07 November 2026
2QFY27 Results Update | Sector: Textile

Vardhman Textiles

Estimate change	
TP change	
Rating change	

Bloomberg	VTEX IN
Equity Shares (m)	290
M.Cap.(INRb)/(USDb)	147.3 / 1.6
52-Week Range (INR)	688 / 391
1, 6, 12 Rel. Per (%)	-17/-19/20
12M Avg Val (INR M)	329
Free float (%)	34.9

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	98.7	111.9	120.0
EBITDA	12.4	21.5	19.2
EBITDA (%)	12.6	19.2	16.0
Adj. PAT	7.5	13.7	12.0
EPS (INR)	26.2	48.0	42.1
EPS Gr.%	(15.7)	83.3	(12.4)
BV/Sh. (INR)	369.4	407.8	441.5
Ratios			
Net D/E	0.2	0.1	0.1
RoE (%)	7.3	12.4	9.9
RoCE (%)	4.7	9.0	7.1
Payout (%)	19.1	20.0	20.0
Valuations			
P/E (x)	19.4	10.6	12.1
P/B (x)	1.4	1.2	1.2
EV/EBITDA (x)	13.1	7.3	8.1
Div. yield (%)	1.0	1.9	1.7

Shareholding pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	65.1	65.1	64.2
DII	14.2	14.7	16.4
FII	6.4	6.1	5.8
Others	14.3	14.2	13.6

CMP: INR509 **TP: INR570 (+12%)** **Neutral**

Robust growth led by yarn; margin expansion continues

Vardhman Textiles (VTEX)'s revenue grew 15.5% YoY to INR28.7b in 2QFY27, led by strong growth in the yarn portfolio (+26% YoY), driven by higher realizations (+24% YoY) and stable volumes. Gross margin expanded by a robust 460bp YoY to 49.8%, while EBITDA margin improved 610bp YoY to 19.6%. Spinning utilization remained close to 100%, supported by improving domestic and export demand. Management expects gains from lower-cost cotton inventory to moderate as fresh procurement takes place at higher prices. Further, fabric demand remained subdued due to lower export volumes, pricing pressure and higher input costs. Management expects fabric performance to improve over the next 6-9 months.

Yarn segment drives revenue; fabric business faces near-term challenges

VTEX's revenue grew 15.5% YoY to INR28.7b in 2QFY27, driven by the yarn portfolio, while fabric revenue remained weak. Yarn revenue increased 26% YoY to INR20.6b, driven by 24% YoY growth in realizations to INR295/kg, while volumes grew 1.5% YoY. Spinning utilization remained close to 100%, supported by improving demand over the past six months. Fabric revenue declined 5% YoY to INR8b, as realizations declined 2% YoY and volumes remained subdued. Fabric performance remained challenging due to lower export volumes, domestic pricing pressure and higher input costs (+20% YoY). The order pipeline has started improving, with management expecting better demand over the next 6-9 months. Further, the open-end spinning project of ~50 tonnes/day is expected to be operational over the next 6-7 months, adding ~8% incremental capacity.

Higher yarn realizations, lower-cost cotton inventory drive margins

In 2QFY27, gross margin expanded 460bp YoY to 49.8%, supported by higher yarn realizations and gains from lower-cost cotton inventory procured last year. EBITDA grew 67.8% YoY to INR5.6b, with EBITDA margin expanding 610bp YoY to 19.6%. Management expects these inventory-related gains to moderate as fresh cotton procurement takes place at higher prices. Meanwhile, fabric profitability remains under pressure due to higher yarn costs and limited pricing pass-through. Management expects long-term EBITDA margins of 16-20%, supported by higher value-added products, operational efficiencies and modernization.

Valuation and view: Reiterate Neutral

We expect VTEX's yarn business to scale up and clock a ~10% CAGR over FY26-28, led by higher realizations, while the garment segment is expected to clock a ~50% CAGR over FY26-28, led by the ongoing capacity expansion. We believe VTEX's margins are likely to improve in FY27, supported by a favorable cotton-yarn spread. However, we do not expect VTEX to sustain this spread benefit in FY28. We expect revenue/EBITDA/APAT to clock a CAGR of 10/24/27% over FY26-28. We revise our earnings estimates and **reiterate our Neutral rating** on the stock with a revised TP of INR570, valuing VTEX at 9x FY28E EV/EBITDA (earlier TP INR600). Key risks include high dependence on the cotton-yarn spread and a delay in announced capex (refer to our IC note dated Jun'26).

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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.

Consolidated - Quarterly performance (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	2QFY27E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	**23,857**	**24,801**	**25,053**	**24,980**	**27,031**	**28,657**	**28,059**	**28,201**	**98,691**	**1,11,948**	*28,025*	*2.3*
YoY Change (%)	*3.3*	*-0.9*	*1.6*	*-0.4*	*13.3*	*15.5*	*12.0*	*12.9*	*0.9*	*13.4*	*13.0*	
Gross Profit	**10,766**	**11,214**	**10,764**	**11,485**	**12,862**	**14,272**	**14,030**	**14,250**	**44,230**	**55,414**	*13,396*	
Total Expenditure	20,600	21,457	22,210	22,039	22,295	23,045	22,464	22,650	86,304	90,454	*22,913*	
EBITDA	**3,257**	**3,344**	**2,844**	**2,941**	**4,736**	**5,611**	**5,595**	**5,551**	**12,386**	**21,494**	*5,112*	*9.8*
Margin (%)	*13.7*	*13.5*	*11.3*	*11.8*	*17.5*	*19.6*	*19.9*	*19.7*	*12.6*	*19.2*	*18.2*	
Depreciation	1,094	1,141	1,183	1,226	1,263	1,286	1,300	1,277	4,645	5,126	*1,265*	*1.6*
Interest	225	206	262	232	231	258	202	68	925	759	*180*	*43.2*
Other Income	703	368	585	579	781	534	580	564	2,235	2,458	*800*	*-33.3*
PBT before EO items	**2,641**	**2,365**	**1,983**	**2,062**	**4,022**	**4,602**	**4,673**	**4,770**	**9,051**	**18,067**	*4,467*	
Extraordinary Loss	0	0	0	0	0	0	0	0	0	0	*0*	
PBT	**2,641**	**2,365**	**1,983**	**2,062**	**4,022**	**4,602**	**4,673**	**4,770**	**9,051**	**18,067**	*4,467*	*3.0*
Tax	684	610	451	274	1,035	1,184	1,168	1,129	2,019	4,517	*969*	*22.1*
Rate (%)	*25.9*	*25.8*	*22.8*	*13.3*	*25.7*	*25.7*	*25.0*	*23.7*	*22.3*	*25.0*	*21.7*	
JV and Associates	121	115	132	59	111	153	0	0	421	111	*0*	
Reported PAT	**2,077**	**1,870**	**1,663**	**1,847**	**3,098**	**3,570**	**3,505**	**3,640**	**7,453**	**13,661**	*3,498*	*2.1*
Adj PAT	**2,077**	**1,870**	**1,663**	**1,847**	**3,098**	**3,570**	**3,505**	**3,640**	**7,453**	**13,661**	*3,498*	*2.1*
YoY Change (%)	*-12.9*	*-5.0*	*-21.0*	*-22.6*	*49.2*	*90.9*	*110.7*	*97.1*	*-15.6*	*83.3*	*87.0*	
Margin (%)	*8.7*	*7.5*	*6.6*	*7.4*	*11.5*	*12.5*	*12.5*	*12.9*	*7.6*	*12.2*	*12.5*	

Exhibit 1: Changes to our estimates (INR m)

INR m	Old		New		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	1,08,121	1,13,960	1,11,948	1,19,975	3.5	5.3
EBITDA	16,975	18,234	21,494	19,196	26.6	5.3
EBITDA margin %	*15.7*	*16*	*19.2*	*16.0*		
PAT	11,404	12,407	13,661	11,971	19.8	-3.5
EPS	40.1	43.6	48.0	42.1	19.8	-3.5

Source: MOFSL, Company



Key takeaways from the management commentary

Cotton Situation

- Global cotton prices increased to 79-82 US cents/lb from 64-65 cents/lb, pushing Indian cotton prices to INR64,000-65,000/candy from INR54,000-55,000/candy, further impacted by rupee depreciation.
- New-season cotton prices are expected at INR64,000-66,000/candy, with domestic production estimated at 28-29m bales against consumption of 35-36m bales.
- Duty-free cotton imports have been extended until 31 Dec'26; however, the 35-50-day shipping time from Brazil and the US may limit the benefit.
- CCI intervention is unlikely at current prices, with cotton trading ~INR9,000/quintal above MSP; a sharp global price correction could trigger procurement.

Spinning Business

- Spinning utilization remained close to 100%, with yarn demand improving over the past six months, supported by strong export demand and better domestic realizations.
- Yarn price improvement was driven by both demand-led recovery and higher cotton costs, enabling mills to pass on raw-material inflation to customers.
- Performance was further supported by lower-cost cotton inventory procured at INR54,000-55,000/candy versus current prices of INR64,000-65,000/candy, resulting in trading gains. Duty-free imports during the earlier window also provided additional benefits.
- Management expects the trading gains from lower-cost cotton inventory to moderate going forward, as new-season cotton procurement will be at higher prices. However, yarn prices are expected to remain stable unless cotton prices decline meaningfully.
- Current yarn-to-cotton conversion spreads are comparable to 2Q levels, with management indicating a sustainable conversion range of USD0.80-0.90/lb versus the stressed level of around USD0.60/lb witnessed last year.
- Chinese demand for Indian yarn has remained strong since Nov-Dec'25.
- Chinese mills are increasingly sourcing yarn from India as domestic cotton prices remain elevated at around USD1/lb, while sourcing from Xinjiang also carries compliance risks due to restrictions imposed by the US and other countries.
- Bangladesh accounts for around 30-35% of India's total yarn exports of approximately 110m kg/month, with a similar contribution to the company's exports. Despite periodic labor-related disruptions and wage-related concerns, management has not seen any meaningful change in overall demand.

Fabric Business

- Fabric business performance remained challenging in 2Q, with lower revenue and profitability YoY and QoQ, impacted by lower export volumes, domestic pricing pressure, higher input costs and underutilization of recently commissioned processing capacity.
- Input costs increased around 20% YoY, largely due to higher yarn prices, while intense competition and weak end-product pricing limited the company's ability to fully pass on the cost increases.
- Export volumes remained below last year as tariff uncertainty in the US led customers to postpone orders and sourcing decisions, resulting in the company missing certain sampling cycles and subsequent bulk conversions.
- The order pipeline has started improving, with management expecting better demand over the next 6-9 months. The company is also focusing on maximizing spring/summer bookings and expanding its customer base across Europe and Australia, while continuing to pursue US opportunities.

- Processed fabric capacity in the natural fabrics business has expanded by over 25%. Utilization has improved from 70-75% in 2Q to around 80% currently, with management targeting 90-95% over the next few quarters.
- At 90-95% utilization versus 70-75% in 2Q, the existing capacity offers potential volume growth of around 25%, assuming demand recovery.
- Management highlighted that price increases in existing products are difficult to pass on, as brands generally maintain retail prices. Cost inflation is therefore recovered gradually through new product launches and changes in product specifications over the next 3-4 years.

Synthetic/Technical Textiles

- Performance fabrics business, commissioned in Mar'26, continued to focus on sampling, customer approvals, audits and operational stabilization during 2Q.
- The company has onboarded a few leading sportswear and outdoor customers and secured approvals from two customers, with initial orders already commencing. Capacity utilization has reached around 35-40%, with breakeven expected at approximately 50%.
- Management expects the business to turn operating positive in 2HFY27, with utilization targeted to reach 100% over the next 6-8 months.
- As utilization improves, the company plans to move towards higher value-added products such as coated nylon, coated polyester and other performance fabrics. Further capacity expansion will be evaluated after achieving stable utilization and the desired product mix.

Garment Business

- Garmenting business currently operates at around 7,000 shirts/day, generating revenue of ~INR1.5b. After operating at a relatively small scale for 15 years, the company had decided to double existing capacity following improvement in customer quality, product mix and profitability.
- The company aims to improve EBITDA margins from the current 7-8% to 13-14% through capacity expansion, modernization and automation. Further expansion at a new location will depend on the success of the current capacity addition.

Capex & Expansion Plans

- The announced open-end spinning project of around 50 tonnes/day is expected to be operational over the next 6-7 months, providing ~8% incremental capacity over the existing base.
- No major spinning capex has been announced for the next two years. However, management indicated that INR4-5b is generally spent annually on modernization and balancing capex.
- A new spinning plant with 100,000 spindles would require an investment of over INR10-12b, while a 200,000-spindle facility could entail investment of around INR25b. A greenfield project typically takes 12-15 months to complete.
- The proposed land allotment at the Madhya Pradesh PM MITRA Park has been delayed by around 8-9 months from the earlier Nov-Dec'26 timeline. Major expansion decisions will be taken after land handover.

Long-term Outlook

- Management expects long-term revenue CAGR of around 5-8%, with growth driven by capacity expansion, value addition in fabrics, garmenting and potential investments at the Madhya Pradesh location.
- Long-term EBITDA margin guidance stands at 16-20%, supported by higher value-added fabric products, operational efficiencies, and modernization.
- Management expects improvement in fabric performance over the next 6-9 months.

Key exhibits

Exhibit 2: Quarterly sales trend

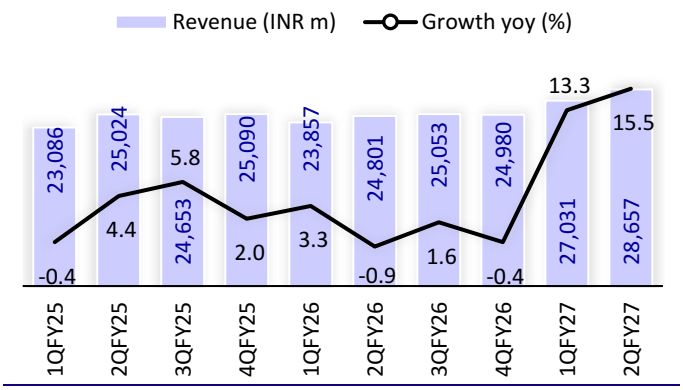


Exhibit 3: Quarterly margin trend

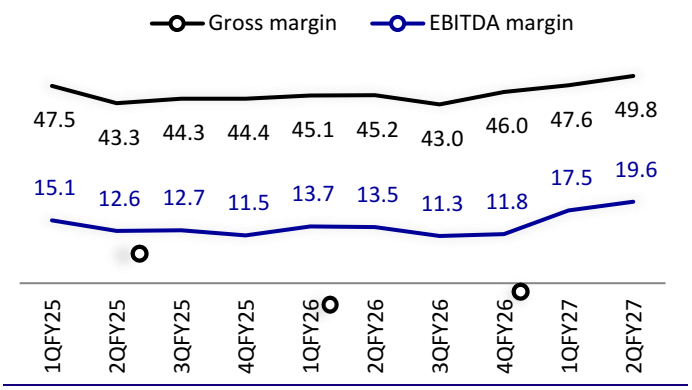


Exhibit 4: Quarterly EBITDA trend

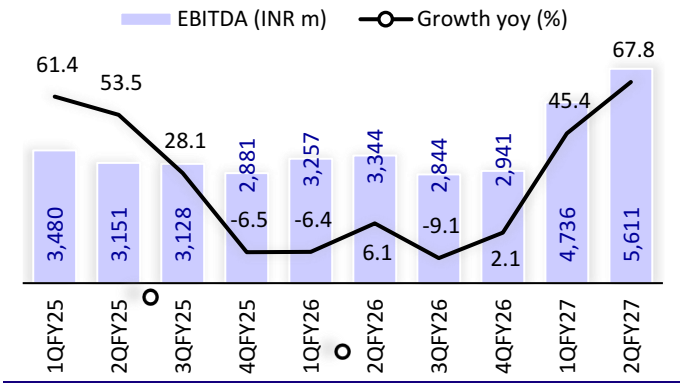


Exhibit 5: Quarterly PAT trend

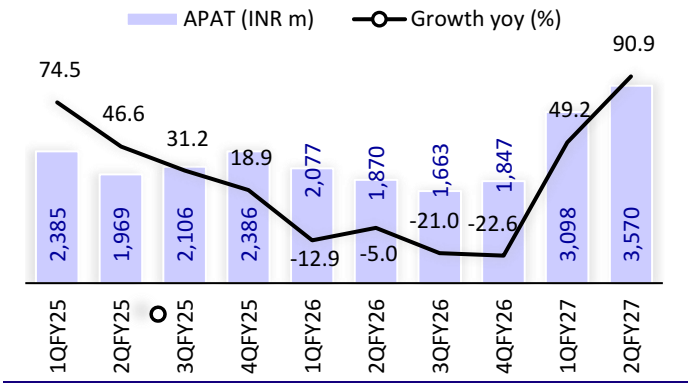


Exhibit 6: Yarn sales volume trend

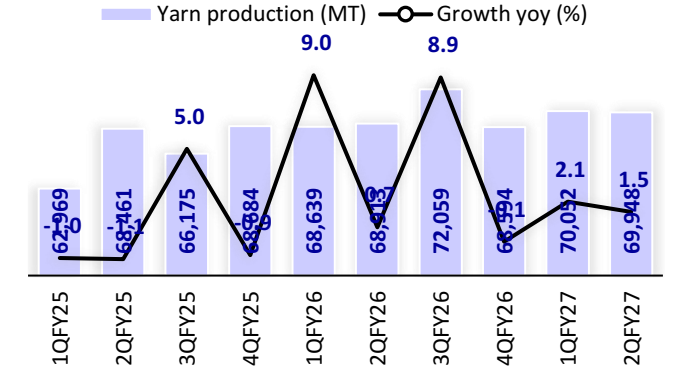


Exhibit 7: Processed sales volume trend

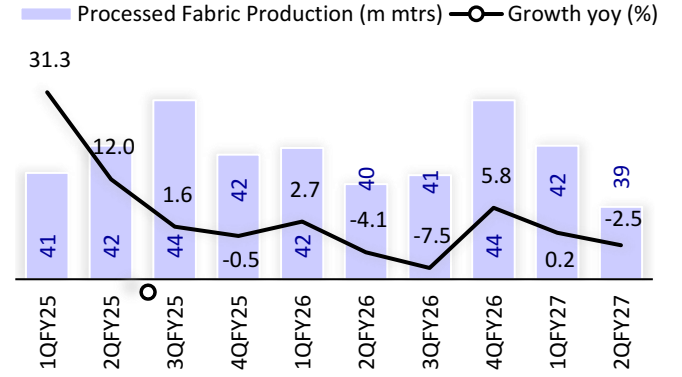


Exhibit 8: Yarn and processed fabric revenue split

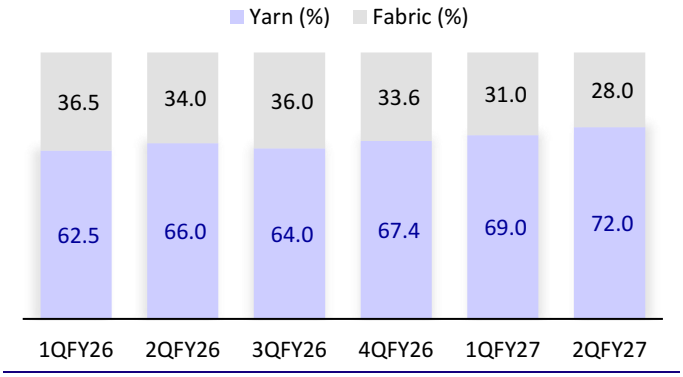


Exhibit 9: Geographical revenue split

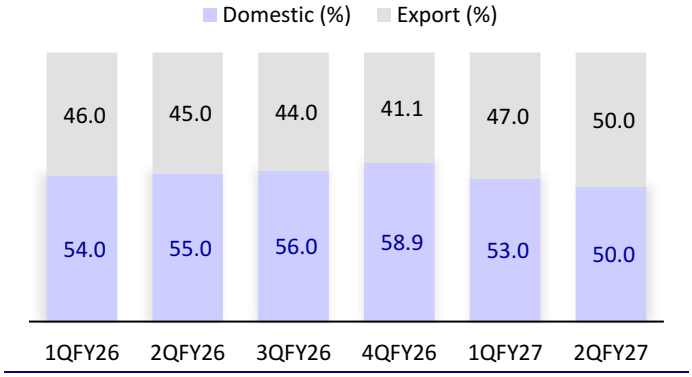
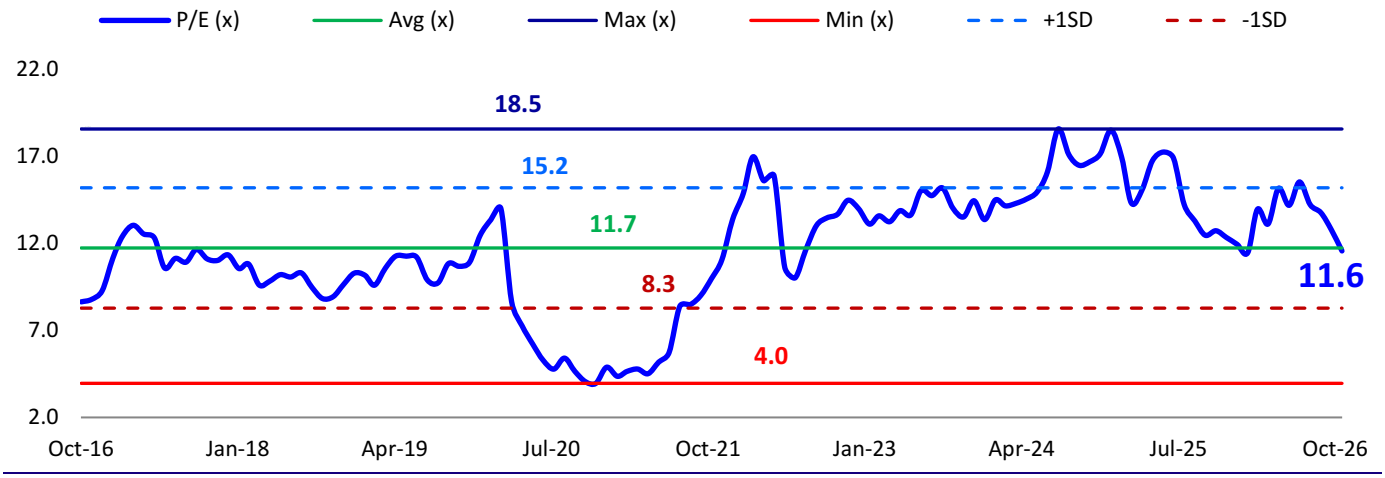


Exhibit 10: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

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**	**1,11,948**	**1,19,975**
Change (%)	*-8.8*	*56.7*	*5.4*	*-6.2*	*2.9*	*0.9*	*13.4*	*7.2*
Gross Profit	**28,794**	**50,616**	**42,076**	**39,109**	**43,835**	**44,230**	**55,414**	**55,788**
Total Expenses	**53,260**	**73,484**	**88,135**	**85,315**	**85,221**	**86,304**	**90,454**	**1,00,779**
EBITDA	**8,138**	**22,739**	**13,240**	**9,732**	**12,628**	**12,386**	**21,494**	**19,196**
EBITDAM (%)	*13.3*	*23.6*	*13.1*	*10.2*	*12.9*	*12.6*	*19.2*	*16.0*
Depn. & Amortization	3,638	3,675	3,944	4,046	4,009	4,645	5,126	5,329
EBIT	**4,500**	**19,064**	**9,296**	**5,686**	**8,619**	**7,741**	**16,368**	**13,867**
Net Interest	1,133	997	1,022	1,023	773	925	759	609
Other income	2,016	2,245	1,920	3,259	3,360	2,235	2,458	2,704
PBT Before EO Exp	**5,383**	**20,312**	**10,194**	**7,923**	**11,206**	**9,051**	**18,067**	**15,962**
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**	**18,067**	**15,962**
Tax	1,364	5,197	2,552	1,982	2,815	2,019	4,517	3,990
Rate (%)	25.3	25.6	25.0	25.0	25.1	22.3	25.0	25.0
Minority and Associates	81	354	310	375	443	421	111	0
Reported PAT	**4,099**	**15,469**	**7,952**	**6,316**	**8,833**	**7,453**	**13,661**	**11,971**
Change (%)	-29	277	-49	-21	40	-16	83	-12
Adjusted PAT	**4,099**	**15,469**	**7,952**	**6,316**	**8,833**	**7,453**	**13,661**	**11,971**
Change (%)	*-29.0*	*277.4*	*-48.6*	*-20.6*	*39.9*	*-15.6*	*83.3*	*-12.4*

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	1,15,497	1,25,074
Net Worth	**64,739**	**77,038**	**85,634**	**91,001**	**98,960**	**1,05,137**	**1,16,066**	**1,25,643**
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	15,185	12,185
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**	**1,35,686**	**1,42,263**
Gross Block	53,560	56,659	64,942	67,146	74,443	88,527	98,872	1,04,796
Less: Accum. Deprn.	18,170	21,717	25,568	29,456	32,938	37,584	42,710	48,039
Net Fixed Assets	**35,391**	**34,942**	**39,374**	**37,690**	**41,504**	**50,944**	**56,163**	**56,758**
Capital WIP	780	2,412	510	608	2,519	5,862	1,119	1,200
Investments	10,745	16,911	25,488	16,991	18,436	18,282	18,529	18,783
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**	**66,760**	**73,181**
Inventory	27,961	28,823	23,927	41,799	37,615	36,433	40,485	43,388
Account Receivables	10,387	13,212	11,910	12,203	12,976	13,058	14,415	15,120
Cash	2,115	1,217	3,742	878	890	834	2,904	1,476
Loans and Advances	27	30	38	22	21	18	0	0
Other Current Assets	8,210	9,074	6,828	7,153	6,919	9,329	8,956	13,197
Curr. Liability & Prov.	**8,568**	**8,384**	**6,752**	**6,625**	**8,496**	**10,398**	**10,782**	**11,555**
Account Payables	2,993	3,956	3,599	3,584	4,966	4,968	5,521	5,917
Provisions & Others	5,575	4,429	3,153	3,042	3,530	5,431	5,262	5,639
Net Curr. Assets	**40,132**	**43,972**	**39,693**	**55,429**	**49,925**	**49,272**	**55,978**	**61,626**
Appl. of Funds	**87,702**	**1,01,407**	**1,06,573**	**1,13,182**	**1,15,826**	**1,28,257**	**1,35,686**	**1,42,264**

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	48.0	42.1
Growth (%)	**-29.1**	**275.5**	**-48.6**	**-20.6**	**39.9**	**-15.7**	**83.3**	**-12.4**
Cash EPS	27.4	67.4	41.8	36.4	45.1	42.5	66.0	60.8
BV/Share	228.9	271.1	301.1	319.9	347.9	369.4	407.8	441.5
DPS	51.5	0.0	3.5	4.0	5.0	5.0	9.6	8.4
Payout (%)	355.3	0.0	12.5	18.0	16.1	19.1	20.0	20.0
Valuation (x)								
P/E	35.1	9.3	18.2	22.9	16.4	19.4	10.6	12.1
Cash P/E	18.6	7.6	12.2	14.0	11.3	12.0	7.7	8.4
P/BV	2.2	1.9	1.7	1.6	1.5	1.4	1.2	1.2
EV/EBITDA	19.7	7.2	11.9	16.6	12.4	13.1	7.3	8.1
Return Ratios (%)								
EBITDA Margin (%)	13.3	23.6	13.1	10.2	12.9	12.6	19.2	16.0
Net Profit Margin (%)	6.7	16.1	7.8	6.6	9.0	7.6	12.2	10.0
RoE	6.5	21.8	9.8	7.2	9.3	7.3	12.4	9.9
RoCE (post-tax)	3.6	14.7	6.5	3.4	5.1	4.7	9.0	7.1
RoIC (post-tax)	4.5	18.4	8.8	4.4	6.4	6.0	11.4	8.7
Working Capital Ratios								
Fixed Asset Turnover (x)	1.7	2.8	2.6	2.5	2.4	1.9	2.0	2.1
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	47	46
Payable (Days)	18	15	13	14	19	18	18	18
Cash conversion Cycle (Days)	210	144	116	194	170	165	161	160

Consolidated - Cash flow statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	**5,589**	**20,709**	**10,599**	**8,349**	**11,682**	**9,551**	**18,067**	**15,962**
WC	-6,584	-4,219	7,493	-19,202	4,910	-1,117	-4,636	-7,076
Others	3,135	3,128	3,090	2,427	2,226	4,794	5,237	5,329
Direct taxes (net)	-463	-5,173	-2,653	-2,127	-2,381	-2,148	-4,517	-3,990
CF from Op. Activity	**1,677**	**14,446**	**18,528**	**-10,552**	**16,438**	**11,081**	**14,152**	**10,224**
Capex	-2,430	-5,191	-6,217	-2,840	-10,326	-17,379	-5,603	-6,004
FCFF	**-753**	**9,255**	**12,311**	**-13,392**	**6,112**	**-6,298**	**8,549**	**4,220**
Others	1,271	-3,801	-8,230	13,876	1,410	2,215	-247	-254
CF from Inv. Activity	**-1,159**	**-8,992**	**-14,447**	**11,036**	**-8,916**	**-15,164**	**-5,849**	**-6,258**
Share capital	92	128	30	7	0	46	0	0
Borrowings	-885	-1,491	-3,056	1,139	-5,530	6,169	-3,500	-3,000
Finance cost	-944	-860	-961	-987	-615	-776	0	0
Dividend	-3	-3,492	-5	-1,056	-1,184	-1,458	-2,732	-2,394
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	**-1,740**	**-5,714**	**-3,992**	**-897**	**-7,329**	**3,980**	**-6,232**	**-5,394**
(Inc)/Dec in Cash	**-1,222**	**-260**	**90**	**-413**	**193**	**-102**	**2,070**	**-1,428**
Opening balance	2,149	926	666	756	343	536	433	2,503
Adjustments	0	0	0	0	0	0	0	0
Closing balance	**926**	**666**	**756**	**343**	**536**	**433**	**2,503**	**1,075**

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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

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