a product recall can far exceed any savings achieved through lower-cost sourcing.

Many fragmented apparel manufacturers rely heavily on outsourced processing, dyeing, fabric sourcing, or stitching operations. Such fragmented production structures can make end-to-end traceability and quality control more challenging. In contrast, KGL's integrated manufacturing model, extensive compliance infrastructure, and established quality-control systems provide customers with greater visibility and confidence regarding product safety and consistency.

These capabilities offer several strategic advantages:

- **Higher Customer Retention:** Retailers are less likely to switch suppliers when product safety and compliance are mission-critical.
- **Long-Term Vendor Relationships:** Strong compliance credentials support multi-year partnerships with global brands.
- **Potential Pricing Power:** Suppliers capable of consistently meeting stringent regulatory standards may be better positioned to protect margins compared to commodity apparel manufacturers.
- **High Entry Barriers:** Replicating KGL's certifications, quality systems, testing infrastructure, and compliance culture requires substantial investment, expertise, and time.

As global retailers increasingly prioritize product safety, sustainability, and supply-chain transparency, KGL's compliance-led operating model serves not only as a risk-management tool but also as a durable competitive advantage that strengthens its position within the global infant apparel industry.

Driving Sustainable Growth Through Diversified Product Offerings and Enduring Global Customer Relationships

Transitioning from a Niche Infant-Wear Manufacturer to a Diversified Global Apparel Platform

Over the past three decades, KGL has built deep expertise in infant apparel manufacturing, a segment characterized by stringent quality standards, high customization requirements, and strong customer retention. The company is now undertaking a transformative growth strategy through its large-scale expansion in Telangana under KGL Apparel Parks Limited (KAPL). This expansion marks a strategic shift from being a predominantly infant-focused cotton garment manufacturer to becoming a diversified apparel and textile platform capable of serving a broader range of global apparel categories.

As part of this evolution, KGL is expanding its product portfolio beyond traditional cotton infant wear into polyester-based apparel, blended fabrics, and specialized functional textiles. New product categories under development include polar fleece, micro-fleece, and flame-retardant (FR) fleece garments, enabling the company to address higher-value segments of the global apparel market. In addition, KGL plans to enter men's and women's innerwear and outerwear categories, significantly widening its customer base and reducing dependence on the infant-wear segment.

Exhibit 289: Multi-age apparel platform: infants to teenagers



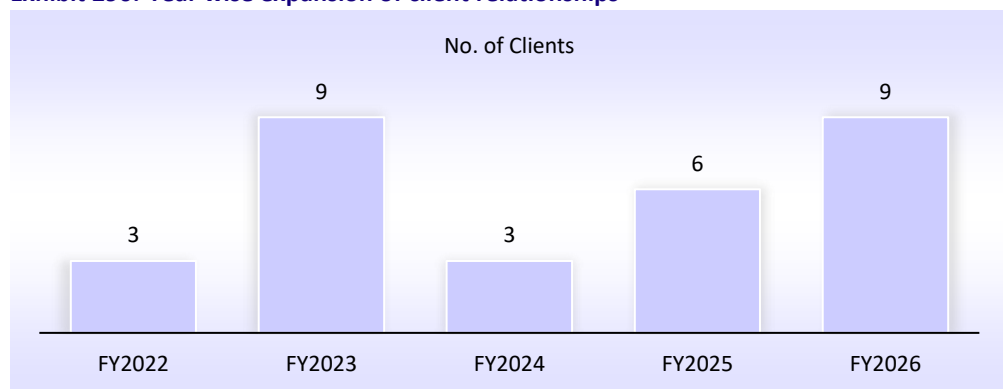
Source: Company, MOFSL

If executed successfully, the Telangana expansion could transform KGL from a niche global leader in infant garments into a diversified apparel manufacturer with exposure to multiple high-growth categories, materially increasing its revenue potential and strategic relevance within global apparel supply chains.

Established Relationships with Leading Global Retailers and Brands

KGL has established a strong global presence by supplying apparel to some of the world's largest retailers and infant-wear brands. Over the years, the company has built long-standing relationships with leading global customers, including Walmart, Target Corporation, Carter's, Gerber Childrenswear, Amazon, The Children's Place, H&M and Garnimals.

Exhibit 290: Year wise expansion of client relationships



Source: Company, MOFSL

Exhibit 291: Year wise major customer relationships

FY22	FY23	FY24	FY25	FY26
The Children's Place	The Children's Place	The Children's Place	The Children's Place	The Children's Place
The William Carter Company	The William Carter Company	The William Carter Company	The William Carter Company	The William Carter Company
Carters Shanghai Trading Co Ltd.	Carters Shanghai Trading Co Ltd.	Gerber Childrenswear Llc	Gerber Childrenswear Llc	Gerber Childrenswear Llc
	Gerber Childrenswear Llc		H & O Fashion Chains	H & O Fashion Chains
	H & O Fashion Chains		The Genuine Canadian	The Genuine Canadian
	Intratext De El Salvador Sa De Cv		Carters Brands S.A. De C.V	Carters Brands S.A. De C.V
	The Genuine Canadian Corp			H & M Hennes & Mauritz Gbc Ab
	Carters Brands S.A. De C.V			Haddad Apparel Group Ltd
	Tai Apparel			Garan Manufacturing Corp

Source: Company, MOFSL

These relationships have been built over several years through consistent product quality, reliable execution, and adherence to stringent global compliance and safety standards that are particularly critical in the infant apparel segment. The ability to meet demanding customer specifications, maintain high manufacturing standards, and deliver at scale has enabled KGL to become a trusted sourcing partner for leading international retailers.

Looking ahead, the company's expansion strategy extends beyond capacity addition and includes a deliberate effort to broaden its customer base. By entering new product categories such as adult apparel, synthetic garments and fleece products, KGL aims to position itself as a multi-category apparel supplier capable of serving a wider range of global retail requirements.

This strategic shift is expected to support three key objectives:

- **Access to Larger Retail Programs:** The expanded product portfolio enables KGL to participate in sourcing programs that extend beyond infant wear, thereby increasing wallet share with existing customers and creating opportunities to engage with new global retailers.
- **Expansion into UK and European Markets:** The company is targeting leading UK and European retailers that require diversified apparel sourcing capabilities. This provides an avenue for geographic diversification and reduces dependence on any single market.
- **Leveraging India's Trade Competitiveness:** Recently concluded and prospective free trade agreements can improve the competitiveness of Indian apparel exports in key international markets. KGL expanded manufacturing capabilities position it to capitalize on these opportunities as retailers increasingly diversify their sourcing away from traditional manufacturing hubs.

As the company transitions into a broader apparel platform, its established relationships with marquee global retailers provide a strong foundation for future growth. The combination of customer credibility, manufacturing scale, and product diversification could enable KGL to deepen existing partnerships while attracting a new generation of global retail customers.

From Global Manufacturing Partner to Consumer Brand Owner: The "Little Star" Opportunity

From B2B Export Leader to Emerging Consumer Brand: The "Little Star" Growth Strategy

KGL is embarking on a significant strategic evolution from being primarily a business-to-business (B2B) export manufacturer to building a meaningful presence in the business-to-consumer (B2C) retail market through its flagship infant-wear brand, Little Star. This initiative represents a major step toward diversifying revenue streams, improving profitability, and reducing dependence on export markets.

Leveraging Brand Equity in the Domestic Market

For over three decades, KGL has manufactured infant garments for some of the world's leading retailers. Through the Little Star brand, the company is now seeking to leverage this manufacturing expertise and product quality directly in the Indian consumer market.

Management has indicated that the initial pilot retail operations generated encouraging results, reinforcing confidence in the scalability of the domestic retail strategy. The company's objective is to build a strong omnichannel presence that combines physical retail stores with major e-commerce platforms.

Aggressive Omnichannel Expansion

The Little Star rollout strategy is designed to create a nationwide consumer presence through both offline and online channels.

Retail Store Expansion

- The company has outlined plans for a large-scale retail expansion program across India, complemented by selective international expansion in markets such as the Middle East. The strategy aims to establish Little Star as a recognizable infant and children's apparel brand while building direct relationships with end consumers.

E-Commerce Presence

- To complement its physical store network, Little Star is expanding across leading digital marketplaces, including Amazon India and Flipkart. This omnichannel approach enables the company to reach consumers across geographies while reducing dependence on any single sales channel.

Margin Expansion Opportunity

One of the most compelling aspects of the domestic retail strategy is the potential for higher profitability. Unlike export-oriented B2B manufacturing, where a portion of value accrues to retailers and distributors, direct-to-consumer sales allow KGL to participate in a larger share of the value chain. As a result, successful execution of the Little Star strategy could contribute to improved gross margins and enhanced profitability over time. In addition, direct customer engagement provides valuable consumer insights that can support product development, inventory planning, and brand building.

Addressing a Large and Growing Market

The Indian infant and children's wear market is estimated to be valued at approximately ₹90,000 crore and is projected to grow to nearly ₹1.5 lakh crore by 2030, driven by rising disposable incomes, increasing urbanization, growing brand consciousness among parents, and the rapid expansion of organized retail and e-commerce channels.

Having spent over three decades manufacturing infant apparel for some of the world's leading retailers, KGL possesses deep expertise in product quality, safety standards, sourcing, and large-scale manufacturing. Through the Little Star brand, the company is now leveraging these capabilities to directly address the domestic consumer market.

Unlike many emerging children's apparel brands that must build manufacturing and supply-chain capabilities from scratch, KGL enters the market with established production infrastructure, proven quality credentials, and extensive experience in serving highly demanding international customers. These advantages provide a strong foundation for scaling the Little Star brand and capturing market share in a rapidly expanding industry.

Expanding Beyond Infant Wear

The retail strategy also aligns with the company's broader product diversification initiatives. In addition to infant apparel, KGL plans to expand into:

- Men's apparel.
- Women's apparel.
- Innerwear.
- Lifestyle and value-added garment categories.

This broader product portfolio can potentially increase customer acquisition opportunities, improve store economics, and enhance average transaction values across its retail network.

Why the Little Star Initiative Matters?

The Little Star strategy represents more than a brand launch—it is a structural shift in KGL's business model. If executed successfully, it could:

- Create a higher-margin direct-to-consumer revenue stream.
- Reduce dependence on export markets.
- Build a valuable consumer brand franchise.
- Leverage existing manufacturing capabilities across a larger value chain.
- Complement the company's broader diversification into new apparel categories.

Combined with the Telangana expansion and entry into new product segments, the development of Little Star has the potential to transform KGL from a specialized export manufacturer into a diversified apparel company with meaningful exposure to both global retail supply chains and domestic consumer markets.

Farm-to-Finish at Scale: Decoding the Rs 36b Telangana Greenfield Expansion

Strategic Investment in Telangana to Drive the Next Phase of Growth

Strategic Rationale: Building the Next Growth Engine

To diversify its manufacturing footprint beyond Kerala and significantly expand its addressable market, KGL is undertaking a large-scale greenfield expansion through its subsidiary, KGL Apparel Parks Limited (KAPL), in Telangana. The project represents a strategic transformation from a predominantly infant-wear exporter into a diversified, multi-category apparel and textile manufacturer with capabilities spanning the entire textile value chain.

The expansion is intended to achieve multiple objectives:

- Geographic diversification of manufacturing operations.
- Expansion into new apparel categories beyond infant wear.
- Greater vertical integration and supply-chain control.
- Significant enhancement of production capacity and revenue potential.
- Access to a broader global customer base across apparel segments.

Scale of Investment and Capital Allocation

The KAPL project represents a planned capital investment of ~Rs 36b, making it one of the largest textile and apparel investments undertaken by an Indian apparel exporter in recent years.

The project has been divided into two major phases:

Exhibit 292: Manufacturing Campus Details: Investment and Size

Location	Investment	Land Area
Warangal (Kakatiya Mega Textile Park)	Rs 18b	200 acres
Sitarampur (Near Hyderabad)	Rs 18b	250 acres
Total	Rs 36b	435 acres

Source: Company, MOFSL

The project is being funded through a combination of debt and equity, enabling the company to build large-scale integrated manufacturing infrastructure while preserving financial flexibility.

Building a Fully Integrated “Farm-to-Finish” Ecosystem

A key differentiator of the Telangana expansion is its focus on complete vertical integration. Unlike many apparel manufacturers that outsource various stages of production, KAPL is being developed as an integrated textile ecosystem covering the entire manufacturing value chain - (i) Spinning (ii) Knitting (iii) Processing and Bleaching (iv) Dyeing (v) Printing (vi) Cutting and (vii) Sewing and Garmenting

This integrated model is expected to provide greater control over quality, delivery schedules, traceability, and manufacturing costs. In addition, the company intends to source a meaningful portion of its cotton requirements directly from Telangana, one of India’s largest cotton-producing states, thereby strengthening raw material security and reducing supply-chain complexity.

The project incorporates modern automation technologies and sustainability initiatives, including:

- Advanced manufacturing automation.
 - Environmentally compliant processing systems.
 - Water recycling and conservation infrastructure.
 - Zero-liquid-discharge objectives.
 - Waste minimization initiatives.
 - Focus on sustainable and environmentally responsible manufacturing practices.
- These initiatives align with the increasing emphasis global retailers place on ESG compliance and sustainable sourcing.

Attractive State Incentives Strengthen Project Economics

A key factor influencing KGL's decision to establish the project in Telangana was the state's proactive support for large-scale textile investments.

The project benefits from several incentive mechanisms, including:

- Preferential land allocation.
- Interest subsidies on eligible borrowings. (Interest Subvention of 7.5% on eligible loans)
- Subsidized utility support.
- Reimbursements linked to employment generation and statutory contributions.
- Various incentives applicable under state industrial development policies.

These benefits have the potential to improve project economics, reduce operating costs, and enhance long-term returns on invested capital.

Capacity Expansion and Revenue Potential

The Telangana project has the potential to fundamentally alter the scale of the KGL business.

Production Capacity

Prior to the Telangana expansion, the group's manufacturing capacity was concentrated primarily in infant garments. The new facilities are expected to substantially increase production volumes while supporting multiple apparel categories. Management has indicated that, upon full ramp-up, the Telangana facilities could support production levels significantly higher than the company's historical capacity, creating a platform for sustained long-term growth.

Revenue Opportunity

Management has articulated an ambition for the KAPL facilities to generate annual revenues of up to Rs50b at mature utilization levels. Achieving this target would materially increase the group's revenue base and enhance its position in global apparel supply chains.

Product Diversification

The facilities are being configured to support:

- Infant apparel.
- Men's and women's innerwear.

- Outerwear.
- Woven garments.
- Polyester and blended-fabric apparel.
- Fleece and technical textile products.

This diversification significantly expands the company's addressable market and reduces dependence on a single product category.

Execution Progress and Timelines

Phase I – Warangal

The first phase at Warangal has commenced commercial operations in August 2025 and represents the initial growth driver for the Telangana expansion. Management expects the facility to progressively ramp up production and contribute meaningfully to revenue growth over the coming years.

Phase II – Sitarampur

The second phase is currently under development and is expected to become operational following completion of construction and equipment installation by September 2028. Once commissioned, it is expected to substantially increase the group's integrated manufacturing capabilities and overall production scale.

The Telangana expansion represents far more than a capacity addition project. It is the foundation of KGL's long-term strategy to evolve from a specialized infant-apparel exporter into a diversified, vertically integrated global apparel manufacturer. If executed successfully, the project could substantially increase production scale, diversify revenue streams, strengthen supply-chain control, improve operating leverage, and position the company as a more significant participant in global textile and apparel markets.

Exhibit 293: Facility showcase: campus scale and production operations



Source:Company, MOFSL

Industry-Leading Operational Excellence Through Complete Value Chain Integration

Fully Integrated Yarn-to-Garment Manufacturing Model with Industry-Leading Operational Efficiency

One of the key competitive strengths of KGL is its highly integrated manufacturing model, which enables the company to control nearly every stage of the textile and garment production process. Unlike many apparel manufacturers that rely on a fragmented network of third-party suppliers and processors, KGL has developed an end-to-end manufacturing ecosystem that provides greater control over quality, costs, delivery timelines, and compliance standards.

Absolute Vertical Integration: The Yarn-to-Garment Ecosystem

KGL operates a comprehensive "Yarn-to-Garment" manufacturing model that captures a significant portion of the textile value chain within its own facilities.

The integrated production process encompasses

- Yarn processing and preparation
- Knitting and fabric manufacturing
- Wet processing, washing, and dyeing
- Printing and embroidery
- Cutting, stitching, and garment assembly
- Quality control and packaging

The vertically integrated structure delivers several strategic advantages:

- **Supply Chain Reliability:** By manufacturing a substantial portion of its fabric requirements internally, KGL reduces dependence on external vendors, minimizes supply disruptions, and gains greater control over production schedules.
- **Enhanced Quality Control:** End-to-end oversight enables tighter monitoring of product quality throughout the manufacturing process, a particularly important consideration in the highly regulated infant apparel segment.
- **Traceability and Compliance:** Global retailers increasingly require complete visibility across the supply chain. KGL's integrated model facilitates product traceability and compliance with stringent international sourcing standards.
- **Faster Turnaround Times:** Internal coordination across production stages enables quicker response to customer requirements and reduces delays associated with outsourced manufacturing.

Historically, the company's integrated manufacturing infrastructure at Kizhakkambalam has supported large-scale production while maintaining the quality standards required by global retail customers.

Advanced Manufacturing Processes and Global Technology

A distinguishing feature of KGL's manufacturing platform is its continued investment in advanced textile machinery sourced from leading international equipment manufacturers.

- **Knitting Operations:** The company utilizes modern knitting machinery sourced from established global suppliers, enabling the production of high-quality knitted fabrics that meet the comfort, durability, and safety requirements of infant apparel.

- **Fabric Processing and Washing:** Wet processing operations employ advanced open-width washing and finishing technologies designed to preserve fabric characteristics such as softness, stretchability, and dimensional stability—critical attributes for infant garments.
- **Printing and Value Addition:** KGL's value-added manufacturing capabilities include advanced screen-printing and rotary-printing systems capable of producing intricate designs, high-volume production runs, and consistent print quality for global retail programs.
- **Embroidery and Product Enhancement:** Precision embroidery equipment supports premium garment programs that require intricate detailing and high-quality decorative finishes, enhancing the company's ability to cater to diverse customer requirements.

Automation and Production Efficiency: The Technology Advantage

Beyond vertical integration, automation forms an important pillar of KGL's manufacturing strategy. The company has invested in automated systems across multiple production processes to improve consistency, efficiency, and compliance.

- **Automated Dyeing and Chemical Management:** Automated laboratory systems are utilized for dye formulation and chemical recipe preparation. This technology-driven approach helps ensure consistency in colour matching, reduces manual intervention, and minimizes process variability.
- **Reduced Human Error and Improved Compliance:** Automation is particularly valuable in infant apparel manufacturing, where compliance with stringent international safety standards requires precise control over dyes, chemicals, and processing parameters. By reducing manual handling, KGL enhances process reliability and improves adherence to global certification requirements.
- **Higher Productivity and Lower Rejection Rates:** Continuous investments in automation have helped improve manufacturing efficiency, reduce defect rates, optimize resource utilization, and support higher output levels. These benefits contribute to improved operating leverage and strengthen the company's competitive position in global apparel sourcing.
- **Flexible Manufacturing Platform:** The integrated and automated production framework also allows the company to switch efficiently between different garment categories and customer programs, providing operational flexibility as KGL expands beyond its traditional infant-wear segment into broader apparel categories.

Why This Matters

The combination of vertical integration, advanced manufacturing technology, and automation creates a powerful competitive advantage for KGL. It enables the company to deliver superior quality, maintain stringent compliance standards, improve supply-chain reliability, and achieve better operational efficiency than many fragmented apparel manufacturers. As global retailers increasingly prioritize reliability, traceability, and sustainable sourcing, KGL's integrated manufacturing platform positions it favorably to capture larger sourcing programs and support its next phase of growth.

Learnings from the U.S. Tariff Episode: Strengthening Resilience and Competitiveness

The Tariff Turbulence: The US Tariff Cycle and Its Lasting Lessons

The Tariff Shock (2025): A Major External Disruption

The United States of America (USA) has historically been the largest export market for KGL, accounting for a substantial portion of its revenues through long-standing relationships with major American retailers.

The operating environment changed dramatically during 2025 as the USA implemented a series of tariff measures on Indian imports. The situation escalated significantly in August 2025 when additional duties on Indian goods increased the effective tariff burden on several export categories, including textiles and apparel, to as high as 50%. For Indian textile and apparel exporters, the tariff escalation represented one of the most significant external shocks in recent years and materially altered global sourcing economics.

Impact on KGL and the Indian Apparel Sector

The tariff increase created an immediate competitive challenge for Indian exporters with high exposure to the USA market. As tariff costs increased, sourcing destinations such as Vietnam, Bangladesh, and other apparel-exporting countries became relatively more competitive from the perspective of US buyers. This created pressure on Indian exporters as global retailers reassessed sourcing allocations and attempted to manage landed costs.

For companies with significant US exposure, the tariff environment created:

- Pressure on operating margins.
- Slower order conversion cycles.
- Reduced visibility on customer sourcing decisions.
- Greater earnings volatility.
- Increased uncertainty around future capacity utilization.

The episode highlighted the structural vulnerability associated with excessive dependence on a single export market.

The 2026 Rollback: Relief but Not a Return to the Old Reality

The operating environment improved substantially in early 2026 following legal and policy developments in the USA.

After court rulings invalidated portions of the earlier tariff framework, the previous reciprocal tariff structure was replaced by a temporary Section 122 tariff regime. The effective tariff burden on Indian imports was reduced significantly from the elevated 2025 levels, with a temporary 10% baseline tariff framework introduced in February 2026.

The rollback provided meaningful relief to Indian exporters by:

- Improving pricing competitiveness.
- Reducing pressure on margins.
- Supporting normalization of sourcing discussions.
- Improving order-book visibility.

While tariffs remained above historical norms, the reduction substantially improved the operating outlook relative to the conditions prevailing during the second half of 2025.

The Strategic Lesson: Geographic Diversification Is No Longer Optional

Although the tariff rollback improved near-term business conditions, the 2025 episode served as a critical strategic wake-up call for KGL. The tariff shock demonstrated that even highly efficient manufacturers with strong customer relationships remain exposed when a disproportionate share of revenues is concentrated in a single geography.

As a result, the company has accelerated efforts to diversify across:

- **Geographies** — expanding beyond the US into Europe, the UK, the Middle East, and India.
- **Sales Channels** — balancing export-oriented B2B manufacturing with domestic B2C retail through the Little Star brand.
- **Product Categories** — moving beyond infant wear into adult apparel, outerwear, fleece products, and synthetic garments.

This diversification strategy is designed to reduce earnings volatility and improve long-term business resilience.

A Stronger Business Model Emerging from the Crisis

In hindsight, the tariff disruption may ultimately prove strategically beneficial for KGL by accelerating decisions that were already necessary for long-term growth.

The company is now building a more balanced business model characterized by:

- Multiple geographic growth engines.
- Diversified product categories.
- Expanded domestic retail exposure.
- Reduced reliance on a single export market.
- Greater participation in higher-growth apparel segments.

The 2025 tariff shock exposed the risks of concentration, but it also accelerated KGL's transition toward becoming a diversified global apparel platform.

Leveraging European and UK Markets to Accelerate Growth and Reduce Geographic Concentration

Unlocking Europe: Why Europe and the UK Could Become Major Growth Drivers

The operationalization of the India–UK Free Trade Agreement (FTA) and the anticipated conclusion of the India–European Union FTA represent potentially transformative developments for the Indian apparel export industry. These agreements have the potential to eliminate longstanding tariff disadvantages that have constrained India's competitiveness in key international markets. However, while tariff parity creates the opportunity, the ultimate beneficiaries are likely to be large-scale, vertically integrated manufacturers capable of meeting increasingly stringent sustainability, traceability, and compliance requirements imposed by global retailers and regulators.

The Mathematics of Tariff Parity: Eliminating a Structural Competitive Disadvantage

For decades, Indian apparel exporters have operated at a tariff disadvantage relative to competing manufacturing hubs such as Bangladesh and Vietnam.

Historical Tariff Disadvantage

- Indian apparel exports to the UK were subject to import duties of approximately 12%.
- Indian textile and apparel exports to the European Union generally faced duties ranging around 9–12%, depending on product categories.
- In contrast, competitors such as Bangladesh benefited from preferential duty access under Least Developed Country (LDC) frameworks, while Vietnam secured preferential access through bilateral trade agreements.

As a result, Indian manufacturers were often required to either absorb the tariff burden through lower margins or lose orders to competing sourcing destinations.

The FTA Opportunity

The India–UK FTA effectively removes this structural pricing handicap and places Indian manufacturers on a more level playing field with competing apparel-exporting nations. A similar outcome under a future India–EU FTA could significantly improve India's competitiveness in one of the world's largest apparel consumption markets.

Beyond the direct tariff benefit, these agreements create an opportunity to diversify India's apparel exports away from excessive dependence on the United States and expand into high-value European markets.

The ESG Bottleneck: Why Tariff Benefits Alone Are Insufficient

While the market's attention has largely focused on tariff reductions, the more important long-term differentiator may be compliance with emerging European sustainability regulations.

The European Union is rapidly transforming its sourcing requirements through new environmental and traceability frameworks, most notably the Ecodesign for Sustainable Products Regulation (ESPR).

The New Reality of European Sourcing

The ESPR framework is expected to increase requirements related to:

- Supply-chain traceability.
- Sustainable sourcing.
- Chemical safety compliance.
- Product lifecycle transparency.
- Circular economy standards.
- Environmental reporting and disclosure.

As a result, access to European markets will increasingly depend not only on price competitiveness but also on a supplier's ability to demonstrate end-to-end compliance and transparency. Many small and fragmented manufacturers may struggle to meet these requirements due to limited investments in environmental infrastructure, traceability systems, wastewater treatment facilities, and certification programs.

Global Supply Chain Realignment and the MMF Opportunity

The FTAs are arriving at a time when global apparel supply chains are undergoing a significant structural shift.

The China+1 Trend

Global retailers are actively diversifying sourcing away from China to reduce geopolitical and supply-chain concentration risks. This "China+1" strategy is creating opportunities for alternative manufacturing destinations that can offer scale, compliance, reliability, and competitive pricing.

India is emerging as a potential beneficiary of this trend, particularly as international buyers seek large, diversified sourcing partners capable of handling complex compliance requirements.

The Man-Made Fiber (MMF) Imperative

Historically, India's textile ecosystem has been heavily concentrated in cotton-based products. However, global apparel demand is increasingly shifting toward man-made fibers, particularly in categories such as:

- Outerwear
- Activewear
- Performance apparel
- Winter wear
- Technical textiles

Expanding MMF capabilities will therefore be critical for Indian manufacturers seeking to capture a larger share of global apparel demand.

Why KGL Is Uniquely Positioned to Benefit

As the global apparel supply chain undergoes this transformation, KGL appears well positioned to capitalize on the opportunities created by both trade liberalization and supply-chain diversification.

The Traceability Advantage in the ESG Era

European sourcing decisions are increasingly being driven by traceability, sustainability, and compliance. KGL's vertically integrated manufacturing model provides end-to-end visibility across the production process, from fabric manufacturing through finished garments. This level of control supports product traceability, quality assurance, and compliance with increasingly stringent global sourcing standards.

The company's established certifications and quality-control systems provide additional credibility when engaging with retailers that prioritize sustainability and responsible sourcing. As regulatory scrutiny intensifies, these capabilities may become an increasingly important competitive differentiator relative to fragmented manufacturers that rely heavily on outsourced production.

Product Diversification Through MMF Expansion

KGL's Telangana expansion represents a significant strategic shift beyond its traditional infant cotton apparel franchise. The new facilities are being configured to support:

- Polyester garments.
- Blended-fabric apparel.
- Polar fleece.
- Micro-fleece.
- Outerwear and value-added apparel categories.

This diversification directly addresses some of the largest apparel categories within the European and UK markets and expands the company's addressable market beyond infant wear. By combining tariff parity, expanded MMF capabilities, vertical integration, and strong compliance credentials, KGL is positioning itself to participate in the next phase of growth in global apparel sourcing.

The India–UK FTA and the prospective India–EU FTA should not be viewed merely as tariff-reduction events. Rather, they represent catalysts that could accelerate a broader reallocation of global sourcing toward compliant, large-scale, integrated manufacturers.

For KGL, the convergence of four structural trends—trade liberalization, China+1 sourcing diversification, ESG-driven procurement, and MMF expansion—creates a potentially powerful growth opportunity. If management executes successfully, the company could emerge as a meaningful beneficiary of the evolving global apparel supply-chain landscape.

One Company, One Platform: Simplifying Structure, Amplifying Growth

Synergy at Scale: Creating a Unified Global Apparel Platform

KGL is undertaking a transformative corporate restructuring aimed at consolidating the promoter group's textile and apparel operations under a single listed entity. The Board has approved a Scheme of Arrangement for the demerger of the Textile Business Division of Kitex Childrenswear Limited (KCL), an unlisted promoter group company, into KGL. The transaction is expected to simplify the group structure, eliminate operational overlaps, and create a larger, more efficient apparel manufacturing platform capable of servicing global retailers at scale.

Transaction Overview

Under the approved scheme, the Textile Business Division of KCL, which is engaged in the manufacturing of premium infant wear and childrenswear, will be transferred to KGL as a going concern.

As consideration, KGL will issue 9,706 equity shares of ₹1 face value for every 100 equity shares held in KCL. Consequently, KGL will issue approximately 92.2 million new equity shares, resulting in an expansion of its capital base.

The transaction consolidates two businesses that have historically operated with substantial operational interdependencies, including job work arrangements, factory leasing agreements, and fabric procurement transactions. Furthermore, both entities held joint investments in strategic subsidiaries and overseas ventures, including Kitex Apparel Parks Limited (KAPL) and Kitex USA LLC.

Upon completion of the demerger, all assets and liabilities associated with KCL's Textile Business Division—including plant and machinery, intellectual property, tax assets, exemptions, licenses, and other business rights—will vest with KGL. KCL's investments in KAPL and Kitex USA LLC will also be transferred, thereby streamlining the ownership structure and improving governance transparency. Any residual Land and Building, non-textile assets and investments will remain within KCL.

Exhibit 294: Pre-merger corporate structure:

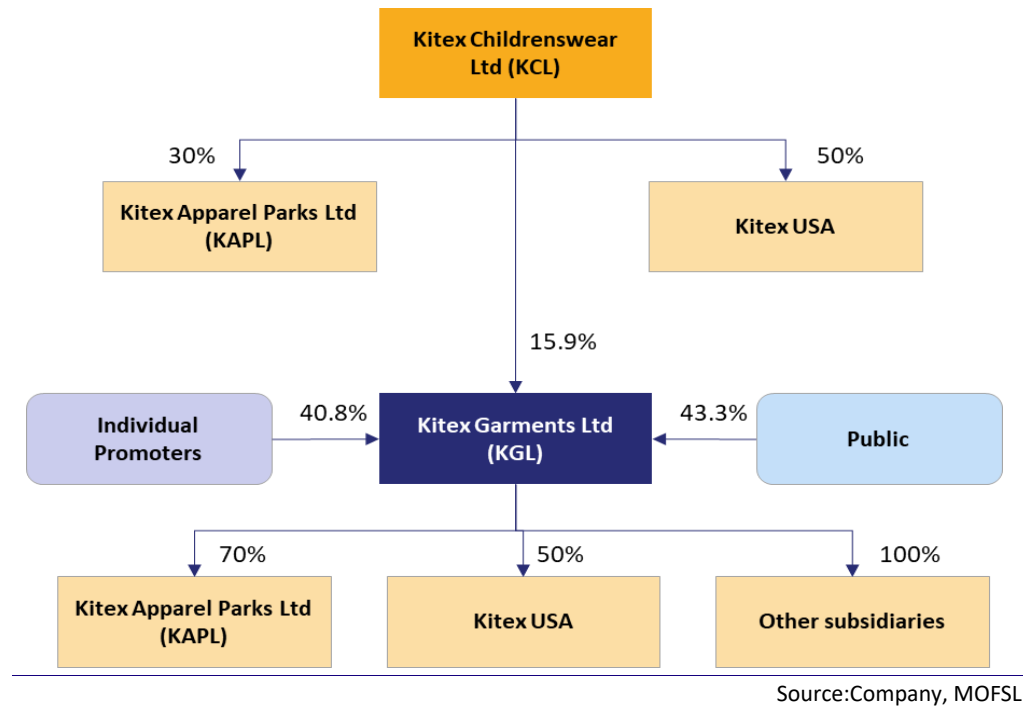
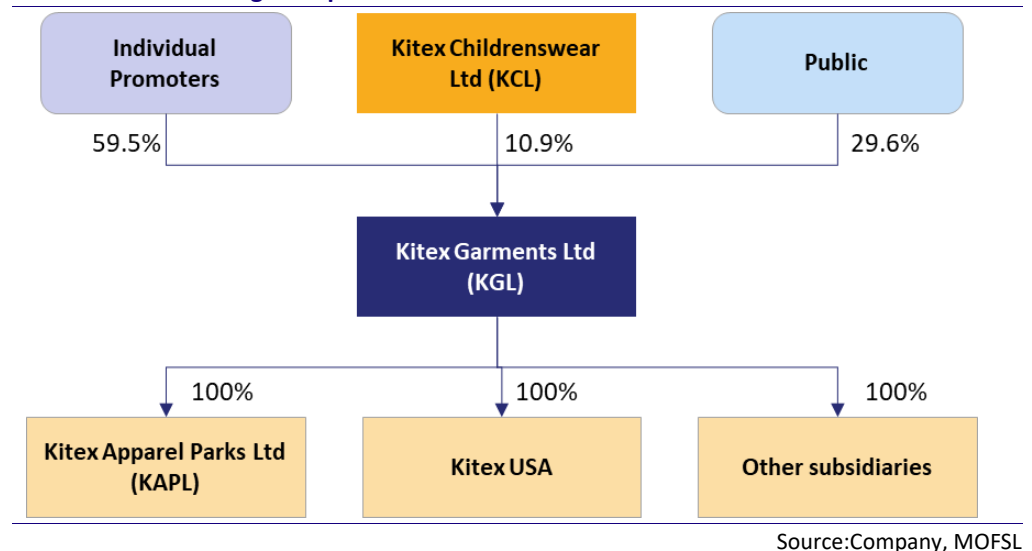


Exhibit 295: Post-merger corporate structure:



Strategic Rationale and Synergy Benefits

(i) Meaningful Scale Enhancement.

KCL brings an installed production capacity of approximately 430,000 garments per day. The integration of this capacity with KGL's existing operations significantly enlarges the manufacturing footprint, creating one of the largest integrated infant apparel platforms globally. The combined entity is expected to benefit from superior capacity utilization, improved production planning, and enhanced operating leverage.

(ii) Operational Simplification and Efficiency Gains

The merger eliminates related-party operational arrangements and integrates manufacturing activities within a single corporate structure. This simplification is expected to improve resource allocation, reduce administrative complexities, strengthen internal controls, and enable more efficient decision-making across the value chain.

(iii) Stronger Balance Sheet and Customer Proposition

A larger consolidated entity with greater manufacturing capacity, enhanced asset ownership, and a simplified group structure is likely to improve KGL's positioning with global retailers. The merged platform will be better equipped to participate in large-scale sourcing programs and benefit from the ongoing vendor consolidation trend among international apparel buyers.

(iv) Focused Capital Allocation and Risk Reduction

By segregating textile operations from non-core promoter assets, management can focus exclusively on scaling the apparel business. This sharper strategic focus is expected to improve capital allocation discipline, strengthen operational accountability, and reduce structural complexity for investors.

(v) Consolidation of Strategic Investments

The transfer of KCL's stakes in Kitex Apparel Parks Limited and Kitex USA LLC into KGL creates a cleaner holding structure and improves visibility over the group's domestic expansion initiatives and international distribution capabilities.

(vi) Improved Corporate Governance and Structural Transparency

Historically, Kitex Garments and Kitex Childrenswear operated through a closely integrated business model involving related-party transactions such as job work arrangements, factory leasing agreements, fabric sales, and shared investments in subsidiaries and overseas ventures. While operationally efficient, the structure created complexity in evaluating the economic contribution of each entity and often raised investor concerns regarding capital allocation and related-party dealings.

The proposed demerger substantially simplifies the group structure by consolidating the core textile and apparel operations within a single listed entity. Following the transaction, a significant portion of the inter-company transactions and cross-holdings will be eliminated, resulting in a clearer ownership structure, streamlined reporting, and enhanced visibility into the financial performance of the consolidated business.

From an institutional investor perspective, the restructuring is expected to strengthen corporate governance standards through:

- Reduction in related-party transactions and operational dependencies.
- Greater transparency in financial reporting and profitability assessment.
- Improved alignment between minority and promoter shareholder interests.
- Enhanced oversight by the Board and public market investors.
- Simplified organizational structure that is easier to understand and value.
- Better comparability with global listed apparel manufacturers.

Key Risks

Customer & Geographic Concentration:

KGL remains heavily dependent on the US market, making it vulnerable to economic slowdowns, changing trade policies, and potential tariff increases that could impact demand and competitiveness.

European Non-Tariff Barriers Risk

Expansion into the EU and UK markets requires adherence to stringent ESG, sustainability, and traceability standards. Failure to meet these requirements could restrict market access.

Supply Chain & Input Cost Volatility:

The company faces risks from fluctuations in cotton, yarn, dye, energy, and freight costs, while geopolitical disruptions in key shipping routes could increase logistics expenses and delivery timelines.

Execution and Leverage Risk

KGL's large-scale Telangana expansion involves significant execution challenges, including workforce recruitment and operational ramp-up. The project's debt-funded structure also increases financial risk through higher interest obligations.

ESG initiatives



Environment

- KGL strengthened its sustainability performance in FY25 through significant reductions in water consumption, greenhouse gas emissions, and air pollutants. Advanced water treatment systems, rainwater harvesting, and a Zero Liquid Discharge mechanism enhanced water efficiency, while lower Scope 1 emissions and improved emission intensity reflected greater operational sustainability. The company also reduced NOx, SOx, and particulate emissions and remained fully compliant with all environmental regulations.

Social

- KGL places strong emphasis on employee development through role-specific training in technical, compliance, quality, and personal development areas. The company maintains high workplace safety standards, with all employees receiving annual health and safety training, comprehensive on-campus healthcare and welfare facilities, regular risk assessments, and a zero-fatality, zero-LTIFR safety record in FY25.

Governance

- Certified under WRAP, GOTS, OEKO-TEX Standard 100 Class I, SQP, SCAN and Workplace Conditions Assessment. Ensures full supply chain traceability and ethical sourcing for global customers

Company Background

KGL is one of the world's largest infant apparel manufacturers and a leading exporter of infant and children's garments from India. Established in 1992, the company serves major global retailers and brands, including Carter's, Gerber Childrenswear, Walmart, Amazon, and The Children's Place, leveraging its strong reputation for quality, compliance, and execution.

KGL operates a vertically integrated manufacturing model covering fabric processing, garment production, finishing, and packaging, enabling superior quality control, operational efficiency, and cost competitiveness. The company has also invested in automation, sustainability, and compliance systems to meet evolving global sourcing requirements.

To drive future growth, KGL is undertaking a large-scale capacity expansion in Telangana, aimed at significantly increasing production and strengthening its position in global apparel sourcing. Additionally, the proposed merger of KGL Childrenswear Limited's textile business into KGL is expected to enhance scale, streamline operations, improve governance, and create a stronger integrated apparel platform for servicing global retailers.

Management Team

Exhibit 296: Management Team

Leader	Role	Experience
Mr. Sabu M. Jacob	Chairman & Managing Director	❖ Sabu M Jacob is the founder and CMD of KGL since its incorporation in 1992. He holds a degree in Economics from Union Christian College, Aluva. With over four decades of experience in the textile and apparel industry, under his stewardship, Kitex has grown into one of the largest infant garment manufacturer, serving Carter's, Gerber, Walmart, Amazon, Target and Sam's Club.
Mrs. Sindhu Chandrasekharan	Whole-Time Director & Asst. VP (Finance)	❖ Sindhu Chandrasekharan serves as Executive (Whole-Time) Director and Assistant VP – Finance at KGL. She has over a decade of experience on the Board. She plays a key role in operational oversight, financial governance and strategic finance within the Kitex Group ecosystem across its Kerala and Telangana operations. She is a member of the Risk Management Committee and Stakeholders Relationship Committee.
CA Boby Michael	Chief Financial Officer (CFO)	❖ Boby Michael is the Chief Financial Officer of KGL and the designated BRSR. A Chartered Accountant by qualification, he oversees treasury, financial reporting, investor relations and group-wide compliance. He has approximately 12 years of tenure with the Company.

Source: Company, MOFSL

SWOT analysis

- ❖ Strong domain expertise in a niche segment characterized by high entry barriers, stringent quality requirements, and strong customer retention.
- ❖ Long-Standing Relationships with Global Retailers
- ❖ Strong Compliance and Quality-Control Moat
- ❖ Vertically Integrated Manufacturing Model

S

STRENGTH



- ❖ Historically High Dependence on the US Market
- ❖ Customer Concentration Risk
- ❖ Limited Experience in B2C Retail
- ❖ Large Execution Risk from Telangana Expansion

W

WEAKNESS



- ❖ Expansion into Larger Apparel Categories
- ❖ India-UK and Potential India-EU FTAs
- ❖ China+1 Sourcing Shift
- ❖ ESG and Traceability Requirements
- ❖ Man-Made Fiber (MMF) Opportunity
- ❖ Massive Capacity Expansion

O

OPPORTUNITY



- ❖ Trade and Tariff Risks
- ❖ Intense Global Competition
- ❖ Raw Material Volatility
- ❖ Regulatory and ESG Compliance Costs
- ❖ Global Economic Slowdowns

T

THREATS



Financials and Valuations

Consolidated - Income Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Net Sales	7,392	4,554	7,883	5,570	6,169	9,828	6,669
Change (%)		-38	73	-29	11	59	-32
Gross Profit	4,177	2,605	4,209	2,925	3,618	5,604	3,334
Total Expenses	6,071	3,551	6,176	4,961	5,164	7,820	6,386
EBITDA	1,322	1,003	1,707	609	1,005	2,008	284
EBITDAM (%)	18	22	22	11	16	20	4
Deprn. & Amortization	265	231	214	212	207	157	446
EBIT	1,057	772	1,493	397	798	1,850	-162
Net Interest	70	26	36	45	73	140	452
Other Income	392	43	269	441	142	185	523
PBT bef. EO Exp.	1,379	789	1,726	793	867	1,895	-91
EO Items	0	0	0	0	0	0	175
PBT after EO Exp.	1,379	789	1,726	793	867	1,895	84
Tax	345	247	475	223	309	538	216
Rate (%)	25	31	28	28	36	28	257
Minority and Associates	-6	-5	-4	-3	-2	-1	0
Reported PAT	1,040	548	1,255	572	560	1,358	-132
Change (%)	NA	-47	129	-54	-2	142	-NM
Adjusted PAT	1,034	543	1,251	569	558	1,357	-32
Change (%)	NA	-47	131	-55	-2	143	-NM

Consolidated – Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Share Capital	67	67	67	67	67	200	200
Reserves	6,347	6,891	8,055	8,517	8,979	10,130	10,099
Net Worth	6,414	6,958	8,122	8,583	9,046	10,330	10,298
Minority Interest	0	0	0	1,184	1,275	1,768	2,090
Total Loans	961	0	731	250	6,812	10,825	11,994
Capital Employed	7,375	6,958	8,852	10,017	17,133	22,923	24,382
Gross Block	3,295	3,465	3,830	4,249	4,257	4,259	13,804
Less: Accum. Deprn.	959	1,190	1,399	1,611	1,816	1,941	2,387
Net Fixed Assets	2,336	2,274	2,431	2,638	2,442	2,317	11,417
Capital WIP	206	201	116	2,922	8,860	13,913	9,464
Total Investments	0	0	0	0	1	1	1
Curr. Assets	5,808	5,399	7,389	5,780	7,949	9,635	9,539
Inventory	1,303	1,343	1,545	1,169	1,641	1,907	1,509
Account Receivables	2,516	1,776	3,142	2,035	2,568	3,395	1,246
Cash	945	1,043	1,079	455	498	394	1,144
Other current assets	1,044	1,236	1,623	2,121	3,242	3,939	5,639
Curr. Liability & Prov.	976	917	1,084	1,322	2,118	2,943	6,038
Account Payables	473	413	616	418	551	774	554
Other Current Liabilities	368	358	334	784	1,427	2,007	5,323
Provisions	134	145	134	120	140	162	161
Net Current Assets	4,832	4,482	6,305	4,457	5,831	6,692	3,500
Appl. of Funds	7,375	6,958	8,852	10,017	17,133	22,923	24,382

Financials and Valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Basic (INR)							
EPS	15.5	8.2	18.9	8.6	8.4	6.8	-0.7
Cash EPS	19.5	11.6	22	11.7	11.5	7.6	2.1
BV/Share	96.4	104.6	122.1	129.1	136	51.8	51.6
DPS	3	0	1.5	1.5	1.5	0.5	0.5
Payout (%)	19	36	8	17	18	7	NA
Return Ratios (%)							
EBITDA Margin (%)	18	22	22	11	16	20	4
Net Profit Margin (%)	14	12	16	10	9	14	-2
RoE	16.1	8.1	16.6	6.8	6.3	14.0	NM
RoCE (Post tax)	14.7	7.8	14.4	6.8	3.8	7.9	NM
RoIC (Post tax)	12.7	8.9	16.2	4.0	7.1	16.2	2.3
Working Capital Ratios							
Fixed Asset Turnover (x)	2.2	1.3	2.1	1.3	1.4	2.3	0.5
Asset Turnover (x)	1	0.7	0.9	0.6	0.4	0.4	0.3
Inventory (Days)	148	252	154	161	235	165	165
Debtor (Days)	124	142	145	133	152	126	68
Payable (Days)	54	77	61	58	79	67	61

Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26
OP/(Loss) before Tax	1,379	789	1,726	793	867	1,895	84
Depreciation	265	231	214	212	207	157	446
Interest & Finance Charges	70	25	36	45	73	140	452
Direct Taxes Paid	-525	-198	-492	-288	-249	-500	-302
(Inc)/Dec in WC	-519	384	-1,428	2,218	-1,223	-1,199	3,431
CF from Operations	670	1,232	56	2,979	-324	494	4,110
Others	-158	-71	-155	-25	-59	49	-653
CF from Operating incl EO	512	1,161	-99	2,953	-383	543	3,458
(Inc)/Dec in FA	-291	-95	-269	-4,160	-6,169	-5,049	-3,279
Free Cash Flow	221	1,066	-368	-1,207	-6,551	-4,506	179
(Pur)/Sale of Investments	0	0	0	0	0	574	0
Others	4	11	-212	21	95	-72	-133
CF from Investments	-286	-84	-481	-4,139	-6,074	-4,547	-3,412
Issue of Shares	0	0	0	1,200	32	0	514
Inc/(Dec) in Debt	61	-961	731	-480	6,613	4,133	1,209
Interest Paid	-71	-25	-32	-49	-46	-130	-988
Dividend Paid	-239	-1	-100	-101	-100	-100	-99
CF from Fin. Activity	248	-988	599	570	6,499	3,902	636
Inc/Dec of Cash	-23	89	19	-616	42	-102	681
Opening Balance	941	945	1,043	1,079	455	498	394
Foreign Currency Difference	27	9	16	8	1	3	69
Net Closing Balance	945	1,043	1,079	455	498	394	1,144

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

RECENT STRATEGY/THEMATIC REPORTS

motilal oswal Financial Services
India Strategy April 2026

India Equities: Steering through the Strait

Garfani Duggal - Research Analyst (Garfani.Duggal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/indiaequities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
India Strategy January 2026

Strong Edifice, Missing Capstone!

Garfani Duggal - Research Analyst (Garfani.Duggal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/indiaequities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
India Strategy October 2025

Reform. Resilience. Revery!

Garfani Duggal - Research Analyst (Garfani.Duggal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/indiaequities, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
Healthcare | BPO Thematic | December 2025

Regulation + Staff Shortages + Rising Costs → Outsourcing

Ching Sankhadia - Research Analyst (Ching.Sankhadia@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/healthcare, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
Building Products Thematic | November 2025

Cyclical pause | Solid foundation

Ashish Parashar - Research Analyst (Ashish.Parashar@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/buildingproducts, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
Consumer | Luggage Thematic | September 2025

Travel, mobility, and aspirations unlock Luggage 2.0!

Ashish Parashar - Research Analyst (Ashish.Parashar@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/consumer, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
Technology: Auto ER&D Thematic | July 2025

An incomplete revolution

Ashish Parashar - Research Analyst (Ashish.Parashar@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/technology, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
Plastic Pipes Thematic | April 2025

Change is the only Constant!

Daksh Kumar - Research Analyst (Daksh.Kumar@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/plasticpipes, Bloomberg, Thomson Reuters, Factset and I&P Capital.

motilal oswal Financial Services
Financials Thematic | April 2025

The Changing Face of BFSI

Nitin Agarwal - Research Analyst (Nitin.Agarwal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.
 Motilal Oswal research is available on www.motilaloswal.com/financials, Bloomberg, Thomson Reuters, Factset and I&P Capital.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH00000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH00000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL .

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies).
MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.

5. Research Analyst has not served as an officer, director or employee of subject company(ies).
6. MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
7. MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.
8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
10. MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of

Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.